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111

Congressional Record

PROCEEDINGS AND DEBATES

OF THE

FIRST SESSION OF THE SEVENTY-THIRD CONGRESS

OF

THE UNITED STATES
OF AMERICA

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OF AMERICA

VOLUME IV - PART 4



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Congressional Record

SEVENTY-THIRD CONGRESS, FIRST SESSION

SENATE

FRIDAY, MAY 12, 1933

(Legislative day of Monday, May 1, 1933)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

MESSAGE FROM THE HOUSE OF REPRESENTATIVES—ENROLLED BILLS SIGNED

The VICE PRESIDENT. The Senate will receive a message from the House of Representatives.

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

H.R. 3835. An act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes; and

H.R. 4606. An act to provide cooperation by the Federal Government with the several States and Territories and the District of Columbia in relieving the hardship and suffering caused by unemployment, and for other purposes.

CALL OF THE ROLL

Mr. LEWIS. Mr. President, I note the absence of a quorum, and move a roll call.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Coolidge	Kendrick	Robinson, Ark.
Ashurst	Costigan	Keyes	Robinson, Ind.
Austin	Couzens	King	Russell
Bachman	Dale	La Follette	Schall
Bailey	Dickinson	Lewis	Sheppard
Bankhead	Dieterich	Logan	Shipstead
Barbour	Dill	Loneragan	Smith
Barkley	Duffy	Long	Steiwer
Black	Erickson	McAdoo	Stephens
Bone	Fess	McCarran	Thomas, Okla.
Borah	Fletcher	McGill	Thomas, Utah
Bratton	Frazier	McKellar	Townsend
Brown	George	McNary	Trammell
Bulkey	Glass	Metcalf	Tydings
Bulow	Goldsborough	Murphy	Vandenberg
Byrd	Gore	Neely	Van Nuys
Byrnes	Hale	Nye	Walsh
Capper	Harrison	Overton	Wheeler
Caraway	Hatfield	Patterson	White
Carey	Hayden	Pope	
Clark	Johnson	Reed	
Connally	Kean	Reynolds	

Mr. LEWIS. I wish to announce that the Senator from New York [Mr. COPELAND] is detained on official matters and will be absent from the Senate today. I ask that this announcement remain for the day.

The VICE PRESIDENT. Eighty-five Senators have answered to their names. A quorum is present.

NOTIFICATION OF CONFIRMATION OF CIVIL SERVICE COMMISSIONERS

Mr. McKELLAR. Mr. President, on Monday, May 8, the nominations of Mrs. Lucille F. McMillin and Mr. Harry B. Mitchell to be members of the Civil Service Commission were confirmed. The Senate has taken recesses from time to time since then, and two legislative days have not as yet expired. As in executive session, I ask unanimous consent

that the President may be notified of the confirmation of these two nominations.

Mr. McNARY. Mr. President, the Senator well knows that I have objected to that procedure for some time, because many Senators have complained to me about it. I will have to object to the request.

The VICE PRESIDENT. Objection is made.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following concurrent resolution of the Legislature of the State of South Carolina, which was referred to the Committee on Education and Labor:

A concurrent resolution (introduced by Senator Nash) requesting the Members of the Federal Congress from South Carolina to use their influence to retain in South Carolina the services of the conservation corps allotted to South Carolina

Whereas the Federal Government has established conservation camps; and

Whereas South Carolina's allotment is 3,500 members of such conservation corps; and

Whereas it will be for the best interest of South Carolina that these men be employed in such work in South Carolina: Now, therefore, be it

Resolved by the senate (the house of representatives concurring), That the South Carolina Senators and Representatives in Congress be, and they hereby are, requested to use their efforts to have all of the South Carolina members of the Conservation Corps retained and employed within this State or that a camp or camps of equal number from other States be established in this State, so that South Carolina may thereby be benefited in the conservation of her timber and forests and so that the funds paid to such conservation corps may be spent within this State; be it further Resolved, That a copy of this resolution be mailed by the clerk of the senate to each member of the South Carolina delegation in the Federal Congress.

Adopted May 4, 1933.

A true copy.

[SEAL]

JAS. H. FOWLES,
Clerk of South Carolina Senate.

The VICE PRESIDENT also laid before the Senate the following concurrent resolution of the Legislature of the State of Texas, which was referred to the Committee on Banking and Currency:

Senate Concurrent Resolution 56 (by Duggan)

Whereas the Reconstruction Finance Corporation funds available for the Texas Relief Commission may be used only for one of three purposes: Reforestation, flood prevention, soil erosion; and

Whereas there is no reforestation or flood prevention in west Texas and very little benefit can be derived from soil-erosion work, all of which practically deprives the entire western part of Texas from any benefit to be derived from these relief funds; and

Whereas all of west Texas is badly in need of improved roads, and if the portion of said funds belonging to west Texas could be used also in the betterment of roads in that section of the State it would not only give employment to those needing the same but would greatly add to the betterment of that section of the State as a whole: Now, therefore, be it

Resolved by the Senate of the State of Texas (the house of representatives concurring), That the Legislature of the State of Texas memorialize the National Congress to so amend the Wagner bill that the Reconstruction Finance Corporation funds to be appropriated to the Texas Relief Commission may be used for the building of good roads in any section of the State which cannot use them more profitably in the work of reforestation, flood prevention, or soil erosion.

EDGAR E. WITT,
President of the Senate.

I hereby certify that Senate Concurrent Resolution No. 56 was read and adopted by the senate May 5, 1933, by a viva voce vote.

BOB BARKER,
Secretary of the Senate.

The VICE PRESIDENT also laid before the Senate the following joint resolution of the Legislature of the State of Wisconsin, which was referred to the Committee on Banking and Currency:

STATE OF WISCONSIN.

Joint resolution relating to the bill of President Roosevelt for refinancing home mortgages

Whereas President Roosevelt on April 13 sent a special message to Congress recommending the enactment of legislation to refinance home-mortgage indebtedness and a bill was immediately introduced to carry out this recommendation of the President; and

Whereas this bill provides machinery through which existing mortgage debts on small homes may be adjusted to a sound basis of values without injustices to investors, at substantially lower interest rates and with provisions for postponing both interest and principal payments in cases of extreme need; and

Whereas this bill, if enacted into law, will protect many small-home owners from foreclosures and relieve them from a portion of the burden of excessive interest and principal payments incurred during the period of higher values and higher earning power; and

Whereas this proposed legislation is the best possible safeguard that can be thrown around home ownership at this time and is a guarantee of social and economic stability: Therefore be it

Resolved by the assembly (the senate concurring), That the Legislature of Wisconsin commends President Roosevelt for the action he has taken to solve the very pressing problem of the heavy mortgage indebtedness on homes and urges the Congress of the United States to promptly enact the legislation recommended by the President; be it further

Resolved, That properly attested copies of this resolution be transmitted to both Houses of the Congress of the United States and to each Wisconsin Member thereof.

THOMAS J. O'MALLEY,
President of the Senate.
R. A. COBBAN,
Chief Clerk of the Senate.
C. T. YOUNG,
Speaker of the Assembly.
JOHN J. SLOCUM,
Chief Clerk of the Assembly.

The VICE PRESIDENT also laid before the Senate the following joint resolution of the Legislature of the State of Wisconsin, which was referred to the Committee on Finance:

STATE OF WISCONSIN.

Joint resolution relating to allotment to the States of a part of the Federal excise tax on beer

Whereas the Congress of the United States has imposed an excise tax of \$5 per barrel on the manufacture of beer; and

Whereas the finances of all States are in such a condition that it is almost imperative that they also derive some revenue from a tax on beer; and

Whereas varying State taxes on beer not only result in duplicate taxation but also in unfair competition between brewers located in different States; and

Whereas all such difficulties can be avoided if the only tax on beer is imposed by the Federal Government and the Congress of the United States will assign to the States a definite percentage of all the revenue derived from such tax on beer: Therefore be it

Resolved by the assembly (the senate concurring), That the Legislature of Wisconsin hereby respectfully memorializes the Congress of the United States to amend the law imposing an excise tax on beer to assign not less than 20 percent of the proceeds of such tax to the States in which the revenue is collected; be it further

Resolved, That properly attested copies of this resolution be sent to the presiding officers of both Houses of the Congress of the United States and to each Wisconsin Member thereof.

THOMAS J. O'MALLEY,
President of the Senate.
R. A. COBBAN,
Chief Clerk of the Senate.
C. T. YOUNG,
Speaker of the Assembly.
JOHN J. SLOCUM,
Chief Clerk of the Assembly.

The VICE PRESIDENT also laid before the Senate a petition of sundry citizens of the State of Louisiana, praying for a senatorial investigation relative to alleged acts and conduct of Hon. HUEY P. LONG, a Senator from the State of Louisiana, which was referred to the Committee on the Judiciary.

He also laid before the Senate a letter in the nature of a memorial from T. D. Pollard, of New Iberia, La., endorsing Hon. HUEY P. LONG, a Senator from the State of Louisiana, condemning attacks made upon him and remonstrating against a senatorial investigation of his alleged acts and

conduct, which was referred to the Committee on the Judiciary.

He also laid before the Senate resolutions adopted by the Commissioners' Court of McLennan County, Tex., endorsing the program of President Roosevelt and urging the inauguration of a public-works program to provide highway construction in the State of Texas, which were referred to the Committee on Education and Labor.

He also laid before the Senate resolutions adopted by members of the Unemployed Workers' League of Mineral County, assembled at Keyser, W. Va., complaining of relief conditions and the distribution of groceries; also protesting against the recent reduction of the wage scale from 30 cents to 22½ cents per hour, and stating that the allotted allowances or payments only provide 5½ cents per meal for each individual in a family of three, etc., and favoring an investigation of such conditions, which were referred to the Committee on Education and Labor.

Mr. BULKLEY presented a petition signed by 431 citizens of Columbus, Ohio, and vicinity, praying for the adoption of the so-called "Long plan" for the redistribution of wealth, which was ordered to lie on the table.

PENSION RELIEF OF SPANISH-AMERICAN WAR VETERANS

Mr. ROBINSON of Indiana. Mr. President, I have received copy of a resolution adopted by members of George Vawter Camp, No. 73, Department of Indiana, United Spanish War Veterans, which I ask may be incorporated in the RECORD and appropriately referred.

There being no objection, the resolution was referred to the Committee on Pensions and ordered to be printed in the RECORD, as follows:

GEORGE VAWTER CAMP, 73, DEPARTMENT OF INDIANA, UNITED SPANISH WAR VETERANS.

Whereas recent legislation will take away from the veterans of the Spanish-American War the pensions they have enjoyed in the past; and

Whereas these pensions have practically been the only support of these veterans; and

Whereas the withdrawal of these pensions will probably cause many of them to become public charges on account of old age and their inability to secure employment: Be it

Resolved, That we, members of George Vawter Camp, 73, Indiana, veterans of the Spanish-American War, urge and plead and petition Congress to recognize and give a decent and respectable relief in way of legislation which will enable these veterans to live the remaining days of their lives in a moderate, comfortable manner; and

Resolved, That a copy of these resolutions be sent to the Congressman of this district, and the Senators representing the State of Indiana.

J. W. RUSSELL, Commander.
H. S. MATTHEWS, Adjutant.

PETITION OF WIDOWS OF OFFICERS AND ENLISTED MEN OF THE NAVY WHO PERISHED IN "AKRON" DISASTER

Mr. TRAMMELL presented the petition of the widows of officers and enlisted men of the Navy who lost their lives in the wreck of the U.S.S. *Akron* and the U.S.S. *J-3* on April 4, 1933, praying for the passage of legislation restoring in their case the double pension which widows of flight officers and men were entitled to receive prior to the passage of the so-called "Economy Act", which was referred to the Committee on Naval Affairs and ordered to be printed in the RECORD, as follows:

PETITION TO THE SENATE OF THE UNITED STATES

UNITED STATES NAVAL AIR STATION,
Lakehurst, N.J.

We, the undersigned widows of officers and enlisted men of the United States Navy who lost their lives in the wreck of the U.S.S. *Akron* and the U.S.S. *J-3* on April 4, 1933, respectfully represent as follows:

1. That our husbands lost their lives in the line of duty.
2. That there are many cases of great distress among us, involving not only us but our children.
3. That because of the hazardous character of their duty it was impossible for our husbands to carry adequate insurance on account of the high premiums charged, and, therefore, they relied for our protection, in the event they lost their lives in the flying service, upon the provision of law awarding double pension to their widows and dependents.

4. That there was such provision of law until the passage of the economy law approved March 20, 1933, which, a few days before the Akron disaster, repealed the prior law on the subject, leaving no time for our husbands, even if they had been financially able, to procure a proportionate amount of insurance.

5. That we are informed that under existing law the maximum pension any of us may hope to receive is \$22 a month, with such additional allowances as may be provided in the case of minor children.

We, therefore, respectfully petition your honorable body that a law be enacted restoring in our case the double pension which widows of flight officers and men were entitled to receive prior to the passage of the said Economy Act.

And we will ever humbly pray.

Charlotte Laidlaw Berry, Margaret D. McCord, Mildred Champion Redfield, Dorothy Hasbrouck Cummins, Marion A. Cross, Lillian Collier Calnan, Sally Hunters Clendening, Frances Lathrop Smith Dugan, Marjorie Severyns, Dorothy Cooper, Frances G. Boelsen, Beatrice E. Quernheim, Laura Rader, Mary Emma Latham, Olive Minnette Liles, Mary Bettio, Evelyn Hawey Morien, Marie Alice Graves, Beatrice M. Arthur, Marion Frances Walsh, Naomi M. Zemkees, Mosca Copeland, Margaret M. Stine, Marie K. Walck.

REPORTS OF COMMITTEES

Mr. STEPHENS, from the Committee on Commerce, to which was referred the joint resolution (S.J.Res. 50) designating May 22 as National Maritime Day, reported it without amendment.

Mr. SHEPPARD, from the Committee on Commerce, to which was referred the bill (S. 1577) creating the St. Lawrence Bridge Commission and authorizing said commission and its successors to construct, maintain, and operate a bridge across the St. Lawrence River at or near Ogdensburg, N.Y., reported it without amendment and submitted a report (No. 65) thereon.

He also, from the Committee on Military Affairs, to which were referred the following bills and joint resolution, reported them severally without amendment and submitted reports thereon:

S. 1286. An act to increase the efficiency of the Veterinary Corps of the Regular Army (Rept. No. 69);

S. 1548. An act for the relief of Harry Flanery (Rept. No. 71); and

S.J.Res. 48. Joint resolution authorizing the Secretary of War to receive for instruction at the United States Military Academy at West Point, Posheng Yen, a citizen of China (Rept. No. 70).

Mr. CAREY, from the Committee on Military Affairs, to which was referred the bill (S. 879) for the relief of Howell K. Stephens, reported it with an amendment and submitted a report (No. 67) thereon.

He also, from the same committee, to which was referred the bill (S. 1587) to amend an act entitled "An act to recognize the high public service rendered by Maj. Walter Reed and those associated with him in the discovery of the cause and means of transmission of yellow fever", approved February 28, 1929, as amended, by including Roger P. Ames among those honored by said act, reported it without amendment and submitted a report (No. 68) thereon.

Mr. CUTTING, from the Committee on Military Affairs, to which was referred the bill (S. 860) for the relief of George W. Edgerly, reported it without amendment and submitted a report (No. 72) thereon.

Mr. FLETCHER, from the Committee on Banking and Currency, to which was referred the bill (S. 1634) to provide for the redemption of national-bank notes, Federal Reserve bank notes, and Federal Reserve notes which cannot be identified as to the bank of issue, reported it without amendment and submitted a report (No. 66) thereon.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. HALE:

A bill (S. 1652) granting a pension to Alice H. Palmer (with accompanying papers); to the Committee on Pensions.

By Mr. NEELY:

A bill (S. 1653) for the relief of Charles Flanagan; to the Committee on Finance.

A bill (S. 1654) for the relief of George Yusko; to the Committee on Military Affairs.

A bill (S. 1655) granting a pension to Earl E. Bayles; to the Committee on Pensions.

By Mr. FLETCHER:

A bill (S. 1656) for the relief of Lyman D. Drake, Jr.; to the Committee on Claims.

By Mr. THOMAS of Oklahoma:

A bill (S. 1657) to amend section 3 of the act entitled "An act to extend the period of restriction in lands of certain members of the Five Civilized Tribes, and for other purposes", approved May 10, 1928 (45 Stat.L. 496), as amended by the act of February 14, 1931 (46 Stat.L. 1108); to the Committee on Indian Affairs.

By Mr. PITTMAN, Mr. WALCOTT, Mr. McNARY, and Mr. NORBECK:

A bill (S. 1658) to supplement and support the Migratory Bird Conservation Act by providing funds for the acquisition of areas for use as migratory-bird sanctuaries, refuges, and breeding grounds, for developing and administering such areas, for the protection of certain migratory birds, for the enforcement of the Migratory Bird Treaty Act and regulations thereunder, and for other purposes; to the Special Committee on Conservation of Wild Life Resources.

INDEFINITE POSTPONEMENT OF A HOUSE BILL

Mr. FLETCHER. Mr. President, I move that the bill (H.R. 4795) to provide emergency relief with respect to agricultural indebtedness, to refinance farm mortgages at lower rates of interest, to amend and supplement the Federal Farm Loan Act, to provide for the orderly liquidation of joint-stock land banks, and for other purposes, which was received from the House some time ago and is now on the Vice President's table, be indefinitely postponed, because its text is included in title II of House bill 3835, the farm relief bill.

The motion was agreed to.

INVESTIGATION RELATIVE TO RECEIVERSHIPS AND BANKRUPTCY PROCEEDINGS

Mr. McADOO. Mr. President, I desire to submit a resolution providing for the appointment of a special committee of the Senate to investigate the administration of receiverships and bankruptcy proceedings in the Federal courts. I ask that it may lie on the table.

The VICE PRESIDENT. Without objection, it is so ordered.

The resolution (S.Res. 78) was ordered to lie on the table, as follows:

Resolved, That a special committee of the Senate, consisting of 5 Senators, to be appointed by the President of the Senate, 3 from the majority political party and 2 from the minority political party, is authorized and directed to make an investigation of the administration of receivership and bankruptcy proceedings in the courts of the United States, with particular reference to the appointment of receivers and trustees in bankruptcy in such proceedings, and the fees received in the course of such administration, and generally of all matters concerning which information would be desirable in order to correct by legislation such abuses as may be found. The committee shall report to the Senate, as soon as practicable, the results of its investigation, together with its recommendations.

For the purposes of this resolution the committee, or any duly authorized subcommittee or member thereof, is authorized to hold such hearings, to sit and act at such times and places during the sessions and recesses of the Senate in the Seventy-third Congress, to employ counsel and such clerical and other assistants, to require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee, which shall not exceed \$—, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman.

GENERAL SURVEY OF INDIAN CONDITIONS—EXPENSES

Mr. KING submitted the following resolution (S.Res. 79), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Committee on Indian Affairs, or any subcommittee thereof, authorized and directed by Senate resolution to make a general survey of Indian conditions in the United States, is hereby authorized to expend \$15,000 from the contingent fund of the Senate in addition to the sums previously authorized for said purpose.

REGULATIONS FOR PRESCRIPTION OF MEDICINAL LIQUORS (S.DOC. NO. 60)

Mr. METCALF. Mr. President, I ask that there may be printed as a Senate document regulations no. 11, concerning the prescribing of medicinal liquors, of the Treasury Department, Bureau of Industrial Alcohol.

The VICE PRESIDENT. Without objection, it is so ordered.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States, submitting nominations, were communicated to the Senate by Mr. Latta, one of his secretaries.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, announced that the House had passed a bill (H.R. 5389) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1934, and for other purposes, in which it requested the concurrence of the Senate.

RECONSTRUCTION FINANCE CORPORATION LOAN TO CHICAGO BANK

Mr. LEWIS. Mr. President, I beg to tender an article from the Chicago Herald and Examiner of May 11, and, at the request of Members of the House of Representatives, as the article touches pending legislation, I ask unanimous consent that it may be printed in the CONGRESSIONAL RECORD.

There being no objection, the article was ordered printed in the RECORD, as follows:

[From the Chicago Herald and Examiner, May 11, 1933]

UNITED STATES SHOULD PROBE THOSE MIDNIGHT MILLIONS—CHICAGO SECURITIES AGAINST INSULL "SECURITIES"

Chicago tax warrants still don't seem to have enough value in the eyes of the Reconstruction Finance Corporation to be security for a loan unless they are first endorsed by some bank.

Therefore Chicago's school teachers and other city employees are still unpaid.

Now, if the Reconstruction Finance Corporation won't lend on these Chicago tax warrants unless the banks endorse and if the banks won't endorse, just how can it be expected that the government and subgovernments of Chicago are to continue in existence? The United States Treasury and the international bankers have not hesitated to step in and send billions of good American money to "save democracy" in other countries. However, nobody seems interested in "saving democracy" in an American city like Chicago. The policemen, firemen, and other city employees are paid in random fashion and are always behind in their incomes.

The unpaid school teachers of Chicago, while appealing for help recently, heard the ex-Vice President of the United States, Charles G. Dawes, who is now chairman of a new bank, announce his brilliant policy of "to hell with trouble makers." Now, if the city and the State government can't seem to help the local situation, it is about time the heads of the Federal Government in Washington stepped in to see what's happening to "democracy" in this community—and, of course, we don't mean political Democracy.

Political Democracy—that is, the rank and file of the Democratic Party of this community—voted unmistakably for a "new deal", and they want it. They want all the public employees, including the school teachers, paid. They don't want their educational system wrecked.

The people of this community would like to know why a bank endorsement is necessary for the Federal Government to lend money on the official, legal securities of this community.

Do all bank endorsements on securities accepted by the Reconstruction Finance Corporation make those securities good? If the new Federal administration wants to see how much value some banks' endorsement adds to doubtful securities, accepted by the Reconstruction Finance Corporation, the Chicago Herald and Examiner urges that the Secretary of the Treasury and Attorney General of the United States begin an immediate inquiry into

how much good the endorsement of General Dawes' old Central Republic Bank did on some of the securities that were given the Reconstruction Finance Corporation in payment for the famous \$90,000,000 Dawes' bank loan.

This is a procedure that should be undertaken at once, and some way should be found to lay bare all the facts.

Now, when the Reconstruction Finance Corporation passes out money to "save a bank", but in reality to save a banker, whose money do you think it is passing out? Do you think it draws this money out of the air through some alchemy, or do you think these millions came from some foreign nation which has our money? No, friends and fellow citizens; the money which it passes over to a banker like General Dawes is your money, because the national credit, which means your credit, is back of that loan. Any part of the loan that is not recovered by the Reconstruction Finance Corporation will be paid for ultimately by you out of taxes that the United States Government will collect to make good any losses the Reconstruction Finance Corporation suffers. The only place the United States Government has to get money is out of its citizens, and whether it be through tariff, taxation, or license, the citizens of this country pay for everything the Government does.

So this little deal, made mysteriously at midnight between the Reconstruction Finance Corporation and General Dawes' bank, means that everything the citizens of this community own and can earn is pledged back of that \$90,000,000 loan to a favored group.

It seems funny, friends—doesn't it?—to think that you helped lend \$90,000,000 to General Dawes' Central Republic Bank and that that bank's pledge to pay will be made good by you if it isn't made good by the bank. Doesn't that interest you to the extent of wanting to know just what securities General Dawes' bank put up—securities that were so hurriedly accepted at midnight by the Reconstruction Finance Corporation?

Doesn't it interest you doubly when you know that sooner or later all the tax warrants of Chicago will be made good and that you will make them good through taxation?

What moral right has a little group like the Reconstruction Finance Corporation to lend \$90,000,000 of our money to the bankers in control of a single bank when they tell us they can't take Chicago's securities, which are in reality backed by the wealth of a city which, despite its taxation problems, is one of the wealthiest cities in the world? It possesses enormous wealth, and while in possession of such holdings as its water system, its many public buildings, parks, school buildings, and enormous other assets, it can never fail to make good on its tax warrants.

Now compare this with what the Reconstruction Finance Corporation took from General Dawes' Central Republic Bank. Of course you can't compare it, because the Reconstruction Finance Corporation, for reasons best known to itself, has made a great secret of what it took as security from the Dawes bank.

However, the Herald and Examiner, which now urges a complete investigation of this loan, can tell you that the Reconstruction Finance Corporation did accept about \$11,000,000 in notes and securities of Insull companies and Insull employees. What other securities it accepted for the balance of the \$90,000,000 only the Reconstruction Finance Corporation or General Dawes and his associates can tell us. And all Chicagoans would really like to know. In fact, American citizens in various parts of the country would like to know. The Reconstruction Finance Corporation has fought against publicity as to its loans and later, when forced by an act of Congress to submit some publicity, limited the publicity to a few figures that mean nothing to the public.

Now, to deal with the \$11,000,000 item of Insull security in the Dawes loan, it would be interesting to know how much they were really worth, if anything. We know a few facts about them from the outside.

And while we are on the subject, would it not have been better for all concerned if instead of Mr. Dawes' bank having \$11,000,000 in Insull securities to turn over to the Reconstruction Finance Corporation, Mr. Dawes' bank had had as a substitute \$11,000,000 worth of Chicago tax warrants? These are still quoted almost at par.

On the witness stand General Dawes admitted to United States Senator COUZENS, of Michigan, that all of the bank's Insull loans, and the collateral therefor, had been passed on to the Reconstruction Finance Corporation—which means to the American people.

Many of these loans were made by the bank shortly before the time of the Insull receivership date in April of last year. The famous Dawes midnight loan was made on June 27, 1932, and we in Chicago have a pretty good idea of what value there was in Insull securities at the latter date. Similar securities had broken the backs of everybody who owned them. Any Chicago school child can tell you how much an \$11,000,000 loan to Insull interests prior to the receivership was worth on June 27, 1932.

The people of Chicago who feel that the Federal Government should loan some of the public money on paper backed by the security of this city would like to know exactly what value existed in each of the Dawes securities, including the Insull securities, accepted by the Reconstruction Finance Corporation, and what their market value was at the time.

Now, of course, it may have been thought that if utility rates could be held up while utility costs went down, during which

time the integrity of these securities was maintained by the credit of the United States, they would eventually come back to some substantial value. But what does the Reconstruction Finance Corporation think would be happening to Chicago in the meantime? Did it think that Chicago, America's second largest city, might possibly go into bankruptcy while the Insull companies went on building up the bank roll to make good for all of the rottenness of Insullism?

It is about 10½ months since the \$90,000,000 loan was made, and after converting as many of the assets as have thus far been convertible, Mr. Dawes' old bank still owes the Reconstruction Finance Corporation \$66,423,761.49.

Now, if General Dawes and his associates had, after getting the \$90,000,000 from the Reconstruction Finance Corporation, kept the bank going, those who believe in secrecy for the sake of saving a bank might spell out some reason for continuing to keep the details of this loan a secret. There is a school of secret finance. General Dawes, himself, was head of the Reconstruction Finance Corporation just about 6 weeks before his bank got the big midnight loan, and at that time the Reconstruction Finance Corporation believed strongly in secrecy, and we heard a lot about the necessity of maintaining bank integrity.

General Dawes, however, with the \$90,000,000 once in the cash drawer of his bank, decided, with his associates, to liquidate the bank. General Dawes did not continue devoting all his time to the continuation or even the liquidation of the old bank. The stockholders of that bank were left with a fine mess on their hands, as a result of which they will face assessment for any deficiencies, allowing General Dawes and his associates to set up a new bank right on the same old premises.

Within a short time he then transferred the remaining deposit accounts of the old bank to the new bank and took with him enough of the unexpended balance of the \$90,000,000 to equal the transferred deposits.

So it is no longer a question of protecting a going bank. It is merely a question of learning the full truth about a defunct bank and what the United States Government got in return for \$90,000,000 of your money.

If you have any idea that General Dawes' old bank should still be protected from publicity, please take into account that a week before it got the loan from the Federal Government its stock was selling at \$52.50 a share and is now offered at 75 cents a share with practically no takers.

By the time the Attorney General and the Secretary of the Treasury get through investigating this transaction, perhaps they will decide that it is the Insulls and those who ran the Dawes bank and those who ran the Stevens' Illinois Life Insurance Co. who are the real makers of the present-day troubles in Chicago. Perhaps it is financing of the kind that was done by these gentlemen which has caused most of the trouble for the people of the United States.

Perhaps a Federal grand jury or Senate investigation of the Dawes loan under the direction of the Attorney General might convince the Reconstruction Finance Corporation that Chicago tax warrants are infinitely better security without a bank endorsement than some of the Insull "securities" were with bank endorsement.

Every merchant and manufacturer, big and little, in Chicago, is vitally interested in the standing of Chicago tax warrants. Their value and acceptance as a type of currency are vital to the community. Therefore the business men of this community will join heartily with the Herald and Examiner in urging that there be a Federal probe of the \$90,000,000 Reconstruction Finance Corporation loan to the Dawes bank and that this probe begin at once.

By all means, Uncle Sam, investigate those midnight millions.

HOUSE BILL REFERRED

The bill (H.R. 5389) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1934, and for other purposes, was read twice by its title and referred to the Committee on Appropriations.

EXTENSION OF GASOLINE TAX

The Senate resumed the consideration of the bill (H.R. 5040) to extend the gasoline tax for 1 year, to modify postage rates on mail matter, and for other purposes.

The VICE PRESIDENT. The question is on the amendment submitted by the Senator from West Virginia [Mr. HATFIELD].

Mr. LONG. On that I ask for the yeas and nays.

Mr. HATFIELD. Mr. President, in the CONGRESSIONAL RECORD, on page 3245, first column, in the amendment submitted by me in section 6 the word "not" has been omitted before the words "produced in the United States." The word "not" should be added to the amendment.

The VICE PRESIDENT. The Chair will inform the Senator from West Virginia that, while the amendment as printed

in the RECORD does not contain the word "not", the amendment as printed and at the desk has that word in it.

Mr. HATFIELD. I thank the Chair.

Mr. COSTIGAN. Mr. President, may I ask the attention of the Senator from West Virginia with respect to his amendment? The amendment is highly technical in form, and I venture to ask the Senator whether he will explain how high a level of tariff rates is permissible under his amendment for the purpose of offsetting depreciated foreign currencies?

Mr. HATFIELD. Upon the recommendation of the Tariff Commission, anywhere from 25 to 100 percent.

Mr. COSTIGAN. Is that in addition to other rates levied by the tariff law?

Mr. HATFIELD. No; it is not.

Mr. COSTIGAN. May I ask the Senator from West Virginia whether there were any hearings upon his amendment? It has not been considered by a committee of the Senate, I understand.

Mr. HATFIELD. There were no hearings, I may say to the distinguished Senator, upon my amendment, save and except the hearings which were held during the second session of the Seventy-second Congress, which are designated: "Hearings before a subcommittee of the Committee on Ways and Means, House of Representatives, Seventy-second Congress, second session, H.R. 1399, January 26, 27, 28, 30", and so forth.

Mr. COSTIGAN. It is true, is it not, that in the hearings to which the Senator refers, the chairman of the United States Tariff Commission, Mr. O'Brien, a Massachusetts Republican, also the vice chairman of the Commission, Dr. Thomas Walker Page, a Virginia Democrat and former chairman of that Commission, testified?

Mr. HATFIELD. That is true, Mr. President.

Mr. COSTIGAN. Those witnesses, I believe, testified, in substance, one corroborating the other, that any commercial disadvantages to an importing country arising out of depreciated foreign currencies are either temporary or illusory. Chairman O'Brien, I believe, quoted the Finance Minister of Holland as saying, in effect, that those disadvantages which are not temporary are illusory, and those that are not illusory are temporary.

Mr. HATFIELD. That is true, but I may say to the distinguished Senator that Mr. O'Brien took the position in an interview, as I remember, that the tariff should be increased horizontally 15 percent, and then when he appeared before the Committee on Ways and Means, or at least a subcommittee of that committee, he took the position which the Senator now indicates. However, the attitude taken by the chairman of the Tariff Commission and by those associated with him, or at least by the vice chairman, was contradicted by outstanding industrialists and economists, who took the position that the depreciation of currencies in European and Asiatic countries had been very destructive to the industries of the United States, and had prevented those industries from operating, or at least had such an effect they could only operate when they had sealed and signed orders properly underwritten to insure that they would be accepted and paid for, thus preventing our industries, in a general way, from accumulating a surplus which ordinarily they would have on their shelves, thereby giving work almost constantly throughout the year to a great number of workmen who would otherwise be out of employment.

Mr. COSTIGAN. If I am not mistaken, both representatives of the United States Tariff Commission expressed the opinion at the House committee hearing that there is no necessity for the type of amendment offered by the Senator from West Virginia.

Mr. HATFIELD. I have the conviction that that is the attitude expressed by those gentlemen. I think the Senator is correct in arriving at that conclusion.

Mr. COSTIGAN. Has the able Senator from West Virginia examined since last evening certain statistics with respect to imports from gold-standard countries and from those countries which have gone off the gold standard?

Mr. HATFIELD. I have made a brief summary which I shall be glad to quote to the Senator. The point was made by the distinguished Senator from Colorado that there are relatively the same exports and imports now that there were before the abandonment of the gold standard. That is the point the Senator makes, is it not?

Mr. COSTIGAN. I had not intended to make that point. I really planned to ask the Senator whether he has considered the relation between imports from gold-standard countries and imports from those countries which have gone off the gold standard.

Mr. HATFIELD. I have made a study of imports for the first 10 months of 1931 and compared them with the imports of the first 10 months of 1932 for 20 different countries whose currencies have depreciated 5 percent or more; and I find the following results:

For these 20 countries the actual value of the imports from January to October 1931 amounted to \$947,874,000, and for the same period in 1932 the actual value was \$582,347,000. However, since the currencies of these countries had depreciated 38.6 percent, I have made an adjustment of the total value of the imports for 1932 to show the value if these countries had maintained their currencies at par; therefore I have raised the value of the imports for 10 months of 1932 to \$836,422,000 in order to compare them on the same basis of their standard currency with the 10 months of 1931. If this comparison is made, it will show that those 20 countries that have depreciated their currency more than 5 percent suffered a loss of exportations to the United States of 11.8 percent.

If the imports for the first 10 months of 1931 are compared with the same period in 1932 for 16 countries whose currencies have depreciated less than 5 percent and the same adjustment is made for the slight depreciation of currency of the 16 countries, we find their imports into the United States decreased 39 percent. It is thus self-evident that while the countries on and off the gold standard have suffered a reduction in their imports into the United States, it is nevertheless evident that the reduction has been only 11 percent for those countries off the gold standard, but the reduction has amounted to 39 percent for those remaining on the gold standard. In other words, the gold-standard nations have suffered more than those nations which went off the gold standard and are now operating under currency depreciation.

This conclusion has been reached by a comparison of the value of imports for the first 10 months of 1931 and 1932; but if the volume of the imports for a like period was compared, it would show that in practically all cases where a country has abandoned the gold standard the volume of their exports to the United States has increased. By either method of comparison the advantage remains with the countries which have depreciated their currency more than 5 percent, and that, too, to the detriment of the worker in those lands paid in cheap money, as well as to the disadvantage of the American wage earner who lost a large opportunity for steady employment.

As an illustration of the advantage even foreign nations which have remained on the gold standard have gained in the American market owing to the depreciation of currencies of other nations, I may cite the case of Holland, who with her gold money buys iron ore in Spain, a country operating under a depreciated currency, then smelts the ore in Holland, and sells the pig iron in the American market cheaper than our cost of production.

Mr. COSTIGAN. Mr. President, may I say to the Senator from West Virginia that while in the aggregate the data may appear mildly to support the conclusion that there has been at times relatively less loss in United States imports from countries off the gold standard, yet the figures are for the most part unimportant and inconclusive, and on careful examination of imports from particular countries it will be found that such a conclusion is not without important ex-

ceptions. For example, I have here a tabulation of imports in the first 9 months of the years referred to by the Senator, 1931 and 1932.

The table discloses that Brazil, a country off the gold standard, suffered in the later period a decline in exports of about 30 percent. In other words, Brazil's exports to the United States were in the later period about 70 percent of those of the corresponding 9 months of the preceding year.

On the other hand, certain countries, which were still on the gold standard, suffered a decline in the later period in excess of that. Taking Switzerland and Estonia—as shown by the table—imports from Switzerland in the later period declined to 63 percent and those from Estonia to 58 percent of the respective earlier records.

The data as to the weights of cargoes shipped from certain foreign countries to the United States in the same respective periods indicate that in the gold-standard countries—Italy, Germany, Netherlands, and Belgium—there were better export showings made than for Australia, India, Japan, and Brazil, respectively, which were off the gold standard.

These data are brought to the attention of the Senator from West Virginia for his comment and in support of the conclusions expressed by the representatives of the United States Tariff Commission who appeared before the subcommittee of the House of Representatives.

May I, before I close, also ask the Senator if he has considered the effect of the recent depreciation of our own currency upon the amendment which he now offers to the Senate?

Mr. HATFIELD. Mr. President, in response to the Senator from Colorado, first I may remind him or call his attention to the fact that the point he has made deals with individual cases and not with the proposition as a whole, in that the volume in many instances has gone up while the price has gone down. Also, I wish to remind the distinguished Senator that while the price of coffee has been reduced one would be impressed with the fact that less coffee is coming into this country, if we base it on the price; but when we measure it from the quantity point of view it has increased.

Regarding the second question as to what effect the depreciation of our currency would have upon my amendment, I desire to state that, of course, my amendment would be unnecessary, if we were to depreciate our currency 60 percent or more in order to meet the low levels of foreign currencies; but such a course would place American labor on the low-level wage of the European and Asiatic, which condition I fervently hope will never be experienced by the wage earners of this land.

Mr. HALE. Mr. President—

The VICE PRESIDENT. Does the Senator from West Virginia yield to the Senator from Maine?

Mr. HATFIELD. Certainly.

Mr. HALE. The Senator from Colorado [Mr. COSTIGAN] and the Senator from Utah [Mr. KING] have raised objections to the Senator's amendment on the ground that imports have not increased from countries whose currencies have depreciated. Is it not true that this is not the absolute controlling factor in the matter, and that when a certain amount of products come into this country from a country whose currency has depreciated and those products can be sold at a lower price than the market price in this country, it evidently brings down the market price of our own goods in this country?

Mr. HATFIELD. To the point of extermination.

Mr. HALE. To the point of extermination; and, although they have not sent over a great many imports, yet they have broken our prices.

Now I should like to ask the Senator another question. Is it not also true that the countries of the world that have depreciated their currencies expect material advantages from this Congress in changes that they expect will be made

in our tariff laws, and it would be no part of their policy to dump as many goods as they could into this country before we have made those changes, and thus rouse a feeling against lowering the tariff? Is not that a fact to be considered?

Mr. HATFIELD. There is no question whatever about that, Mr. President.

In final response to the interrogation of the distinguished Senator from Colorado dealing with the subject of depreciation of our own currency, Mr. President, I have had a good many heartaches to think that it is necessary for America to resort to the cheapening of our dollar to meet the situation in world trade. In fact, I am not convinced that that is necessary. If we measure the amount of gold that we have in the control of the Treasury and the Federal Reserve System today as compared with the amount of gold that we controlled in the period from 1912 to 1920—and the conditions then were almost as distressing, especially in Europe, as they are at the present time—our gold reserve in that period as compared with this period could be multiplied by three. So what I have been interested in doing was to give the President, through the Tariff Commission, power to deal with the subject of our imports, and deal with it in such a way that he would have more influence, more power in making suggestions to the stable-minded representatives of industry in America when they proved to the Tariff Commission that they were entitled to additional protection.

If they could receive or be assured of that protection, as has been repeatedly stated to me by men representing the rubber-specialty industry, the great steel industry, the great pottery and china industry, the pulp and paper industry, the canning industry, and many other industries that it is not necessary for me to mention, but of record here in Congress, I am impressed with the conviction that we can solve our economic difficulties better by remaining on a basis of stable, sound money than we can by embarking upon the sea of inflation without a compass and without any assurance of returning to financial stability, if we are to go to war for a larger world market than we have heretofore enjoyed, which is only one tenth in the peak of our world trade of the entire amount of our domestic commerce.

Mr. COSTIGAN. Mr. President, I shall speak but briefly on the pending amendment. The subject is one which previously, during the past year, was drawn to the attention of the Senate. It has also received consideration from the Tariff Commission, not only recently but also in earlier years. An investigation of the subject was made in the days of the unparalleled depreciation of the German mark.

If there was ever an hour in which depreciated foreign currencies might have endangered American prosperity through excessive imports—assuming for immediate purposes some soundness in the contention of the Senator from West Virginia—it was when the value of the depreciated currency of Germany was sinking lower and lower until it became approximately zero.

Mr. HATFIELD. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Colorado yield to the Senator from West Virginia?

Mr. COSTIGAN. With pleasure.

Mr. HATFIELD. Has the Senator the imports from Germany for the years beginning with 1919?

Mr. COSTIGAN. I have not the figures before me but am generally familiar with them.

Mr. HATFIELD. May I give them to the Senator?

Mr. COSTIGAN. I shall be glad to have the Senator present them.

Mr. HATFIELD. In 1919 the imports from Germany were \$10,608,000.

In 1920 they had increased to \$88,836,000.

In 1921 they had decreased to \$80,280,000.

Mr. COSTIGAN. In what year did the decrease occur?

Mr. HATFIELD. Nineteen hundred and twenty-one—just a small decrease; about \$8,600,000.

Mr. COSTIGAN. That, however, was a period in which the German mark was rapidly falling in value.

Mr. HATFIELD. That is right.

Then, in 1922, the imports increased to \$117,498,000.

In 1923 they were \$161,193,000.

In 1924 they were \$139,258,000.

From the figures given above it will be noted that in the year 1923, when the German mark had reached its greatest depreciation, German exports to the United States reached their greatest height. And just as soon as Germany stabilized her mark in the latter half of 1923 and in 1924, the German exports to the United States immediately decreased. If the German exports to this country for the years 1921 and 1923 are compared we note an increase of 100 percent during the very time when the mark was sinking most rapidly, and when one could buy a million marks for a few cents in American currency.

Mr. COSTIGAN. The Senator from West Virginia has referred to certain exports from Germany. It is assumed that in presenting those data he concludes that German exports are attributable solely to depreciated currency.

Mr. HATFIELD. No, Mr. President; I do not arrive at that conclusion.

Mr. COSTIGAN. I shall be glad to have the Senator's explanation of the reason for substantial exports from Germany to the United States.

Mr. HATFIELD. They were trying to recover from the destructive effects of the war, limited as they had been because of their defeat, deprived as they had been of their colonial possessions and a part of their territorial integrity on the Continent of Europe. They were striving to get back to the economic condition which existed before the war, when they traded with us to an extent far beyond any imports that they sent to this country during the period I have just enumerated. They had lost their merchant marine. They had lost their economic stability. They were almost in a state of subjection.

That was the condition of the German people. It is, I may say to the distinguished Senator, the condition of the German people at this time. It will continue to be the condition of the German people, in my candid judgment, as long as the Treaty of Versailles is in effect; and I want to make this one observation:

The situation which confronts the world today is largely the result of the inequities which were brought about at Versailles, and subsequent treaties flowing therefrom, in the dislocation and dismemberment of two of the greatest nations on the European Continent. As long as that injustice is permitted to remain, in my judgment, just so long will we suffer more in the way of an economic condition which is unsolvable; just so long will Europe, England, and Asia suffer from the economic dislocation brought about by this inequitable distribution of territorial possessions, in which America shares in this grief and loss.

Mr. COSTIGAN. Mr. President, I submit that the Senator from West Virginia is now in retreat. His amendment does not purport to provide against the consequences of the Versailles Treaty. No one here doubts that other factors than depreciated exchanges have resulted in the unimportant showing of the ebb and flow of international commerce he has made today. The balance of trade, the changing debt situation, the obligations of one country and its citizens to another country and its citizens, the numerous elements that make up the competitive strength or weakness of industries in various countries, are all involved in the figures the Senator has given.

Mr. HATFIELD. Mr. President, will the Senator yield?

Mr. COSTIGAN. I yield to the Senator from West Virginia.

Mr. HATFIELD. Referring to the points that the distinguished Senator makes, the element of purchasing power, of course, enters materially into the proposition; but that is aside from the view that I take of this question. My view is this:

In 1917 we undertook to stabilize Europe by entering into the war. We understood that when we helped the Allies to win we would have a greater democracy in the world than we had at that time; but when, by retrospection, we review the history and the geography of Europe, we find that we have less democracy today than at any period in modern times.

That is the picture today; and I will say, for the information of the distinguished Senator from Colorado, that my amendment, my thought, my conviction, is that our experience from 1917 to the close of the World War, our mingling and meshing with the affairs of Europe, ought at least to teach us the lesson that we should stay at home, and that we should build our own affairs, and build them in such a way that we could be more or less independent of Europe and of Asia at least until they become stabilized in the conduct of their own internal affairs, until they are willing at least to give to us the same consideration that we gave to our allies by whose side we fought and whom we saved from humiliation and defeat. They needed our support; we gave it and financed them, without which assistance they would have been, no doubt, defeated by the Central Powers. We remember their appeal to us: "We are fighting with our backs to the wall."

Mr. COSTIGAN. Mr. President, the Senator from West Virginia has already sufficiently answered his own argument. It is manifest from the statistics assembled by competent experts that the business of the United States is not at this hour in danger of inundation in the form of imports from abroad. Indeed, our experience in 1921 and the succeeding years ought to afford a satisfactory answer to immediate fears. In those years, as a result of extremely careful consideration of the problem, following an investigation of the subject by the Tariff Commission, the Congress, acting under Republican leadership, undertook nothing so radical as the amendment now offered by the Senator from West Virginia. The solution, tendered in those days by the leaders of the party to which the Senator from West Virginia adheres, was the flexible tariff. The then Secretary of Commerce, Mr. Hoover, later President; the then Senator from Utah, Mr. Smoot; and members of the Tariff Commission met President Harding late in 1921 to consider the similar problems then presented by depreciated currencies. In some respects that time was more dramatic than the present, and then, as now, fancies often reluctantly yielded to facts.

The final conclusion of Republican leaders in those days was that the flexible-tariff provisions would be adequate to deal with the assumed emergency. As a result, as part of the Tariff Act of 1922, the flexible-tariff provisions we still retain substantially unchanged were adopted, the threatened dumping did not develop, and from then on, through years of unsettled economic and financial difficulties abroad, the country proceeded on its way unhampered by unwarranted apprehensions.

Today, in another period of depression and depreciated currencies, the Senator from West Virginia asks us to take, without any showing of present necessity, an unprecedented and, on the whole, an indefensible course, namely, to add to the higher and higher tariff barriers already strangling world commerce and prosperity and embittering international relations.

Expert judgment now points in the other direction. If an emergency existed, as pictured by the Senator from West Virginia, Senators on both sides of this Chamber would rally to the support of some remedial legislation; but there is nothing in the record of the years since the World War which supports such present action.

I shall content myself at this time by calling attention to some data which ought perhaps to be incorporated in the RECORD.

In January of this year I had certain statistics assembled, apparently somewhat similar to those offered the Senate by the Senator from West Virginia. They relate, however,

to the first 9 months of the years 1931 and 1932; not the first 10 months summarized by the Senator from West Virginia.

I ask that these figures, with brief textual comment on them, be incorporated with my remarks.

The PRESIDING OFFICER (Mr. TYDINGS in the chair). Is there objection?

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

EFFECT OF DEPRECIATED CURRENCY UPON VOLUME OF TRADE

The following table gives the quantity of exports of a number of countries for a period before they abandoned the gold standard and after they abandoned the gold standard. The percentage of exports of the later period to the exports of the former period is also given. The same data are also shown for several countries that remained on the gold standard. It is noteworthy that the period was one, on the whole, of diminishing, not expanding, exports.

Exports of specified countries in 1,000 metric tons¹

Country	First 9 months of—		Percent 1932 of 1931
	1931	1932	
Countries on a gold standard:			
Germany.....	38,704	20,685	77
Belgium.....	19,120	14,156	74
Estonia.....	324	187	58
France.....	22,938	17,324	75
Italy.....	3,227	2,678	83
Netherlands.....	12,800	10,238	80
Switzerland.....	519	325	63
Countries off gold standard in 1932:			
Argentina.....	13,933	12,988	93
Brazil.....	1,670	1,173	70
Finland.....	2,981	2,993	100
Japan.....	4,283	4,071	95
New Zealand.....	653	756	116
Peru.....	1,255	1,154	92
United Kingdom.....			96

¹ Data from League of Nations, Monthly Bulletin of Statistics.

² The British Board of Trade Journal of Oct. 27, 1932, p. 593, compares the exports of domestic merchandise of 1932 and 1931. Based on 1930=100 the index of quantity of goods exported was as follows:

	1931	1932	Percent 1932 of 1931
January-March.....	77.7	76.9	99
April-June.....	74.0	78.7	106
July-September.....	74.4	71.9	96

The next table shows the weight of cargoes shipped to the United States from several countries, part of which remained on the gold standard and part of which have abandoned the gold standard. A period of time when the countries were on a gold standard is compared with a period during which some of them were off the gold standard. The percentage that the shipments of the later period were of the shipments of the former period is given.

The figures show a tendency toward some relative advantage of the countries off the gold standard, but the advantage is not without our exceptions. For example, the gold-standard countries—Italy, Germany, Netherlands, and Belgium—made a better showing than Australia, India, Japan, or Brazil.

Germany's shipments to the United States held up as well as those of Argentina, and those from Belgium and the Netherlands held up better than those from Argentina.

The increase in shipments from Finland, Norway, and Sweden is explained in part by the relative improvement of the position of those countries in the production of wood pulp.

Cargo received in the United States, first half of 1931 and 1932, from countries off the gold standard in 1932¹

[In tons of 2,240 pounds]

Country from which shipped	First 6 months		Percent 1932 of 1931
	1931	1932	
Venezuela.....	1,778,894	2,025,915	114
Brazil.....	421,227	334,391	79

¹ Basic data from United States Shipping Board, Bureau of Research, Imports and Exports of Commodities (issued periodically).

² The foreign exchange of Brazil had declined in the first 6 months of 1931 from 11 cents in 1930 to an average of 7.8 cents. Its average value was 6.6 cents in the first 6 months of 1932.

Cargo received in the United States, first half of 1931 and 1932,
from countries off the gold standard in 1932—Continued
[In tons of 2,240 pounds]

Country from which shipped	First 6 months		Percent 1932 of 1931
	1931	1932	
Argentina.....	296,159	233,086	*88
Mexico.....	836,607	1,237,337	148
United Kingdom.....	472,608	476,449	101
Finland.....	88,085	101,533	115
Norway.....	117,236	144,923	124
Sweden.....	284,187	285,287	100
New Zealand.....	40,608	7,695	19
Australia.....	34,927	23,521	76
British India.....	306,672	220,620	72
Japan.....	173,723	135,694	78

* Argentina and Mexico were off the gold standard early in 1931 but there was a further decline in 1932.

Cargo received, first half of 1931 and 1932, from countries remain-
ing on the gold standard
[In tons of 2,240 pounds]

Country from which shipped	First 6 months		Percent 1932 of 1931
	1931	1932	
Germany.....	476,473	415,234	87
Netherlands.....	282,331	257,349	102
Belgium.....	308,095	285,160	92
France.....	116,140	71,685	62
Italy.....	135,914	108,795	80

Cargo exported from the United States in the first 6 months of 1931 amounted to 18,644,794 long tons, compared with exports for the first 6 months of 1932 of 15,515,589 long tons, a decrease of 14 percent.¹

Mr. COSTIGAN. The Senate will also recall that the Tariff Commission in 1932 issued a rather elaborate report on depreciated exchange. Generally speaking, the results indicated in that report were inconclusive and not alarming.

An editorial of the New York Tribune apparently fairly summarizes that report and refers to other experiences. The editorial was printed on January 14, 1933, and I request that, in part, it may be incorporated in my remarks.

The PRESIDING OFFICER. Is there objection?

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

[From the New York Tribune, Jan. 14, 1933]

DEBTS AND STERLING EXCHANGE

* * * So far as actual trade figures go, it is still difficult to find the evidence of that large-scale "exchange dumping" which is supposed to give nongold countries so great an advantage in foreign trade against those remaining on the gold standard.

It will be remembered that when the Tariff Commission investigated the question of "exchange dumping" for Congress last spring its results were mainly negative. Great Britain and the "sterling group" had gone off gold in September 1931 and Japan in December. The Tariff Commission had the trade returns through the month of April; generally speaking, they failed to show that up to that time our imports from nongold countries were decreasing any less rapidly than those from the gold countries, or that our exports to the nongold countries were decreasing any more rapidly than those to the gold countries. The Commission felt that the late figures might indicate that depreciation was checking our exports, but there was no conclusive proof.

There have now been published the complete British trade statistics for 1932. They show that during the year the British have been able to check the decline in their exports without checking the decline in imports. Before assuming, however, that this proves the influence of exchange depreciation, one should glance at the American statistics. In our case, also, imports continued to decline during 1932, while exports declined less rapidly than in the preceding period. As between the depreciated pound and the undepreciated dollar there was no striking difference. It is true that the check in the decline of British exports seems a little more marked than the corresponding movement of American exports, but many other factors besides exchange depreciation may have assisted in that result.

The effect of currency instability upon all trade is quite another matter. It is unquestionably harmful. The uncertainty,

¹ United States Shipping Board, op. cit.

dislocations, and countervailing restrictions flowing from exchange depreciation can do widespread damage. Moreover, the depreciation may injure specific activities with serious results, even though the injury does not appear in general statistics. There is every reason for hoping that Great Britain will return to the gold standard at the earliest possible moment. But her own gains therefrom might well be as great as any other country's.

Mr. COSTIGAN. Mr. President, I ask that portions of an article of the United States Daily of January 19, 1933, be likewise included. The article directs attention to the definite, well-recognized recession in world commerce, and gives comments of the then Secretary of Commerce on the relation of that recession to depreciated currencies. I submit that the official views there presented justify the position which I trust the Senate will affirm—that there is no present persuasive reason for supporting the amendment of the Senator from West Virginia.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Colorado?

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

VALUE OF TRADE ABROAD RECESSES TO 1905 LEVELS—EXPORTS SHOWED DECLINE OF ONE THIRD LAST YEAR, SAYS DEPARTMENT OF COMMERCE IN PRELIMINARY ANALYSIS—DROP OF \$767,000,000 RECORDED FOR IMPORTS—EFFECT OF FOREIGN COMPETITION ON DOMESTIC INDUSTRIES DUE TO CURRENCY DEPRECIATION DISCUSSED BY MR. CHAPIN

The foreign trade of the United States totaled approximately \$3,000,000,000 in 1932, the lowest dollar valuation since 1905, according to preliminary figures for 1932 issued January 18 by the Department of Commerce. The total of exports was \$1,617,877,000.

Exports during 1932 were \$806,412,000 less than in 1931, and imports were \$767,900,000 less, according to the Department. In spite of this large decrease in value of both exports and imports, it is incorrect to form the opinion that the foreign business of the United States has now reached negligible proportions, Secretary of Commerce Roy D. Chapin said in a prepared statement commenting on the trade figures.

DEPRECIATED CURRENCY

Mr. Chapin stated orally also in commenting on the import figures for 1932 that thus far only certain industries appear to be in danger of losing certain of their domestic markets to foreign competitors because of conditions of depreciated currency. "We will find out this year," said Mr. Chapin, "whether the lines along which the Tariff Commission operates will take care of extreme cases of foreign competition with domestic producers."

Exports fell from \$139,382,000 in November to \$136,000,000 in December, according to the Department. Imports decreased from \$104,466,000 in November to \$97,000,000.

COMMERCE IN GOLD

Exports of gold for 1932 were \$809,528,000, as compared with \$466,794,000 in 1931, according to the Department's figures. Imports of gold were \$364,315,000 during 1932, as compared with \$612,119,000 worth of gold imported in 1931.

Exports of silver for 1932 were \$13,850,000, as compared with exports in 1931 of \$26,485,000, according to the Department. Imports of silver decreased from \$28,664,000 in 1931 to \$19,650,000 in 1932.

The statement issued by Secretary Chapin concerning the foreign trade of the United States for 1932 follows in full text:

SIGNIFICANCE OF TRADE

"Our monthly statement for December shows the values of our imports and exports for December and for the calendar year 1932. These figures seem worthy of special comment.

"There is a generally mistaken impression about the significance of our commercial relations with foreign countries because of the steady decline in foreign trade due to the world-wide depression. For this reason I have gathered a few facts and figures which I believe to be of considerable importance at this time in analyzing our foreign trade for the year from the standpoint of what it means to the average citizen at its present very low level.

"At a figure approximating \$3,000,000,000, the total foreign trade of the United States during 1932 records the lowest dollar valuation since 1905. The figures covering exports only, namely \$1,617,877,000, are also the lowest on record since 1905.

"Statistical evidence of this kind emphasizing greatly diminished foreign shipments, unless balanced by other factors, is likely to create distorted opinion and to add to the impression which seems to be prevalent in some circles that our foreign business has now reached the point of negligible consequence.

"One of the most important things we need in the United States today is more jobs for more people, and above all else we need to keep the jobs we now have.

PRESENT VOLUME OF TRADE OF CONSIDERABLE IMPORTANCE

"Exports of \$1,617,877,000 may appear small compared with the figures of 1928 and 1929, but after all something over \$1,500,000,000

worth of business, particularly during these times, is not to be ignored.

"Let us see what this means in actual jobs for our people.

"According to conservative estimates our exports in 1932 provided at least 2,000,000 American workers with employment, out of a total of approximately 18,000,000 persons at work last year producing goods capable of being exported.

"In addition there were about 1,250,000 persons engaged in activities supplying the daily needs of those directly employed.

"The two foregoing estimates do not include the number engaged in the clerical and mercantile phases of the export business proper in warehousing, ocean shipping, banking, insurance, and related industries.

"Reviewing the export status during 1932 of a few prominent industries, it is rather surprising to note that the proportion of our total lumber production which was exported last year is the highest since records were first compiled in 1869. Last year the lumber industry exported approximately 1,300,000,000 board feet.

LARGE SHIPMENTS ABROAD OF MOTOR OILS

"Despite the severe curtailment of purchasing power abroad our automobile industry exported about \$80,000,000 worth of cars and parts last year, or about 11½ percent of its total output.

"Over 50 percent of our entire cotton crop was exported last year, representing about 9,000,000 bales.

"We also exported during 1932, 27 percent of our leaf tobacco, and about 9 percent of our apples. We sold to foreign countries 15 percent of our wheat crop, 24 percent of our lard production, and about 7½ percent of our salmon pack.

"Exports of motor fuel accounted for 9 percent of production and exports of lubricating oils 30 percent of production.

"As recently as last summer, export for machine tools represented 58 percent of the total orders on hand.

DISTRIBUTION OF BENEFITS OF FOREIGN COMMERCE

"The records of the Department show that every State in the Union contributed substantially to the foreign trade total of the Nation, and that export business means jobs to practically every community in this country.

"A review of the foreign trade of the United States with that of other leading countries indicates that the foreign business of all nations has fared much the same. Comparing the first 9 months of 1932 with the corresponding period of 1931, total exports from the United Kingdom declined 33 percent; exports from Germany, 39 percent; France, 38 percent; Denmark, 39 percent; Sweden, 42 percent; Japan, 35 percent; Canada, 30 percent; Netherlands, 39 percent; Italy, 35 percent. Between the two periods, the value of United States exports fell off 36 percent.

PROSPERITY TIED UP WITH VOLUME OF EXPORTS

"If we can ship more goods abroad, it means much to American employment and prosperity.

"In spite of curtailed appropriations, the American business man still has at his disposal the best equipped and most effective foreign trade promotion service in the world.

"The policies that our Government adopts should take into consideration proper protection of home markets, and, at the same time, a consideration of the vital importance to us of our exports which mean so much in employment and well-being for our workers.

"Total values (in thousands of dollars) of exports and imports of the United States (preliminary figures for 1932 corrected to January 17, 1933)":

	December		12 months		Increase (+) or decrease (-)
	1932	1931	1932	1931	
Merchandise:					
Exports.....	\$136,000	\$184,070	\$1,617,877	\$2,424,289	-\$806,412
Imports.....	97,000	133,773	1,322,665	2,030,635	-707,970
Excess of exports.....	39,000	50,297	295,212	393,654	
Gold:					
Exports.....	13	32,651	800,528	468,794	+331,734
Imports.....	101,872	89,509	364,315	612,119	-247,804
Excess of exports.....			436,213	-143,325	
Excess of imports.....	101,859	56,858			
Silver:					
Exports.....	1,260	2,168	13,850	26,485	-12,635
Imports.....	1,203	3,215	19,650	28,664	-9,014
Excess of exports.....	57				
Excess of imports.....		1,047	5,800	2,179	

Mr. HATFIELD. Mr. President, the argument presented by the able Senator from Colorado [Mr. COSTIGAN], of course, is that of one who is convinced that the United States should operate upon a low-tariff basis, upon a tariff for revenue, if you please. I would welcome the day when we could, with

justice to American labor, with justice to American industry, operate upon that kind of a basis, but that is not possible until Europe and Asia are willing to bring the standard of living, the standard of wage, and the standard of opportunity up to a parity and maintain them there with the ever-increasing standards of the wage earners in America.

In the world, as constituted today, there are now four great self-sufficing economic areas. One of these is the 3,000,000 square miles comprising the Republic of the United States of America, to us the fairest land on earth; the second is that vast domain stretching across the roof of the world from the Atlantic to the Pacific, the 8,000,000 square miles occupied by the Union of Soviet Socialist Republics; the third is the great British Empire, occupying 13,000,000 square miles, or one fourth of the habitable area of the whole terrestrial globe; the fourth great trade area, and by far the greatest in civilized population, is continental Europe.

With the single exception of Europe, each one of these huge self-sufficing economic and political areas now is dedicated to the policy of free trade within and tariff protection from without.

What an object lesson was the recent imperial trade conference in Ottawa, when the duly designated delegates of the British Commonwealth of Nations scuttled their historic policy and embraced "imperial preference", which is but another name for free trade within and protection from without.

Upon what does the great Empire of Soviet Russia, groping her way to industrial freedom, stake her destiny? Free trade within and protection from without.

What single thing was it which enabled our own great Nation to rise in the short space of 150 years to a position of industrial supremacy that has amazed the world? That wise provision, placed by our forefathers in the very bedrock of the Constitution, namely, that there shall be no tariffs between the States.

One is naturally reluctant to advance or approve a step which essentially must spring from the initiative of governments other than his own.

But the light of these illustrious and time-tried examples I make bold to suggest to the harried statesmen of continental Europe that they do now adopt and take up as their own the selfsame principle that has made us great, the selfsame principle to which the British Empire now turns in her hour of need, the selfsame principle to which Russia intrusts her future, namely, free trade within and protection, where needful, from without.

Let us see the picture whole. The organization and the establishment of a continental tariff union in no wise need impair the sovereignty of a single member. When the Thirteen Original Colonies of this Nation, under the pressure of dire necessity, sought to federate, they were a group of thoroughly independent little sovereigns—with a background of conflicting social, political, religious, and economic ambitions that they had brought over here from Europe.

Napoleon undertook to make it possible for the Continent of Europe to be controlled under one flag, with one coin running the length and breadth of that great Continent, but he failed upon the field at Waterloo and passed into history. From that time down to the present we have a conglomeration of little nations—before the World War numbering 18, now some 30—with tariff walls surrounding them, so that none can exist with a feeling of contentment, but there is wrangling almost every day at their back and front doors. We wonder why this conglomeration of humanity, numbering something over 400,000,000 people, cannot see the error of their way and commit themselves to the principles of free trade within and protection from without.

The greatest trade center of the world today is the United States of America, because of free trade within the 48 States and ample protection from without, when we do not have depreciated currency in other nations to contend with. If the same condition could be brought about

on the Continent of Europe with their 400,000,000 people, they would even outstrip in progress, in social achievement, in economic advantages the United States of America because of their population.

Mr. President, I present this amendment, not because I believe in an embargo, but due to the fact that there exist in Europe turmoil and distress, and any understanding or tariff agreement we may enter upon with her she will not accept until she has the advantage. A "reciprocal" tariff means the barter and exchange of goods with foreign nations on a basis of reciprocity. It means the surrender of our economic sovereignty. It means giving to other nations the right to say what we shall buy and sell. It could well mean prosperity in one section and destruction in another. For that reason I find myself in harmony, as I have said at least twice from this desk, with Dean Donham, of the Harvard Business School. I think that we should begin at home. I think that we should extend a helping hand to Europe, economically and otherwise, when it does not infringe on or conflict with our own best interests and the interests of the wage workers in the United States, but I believe that charity should begin at home; and I say to this body that the greatest trade center in the world, which is the envy of all the nations of the world, which is sought by all the nations of the world, is in the United States of America, and I say to this body that our average tariff rate is 16.4 percent and the depreciation of the world currency is 39 percent. That distinguished American who hailed from the Lone Star State and who graced this body many years, Senator Bailey, said he considered that when any tariff rate was lower than 20 percent, that it was a tariff for revenue only.

Mr. President, my convictions today, because of the conditions which exist in Europe, because of the conditions which exist in Asia, are that our industries whose products are on the free list are practically destroyed, and the 33 1/3 percent which receive protection are operating only 20 to 30 percent of the time. The easiest way, the quickest way, the surest way to bring relief is to give to the Tariff Commission and, through the recommendations of that Commission, to the Chief Executive of this Nation power again to bring to American industry that confidence and that protection which it does not possess today.

We can hardly find responsible industrial owners of property who will not say, on their oath, that if they had this protection, that if they had this assurance that the depreciation of cheap money would not operate against them, they could start up the mills and the mines of the United States; they could go forward and employ labor; and they could store in the empty supply houses supplies which would enable them to sell when the demand was made, instead of living from hand to mouth and manufacturing from day to day, running anywhere from 15 to 20 percent of the time.

The purpose of my amendment, as I have repeatedly said on this floor, is not to increase a single tariff rate; it is simply to lodge with the Tariff Commission the power and the privilege of protecting American labor and American industry when we take our leave and go home, where we will remain for at least 6 months unless called back by some exigency that will be tremendously important, to deal with some problem which may develop between the time of adjournment and the time of our natural and lawful return to this body.

I have said all I feel I should say. I addressed the Senate a few days ago upon this subject, and I have addressed it again, giving my convictions. They are from the heart. They stand for Americanism, they stand for the American wage earner, they stand for giving preference or protection and assurance to American industry.

Mr. President, I offer the amendment. If it is accepted I shall feel glad. If it is defeated it will not be my fault.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from West Virginia [Mr. HATFIELD].

Mr. HATFIELD. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. KING. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following

Senators answered to their names:

Adams	Dickinson	Logan	Schall
Ashurst	Dieterich	Loneragan	Sheppard
Austin	Dill	Long	Shipstead
Bachman	Duffy	McAdoo	Smith
Bailey	Erickson	McCarran	Steiwer
Barbour	Fess	McGill	Stephens
Barkley	Fletcher	McKellar	Thomas, Okla.
Black	Frazier	McNary	Thomas, Utah
Borah	George	Metcalf	Townsend
Bulow	Goldsbrough	Murphy	Trammell
Byrd	Gore	Neely	Tydings
Byrnes	Hale	Nye	Vandenberg
Capper	Harrison	Overton	Van Nuys
Carey	Hatfield	Pope	Walsh
Coolidge	Hayden	Reed	Wheeler
Costigan	Kean	Reynolds	White
Couzens	Kendrick	Robinson, Ark.	
Cuttings	Keyes	Robinson, Ind.	
Dale	King	Russell	

Mr. LEWIS. I desire to state that the Senator from Washington [Mr. BONE] is necessarily detained on official business.

The PRESIDING OFFICER. Seventy-three Senators have answered to their names. A quorum is present.

Mr. HATFIELD. Mr. President, I have received appeals from a number of industries which seek the protection which the adoption of my amendment would afford. I have a list of these industries before me and ask that it may be printed in the RECORD at this point.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

Paper; pulp; lumber; plywood; canning; packing; steel; shoe; brick; wool; rubber; rubber footwear; glass; pig iron; wire; fiber brush; zinc; portland cement; electric-light bulbs; toys; water-color paints; oil and fat producers; fish industry—tuna, salmon, sardine, halibut; agricultural and forest products; pottery; raw glass blanks; textiles; chemicals; dairy.

Mr. BORAH. Mr. President, I desire to ask the Senator from West Virginia offering this amendment a question. As I understand, the amendment has for its objective protecting industries of the United States against the advantages which are supposed to be given to foreign nations which are now operating on a cheap-currency basis. The question which presents itself to me is this: How can we remedy that situation by tariff legislation? How can we accommodate the tariff schedules to the constant change which may take place in cheap-currency countries with reference to the currency which they are using?

Mr. HATFIELD. We may do so by placing on imported commodities a surtax, representing the difference in cost of production at home and abroad. That would be the policy which is provided for under my amendment.

Mr. BORAH. Exactly; but we establish a certain tariff rate, which is supposed to be in harmony with the situation as we see it now, and a week from today or a month from today the currency basis is entirely changed and the situation is altered, so that we may be at the same disadvantage, so far as tariff rates are concerned, as we were before the rates were increased.

Mr. HATFIELD. That is very true, Mr. President, but if the able Senator from Idaho can suggest a more stable method than the one which I have suggested I shall wholeheartedly support it.

Mr. BORAH. I am in entire sympathy with what the Senator from West Virginia seeks to accomplish—that is, to protect our industries against the effect of the cheap currencies in foreign countries—but I do not see how it is possible to do that except by arranging a stabilization of the currency itself through an agreement between nations. If I could see any hope of accomplishing it through the tariff, I certainly would want to accomplish it in that way. I readily concede the advantage in trade which the cheap-currency countries have. I cannot agree with those who

insist the advantage is of little consequence. But I do not believe we can meet the situation through tariff legislation.

Mr. HATFIELD. Mr. President, in the absence of being able to bring about a stabilization of currencies, of course some other method will necessarily have to be adopted if we are to continue to exist as a nation. I agree with the able Senator that if we could bring about a stabilization of monetary systems throughout the world that would be the solution; it would be a basis upon which we could figure the cost of production at home and abroad, based upon the standard of wage paid to labor in other countries; but as we have no such basis upon which to compute the difference, then, of course, we simply delve in the field of speculation more or less trying to find a remedy to meet the symptoms of the condition instead of applying a direct remedy to cure the basic ills, and the only one that is available is the one that I have suggested, which has been adopted in principle by every other nation on and off the gold standard, our own United States standing alone receiving the onslaughts from all nations since September 1931.

Mr. REED. Mr. President, will the Senator from West Virginia permit a question?

Mr. HATFIELD. I have not the floor.

Mr. BORAH. I yield to the Senator from Pennsylvania.

Mr. REED. I should like to ask the Senator from Idaho whether it is not a fact that at the present time most of the countries competing with us have adopted just this method of protecting themselves against depreciated currencies?

Mr. BORAH. I do not know to what extent they have adopted this practice, but what I am saying is that, whether they have adopted it or not, I do not see how it is possible to work effectively in this manner to accomplish that which we desire to accomplish. A month from now the currency situation may be so changed that the tariff rates will be no more effective for our protection than they were before we increased them.

Mr. REED. I grant all that, and I agree with the Senator that the stabilization of the money of the world is the best cure for the condition which we desire to correct, but all other countries are using the method now suggested by the Senator from West Virginia. Only this week France put in effect a special tariff against us because we had gone off the gold standard.

Mr. BORAH. And only last week Great Britain increased her exchange fund about treble, the purpose of which is to enable Great Britain to beat down the pound, if necessary, and to increase the price of the dollar, if necessary, in order to take advantage of the situation which we are trying to cure by a tariff; and she could effectuate her purpose a month from now just as effectively on the basis which we would establish today as she does upon the basis which now exists.

Mr. REED. That is true; but the Senator from West Virginia is offering us a weapon to meet Great Britain, whereas we are now defenseless against such tactics.

Mr. HATFIELD. Mr. President, will the Senator yield?

Mr. BORAH. I yield.

Mr. HATFIELD. I may say, for the information of the Senator, that of course I recognize that the amendment which I offer is only temporary, but if vigorously, enthusiastically, and patriotically used it will be tremendously effective as it has been in the hands of the European and Asiatic countries. However, I feel that we should do something that would at least give us a weapon that would put us on a parity as against the policy that has long since been adopted by countries of Europe and Asia; that we ought not to deprive American industry and the American laboring man of whatever protection this kind of legislation would give to them and which at the same time would stabilize industry and establish a confidence that is not possessed at the present time.

Mr. BORAH. Mr. President, we are within less than a month, or about a month, of the convening of the World

Economic Conference which is to deal with the subject of the stabilization of currencies and also with the subject of tariffs. It occurs to me that a very unfortunate preparation is being made for that conference. Great Britain has been completing tariff treaties just as rapidly as possible, and those tariff treaties do not seem to be subject to change by the World Economic Conference. If we proceed along the same line, Mr. President, I can see no possible result from the Economic Conference except a complete breakdown so far as the stabilization of currencies and of tariffs is concerned. In other words, up to the very hour when the Conference is called, we are doing that which makes it impossible to work out a solution of either one of these problems at the Economic Conference.

Mr. HATFIELD. Mr. President, will the Senator yield?

Mr. BORAH. I yield.

Mr. HATFIELD. I may say to the Senator that this proposal, if adopted, will not be compulsory, but it will simply be left in the hands of the Tariff Commission, so that they may invoke it in case they find no other remedy for the condition in the absence of Congress, which will extend over a 6-month period.

Mr. BORAH. Well, Mr. President, that is another phase of the controversy which I did not intend to discuss; but the granting of power to the Tariff Commission to exercise its judgment not only with reference to world conditions but with reference to the legislation which is necessary in order to meet such conditions seems to me a delegation of power which we ought to hesitate before we give. It is true that we have been rather liberal in granting power during the last few weeks, but I myself have not accepted the doctrine that we ought to delegate our legislative power with reference to the making of tariffs. I do not want to be committed to such doctrine. I would not grant legislative power to the Tariff Commission or any other executive or administrative agency.

Mr. KEAN. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Idaho yield to the Senator from New Jersey?

Mr. BORAH. I yield.

Mr. KEAN. I should like to ask the Senator whether it is not true that Great Britain, Belgium, France, and other foreign countries have put up and are putting up their tariffs and are levying extra tariffs against America, so that when it comes to the international conference they may say, "We will sacrifice this; we will sacrifice that; and we will sacrifice the other thing", whereas in reality it will be only taking off what they have just added.

Mr. BORAH. And we are putting on something so that we may be able to say, "We will sacrifice that."

Mr. KEAN. We should like to be even with them when it comes to trading.

SEVERAL SENATORS. Vote!

The PRESIDING OFFICER. The question recurs upon the amendment offered by the Senator from West Virginia [Mr. HATFIELD], on which the yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. AUSTIN (when his name was called). I have a general pair with the senior Senator from Virginia [Mr. GLASS], who is necessarily detained from the Senate. I therefore withhold my vote. If permitted to vote, I should vote "yea."

Mr. BULOW (when his name was called). I have a general pair with the Senator from Connecticut [Mr. WALCOTT], who is necessarily absent. In his absence I withhold my vote. If the Senator from Connecticut [Mr. WALCOTT] were present, he would vote "yea." If I were permitted to vote, I would vote "nay."

Mr. DALE (when his name was called). I have a pair with the junior Senator from California [Mr. McADOO]. Having been informed that he would vote as I shall vote, I am at liberty to vote. I vote "yea."

Mr. LOGAN (when his name was called). I have a general pair with the junior Senator from Pennsylvania [Mr.

DAVIS], who is necessarily absent. I transfer that pair to the senior Senator from Nevada [Mr. PITTMAN] and vote "nay."

Mr. PATTERSON (when his name was called). I have a general pair with the junior Senator from New York [Mr. WAGNER], who is temporarily absent from the Chamber. I am informed that if he were present he would vote "nay." If permitted to vote, I would vote "yea."

The roll call was concluded.

Mr. FESS. I was requested to announce that the Senator from Delaware [Mr. HASTINGS] is paired with the Senator from New York [Mr. COPELAND], and that the Senator from Rhode Island [Mr. HEBERT] is paired with the Senator from Illinois [Mr. LEWIS]. I am advised that if present Senators HASTINGS and HEBERT would vote "yea", and Senators COPELAND and LEWIS would vote "nay."

Mr. KENDRICK. I desire to announce that the junior Senator from Washington [Mr. BONE], the Senator from New York [Mr. WAGNER], the Senator from Nevada [Mr. PITTMAN], and the Senator from Illinois [Mr. LEWIS] are necessarily detained on official business.

The result was announced—yeas 27, nays 51, as follows:

YEAS—27

Barbour	Fletcher	Long	Schall
Capper	Frazier	McAdoo	Shipstead
Carey	Goldsborough	McNary	Steiwer
Dale	Hale	Metcalf	Townsend
Dickinson	Hatfield	Nye	Vandenberg
Dill	Kean	Reed	White
Fess	Keyes	Robinson, Ind.	

NAYS—51

Adams	Caraway	Hayden	Robinson, Ark.
Ashurst	Clark	Kendrick	Russell
Bachman	Connally	King	Sheppard
Bailey	Coolidge	Logan	Smith
Bankhead	Costigan	Louderman	Stephens
Barkley	Couzens	McCarran	Thomas, Okla.
Black	Cutting	McGill	Thomas, Utah
Borah	Dieterich	McKellar	Trammell
Bratton	Duffy	Murphy	Tydings
Brown	Erickson	Neely	Van Nuys
Bulley	George	Overton	Walsh
Byrd	Gore	Pope	Wheeler
Byrnes	Harrison	Reynolds	

NOT VOTING—17

Austin	Glass	Lewis	Wagner
Bone	Hastings	Norbeck	Walcott
Bulow	Hebert	Norris	
Copeland	Johnson	Patterson	
Davis	La Follette	Pittman	

So Mr. HATFIELD's amendment was rejected.

Mr. GORE. Mr. President, I gave notice on yesterday that I would offer an amendment, which I then asked to have printed and lie on the table. I now offer the amendment and ask for its adoption.

The PRESIDING OFFICER. The clerk will report the amendment for the information of the Senate.

The LEGISLATIVE CLERK. The Senator from Oklahoma proposes at the proper place in the bill to insert the following language:

That it shall be unlawful for any person to ship or transport, or to deliver to another for shipment or transportation, or to receive for shipment or transportation, by rail, pipe line, truck, or any other means of conveyance from any State, Territory, or District of the United States to any other State, Territory, or District of the United States, or to a foreign country, any crude petroleum, or to purchase or receive any shipment of crude petroleum in any State, Territory, or District of the United States from any other State, Territory, or District of the United States, with the knowledge that such crude petroleum was produced in violation of any law, or any regulation or order of any board, commission, officer, or other duly authorized agency, of the State, Territory, or District of its production.

SEC. 2. No person shall receive any crude petroleum for shipment or transportation from a State, Territory, or District in the United States in which there is a law or laws pertaining to the conservation of crude petroleum or the prevention of waste in the production thereof, to any other State, Territory, or District of the United States, unless the shipper shall furnish an affidavit to the effect that no part of such crude petroleum was produced in violation of any law or any regulation or order of any board, commission, officer, or other duly authorized agency, of the State, Territory, or District of its production. Such affidavit shall other-

wise be in such form as may be prescribed by authority of the State in which such petroleum is produced or tendered for transportation and shall be subject to inspection upon request of such State authority: *Provided, however*, That common carriers by railroad may receive from other common carriers by railroad for such transportation and may transport any crude petroleum without requiring such affidavit.

SEC. 3. Any individual who violates any of the provisions of this act, or who makes any false statement in any affidavit required by section 2 of this act, and any officer or agent of a corporation who participates in any violation of this act by such corporation, shall be fined not less than \$1,000 nor more than \$5,000, and imprisoned not less than 1 year nor more than 5 years. Any corporation which violates any of the provisions of this act shall be subject to a fine of not less than \$1,000 and not more than \$10,000. Each violation of this act shall constitute a separate offense.

Mr. GORE. Mr. President, it is my hope that the amendment may be agreed to and at least go to conference.

Mr. HARRISON. Mr. President, this is an amendment that seems to be of a great deal of importance and one around which much controversy has raged. I do not know whether it presents the united views of those interested in the matter. I know that I have given no study to the question. I really do not know much about it except as I gathered its import from hearing it read at the desk. I think the Senator from Oklahoma ought to make some explanation of the proposal. I know Senators from various States have been very much interested in it. I had been in hope that any matter of such importance might be considered by the committee. However, the committee has not given any consideration to it. I ask the Senator from Oklahoma if he will make a brief explanation of the purpose of the amendment?

Mr. GORE. Mr. President, I will submit one or two observations in regard to the purpose and object of the amendment. I do not think it in itself is controversial. It is true that a number of controversies exist in the oil fraternities, as to the best solution of their various problems, but it has been my understanding that practically all groups of the industry are agreed upon this particular proposal. They are willing to go this far, as I understand their sentiments. Some desire to go further. Some are not willing to go further. This appeared to me to be a sort of locus of points where there might be an agreement of views and possibility of action.

The amendment is substantially in the form of House bill 5010. That bill was introduced in the Congress by Representative MARLAND, of my State. Perhaps no man in Congress or out is more familiar with the oil industry and with its problems, or better fitted to aid in a solution of these difficult problems. The House Committee on Interstate Commerce had hearings on the Marland bill. I will have one sentence read from the hearings, from the statement of Mr. Russell Brown, who is secretary of the Independent Oil Producers' Association. He speaks for that group authoritatively, and it happens that other groups, according to my understanding, share his views upon this point and with reference to this proposal.

The PRESIDING OFFICER. The Clerk will read, as requested.

The Chief Clerk read as follows:

We believe the enactment of the measure before this committee is right, proper, and of vital necessity not merely to the petroleum industry, but also to the general economic well-being of the whole Nation.

Mr. GORE. Mr. President, Mr. Brown, who gave expression to those views, is the secretary of the Independent Oil Producers' Association. The bill to which he referred was the Marland bill, to which I have just made reference. I will say to the Senate that the pending amendment proposes to do one thing, and one thing only: It proposes to prohibit the shipment in interstate commerce of contraband oil, or of bootleg oil.

As everybody knows, the oil industry is distressed. Like all other industries it is in deep distress. It has been making a strenuous effort to solve its own problems and to save its own life. In order to do that, a number of the leading

oil States have enacted laws to prorate production, to restrict and control the production of crude petroleum. This amendment provides that when oil is produced in Oklahoma in violation of the laws of that State, it shall not be shipped in interstate commerce.

That is what this amendment proposes. That is all this amendment proposes. It simply reinforces the police laws of Oklahoma and of Texas and of other oil States—laws passed in an effort to conserve for the future this wasting resource, and to give the industry itself a chance to catch its breath, to revive, and to ride out this storm. It simply prohibits the interstate shipment of contraband oil—merely that and nothing more.

Mr. KING. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. MURPHY in the chair). Does the Senator from Oklahoma yield to the Senator from Utah?

Mr. GORE. Yes, sir.

Mr. KING. I have been interested during the past 2 or 3 years in noticing the very strong movements now and then originated, and carried forward with more or less success, to establish monopoly in the oil industry. A meeting was held a year or so ago at Denver, Colo., to which Mr. Hoover sent a representative, to try to effectuate an agreement among all the oil producers and, as it was called, "to stabilize prices"; but the object was, as I interpreted the meeting and interpreted the statements made regarding it, to weld the oil producers into a compact mass, to fix prices, to give them monopolistic control not only of the crude oil but of all of the commodities or products that flow from the utilization of the oil in all of its elements. Is not this amendment in harmony with that movement, and will it not tend to establish an oil monopoly in the United States?

Mr. GORE. Mr. President, I remember the meeting to which the Senator refers. I do not think this amendment would contribute to the accomplishment of the result which he describes, assuming that such was the object of that meeting. On the other hand, Mr. President, something of this kind is essential to protect the independent oil producers against the power of the oil monopoly, or what once constituted an oil monopoly, and to revive which, may be the purpose of some of the oil companies today.

The independent oil concerns which are not integrated, to use the trade phrase—that is, those who are engaged in production alone, do not own refineries and do not own pipe lines—have, as everybody knows, been in a desperate struggle for existence against the larger concerns which not only own production but own refineries, own pipe lines, and own filling stations. Anyone, even those not familiar with the industry, can see the unfair competition that would exist between companies so differently situated as I have described.

The testimony read a moment ago was from Mr. Russell Brown, the secretary of the Independent Oil Producers' Association. He expresses the view that this legislation is essential to the survival of the industry itself, and particularly, I will say, the independent branch of the industry. This amendment is intended as a sort of storm cellar to enable the independent concerns and the smaller concerns to have some sort of refuge and protection while the storm is raging, and to protect them afterward against the stronger concerns which are integrated.

Mr. KING. Mr. President, will the Senator yield further?

The PRESIDING OFFICER. Does the Senator from Oklahoma further yield to the Senator from Utah?

Mr. GORE. Yes, sir.

Mr. KING. The Senator, as I understood him, stated a moment ago that there was, or had been, an oil monopoly.

Mr. GORE. It was dissolved. I referred then to the Standard Oil Co., which was dissolved by the Supreme Court. I have often said it made me think of one of the fabulous "joint snakes", in that it seemed to have found ways and means to reunite itself, or at least to unite its power, if not its corporate existence,

Mr. KING. I will ask the Senator if it is not a fact that the independent oil operators and producers in nearly every State have associated themselves with the so-called "big interests", the Standard Oil Co. and those other large interests, and charge the same prices either for the crude product or for the finished product, if I may use that expression, as is charged by the so-called "big companies." It seems to me they have gone hand in hand, and that there has been an oil monopoly; but, of course, the big producers as well as the small producers have found a limited market in view of the depression, just as all industries have experienced a limited market in the sale of the commodities which they were producing.

Mr. GORE. Mr. President, I may say that there are two groups of independent oil concerns. One of the groups does not own refineries or pipe lines. Its members are not in the market for the purchase of crude petroleum. Therefore they do not compete either with the Standard or monopolistic group or with the other group of independents; and not owning refineries, they have no finished product to market. There are a few independent concerns which own refineries and have striven to maintain a more or less hazardous existence in competition with the old or so-called "Standard" concerns. I think the Senator is right. I think as a rule they pay the same price as the Standard for crude petroleum.

For instance, in the olden days the Prairie Oil & Gas Co. posted the price in Oklahoma, and all the other concerns, Standard and independent, as a rule followed that price. They could not obtain the crude petroleum for less than the Prairie Oil & Gas Co. was paying, and there was no reason why they should pay more if they could obtain it at that price. I think that is no reflection on the independents. They were more or less helpless in the matter of price making. They did follow the price fixed and posted by the Prairie Oil & Gas Co.

Mr. BARKLEY. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Oklahoma yield to the Senator from Kentucky?

Mr. GORE. Yes.

Mr. BARKLEY. This amendment proposes to deny the channels of interstate commerce to any oil produced in any State in violation of any law, regulation, or order issued by any commission, board, or officer of the State. What are some of the regulations, violation of which would deny to this oil the right to enter interstate commerce?

Mr. GORE. Mr. President, referring to the oil industry in Oklahoma, for instance, various companies own producing acreage in what is known as the "Oklahoma City oil field." Part of that field is embraced in the corporate limits of Oklahoma City. It is one of the greatest oil fields ever brought in in any State; perhaps, next to the east Texas field, the greatest. The oil concerns, themselves, in an effort to protect their lives, have acquiesced in the proration of oil in that field, in the curtailment of output, and at times the output has been as low as 1 percent of the potential production. Those rules and regulations have been sanctioned by the Oklahoma Corporation Commission.

Mr. BARKLEY. Have they been passed on by any court?

Mr. GORE. Yes, sir. The matter came to the Supreme Court of the United States in the *Champlin* case, and the Supreme Court sustained the power of the State.

Mr. BARKLEY. I have not read that case. Was it based in part upon the voluntary agreement of all those interested to abide by certain conditions; or did the case decide that without regard to the voluntary consent of anybody the State could impose those rules and regulations?

Mr. GORE. It did not turn on the question of consent, because Mr. Champlin challenged the power of the Commission to adopt and enforce such orders. The Supreme Court sustained that power. There has been what is known as "hot oil", however; there have been bootleg concerns which have violated those orders; and they have resorted to tactics which I would not even care to describe in viola-

tion of the rules and regulations, the lawless concerns producing oil, the law-abiding companies obeying the rules and regulations, and the bootleggers obtaining an unfair advantage in that respect.

When a bootlegging oil company produces oil in violation of the laws or the rules and regulations of the State, under this amendment that oil is to be treated as contraband, and is not to be received in interstate shipment.

Mr. BARKLEY. Mr. President, will the Senator yield further?

Mr. GORE. Yes.

Mr. BARKLEY. I recall that a year or so ago the Governor of Texas or some other State issued an order attempting, by executive ukase, to restrict the production of oil. I may be mistaken as to the terms, and I may be mistaken as to the State; but some governor did that. Whether he was doing it in pursuance of a law enacted by the legislature, or by virtue of his power as governor, I do not recall; but, in either case, that order by the governor affecting the production of oil in that State would operate to prevent any oil produced in violation of that order from entering into interstate commerce under this amendment?

Mr. GORE. Yes, sir; that is true, if it was a valid order. As I recall—the Senator from Texas can correct me—the orders were issued by the Railway Commission of Texas, and most of those orders issued by the Texas Railway Commission were held invalid. That is my recollection.

Mr. BARKLEY. The oil not being within itself deleterious or injurious, under what decision of the Supreme Court does the Senator contend that this amendment would be constitutional?

Mr. GORE. Mr. President, this proposal—and I go as far as the Senator in safeguarding the freedom of interstate commerce—merely prohibits the interstate shipment of outlaw oil, of contraband oil, of oil that was produced by lawless companies in violation of the laws of the State which protect those concerns.

Mr. BARKLEY. I do not quite get the force of the word "contraband" in the production of oil.

Mr. GORE. I use it in a figurative sense.

Mr. BARKLEY. It is a figurative expression, of course.

Mr. GORE. I mean oil that is produced in violation of the law of the State.

Mr. BARKLEY. This amendment also says that before anybody except a railroad company can receive a shipment of oil in interstate commerce he must be furnished by the shipper with an affidavit that it has not been produced in violation of the law.

Mr. GORE. Yes, sir.

Mr. BARKLEY. Why exempt railroad companies? Will not the effect of that be to have all oil transported on railroads?

Mr. GORE. As I recall, what the Senator has in mind is the receiving of this oil by one railroad from another railroad.

Mr. BARKLEY. No; it does not seem to be limited.

Mr. GORE. That is the way I read it; the assumption being that in the first instance the privilege of the oil to enter interstate commerce was determined before the first railroad received it.

Mr. BARKLEY. It may be delimited to receiving it from another common carrier.

Mr. GORE. That is the point, it being assumed, and I think properly, that when the first railroad received the oil, it was privileged to enter interstate commerce and go outside the State.

Mr. BARKLEY. Of course, a lot of this oil is presented to companies for shipment, not by the producer, but by somebody who has bought it from the producer. Suppose I am engaged in the purchasing of oil from oil wells, to be shipped to all parts of the country. Of course, I have no personal knowledge about who it was who produced it, or whether there was any more produced than was allowed under any State quota for any company. I would be un-

able then to put that oil on the railroad, or on any other transportation facility, without making affidavit myself that it had not been produced in violation of law.

Mr. GORE. I think that is so. I think the Senator would be put on notice to ascertain whether or not it was outlawed oil or innocent oil.

Mr. BARKLEY. Could any man, or any group of men, not actually producing it, make affidavit that it was not so produced? Could any man make affidavit merely on the information or advice of somebody else?

Mr. GORE. I think so.

Mr. BARKLEY. Would he not have to state that, so far as he knew, it had not been produced in violation of law?

Mr. GORE. It is possible that the affidavit might be made upon information and belief; but the way oil is handled, through pipe lines, I think the Senator could ascertain, because he would either buy from the pipe line, or from some company which had used the pipe line, which had been under surveillance. Of course, the law would not entirely enforce itself. A citizen would be put on notice that it was the law of the land, and would be required to exercise at least reasonable diligence in the purchase and transportation of oil.

Mr. BARKLEY. The Senator knows that I am ordinarily sympathetic with his viewpoint on a lot of things. This is a rather sudden situation injected here by this amendment. Would the Senator have any objection to having it referred to the Committee on Finance, in order that that committee might give it consideration?

Mr. GORE. My purpose was to see if it could not go to conference. It has been a subject of extensive hearings in the House, and I thought it might facilitate some sort of action or that action might otherwise be delayed. As I understand, practically every phase of the oil industry is favorable to this legislation. There is one group of independents who desire to go further than this amendment goes, who desire an embargo against the importation of foreign oil.

Mr. BARKLEY. Aside from all that, I think the broad question of the policy of the Government undertaking to deny interstate-commerce rights to a commodity because it may be produced in violation of some State law is something to which Congress ought to give very serious consideration before embarking upon it, because if we start out on that course it means that we will not stop with oil; we will have to go the whole length and deny the channels of interstate commerce to any product anywhere produced in violation of any law of any State.

Mr. GORE. Mr. President, I am inclined to think that the Federal Government is justified in reinforcing a State in the application of its police laws; and when a State says that a thing shall not be produced within its borders, of course the Government does not transcend the limits of the Constitution when it joins with the State in an effort to enforce that law. The cases which are in the Senator's mind are just the reverse. Where a State law declares an article to be innocent and permits its production, if Congress stepped in and attempted, through the exercise of the taxing power or some other power, to prohibit the interstate shipment of commodities and articles which under State law were produced entirely innocently, that would transcend the Constitution. The Supreme Court passed upon that point in the *Child Labor* cases. I sympathize entirely with the Senator's view in that matter, and I share his disposition to exercise great care in intermeddling with interstate commerce. So far as I am concerned, it is only the outlaw that I would forbid; an outlaw under the laws of a State.

Mr. BARKLEY. I appreciate the Senator's situation. This is a terrifically important problem. It involves a question of constitutional law; it involves a question of policy, which Congress has once or twice attempted to embark upon, but which the Supreme Court denied it the power to do.

Mr. GORE. I think it was the reverse.

Mr. BARKLEY. It seems to me the question is too important to justify us in adopting this amendment on the floor, without the consideration of a committee. I was wondering whether the Senator would not be willing to withdraw his amendment and let the Finance Committee take it up, or let the Committee on Interstate Commerce take it up, and give it the consideration to which it is entitled.

Mr. GORE. As the Senator knows, the pending bill extends the 1-cent Federal tax on gasoline. It levies a tribute upon the oil industry of about \$165,000,000. I think the tax is unequal; therefore unjust. It seemed to me that if the industry was to be obliged to bear that burden, it was not unfair that it should receive some consideration and some benefits under this measure. It was to secure such advantages to the industry that I offered the amendment. Since it was a matter of unanimous agreement, substantially, among the oil people, I did not suppose there would be any serious objection to it.

Mr. HARRISON. Mr. President, will the Senator yield?

Mr. GORE. I yield.

Mr. HARRISON. I may say that the purposes of the amendment appeal to me. I have thought for a very long time that the oil people ought to get together upon some kind of fair arrangement. One of the troubles with the oil business is that the producers are not willing or are not able to agree. I had thought, when the Senator first approached me on this matter, that the industry was in complete agreement on it. But I am advised that this amendment will precipitate quite a discussion, that at least one other Senator will offer an amendment to it, to broaden the scope of it. I think it is a very good policy in the Senate that these matters should be considered, especially where they are controversial, first by a committee; but in view of the fact that a Senator is ready to offer another amendment, and to talk on the matter, and oppose the adoption of this amendment unless it is broadened, I had hoped that the Senator would let the amendment go to the Committee on Interstate Commerce for consideration.

Mr. GORE. Mr. President, we have all heard of the petitioner who asked for an egg and got a scorpion. I think the oil industry may find itself in that situation if it does not accept what is proposed in this amendment. I shall merely allow the matter to go to a viva-voce vote, and not insist upon a yea-and-nay vote. I have done my duty.

Mr. McADOO. Mr. President, may I say just a word to the Senator from Oklahoma? California, as all know, is deeply interested in the oil question. It is one of the great oil-producing States of the Union. I may say that there is a wide difference of opinion among those interested in the oil industry in California about this measure. I hope sincerely that the Senator will not press the amendment, because I think it ought to go to a committee and be thoroughly considered.

I wanted to say that much, in view of the thought expressed by the Senator from Oklahoma that all the oil people are willing to accept the amendment. They are not, so far as a large part of the California industry is concerned.

Mr. GORE. Mr. President, as I stated before, it was my understanding that they were. I talked to Mr. Marland yesterday, and he said this was one thing on which all the oil people agreed. Of course, the Senator from California proves that he was in error. There are those who desire to go further than this amendment would. One independent group desires an embargo, and perhaps some are unwilling to go this far unless an embargo can be attached. I count that out of the realm of possibility at this time. There is another group who desire a dictatorship, and are insisting upon it. That is probably what will come in the place of what I propose.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Oklahoma [Mr. GORE].

The amendment was rejected.

Mr. DICKINSON. Mr. President, I offer an amendment, which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 1, beginning with line 7, the Senator from Iowa moves to strike out all of section 2 and to insert in lieu thereof the following:

That subsections (a) and (c) of section 1001 of title 8 of the Revenue Act of 1932 be and are hereby repealed.

Mr. DICKINSON. Mr. President, the purpose of this amendment is to take out of the bill the provision delegating power to the President to do anything he wants to with postal rates, and to repeal the section of the revenue act which increased the rate from 2 cents to 3 cents in 1932. In other words, this would reestablish the old postal rates.

Subsection (a) is as follows:

(a) On and after the thirtieth day after the date of the enactment of this act and until July 1, 1934, the rate of postage on all mail matter of the first class (except postal cards and private mailing or post cards, and except other first-class matter on which the rate of postage under existing law is 1 cent for each ounce or fraction thereof) shall be 1 cent for each ounce or fraction thereof in addition to the rate provided by existing law.

In other words, it simply permits the old law to come back into effect.

Mr. HARRISON. Mr. President, will the Senator yield?

Mr. DICKINSON. I yield.

Mr. HARRISON. As I understand the Senator's amendment, what he seeks to do is to repeal the drop-letter rate from 3 cents to 2 cents?

Mr. DICKINSON. That is right.

Mr. HARRISON. And to take away the discretionary power that is given to the President herein to increase or lower rates?

Mr. DICKINSON. That is right. Under the provisions of the pending bill, section 2 provides:

Sec. 2. The President is authorized during the period ending June 30, 1934, to proclaim such modifications of postage rates on mail matter (except that in the case of first-class matter the rate shall not be reduced to less than 2 cents an ounce or fraction thereof) as, after a survey by him, he may deem advisable by reason of increase in business, the interests of the public, or the needs of the Postal Service—

And so forth.

In other words, this is a complete delegation of power to the President to do anything he wants to do with practically any class of mail matter, and the only restriction in the bill is that he cannot reduce the rate below 2 cents on first-class mail matter.

As a matter of fact, I think we have gone too far in the delegation of power. About every bill that comes before us provides for a new delegation of power to the President. I was greatly interested in the new independent offices appropriation bill, which has just come over from the House, and to all Senators who have any friends in the Army I want to suggest that they read section 10, on page 56, of House bill 5389, which has just been sent to us. Section 10 reads as follows:

The President is authorized to place on furlough such officers of the Army, Marine Corps, Public Health Service, Coast Guard, or Coast and Geodetic Survey as he, in his discretion, shall deem desirable. While on furlough, officers shall receive one half the pay to which they would otherwise have been entitled, but shall not be entitled to any allowance except for travel to their homes.

As a matter of fact, there has been one delegation of power after another since the 4th of March. I was very much interested in an observation made by Frank Kent in his column in the Baltimore Sun. He said that a good, old-fashioned Democrat told him that the delegations of power to the President reminded him of Christopher Columbus when he came to America, that when he started he did not know where he was going, that when he got here he did not know where he was, and that when he got back home he did not know where he had been. That is about where we are going legislatively in the transfer of legislative power to the Executive.

Mr. JOHNSON. Mr. President, will the Senator yield to me?

Mr. DICKINSON. I yield.

Mr. JOHNSON. I heard an answer, by a distinguished Senator, to the remark the Senator has just repeated, that Columbus did not know where he was going, and that when he got back he did not know where he had been. The answer of the Senator was, "What has time written of Columbus?"

Mr. DICKINSON. That is very true, but it does not take out of the atmosphere the uncertainty which surrounded him at that time.

Next I want to suggest some of the things we have been doing here recently. In the New York Times of yesterday Arthur Krock made these observations:

HALF OF BILLS TRANSFER POWER

A survey of major legislation passed, passed and signed, or awaiting passage at this session discloses an even division in the number of legislative items which may be classified as either direct lawmaking or transfers to the Executive of the lawmaking power. Of measures passed and signed, or about to be signed, by the President, these were in the form of laws made by Congress itself and for administration without large discretion:

The Copeland bill abolishing the liquor-prescription limitation for doctors.

The Wagner-Robinson bill authorizing the Reconstruction Finance Corporation to make direct loans to States and municipalities for public works to relieve unemployment.

The Cullen bill legalizing and taxing 3.2 beer, and the companion measure to include the District of Columbia in the privileged area.

The Robinson bill directing Reserve banks to make loans to State banks and trust companies.

The crop loans appropriation bill.

The farm mortgage refinancing provision in the Farm Relief Act.

The Wagner bill providing for a \$500,000,000 dole.

MANDATORY MEASURES

Measures still in committee, or not otherwise through the legislative hopper, which are mandatory in character, are these:

The securities bill for the protection of investors.

The Glass banking reform bill.

The Home Mortgage Refinancing Act.

Legislation either passed or certain to be and conferring powers on the President to use or withhold in his discretion, and assigning to him authority usually resident in Congress, follow:

The Emergency Banking Act.

The farm relief bill.

The Thomas amendment to the farm relief bill.

The Economy Act, permitting vast reductions in Government pay and gratuities, and the organization and abolition of Government agencies.

The bill creating the "conservation corps."

The arms embargo.

Measures of the same general character as these, which put virtual legislative authority in the President's hands and are yet awaiting passage, are the following:

The bill to regulate the railroad systems.

The Tennessee Valley Improvement Act.

The bill to mobilize, stimulate, and regulate private industry, including the hours and pay of its labor, and to provide for billions in public works.

WIDE CONTROL IN FOUR PROPOSALS

In the same group with these, but not yet officially sought by the President, can be placed the expected requests for powers to adjust tariffs, make trade agreements with other nations, and to negotiate adjustments of the war debts.

Except for a limited number of private bills, the above is a summary of the legislation of all kinds which has engaged the attention of this session of Congress. The gross score, assuming that all the measures will come to the President and receive his signature, is 11 grants of wide discretionary power and 11 complete and mandatory in themselves. But the delegated authority in 4 measures alone—the farm relief bill, the inflation rider, the Emergency Banking and Economy Acts—far overshadows in the control they give the President over the lives and property of the people all the rest of the acts of this session rolled into one. The delegated authority exceeds also more than Congress has asserted for itself in many sessions.

We are proceeding again in the pending bill to delegate power. Frank Kent in today's issue of the Baltimore Sun writes as follows:

It is not only that the President has planted a professor squarely behind the more important Secretaries, but the Roosevelt program has—or will create a group of Federal officials who constitute a new Cabinet with more power and importance than the combined constitutional Cabinet.

This unofficial cabinet created by Mr. Roosevelt is worth listing again. Here it is:

Farm Administrator.

Industrial Planner.

Railroad Coordinator.

Budget Director.

Public Works Director.

Dole Administrator.

They do not outrank the constitutional Cabinet at the dinner table, but they do in every other way. In a year's time it is going to be hard to remember who really is in the constitutional Cabinet.

In the provision of the bill regarding postal rates we are simply following the same line of giving additional authority to the President. Section 1001 (a) of the existing law I have already shown the Senate simply increased the postal rates on first-class mail matter by 1 cent an ounce. As a matter of fact, what it is proposed to do by this bill—

Mr. BARKLEY. Mr. President, will the Senator from Iowa yield to me?

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Kentucky?

Mr. DICKINSON. Yes.

Mr. BARKLEY. As I understand the Senator's amendment, it not only reduces to 2 cents the postage on drop letters but on all first-class mail?

Mr. DICKINSON. It reduces the postage on all first-class mail.

Mr. BARKLEY. In answer to the Senator from Mississippi I think the Senator was not quite accurate as to the effect of the amendment.

Mr. DICKINSON. As a matter of fact, this amendment, if adopted, would reduce postage on first-class mail matter and put the rate back to its original status of 2 cents an ounce.

Now, I want to suggest to the Senate that the Finance Committee held hearings on this matter, and was shown, as I understand, that the revenues of the Post Office Department for the fiscal year 1932 will be about \$588,000,000, and that it is estimated that if the 3-cent rate had not been in effect the revenues would probably have been not in excess of \$500,000,000. Some \$17,000,000 of that revenue is derived from drop letters, referred to by the Senator from Kentucky, leaving a balance of approximately \$17,000,000 to do with first-class mail transported as such. That character of mail, of course, has been the revenue-producing item of the Post Office Service. First-class mail produces a real profit.

As a matter of fact, I know nothing that will be a greater stimulus to business than to go back to the old 2-cent postage rate. We find that in many cases business concerns are no longer using the first-class mail, and they are no longer using it for the reason that, under existing conditions, with labor cheap, they are able to deliver many of the different types of notices which they send out for less money than they can actually deliver them through the mails.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. DICKINSON. I yield.

Mr. BARKLEY. They are still doing business, though. They have simply changed the method of delivery of their messages; they have not curtailed production on account of the 1-cent increase in postage rates. They may not be sending their letters through the mail or delivering whatever it is they deliver through the mail, but they are still engaged in business and employing some other method of delivery. Is that true?

Mr. DICKINSON. They are engaged in business, but I do not know of a single, solitary business in which there is not a curtailment of turnover. I do not ascribe that curtailment to the increase in postage.

Mr. BARKLEY. No.

Mr. DICKINSON. But it is simply one of the items of overhead which every business concern has to take into consideration.

There are two phases of this question that I think should be considered. In the first place, there is no reason why we should delegate power to the President to adjust postal rates. If the rates are too high, we ought to know enough about

the matter to lower them. If they are not too high, we ought not to have this provision in the bill at all; the rates ought to be permitted to stay where they are. There is no reason why the Congress should not make such survey as may be necessary to reach a conclusion in this matter and then to reach a conclusion in its own right.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. DICKINSON. I yield.

Mr. BARKLEY. If the rate shall not be reduced, either on first-class postage entirely or on drop letters, as has been suggested, until Congress makes a survey to determine whether the Post Office Department can stand the reduction, the chances are there will be no reduction in the near future, certainly not until the next session of Congress. Does not the Senator think if the President by making a survey can ascertain that at any time between now and the reassembling of Congress there can be a reduction and that he ought to have the power to bring it about?

Mr. DICKINSON. I do not agree with that at all.

Mr. BARKLEY. It is not contemplated that there will be any increase; it is contemplated only that there will be a decrease.

Mr. DICKINSON. But by the testimony taken by the Finance Committee it was shown that the President would have the right to increase particularly second-class matter.

Mr. BARKLEY. Of course he would have the right to do it.

Mr. DICKINSON. He could increase rates or he could decrease them, the only limitation being that he may not decrease first-class mail rates below 2 cents an ounce.

What I have in mind is this: All the data and all the experience under the 3-cent rate are available and there is no reason why Congress should say that somebody else shall review this situation. We ourselves have a right to review it, and the proper legislation could be presented here. There is no reason why this power should be delegated. I believe that our experience under the 3-cent rate has been the reverse of what was expected. It was estimated that the increase in revenues would approximately be \$135,000,000, but, as a matter of fact, there has been a slump in the Post Office Department in practically every avenue of income. That is due to a curtailment of business. Now, we are reaching the place where we ought to do those things which will encourage business. I believe that now is the proper time; that we can just as well repeal the present rate and restore the original rate, and that, by so doing, at the end of the fiscal year 1934, which is the limitation of the act, we will be far ahead, so far as revenues are concerned, than if we permit to remain in force the rate provided by existing law.

That is the reason why I have presented this amendment. I believe that it is in line with the action which should be taken in order to encourage business; and I know that the mail item is one of the real important items in many of the business concerns of this country. For that reason I believe that we ought to adopt the old rate and face the adjustments that may be necessary. In that way, if you please, we will, I think, be able to put the Government in a position where additional revenues will come in.

I find that many concerns have quit using the mails for certain types of circularizing; they have quit using the mails on account of the extra 1 cent per ounce postage. That being the case, I believe we should afford an encouragement to those who are using the mails, and for that reason I have offered the amendment.

Mr. VANDENBERG. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. VANDENBERG. The Senator from Iowa has offered an amendment to substitute certain language for section 2. Would it be in order, before his amendment is considered, to offer an amendment to perfect the language of section 2?

The PRESIDING OFFICER. Such an amendment would be in order.

Mr. VANDENBERG. Then I want to submit an amendment. It seems to me that the vice of the postal section is that it permits the President to increase rates as well as decrease them, although it is persistently said that there is no intention to increase rates. Therefore, Mr. President, I am asking the Senator from Mississippi for his reaction to the suggestion that in line 8, page 1, the word "modifications" be stricken out and the word "reductions" inserted, so that it will read:

The President is authorized during the period ending June 30, 1934, to proclaim such reductions of postage rates.

And so forth.

If it is not the purpose, Mr. President, to use a power to increase rates, the power to increase them should certainly not be created.

Mr. HARRISON. I have not said that the power is not granted by the bill to increase as well as to reduce postal rates. It may be that on certain class matter there should be an increase of rates. That is why the word "modifications", instead of the word "reductions", was placed in the provision. There is no denying the fact that the power is given to the President during the time specified to increase or reduce these rates, the only two limitations being those which I pointed out yesterday.

Mr. VANDENBERG. The Senator was absent from the Chamber when the Senator from Kentucky [Mr. BARKLEY] said a moment ago, without any reservation or equivocation, that there is no intention to use any power under this amendment to increase any rates.

Mr. HARRISON. Probably it is true that there is no such intention at this time, but the power is granted here to increase rates on certain matter.

Mr. VANDENBERG. That is what I am objecting to.

Mr. HARRISON. Some of us have voted for increased rates on certain classes of mail matter in the past, but the proposal was not adopted. I can imagine certain mail matter that ought to bear a little increase in rates.

Mr. VANDENBERG. I would be quite happy in some instances to vote for increased postage rates where justified, but it occurs to me that to give any one man the power to increase second-class mail rates in the United States, those rates being so directly related to the existence in many instances of the press of the Nation, would virtually be a circumscription of the free press, for it would put the power in the hands of one man to dictate the destiny of the press. I am perfectly sure that such a proposition is not defensible.

Furthermore, it seems to me, if the power to increase rates is eliminated, that all objection to the delegation of power disappears, because there can be no objection to the delegation of a power which is to be exercised to the advantage and in behalf of a reduced charge upon the people.

Mr. President, I move to substitute the word "reductions" for the word "modifications" in line 8, on page 1.

Mr. DICKINSON. Mr. President, before a vote is taken on the amendment I want to invite attention to subsection (c) which I also include in my amendment. Subsection (c) provides that 85 percent of the gross postal receipts during the period of the increased rate of postage provided in subsection (a) shall be counted for the purpose of determining the classes of postmasters and their compensation. As a matter of fact, it was expected that the increase in rates would result in an increase in revenue. It has been disappointing all along the line in that respect, and many of the postmasters have found that instead of getting only the usual percentage reduction they have had the regular percentage of reduction as provided in the Economy Act and on top of that there has been taken off 15 percent of their revenues before the computation was begun to determine what their salaries would be.

My amendment would correct that situation, which is wholly due to the fact that there has been no increase in revenues in practically any of the post offices of the country. In other words, 1932 as compared to 1931 has shown a de-

crease in revenues, so that the average postmaster not only had his revenue cut under the Economy Act, but found that 15 percent of the gross returns of his office were deducted before the Department began computing his salary. That is the reason for including subsection (c).

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Michigan. [Putting the question.] The "noes" seem to have it.

Mr. VANDENBERG. Mr. President, I suggest the absence of a quorum before the vote is announced.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Connally	Hayden	Reynolds
Ashurst	Coolidge	Johnson	Robinson, Ark.
Austin	Costigan	Kean	Robinson, Ind.
Bachman	Couzens	Kendrick	Russell
Ballley	Cutting	Keyes	Schall
Bankhead	Dale	King	Sheppard
Barbour	Dickinson	La Follette	Shipstead
Barkley	Dieterich	Logan	Steiwer
Black	Dill	Loneragan	Stephens
Bone	Duffy	Long	Thomas, Okla.
Borah	Erickson	McCarran	Thomas, Utah
Bratton	Fess	McGill	Townsend
Brown	Fletcher	McKellar	Trammell
Buikley	Frazier	McNary	Tydings
Bulow	George	Metcalf	Vandenberg
Byrd	Glass	Murphy	Van Nuys
Byrnes	Goldsbrough	Neely	Walsh
Capper	Gore	Nye	Wheeler
Caraway	Hale	Overton	White
Carey	Harrison	Pope	
Clark	Hatfield	Reed	

The PRESIDING OFFICER (Mr. CLARK in the chair). Eighty-two Senators have answered to their names. A quorum is present. The question is on the amendment of the Senator from Michigan.

Mr. VANDENBERG. Mr. President, I want briefly to restate the issue. Section 2 of the pending bill proposes to delegate to the President the power to increase or decrease postage rates. The Senator from Kentucky [Mr. BARKLEY] stated a few moments ago upon the floor that there is absolutely no intention or purpose to use the power to increase postage rates.

Mr. BARKLEY. Mr. President—

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Kentucky?

Mr. VANDENBERG. I yield.

Mr. BARKLEY. My remark was made in connection with the amendment of the Senator from Iowa [Mr. DICKINSON] with reference to postage rates on first-class matter. I have no way of knowing what may be done with reference to the entire mail situation, but I do understand that it is not contemplated by anyone that there will be any increase over the present rates on first-class mail matter. I do not know what will happen as to the other classes of mail. I have no information one way or the other on that question.

Mr. VANDENBERG. Very well. That further limits and identifies the menace in the language as it exists.

Mr. LONG. Mr. President, what the Senator from Michigan is trying to do is to give authority to the President only to decrease rates, is it not?

Mr. VANDENBERG. That is all the amendment would permit him to do.

Mr. McKELLAR. Mr. President—

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Tennessee?

Mr. VANDENBERG. I yield.

Mr. McKELLAR. I want to suggest to the Senator that in my judgment, after many years of service on the Committee on Post Offices and Post Roads, the present rate of 3 cents on first-class mail matter is bringing in less revenue than the 2-cent rate did, notwithstanding the reports from the Department. If that is so, it is perfectly clear that the President will never increase that rate.

Mr. VANDENBERG. Of course there is no question about that, but if it is not intended to increase rates I

submit that when we create a delegation of power we should not include a power which it is not contemplated shall be used. This power, we are now told, might be used to increase second-class rates. Perhaps second-class rates ought to be raised, but if they should be raised they ought to be raised by order of the Congress of the United States, because second-class rates are directly and specifically related to the existence of a free press in the United States, and the power to control the postage rates in respect to publications and newspapers in the United States may well be a complete control over their very existence.

I submit that no matter how much other power we may delegate in this strange hour that has fallen upon us, there can never be any excuse for delegating a power which relates specifically to the existence of a free constitutional press in the United States. We are now told, I repeat, that there is little or no expectation that this power will be used to increase rates. Therefore I have moved, on page 1, line 8, to substitute the word "reductions" for the word "modifications" so that we are permitting the President to reduce the postal schedule in any fashion that he concludes the conditions shall warrant, but declining to permit him, without any survey, without any check on the part of Congress, to increase postage rates, which are the very essence of a tax, and therefore which would be the subletting of a power to increase taxation of the United States.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Michigan [Mr. VANDENBERG].

Mr. HARRISON. Mr. President, I merely desire to say that this whole matter was considered by the committee; and the committee thought it was wise to give this power for this year to the President, so that he might increase the rate on second-class matter if he wanted to, or on first-class matter if he desired to, as well as to reduce it.

Mr. VANDENBERG. I ask for the yeas and nays on the amendment, Mr. President.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. BULOW (when his name was called). I have a pair with the Senator from Connecticut [Mr. WALCOTT], and therefore withhold my vote.

Mr. McKELLAR (when his name was called). I transfer my pair with the Senator from Delaware [Mr. TOWNSEND] to the Senator from Nevada [Mr. PITTMAN], and will vote. I vote "nay."

Mr. METCALF (when his name was called). I have a general pair with the Senator from Maryland [Mr. TYDINGS], and therefore withhold my vote. If at liberty to vote, I should vote "yea."

The roll call was concluded.

Mr. LOGAN. I have a pair with the junior Senator from Pennsylvania [Mr. DAVIS], who is absent. I transfer that pair to the senior Senator from South Carolina [Mr. SMITH], and will vote. I vote "nay."

Mr. DALE. I have a pair with the junior Senator from California [Mr. McADOO], and therefore withhold my vote.

Mr. ROBINSON of Arkansas. I desire to announce that the Senator from Iowa [Mr. MURPHY] and the Senator from Wyoming [Mr. KENDRICK] are detained from the Senate on official business.

Mr. FESS. I desire to announce that the Senator from Rhode Island [Mr. HEBERT] and the Senators from Delaware [Mr. HASTINGS and Mr. TOWNSEND], if present, would vote "yea" on this question.

I also desire to announce the following general pairs:

The Senator from Delaware [Mr. HASTINGS] with the Senator from New York [Mr. COPELAND];

The Senator from Rhode Island [Mr. HEBERT] with the Senator from Illinois [Mr. LEWIS]; and

The Senator from Missouri [Mr. PATTERSON] with the Senator from New York [Mr. WAGNER].

The roll call resulted—yeas 37, nays 37, as follows:

YEAS—37

Adams	Carey	Keyes	Schall
Austin	Couzens	La Follette	Shipstead
Bachman	Cutting	Long	Stelwer
Bankhead	Dickinson	McCarran	Stephens
Barbour	Frazier	McNary	Trammell
Black	Goldsborough	Nye	Vandenberg
Bone	Hale	Overton	White
Borah	Hatfield	Pope	
Capper	Johnson	Reed	
Caraway	Kean	Robinson, Ind.	

NAYS—37

Ashurst	Coolidge	Harrison	Russell
Bailey	Dieterich	Hayden	Sheppard
Barkley	Dill	King	Thomas, Okla.
Bratton	Duffy	Logan	Thomas, Utah
Brown	Erickson	Loneragan	Van Nuys
Bulkley	Fess	McGill	Walsh
Byrd	Fletcher	McKellar	Wheeler
Byrnes	George	Neely	
Clark	Glass	Reynolds	
Connally	Gore	Robinson, Ark.	

NOT VOTING—21

Bulow	Hebert	Norbeck	Tydings
Copeland	Kendrick	Norris	Wagner
Costigan	Lewis	Patterson	Walcott
Dale	McAdoo	Pittman	
Davis	Metcalf	Smith	
Hastings	Murphy	Townsend	

The PRESIDING OFFICER. On the amendment of the Senator from Michigan [Mr. VANDENBERG] the yeas are 37, and the nays are 37. The amendment is lost.

Mr. REED. Mr. President, a parliamentary inquiry. Where is the Vice President?

The PRESIDING OFFICER. The present occupant of the chair cannot inform the Senator.

Mr. HARRISON. Mr. President, the Vice President is at a Cabinet meeting, attending to his duties.

Mr. CONNALLY. Mr. President, I desire to observe that the conduct of the Senator from Pennsylvania is rather remarkable. Evidently his remark could only have been intended to cast some reflection upon the absence of the Vice President. For my own part, I wish to express my hearty resentment at the conduct of the Senator from Pennsylvania.

I recall what I suppose he has in mind—the conduct of the Vice President of his own party some years ago when the Senate was passing on a very important nomination, that of an Attorney General, and Vice President Dawes not only was not in the chair but was down in the Willard Hotel asleep. It was never known why he chose that particular hour for his slumber.

Mr. BORAH. Mr. President—

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Idaho?

Mr. CONNALLY. I yield.

Mr. BORAH. The Senator will remember that that sleep enabled the Democrats and Progressives to defeat the nominee for Attorney General.

Mr. CONNALLY. I am very glad, indeed, for my part, that the Vice President was asleep, because his conduct assisted the Senator from Idaho and a number of other Senators to defeat a nomination which ought to have been defeated and which was defeated.

Mr. DALE. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield to the Senator from Vermont.

Mr. DALE. The Senator will also recall that that sleep enabled Vermont to get an Attorney General.

Mr. CONNALLY. I am very happy to know that Vermont was able to get an Attorney General. Mr. Sargent was a vast improvement over the man whose name was pending before the Senate at the time, and whose confirmation was being considered.

I desire to take this occasion, however, to say that the Senator from Pennsylvania ought to know that the Vice President is frequently in the chair; that he gives his attention to the public business; that he is a wise and able counselor of the administration; that he attends Cabinet meetings; and, as suggested by the Senator from Mississippi, that he is probably now in a Cabinet meeting endeavoring to bring this country out of the doldrums.

For my part, I want to express my hearty disapproval of the apparent effort of the Senator from Pennsylvania to cast some slur upon or make some insinuation regarding the Vice President by reason of the fact that he is temporarily not in the chair.

Mr. ROBINSON of Arkansas. Mr. President, perhaps too much note should not be taken of the very unusual, and I think unethical, conduct of the Senator from Pennsylvania [Mr. REED] in making the inquiry as to where the Vice President now is. It is a species of humor that the Senator from Pennsylvania does himself no credit when he indulges.

Senators themselves frequently find it necessary to be absent from the Chamber during the proceedings of the Senate. The Senator from Pennsylvania, with all his remarkable powers and abilities, finds himself in that situation. I cannot recall that any of his colleagues ever implied neglect of duty on his part when he failed to present himself during the meetings of the Senate.

The matter has an amusing aspect, however—that the Senator from Pennsylvania should assume to dictate to the Vice President as to the manner in which the Vice President shall perform his duties.

With that remark, Mr. President, I conclude, with the suggestion that perhaps the Senator from Pennsylvania would not like always to have it disclosed where he is when he happens to be absent from the Chamber. [Laughter.] The Vice President of the United States is engaged in the performance of his duties; and he, not the Senator from Pennsylvania, is the judge of when and how he shall perform his duties.

Mr. REED. Mr. President, not to prolong this unhappy subject—because I realize that I have caused great pain to a number of my friends—I only want to recall to our minds the fact that it was considered extremely amusing when poems were put in the RECORD regarding the efforts of Vice President Dawes to get here in time for a vote. There was not a face on the other side of the aisle that did not show the utmost happiness. As a matter of taste, it seemed to be unanimously thought there that it was in the best of taste to ridicule the Vice President to his face, to put in the poem about "Dawes' Ride", written after the fashion of "Paul Revere's Ride", because that Vice President was trying to get here to vote.

Perhaps at this moment traffic is being tied up on Pennsylvania Avenue by the efforts of the present Vice President to get here to cast his vote. I do not know. If so, it is very much to the credit of the Vice President.

In matters of taste I am a stupid person, and I must confess that I have merely followed the lead of my distinguished friends on the other side of the aisle when I have called attention to the fact that the vote on this amendment was a tie, and under the Constitution the Vice President had power to vote. He has never had it before since he took office. This is the first time the vote in the Senate has been a tie, the first time the Vice President was qualified under the Constitution to cast his vote and show the American people how he felt. If I have transgressed good taste in calling attention to his absence, I am very sorry; but, as I say, I have merely followed the example set by my friends on the other side.

Mr. ROBINSON of Arkansas. Mr. President, when the Senator from Pennsylvania with pride confesses his own stupidity in making the suggestion which he did make I am entirely content to let the matter rest. [Laughter.]

Mr. CONNALLY. Mr. President, I want to make a very remarkable statement: that the Senator from Pennsylvania for once is inaccurate in an assertion. The parliamentary clerk advises me that this is not the first time a tie vote has occurred since the present Vice President has been the Presiding Officer of this body. On a former occasion that situation occurred, and we heard no outburst from the Senator from Pennsylvania. Probably he was absent on that occasion.

Mr. REED. Mr. President, may I ask the Senator a question?

Mr. CONNALLY. Certainly.

Mr. REED. I think perhaps I was inaccurate. As I recall it, there was another time, and the Vice President was here and did not vote. Is that correct?

Mr. CONNALLY. I assume that is correct. I accept the statement of the Senator from Pennsylvania. I do not know how the Vice President voted. The parliamentary clerk advises me, however, that this is not the first incident, and that is why I was challenging the statement of the Senator from Pennsylvania. He now amends his statement, and says there was another time, about which he now knows, and that the Vice President did not vote.

Mr. GLASS. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. GLASS. If my recollection is accurate, there was a tie vote on the roll call on the Thomas amendment, and the Vice President did vote. The Senator from California [Mr. McAdoo] undertook to change his vote in order to prevent the Vice President from deciding the question, but the Vice President would not let him do it. [Laughter.]

Mr. CONNALLY. I thank the Senator.

SEVERAL SENATORS. Vote! Vote!

Mr. CONNALLY. I want to say to Senators on the other side who are crying "vote!", that I regard it as not in keeping with the practice or as showing courtesy due Senators, to interrupt a Senator without getting permission of the Chair. I do not expect to consume much of the time of the Senate, but while I am on this subject I want to say a few more things.

I thank the Senator from Virginia for contributing the information that he has given with reference to the vote which was a tie. The Senator from Pennsylvania simply thought he saw an opportunity to make some unfavorable comment upon the Vice President, veiled under a pleasantry or humor. The Vice President knows his duty and performs his duty. The only difference between the cases was that the Senator's Vice President was asleep. Our Vice President was on the job, doing his duty. The Senator from Pennsylvania now infers that probably the Vice President is in a traffic jam and cannot get here. Neither the Vice President nor the Senator from Pennsylvania himself probably knew an hour ago that the amendment of the Senator from Michigan was to be offered. Few Senators knew half an hour ago that there was to be a roll call on it. So I think the Senator from Pennsylvania is wholly unwarranted in bringing about the inferences and the deductions which he seems intent upon making here at this time.

The Senator from Arkansas referred to the effort of the Senator from Pennsylvania as "humor." I think the Senator from Arkansas was extremely generous in his appraisal of the conduct and of the language of the Senator from Pennsylvania by that designation.

Mr. President, I think it ill behooves a Senator to criticize the discharge of duty by the Presiding Officer of this body. Senators have enough duties of their own, if they will give proper attention to them, and I commend that rule to the Senator from Pennsylvania.

Mr. COSTIGAN. Mr. President, I move that the vote by which the amendment of the Senator from Michigan was rejected be reconsidered.

Mr. HARRISON. I move to lay that motion on the table.

The PRESIDING OFFICER. The Senator from Mississippi [Mr. HARRISON] moves to lay on the table the motion of the Senator from Colorado [Mr. COSTIGAN] to reconsider the vote by which the amendment of the Senator from Michigan [Mr. VANDENBERG] was rejected.

Mr. LONG. I ask for the yeas and nays.

The yeas and nays were ordered; and the legislative clerk proceeded to call the roll.

Mr. BULOW (when his name was called). Making the same announcement as on the previous roll call, I withhold my vote.

Mr. LEWIS (when his name was called). I have a pair with the Senator from Rhode Island [Mr. HEBERT]. Not knowing how he would vote, I merely announce the pair.

Mr. LOGAN (when his name was called). I have a pair with the junior Senator from Pennsylvania [Mr. DAVIS]. I transfer that pair to the senior Senator from Nevada [Mr. PITTMAN], and vote "yea."

Mr. McKELLAR (when his name was called). On this vote I have a general pair with the junior Senator from Delaware [Mr. TOWNSEND], and withhold my vote.

Mr. METCALF (when his name was called). I have a general pair with the Senator from Maryland [Mr. TYDINGS]. Not knowing how he would vote, I withhold my vote.

The roll call was concluded.

Mr. KENDRICK. Mr. President, I wish to announce the Senator from Mississippi [Mr. STEPHENS] and the Senator from Massachusetts [Mr. WALSH] are detained on official business.

Mr. FESS. Mr. President, I wish to announce the following general pairs:

The Senator from Delaware [Mr. HASTINGS] with the Senator from New York [Mr. COPELAND];

The Senator from Rhode Island [Mr. HEBERT] with the Senator from Illinois [Mr. LEWIS]; and

The Senator from Missouri [Mr. PATTERSON] with the Senator from New York [Mr. WAGNER].

The result was—yeas 39, nays 38, as follows:

YEAS—39

Ashurst	Clark	Glass	Murphy
Bailey	Connally	Gore	Reynolds
Bankhead	Coolidge	Harrison	Robinson, Ark.
Barkley	Couzens	Hayden	Russell
Black	Dieterich	Kendrick	Sheppard
Bratton	Dill	King	Smith
Brown	Duffy	Logan	Thomas, Okla.
Bulkeley	Fess	Loungan	Thomas, Utah
Byrd	Fletcher	McAdoo	Van Nuys
Byrnes	George	McGill	

NAYS—39

Adams	Cutting	Keyes	Reed
Austin	Dale	La Follette	Robinson, Ind.
Bachman	Dickinson	Long	Schall
Barbour	Erickson	McCarran	Shipstead
Bone	Frazier	McNary	Steiwer
Borah	Goldsborough	Neely	Trammell
Capper	Hale	Norris	Vandenberg
Caraway	Hatfield	Nye	Wheeler
Carey	Johnson	Overton	White
Costigan	Kean	Pope	

NOT VOTING—17

Bulow	Lewis	Pittman	Walcott
Copeland	McKellar	Stephens	Walsh
Davis	Metcalf	Townsend	
Hastings	Norbeck	Tydings	
Hebert	Patterson	Wagner	

The PRESIDING OFFICER. On this vote the yeas are 39 and the nays are 38, so the motion of the Senator from Mississippi [Mr. HARRISON] to lay on the table the motion of the Senator from Colorado [Mr. COSTIGAN] is agreed to.

Mr. REED. Mr. President, merely for the sake of the accuracy of the RECORD, I want to call attention to the fact that the vote mentioned by the Senator from Virginia [Mr. GLASS] a little while ago is recorded at page 1943 of the CONGRESSIONAL RECORD. On reference to that page one sees at once that there was a tie vote; that the Vice President was here, and that he did not vote.

Mr. GLASS. Mr. President, in fact he did vote, because the Senator from California mistakenly voted on the wrong side of the question and tried to right himself, but the Vice President would not permit him to do so, and actually the action of the Vice President in not permitting him to do it decided the question.

SUBSTITUTION OF CONFEREES ON SECURITIES BILL

Mr. FLETCHER. Mr. President, conferees were appointed on House bill No. 5480, which is known as "the securities bill." The Senator from South Dakota [Mr. NORBECK], who was one of the conferees designated, has been compelled to leave the city, and informed me that he would be away for some days. So I ask the Presiding Officer to name another conferee in his place.

The PRESIDING OFFICER. Without objection, it is so ordered; and the Chair designates the Senator from

Delaware [Mr. TOWNSEND] to serve as a conferee in the place of the Senator from South Dakota [Mr. NORBECK].

PLAN FOR THE RELIEF OF UNEMPLOYMENT

Mr. REYNOLDS. Mr. President, several weeks ago the junior Senator from the State of Alabama [Mr. BANKHEAD] delivered a very able address and presented an unusually splendid argument in favor of stamp money. I have just observed in the columns of the magazine *Liberty* of the issue of May 13 an editorial interesting itself in that particular subject, and at this time I ask unanimous consent that it may be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

[From *Liberty*, May 13, 1933]

A PLAN TO PUT MILLIONS TO WORK WITHOUT COST TO THE GOVERNMENT

Governmental improvements can be made with the help of literally millions of workers without expense to the Government if the plan presented by Prof. Irving Fisher of Yale is approved by the Washington legislators.

Already Professor Fisher's plan has the enthusiastic support of Representative PETTENGILL, of Indiana, and Senator BANKHEAD, of Alabama. They have introduced a bill in the Senate to make this idea work to the advantage of the host of unemployed. The plan has been presented in detail in Senate bill 5674 and House bill 14757, authorizing the United States Government to issue up to \$1,000,000,000 in stamped money certificates of \$1 denomination.

Every Wednesday for 52 consecutive weeks a 2-cent postage stamp must be affixed by the holder on the back of the certificate. When fully stamped this certificate is to be redeemable by the Treasury with other lawful money of the United States. This makes the entire issue fully self-liquidating within 1 year, with a profit to the Government of \$40,000,000 on a billion-dollar issue.

Stamps to the value of \$1.04 in 52 weeks would have to be affixed to each certificate. Therefore, on every bill there would be a gross profit of 4 cents to the Government.

The special advantage of this plan is that hoarding becomes expensive. A dollar's value is reduced by 2 cents every week it is retained.

This money could be furnished to the various States pro rata in accordance with their population for only one purpose, and that is public improvements of various kinds. It could not be used in competitive trade except when it had been spent by workers who had secured it in the form of wages.

As a means of lowering taxes and furnishing employment for millions of unemployed it offers interesting possibilities. Everywhere throughout the country there are public improvements which have been delayed because of the lack of funds. This money could be furnished to the various States without cost, and paid out to the workers, who would have to spend it promptly to secure its full value.

It would be valid for every purpose if the stamps due at the time have been affixed thereon. If these bills were deposited in banks, 2 cents would be assessed for each dollar deposited.

Two weeks after this money had been issued by the Federal Government the weekly payment of 2 cents would begin. To make the affixing of stamps convenient, ordinary postage could be used.

This is indeed a revolutionary idea—but these are revolutionary times. We have not given the plan sufficient study to support it in every detail, but it is certainly worth careful consideration.

The plans for the "peace army" which our President is now forming need not be held up for the lack of funds if this plan is adopted. In every town and city in the United States millions of the unemployed could be put to work without cost to the taxpayers.

Relief organizations everywhere are bitterly complaining about the financial shortage. The various sources which they have previously used for replenishing their treasuries have in many instances been entirely exhausted. Such a plan would provide employment for all those whom they are now supporting in idleness.

Some people might term this a sales tax, as it represents a 2-percent payment for each week the money is retained; but these bills would probably change hands several times a week, and on Tuesdays there would doubtless be an orgy of spending on the part of holders.

At this time, when spending is so greatly restricted, there would be no complaint on that score. This money would simply be a temporary measure; it would have to be used during one year. It might furnish relief that is appallingly needed at this time and help us over the hard places that we have inherited from the depression.

If you think this plan is worthy of support, do your part. Write the Senator from your district, urging him to support this bill. Or a letter to Representative PETTENGILL or Senator BANKHEAD commending them for their interest in this legislation would be helpful.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, announced that the House had passed without amendment the bill (S. 7) providing for the

suspension of annual assessment work on mining claims held by location in the United States and Alaska.

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 5390) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes, asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. BUCHANAN, Mr. TAYLOR of Colorado, Mr. AYRES of Kansas, Mr. TABER, and Mr. BACON were appointed managers on the part of the House at the conference.

EXTENSION OF GASOLINE TAX

The Senate resumed the consideration of the bill (H.R. 5040) to extend the gasoline tax for 1 year, to modify postage rates on mail matter, and for other purposes.

Mr. DICKINSON. Mr. President, the pending amendment simply provides, instead of giving the President the power to modify postal rates, that we repeal the provision of law increasing postal rates and go back to the old 2-cent rate. It is my hope we may have the yeas and nays on the amendment.

Mr. HARRISON. I merely desire to say that, while the amendment takes away this power, at the same time it will take away from the Government \$80,000,000 in revenue which will be lost in postage on first-class mail matter, and the Treasury cannot stand that reduction.

The PRESIDING OFFICER. The question is on the amendment proposed by the Senator from Iowa [Mr. DICKINSON].

Mr. DICKINSON. I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. LOGAN (when his name was called). I have a general pair with the Senator from Pennsylvania [Mr. DAVIS]. I transfer that pair to the senior Senator from Nevada [Mr. PITTMAN] and will vote. I vote "nay."

Mr. McKELLAR (when his name was called). On this vote I am paired with the junior Senator from Delaware [Mr. TOWNSEND]. I transfer that pair to the senior Senator from Alabama [Mr. BLACK] and will vote. I vote "nay."

Mr. METCALF (when his name was called). I have a general pair with the Senator from Maryland [Mr. TYDINGS], and therefore withhold my vote.

The roll call was concluded.

Mr. LEWIS. I wish to announce my general pair with the Senator from Rhode Island [Mr. HEBERT].

I also desire to announce the general pair of the Senator from South Dakota [Mr. BULOW] and the Senator from Connecticut [Mr. WALCOTT].

I also desire to announce the following general pair on this question, the Senator from New York [Mr. WAGNER] with the Senator from Missouri [Mr. PATTERSON].

Mr. FESS. I desire to announce the general pair of the Senator from Delaware [Mr. HASTINGS] with the Senator from New York [Mr. COPELAND].

I also desire to state that I am advised that the Senator from Delaware [Mr. HASTINGS], the Senator from Rhode Island [Mr. HEBERT], the Senator from Delaware [Mr. TOWNSEND], and the Senator from Connecticut [Mr. WALCOTT], if present, would vote "yea" on the pending amendment.

The result was—yeas 30, nays 46, as follows:

YEAS—30

Austin	Dale	Kean	Robinson, Ind.
Barbour	Dickinson	Keyes	Schall
Bone	Fess	La Follette	Shipstead
Borah	Frazier	Long	Stetwer
Capper	Goldsborough	McNary	Wheeler
Caraway	Hale	Nye	White
Carey	Hatfield	Overton	
Cutting	Johnson	Reed	

NAYS—46

Adams	Bratton	Clark	Dill
Bachman	Brown	Coolidge	Duffy
Bailey	Bulkley	Costigan	Erickson
Bankhead	Byrd	Couzens	Fletcher
Barkley	Byrnes	Dieterich	George

Glass
Gore
Harrison
Hayden
King
Logan
Loneragan

McAdoo
McCarran
McGill
McKellar
Murphy
Neely
Norris

Pope
Reynolds
Robinson, Ark.
Russell
Sheppard
Smith
Stephens

Thomas, Okla.
Thomas, Utah
Trammell
Van Nuys
Walsh

Byrd
Byrnes
Clark
Connally
Coolidge
Couzens
Dieterich
Dill
Duffy

Erickson
Fess
Fletcher
George
Glass
Gore
Harrison
Hayden
Kendrick

King
Loneragan
McAdoo
McGill
McKellar
Murphy
Reynolds
Robinson, Ark.
Russell

Sheppard
Smith
Stephens
Thomas, Okla.
Thomas, Utah
Van Nuys
Walsh
Wheeler

NOT VOTING—19

Ashurst
Black
Bulow
Connally
Copeland

Davis
Hastings
Hebert
Kendrick
Lewis

Metcalf
Norbeck
Patterson
Pittman
Townsend

Tydings
Vandenberg
Wagner
Walcott

NOT VOTING—15

Black
Bulow
Copeland
Davis

Hastings
Hebert
Lewis
Logan

Norbeck
Patterson
Pittman
Townsend

Tydings
Wagner
Walcott

So Mr. DICKINSON's amendment was rejected.

Mr. VANDENBERG. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. VANDENBERG. I inquire whether, upon recapitulation, it is not disclosed at the desk that the vote upon the motion to table the motion to reconsider was 39 to 39, instead of 39 to 38?

The PRESIDING OFFICER. The Chair is informed that through a mistake upon the part of the tally clerk the vote should have been announced as 39 to 39, and the motion to table was, therefore, lost.

Mr. VANDENBERG. In other words, it was another tie vote.

The PRESIDING OFFICER. The question, therefore, recurs upon the motion of the Senator from Colorado [Mr. COSTIGAN] to reconsider the vote whereby the amendment of the Senator from Michigan [Mr. VANDENBERG] was rejected.

Mr. HARRISON. I ask for the yeas and nays on that motion.

The yeas and nays were ordered.

Mr. FESS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. FESS. Is this vote on the motion to reconsider?

The PRESIDING OFFICER. The vote is on the motion of the Senator from Colorado [Mr. COSTIGAN] to reconsider the vote whereby the amendment of the Senator from Michigan [Mr. VANDENBERG] was rejected.

The legislative clerk proceeded to call the roll.

Mr. METCALF (when his name was called). I have a general pair with the senior Senator from Maryland [Mr. TYDINGS]. Therefore I withhold my vote.

The roll call was concluded.

Mr. McKELLAR. I have a general pair with the junior Senator from Delaware [Mr. TOWNSEND]. I transfer that pair to the senior Senator from Nevada [Mr. PITTMAN] and vote "nay."

Mr. METCALF. I find that I can transfer my pair with the Senator from Maryland [Mr. TYDINGS] to the Senator from South Dakota [Mr. NORBECK], which I do, and vote "yea."

Mr. LEWIS. I desire to announce that the Senator from South Dakota [Mr. BULOW] has a general pair with the Senator from Connecticut [Mr. WALCOTT].

I also desire to announce the following pair on this question, the Senator from New York [Mr. WAGNER] with the Senator from Missouri [Mr. PATTERSON].

Mr. FESS. I desire to announce the following general pairs:

The Senator from Delaware [Mr. HASTINGS] with the Senator from New York [Mr. COPELAND]; and

The Senator from Pennsylvania [Mr. DAVIS] with the Senator from Kentucky [Mr. LOGAN].

The result was announced—yeas 37, nays 43, as follows:

YEAS—37

Adams
Austin
Bachman
Barbour
Borah
Capper
Caraway
Carey
Costigan
Cutting

Dale
Dickinson
Frazier
Goldsborough
Hale
Hatfield
Johnson
Kean
Keyes
La Follette

Long
McCarran
McNary
Metcalf
Neely
Norris
Nye
Overton
Pope
Reed

Robinson, Ind.
Schall
Shipstead
Steiwer
Trammell
Vandenberg
White

NAYS—43

Ashurst
Bailey

Bankhead
Barkley

Bone
Bratton

Brown
Bulkley

So the motion to reconsider the vote whereby Mr. VANDENBERG's amendment was rejected was not agreed to.

THIRD DEFICIENCY APPROPRIATIONS

The PRESIDING OFFICER (Mr. CLARK in the chair) laid before the Senate the action of the House of Representatives disagreeing to the amendments of the Senate to the bill (H.R. 5390) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. BRATTON. I move that the Senate insist upon its amendments, that it agree to the conference asked for by the other House, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to.

The PRESIDING OFFICER appointed Mr. BRATTON, Mr. GLASS, Mr. McKELLAR, Mr. HALE, and Mr. KEYES conferees on the part of the Senate.

EXTENSION OF GASOLINE TAX

The Senate resumed the consideration of the bill (H.R. 5040) to extend the gasoline tax for 1 year, to modify postage rates on mail matter, and for other purposes.

Mr. LONG obtained the floor.

Mr. TRAMMELL. Mr. President, I desire to offer an amendment which brings squarely before the Senate the question of whether we want a 2-cent rate or a 3-cent rate on first-class mail matter. I do not think it will take very much time to dispose of it. Will the Senator from Louisiana yield to me for that purpose?

Mr. LONG. I suggest to the Senator from Florida that we have had 2 or 3 pretty definite votes on that question.

Mr. TRAMMELL. We have not had any votes on the definite question as to whether the first-class rate shall be 2 cents or 3 cents. There has been no direct and definite vote on it. I am willing to submit it without any argument whatever if it is agreeable at this time.

Mr. LONG. I yield for that purpose.

Mr. HARRISON. Mr. President, there has been a vote taken that related, I believe, directly to that question.

The PRESIDING OFFICER. The clerk will state the amendment offered by the Senator from Florida.

The CHIEF CLERK. The Senator from Florida proposes, on page 1, line 10, to strike out the words "not to be reduced to less than" and insert in lieu thereof the word "be", so as to read, "except that in the case of first-class matter the rate shall be 2 cents an ounce or fraction thereof."

Mr. TRAMMELL. Mr. President, the amendment provides that it is the view of the Senate and of the Congress that the rate on first-class matter shall be fixed at 2 cents an ounce instead of leaving it to the discretion of the President to change the rate as he may see fit. I mean no reflection on the President, but I think it is generally conceded among Senators and Representatives that the rate should be reduced. The Postmaster General has said that it should be reduced, so why should not Congress take definite action in the matter and specify in this bill that it shall be reduced to 2 cents an ounce?

Mr. BARKLEY. Mr. President—

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Kentucky?

Mr. TRAMMELL. I yield.

Mr. BARKLEY. The Postmaster General has not stated that the rate ought to be reduced at this time, but merely as soon as increased revenues will permit. I do not think the Senator meant to convey that impression. Of course, we all know that the rates ought to be reduced as soon as possible, but the Postmaster General has not advocated a reduction in this rate at this moment.

Mr. TRAMMELL. According to the publicity given the matter, that would seem to be his opinion. There have been many stories or statements in the newspapers and the moving pictures have depicted him in favor of this reduction.

Mr. BARKLEY. We have had representatives of the Post Office Department and the Postmaster General before us, and they made statements with reference to the matter. I do not know what newspaper stories have been carried about it, but I have seen no stories that indicate that the President and the Postmaster General feel that the reduction should be made now. We all hope it may be reduced as soon as the revenues will permit.

Mr. TRAMMELL. It was stated in the newspapers why it should be done, and I see no reason why it should not be done. The stories I read would seem to indicate the approval of the Postmaster General. He was portrayed in the movies in favor of making this order and was shown having the transformation made from a 3-cent stamp to a 2-cent stamp. In that way I got the distinct impression that he is willing it should be done. But whether he is convinced or not on that subject, I am convinced that the rate should be reduced from 3 cents to 2 cents, and therefore I should like to have the Senate vote definitely on the question.

Mr. HARRISON. Mr. President, I shall delay the Senate but a moment. The Postmaster General has never made the statement that he is in favor of reducing the first-class postage rate from 3 cents to 2 cents. He has recommended and is in favor of reducing the rate on drop letters from 3 cents to 2 cents, and expressed the hope that when we have a revival of business we may reduce the rate on first-class mail matter the country over, but he has never recommended a reduction from 3 cents to 2 cents on all first-class matter at this time.

Mr. COUZENS. Mr. President, is it not a fact that the testimony was that even by reducing the postage on drop letters we would lose \$17,000,000 of revenue?

Mr. HARRISON. Yes. Unless there is a tremendous revival of business, we will lose \$17,000,000 by this reduction of the postage on drop letters, according to Mr. Graves. According to Mr. Woods, who was before the Ways and Means Committee, we will lose \$9,000,000. If the amendment of the Senator from Florida should be adopted, reducing the general first-class rate from 3 cents to 2 cents, the Government would lose \$80,000,000 of revenue. We cannot stand that loss at this time, and I hope sincerely the amendment will be rejected.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Florida.

Mr. TRAMMELL. I call for the yeas and nays.

The yeas and nays were not ordered.

The amendment was rejected.

Mr. LONG. Mr. President, I now offer for consideration the amendment which I asked on yesterday to have printed and lie on the table. I suggest that the amendment need not be read. I ask unanimous consent that the amendment may be printed in the RECORD in lieu of being read at this time and that we may proceed to its consideration.

The PRESIDING OFFICER (Mr. DUFFY in the chair). Is there objection?

Mr. COUZENS. I object.

Mr. LONG. Then I ask that the amendment be read.

The PRESIDING OFFICER. The clerk will read the amendment for the information of the Senate.

The Chief Clerk proceeded to read the amendment.

During the reading—

Mr. COUZENS. Mr. President, I objected to the unanimous-consent request of the Senator from Louisiana that his amendment be printed in the RECORD without reading. I did

not know the nature of the amendment at the time. I withdraw any objection I had to waiving the reading of the amendment.

The PRESIDING OFFICER. Without objection, the amendment will be printed in the RECORD.

Mr. LONG's amendment is to add, at the proper place, the following new sections:

SEC. —. That subsection (a) of section 12 of the Revenue Act of 1932 is amended by striking out the last five paragraphs thereof and inserting in lieu thereof the following new paragraphs:

"\$120,960 upon net incomes of \$300,000; and upon net incomes in excess of \$300,000 and not in excess of \$400,000, 55 percent in addition of such excess.

"\$175,960 upon net incomes of \$400,000; and upon net incomes in excess of \$400,000 and not in excess of \$500,000, 60 percent in addition of such excess.

"\$235,960 upon net incomes of \$500,000; and upon net incomes in excess of \$500,000 and not in excess of \$600,000, 65 percent in addition of such excess.

"\$300,960 upon net incomes of \$600,000; and upon net incomes in excess of \$600,000 and not in excess of \$700,000, 70 percent in addition of such excess.

"\$370,960 upon net incomes of \$700,000; and upon net incomes in excess of \$700,000 and not in excess of \$800,000, 75 percent in addition of such excess.

"\$445,960 upon net incomes of \$800,000; and upon net incomes in excess of \$800,000 and not in excess of \$900,000, 80 percent in addition of such excess.

"\$525,960 upon net incomes of \$900,000; and upon net incomes in excess of \$900,000 and not in excess of \$1,000,000, 90 percent in addition of such excess.

"\$615,960 upon net incomes of \$1,000,000; and upon net incomes in excess of \$1,000,000, 100 percent in addition of such excess."

SEC. —. Subsection (b) of section 401 of such act is amended by striking out the last paragraph thereof and inserting in lieu thereof the following new paragraphs:

"\$3,116,000 upon net estates of \$10,000,000; and upon net estates in excess of \$10,000,000 and not in excess of \$12,500,000, 45 percent in addition of such excess.

"\$4,241,000 upon net estates of \$12,500,000; and upon net estates in excess of \$12,500,000 and not in excess of \$15,000,000, 50 percent in addition of such excess.

"\$5,491,000 upon net estates of \$15,000,000; and upon net estates in excess of \$15,000,000 and not in excess of \$17,500,000, 55 percent in addition of such excess.

"\$6,866,000 upon net estates of \$17,500,000; and upon net estates in excess of \$17,500,000 and not in excess of \$20,000,000, 60 percent in addition of such excess.

"\$8,366,000 upon net estates of \$20,000,000; and upon net estates in excess of \$20,000,000 and not in excess of \$22,500,000, 65 percent in addition of such excess.

"\$9,991,000 upon net estates of \$22,500,000; and upon net estates in excess of \$22,500,000 and not in excess of \$25,000,000, 70 percent in addition of such excess.

"\$11,741,000 upon net estates of \$25,000,000; and upon net estates in excess of \$25,000,000 and not in excess of \$27,500,000, 75 percent in addition of such excess.

"\$13,616,000 upon net estates of \$27,500,000; and upon net estates in excess of \$27,500,000 and not in excess of \$30,000,000, 80 percent in addition of such excess.

"\$15,616,000 upon net estates of \$30,000,000; and upon net estates in excess of \$30,000,000 and not in excess of \$32,500,000, 85 percent in addition of such excess.

"\$17,741,000 upon net estates of \$32,500,000; and upon net estates in excess of \$32,500,000 and not in excess of \$35,000,000, 90 percent in addition of such excess.

"\$19,991,000 upon net estates of \$35,000,000; and upon net estates in excess of \$35,000,000, 95 percent in addition of such excess."

In addition there shall be levied, collected, and paid upon the transfer to any beneficiary of the decedent a tax equal to 100 percent of the value of his beneficial interest in excess of \$5,000,000, less any State death taxes imposed in respect of such interest; such tax to be paid by the executor of the decedent and to be subject to all applicable provisions of law relating to other taxes imposed by this section.

SEC. —. That in order to provide for the common defense, to finance the prosecution of war, to support the Army, and to maintain the Navy—

(a) There shall be levied, collected, and paid for the calendar year 1933 and each calendar year thereafter a capital tax, computed as provided in subsection (c) of this section, upon the net capital of every individual, resident or nonresident.

(b) The tax provided for in this section shall apply to net capital as computed in accordance with the provisions of section 2 of this act; but in the case of a nonresident individual not a citizen of the United States shall apply only to the net capital computed on capital located within the United States.

(c) The tax referred to in subsection (a) of this section shall be as follows:

There shall be levied, collected, and paid for each taxable year upon the net capital of every individual a capital tax as follows: Upon a net capital of \$1,000,000 there shall be no capital tax; upon a net capital in excess of \$1,000,000 and not in excess of \$2,000,000, 1 percent of such excess.

\$10,000 upon a net capital of \$2,000,000; and upon a net capital in excess of \$2,000,000 and not in excess of \$3,000,000, 2 percent in addition of such excess.

\$30,000 upon a net capital of \$3,000,000; and upon a net capital in excess of \$3,000,000 and not in excess of \$4,000,000, 3 percent in addition of such excess.

\$60,000 upon a net capital of \$4,000,000; and upon a net capital in excess of \$4,000,000 and not in excess of \$5,000,000, 4 percent in addition of such excess.

\$100,000 upon a net capital of \$5,000,000; and upon a net capital in excess of \$5,000,000 and not in excess of \$6,000,000, 5 percent in addition of such excess.

\$150,000 upon a net capital of \$6,000,000; and upon a net capital in excess of \$6,000,000 and not in excess of \$7,000,000, 6 percent in addition of such excess.

\$210,000 upon a net capital of \$7,000,000; and upon a net capital in excess of \$7,000,000 and not in excess of \$8,000,000, 7 percent in addition of such excess.

\$280,000 upon a net capital of \$8,000,000; and upon a net capital in excess of \$8,000,000 and not in excess of \$9,000,000, 8 percent in addition of such excess.

\$360,000 upon a net capital of \$9,000,000; and upon a net capital in excess of \$9,000,000 and not in excess of \$10,000,000, 9 percent in addition of such excess.

\$450,000 upon a net capital of \$10,000,000; and upon a net capital in excess of \$10,000,000 and not in excess of \$20,000,000, 10 percent in addition of such excess.

\$1,450,000 upon a net capital of \$20,000,000; and upon a net capital in excess of \$20,000,000 and not in excess of \$30,000,000, 20 percent in addition of such excess.

\$3,450,000 upon a net capital of \$30,000,000; and upon a net capital in excess of \$30,000,000 and not in excess of \$40,000,000, 30 percent in addition of such excess.

\$6,450,000 upon a net capital of \$40,000,000; and upon a net capital in excess of \$40,000,000 and not in excess of \$50,000,000, 40 percent in addition of such excess.

\$10,450,000 upon a net capital of \$50,000,000; and upon a net capital in excess of \$50,000,000 and not in excess of \$60,000,000, 50 percent in addition of such excess.

\$15,450,000 upon a net capital of \$60,000,000; and upon a net capital in excess of \$60,000,000 and not in excess of \$70,000,000, 60 percent in addition of such excess.

\$21,450,000 upon a net capital of \$70,000,000; and upon a net capital in excess of \$70,000,000 and not in excess of \$80,000,000, 70 percent in addition of such excess.

\$28,450,000 upon a net capital of \$80,000,000; and upon a net capital in excess of \$80,000,000 and not in excess of \$90,000,000, 80 percent in addition of such excess.

\$36,450,000 upon a net capital of \$90,000,000; and upon a net capital in excess of \$90,000,000 and not in excess of \$100,000,000, 90 percent in addition of such excess.

\$45,450,000 upon a net capital of \$100,000,000; and upon a net capital in excess of \$100,000,000, 100 percent in addition of such excess.

SEC. —. The term "net capital" as used in this act means the total value of all property, whether real or personal, tangible or intangible, owned by the individual at the close of the calendar year, less the amount of any indebtedness outstanding on such date.

SEC. —. (a) Any individual having a net capital for the calendar year of \$1,000,000 or over shall make a return under oath in duplicate. Such return shall set forth (1) a detailed report of all items of property owned by the person making the return at the close of the calendar year and a statement of their value; (2) the items of indebtedness claimed and allowable as deductions; and (3) such further information as may be required by regulations made pursuant to law.

(b) The return shall be filed on or before the 15th day of March following the close of the calendar year with the collector for the district in which is located the legal residence or principal place of business of the person making the return, or if he has no legal residence or principal place of business in the United States, then with the collector at Baltimore, Md.

(c) Any person required under the foregoing provisions of this act to pay any tax, or required by law or regulations made under authority thereof to make a return, keep any records, or supply any information, for the purposes of the computation, assessment, or collection of any tax imposed by such provisions, who willfully fails to pay such tax, make such return, keep such records, or supply such information, at the time or times required by law or regulations, or any person who attempts by any device whatsoever to avoid liability for any tax imposed by this act while retaining control of his property, shall, in addition to other penalties provided by law, be guilty of a felony and, upon conviction thereof, be fined not more than \$10,000, and imprisoned for not more than 2 years.

SEC. —. The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is hereby authorized to make and publish such rules and regulations as may be necessary to carry out the provisions of this act.

SEC. —. Section 502 of the Revenue Act of 1932 is amended by striking out the last paragraph thereof and inserting in lieu thereof the following new paragraphs:

"\$2,312,125 upon net gifts of \$10,000,000; and upon net gifts in excess of \$10,000,000 and not in excess of \$20,000,000, 37½ percent in addition of such excess.

"\$6,062,125 upon net gifts of \$20,000,000; and upon net gifts in excess of \$20,000,000 and not in excess of \$30,000,000, 40 percent in addition of such excess.

"\$10,062,125 upon net gifts of \$30,000,000; and upon net gifts in excess of \$30,000,000 and not in excess of \$40,000,000, 45 percent in addition of such excess.

"\$14,562,125 upon net gifts of \$40,000,000; and upon net gifts in excess of \$40,000,000 and not in excess of \$50,000,000, 50 percent in addition of such excess.

"\$19,562,125 upon net gifts of \$50,000,000; and upon net gifts in excess of \$50,000,000 and not in excess of \$60,000,000, 55 percent in addition of such excess.

"\$25,062,125 upon net gifts of \$60,000,000; and upon net gifts in excess of \$60,000,000 and not in excess of \$70,000,000, 60 percent in addition of such excess.

"\$31,062,125 upon net gifts of \$70,000,000; and upon net gifts in excess of \$70,000,000 and not in excess of \$80,000,000, 70 percent in addition of such excess.

"\$38,062,125 upon net gifts of \$80,000,000; and upon net gifts in excess of \$80,000,000 and not in excess of \$90,000,000, 80 percent in addition of such excess.

"\$46,061,125 upon net gifts of \$90,000,000; and upon net gifts in excess of \$90,000,000 and not in excess of \$100,000,000, 90 percent in addition of such excess.

"\$55,062,125 upon net gifts of \$100,000,000; and upon net gifts in excess of \$100,000,000, 100 percent in addition of such excess."

SEC. —. This act shall take effect as of January 1, 1934.

LIMITATION OF FORTUNES—SPREADING WEALTH AMONG THE MASSES

MR. LONG. Mr. President, I have prepared for the Senate's ready observation some charts undertaking to detail by hieroglyphics and symbols the present situation that has developed, requiring legislation such as I have offered by this amendment.

I have here a chart, Mr. President and gentlemen of the Senate, purporting to show the condition of the wealth of America year by year, particularly as accentuated since the year 1907. I have drawn here two triangles, one standing on the angle and the other on the base. The word "prosperity" here should read "property." That is an error by the printer. I am showing by this illustration that year by year a smaller percentage of the people of the United States have come into the ownership of a larger percentage of the property.

In other words, back in 1907 the plutocratic element of America, the concentrated owning class, comprised, we will say, 7 or 8 or, perhaps, 9 percent, owning something like 50 percent of the wealth. That was in 1907.

In 1916 that plutocratic class had concentrated to a point where 2 percent of the people owned 60 percent of the wealth.

In 1930 that had concentrated to such an extent that the same percentage of the wealth—around 60 percent—was owned by 1 percent of the people.

In 1931 and 1932 our present President, Franklin Roosevelt, analyzed these figures as to the growing concentration of wealth.

MR. BORAH. Mr. President, may I ask the Senator what authority he has for those figures?

MR. LONG. I am going to give the authority. For the figures of 1916 I have the authority of the Industrial Relations Committee report.

MR. BORAH. The reason I ask the question is because there has been so much dispute about the figures.

MR. LONG. I will give the authority, then, before I proceed further.

There are very meager figures for the year 1907. We know that in 1907 President Theodore Roosevelt summed up in a general way a particular estimate that he had at that time, and deplored the condition in about these words—that there had arisen a condition of concentration of wealth in America that was gradually becoming so alarming that the Congress of America would have to provide by law against any one person's being allowed to transfer an immense fortune to an heir in the years to come, to prevent that calamity of concentration from destroying America and its institutions.

Answering the Senator from Idaho, in 1916 a report was made by the Industrial Relations Committee, based upon statistics at that time, reporting that the wealth of America was owned as follows:

Two percent of the people owned 60 percent of the wealth.

Thirty-three percent of the people owned 35 percent of the wealth.

Sixty-five percent of the people owned 5 percent of the wealth.

They concluded with the warning that a little city with a population less than that of Chicago owned more of the wealth of the Nation than the other 108,000,000 people, or as the census was at that time.

In 1931 I produced here in the Senate the report of the Federal Trade Commission in which they showed from such estimates as they had been able to make of the decedents, that 59 percent of the wealth was in the hands of 1 percent of the people. I fortified that by another review.

In the year 1916—September 23, 1916—the Saturday Evening Post undertook to make an editorial survey based upon the statistics obtainable from the Bureau of Internal Revenue, and estimated that this country had finally worked itself into "a bloated plutocracy comprising, it said, 1 percent of the population lording it over a starveling horde, with a very thin margin of well-to-do in between"; but in 1930, according to the Federal Trade Commission's statistics, 1 percent of the people in the United States owned 59 percent of the wealth.

We have the statistics furnished us by President Roosevelt, before he had been nominated in Chicago and after he had been nominated in Chicago, in which he pointed to the striking fact that some six hundred and odd corporations in America were in absolute control of the economic and industrial lives and fortunes of this country.

I have submitted in the RECORD here, in the course of several speeches I have made on this and kindred subjects, the statistics of various and sundry concerns, showing the monopoly that has gradually progressed in controlling such industries as rubber, automobiles, banking, copper, telephones, steel, and all such industries of major importance, to the point that there is practically an entire control of the industries of this country today in the hands of relatively few men.

Mr. President, our calculations, based upon such figures as the American Federation of Labor has been able to assemble, and based upon such figures as our departments have been able to reach, and upon such as have been reported by the rating agencies, are these:

That beginning in the year 1927 there were 435 business institutions closing their doors every day. In other words, the chain grocery stores, chain banks, and chain drug stores had reached such a point of control that beginning with the year 1927 and the year 1928 an average of 435 independent business places went out of existence every day until the crash finally came on in the year 1929. There was not any doubt that we were on our way to a crash sometime around 1929 or before that time. We had reached a point where no such thing as an independent business could survive under the concentrated fortunes existing at that time; so much so that it became a well-known, undisputed fact that no such thing was possible as an independent business that could be organized with any reasonable chance of thriving under the economic concentration existing at that time.

Inasmuch as the Senator from Michigan [Mr. COUZENS] has withdrawn his demand for the reading in full of the amendment which I have proposed, I wish to state, before proceeding further, just what the amendment provides.

I take the existing schedules applying on income taxes and, beginning with the tax on incomes amounting to \$300,000, I gradually scale them up until, when we reach a net income of \$1,000,000, exclusive of taxes and of interest, there is no such thing allowed to any one man as an earning in excess of \$1,000,000 a year. I take the income taxes from a net income of \$300,000 and scale them up to the point that when an income of \$1,000,000 net is realized in 1 year by one man he is not allowed any further income, but the balance goes to the Treasury of the United States. That is the first provision.

The second provision of the amendment is this: I take the present inheritance taxes and I scale them up to the

point that when a man has inherited \$5,000,000, or has received that much in gifts, no one heir, no one child, no one person is allowed to inherit more than \$5,000,000 that he never did a lick of work to earn in his lifetime.

I allow one man to earn \$1,000,000 a year. I allow one child to inherit \$5,000,000 without doing a lick of work to get it. Then all that is in excess of \$1,000,000 a year in income goes to the United States Government, and all that is in excess of \$5,000,000 in inheritances, goes to the United States Government.

Now I come to the last part of this bill which I have offered as an amendment to the pending revenue bill.

Mr. BORAH. Mr. President—

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from Idaho?

Mr. LONG. I yield to the Senator.

Mr. BORAH. I understand that the Senator's amendment first proposes to put a limit upon incomes of \$1,000,000 a year.

Mr. LONG. Yes, sir; a very drastic provision of the law.

Mr. BORAH. Secondly, he proposes, however, that a person may inherit \$5,000,000.

Mr. LONG. Yes, sir.

Mr. BORAH. With all due deference to the Senator's proposal, it seems to me that ought to be turned around; that a man ought not to be permitted to inherit five times as much as he may earn by his efforts.

Mr. LONG. No; in 1 year. He is allowed to earn \$1,000,000 in 1 year.

Mr. BORAH. He inherits in 1 year.

Mr. LONG. Well, it might be said that he inherits it in a minute, if you restrict it to that time. I allow him total inheritances of \$5,000,000 in a lifetime.

I want to say to the Senator that I think these figures are too high in both brackets. I do not think any one man ought to be allowed to inherit \$5,000,000. I do not think any one man ought to be allowed to earn, exclusive of all interest, taxes, and costs, that much, or to inherit \$5,000,000; but this is more or less in line with the policy of the law. We have not been so heavy on the inheritances as we should have been; and I may say to the Senator that to some extent I am following the Napoleonic law on that subject. I come from a State where that is the law. I am to some extent following in the path of the Napoleonic Code, and I am further undertaking to give to the Congress a scale of rates that will cause sufficient distribution of wealth without crippling the initiative of any one particular person.

In other words, take Mr. Morgan and Mr. Vanderbilt and Mr. Mellon. They will leave at their death, we will say, fortunes of several hundred million dollars; it might be \$300,000,000; it might be a billion dollars. It has been estimated in good times that some of these men owned amounts reaching up to a billion dollars or more. If Mr. Mellon, for instance, should die today, and we will say that he had five children, and left a billion dollars in wealth, he could give to each one of those children \$5,000,000 at his death. That would mean that \$25,000,000 would be inherited by the five Mellon children, if there were that many. That would then mean that \$975,000,000 would go into the Treasury of the United States Government. That would mean that we would not have restricted the fortunes or the lives or the activities of the sons and daughters of the well-to-do. We would have allowed them more money than they could spend in their lifetime or reasonably use in their lifetime. We would not deprive them of a luxury on the face of the earth. We would not stifle them in any ambition, regardless of what might be the particular glory or satisfaction they were undertaking to accomplish; but we would put into the Treasury of the United States, when a billion-dollar fortune fell to inheritance, \$975,000,000, and allow inheritances not to exceed \$5,000,000 to each child.

Mr. President, this is not a revolutionary matter. It is nothing new. We have known, if we know anything at all, that this country cannot survive with the present set-up, by which concentration is not only encouraged but is practi-

cally forced under the present system of laws. We not only should have known—we could not have known to the contrary—that we cannot continue to allow a smaller percentage of the people to own a greater percentage of the wealth without reaching the exact condition which President Roosevelt says the country will reach; that is to say, in the language of President Roosevelt, that we are only a few years away from the time when less than 100 men will own and control and dictate everything in the United States.

Mr. BORAH. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. BORAH. I understood, from the figures read by the Senator, that his figures disclose the startling fact that 1 percent of the people of the United States own 59 percent of its wealth.

Mr. LONG. From the best figures the Federal Trade Commission could supply.

Mr. BORAH. What the Senator has in view is a redistribution of the wealth of the United States?

Mr. LONG. Yes.

Mr. BORAH. But if the Senator takes the illustration of the Mellon estate, of which he was speaking, and distributes \$25,000,000 among the children, and the balance of it goes into the Treasury of the United States, how is it going to reach that 59 percent which we want to distribute?

Mr. LONG. It is very easy to reach. I am glad the Senator asked that question. I will come to it. It is so simple that I think before I answer it, the Senator will not require an answer.

We will relieve 99 percent of the people from having to contribute the \$975,000,000 that will be contributed by the plutocracy. That is one way. We will build up the country, the rivers and harbors, pay off debts for the wars, or what not, all will be supported, and the money thus gathered into the Treasury will naturally be diffused for the various purposes of Government and out to all the people.

Mr. ROBINSON of Indiana. Mr. President, we would have funds, then, too, to provide for the national defense.

Mr. LONG. Yes; we not only would have funds to provide for the national defense, but the soldiers' bonus would not have to be delayed, we would not have to enact an economy bill, we would not have to be talking about a sales tax, we would be gathering the money into the United States Treasury and diffusing it for roads, for schools, for farm relief, for hospitals, for rivers and harbors, for soldiers and for sailors, for pensions, for the unemployed, for every kind of activity, the guaranty-of-bank deposits, including, if we might say so, sufficient funds to enable the Reconstruction Finance Corporation to finance the railroads, anything we needed to do; so much so that, according to the estimates which I have made, we would have enough money contributed by the 1 percent of the population of this country in a period of 15 years, at the most, so that it is probable that something like one third of the national wealth would find its way back through the United States Treasury for redistribution, and for expenditure on the part of the Government.

Why are we delaying the work of developing the Mississippi River? It is a big matter. Why are we waiting to provide a Navy? Because of lack of funds. Why are we not paying off the debt we owe to the soldiers? Because, the Senator from Mississippi tells us, the Treasury is bankrupt. Why are we not discharging \$27,000,000,000 of debt which we owe for the last war? The United States Government is today in debt \$27,000,000,000; \$20,000,000,000 for bonds which are outstanding for a certain length of time and \$7,000,000,000 floating indebtedness, which has been issued by the Treasury since the depression started and a short time before. We find that the United States Government will be needing within a certain length of time not only to raise funds for rivers and harbors, for navies, and for soldiers, but actually to raise money to pay off \$27,000,000,000 of public debts.

From what source is this money to come? If this money comes out of those who have accumulated the resources of this country at the top, the money will gradually come into the United States Treasury and be filtered out to the workman who is on the levee; it will be filtered out to the

rural mail carrier; it will be given to the soldier; it will be given to the sailor; it will be given to the creditor; and gradually, as this country relieves the man at the bottom of the burden of taxes and gives him the benefit of wealth at the top, in reducing his hours of work, in increasing his pay, in giving such relief as may be necessary to banks, to farms, and to labor, everyone in America will share in the distribution of public funds made by the Government. In fact, there is no such thing as public money spent that does not inure to the population almost as a whole.

Mr. President, I stepped somewhat aside from explaining the bill in answering the Senator from Idaho [Mr. BORAH]. Let me illustrate the last provision of the bill. If we had started in time, we would not have to be so very drastic with this legislation at this time. Had we heard the voice of Theodore Roosevelt in 1907, we would not have had 10,000 banks closing in 1930 and 1931. If we had heard the voice of Woodrow Wilson in 1916, we would not have had the calamity in 1929. If we had heard the voice of such magazines as the Saturday Evening Post in 1916 and 1919, we would not have needed this legislation. If we had harkened back to the days of Daniel Webster when, in that speech which he made at Plymouth, he warned that this country had to set up a system of laws to prevent the wealth of this country from being concentrated in the hands of a few if we expected the country to last; if we had taken the advice of Abraham Lincoln; if we had heard the voice of Jefferson; if we had heard the voice of every leading man this country had of that day and time, and practically of all days and times, even down to the present day and time; if we had gone back in time, we would not today be required to be so drastic in the legislation that is necessary to relieve this country of the concentration of wealth in the hands of the few which now faces it. But we have waited until the house is nearly burned down; we have waited until there is no such thing as a flowing wealth in the United States. It is concentrated in the hands of the few, and the few have become as cannibals.

The ruling plutocratic class that started at 5 percent gradually shrank until it became 4 percent. In 1916 that same class dwindled down to 2 percent, and in 1930 it dwindled down to 1 percent. They are cannibals among themselves. They not only had begun to take the wealth that was in the hands of the little man and in the hands of the middle man, but they became financial cannibals, eating up the financial existence of one another, until the plutocratic element that was 5 and 4 and 3 and 2 percent as late as 1916, had become a plutocratic element of 1 percent in 1930.

Mr. President, that does not tell the story. In 1916, when 2 percent of the people owned 60 percent of the wealth, there was a middle class, 33 percent who owned 35 percent of the wealth. That was the condition in 1916. But where is the middle class today? Where is the corner groceryman, about whom President Roosevelt speaks? He is gone or going. Where is the corner druggist? He is gone or going. Where is the banker of moderate means? He is vanishing. The middle class, 33 percent of the people, who owned 35 percent of the wealth in 1916, has disappeared; and, according to the most conservative estimates, which are not even disputed, the middle class today cannot pay the debts they owe and come out alive. In other words, the middle class is no more. There is no middle class. The middle-class individual has either made his way up into the plutocracy of 1 percent of the population, or he has fallen into the general class of the masses of 99 percent of the people who own a very small, dwindled, and restricted percentage of the wealth. There is no middle class.

Mr. President, we cannot wait for all these rich men to die. They are not going to die fast enough for the Government to secure their money through an inheritance tax. Some of them are good men, and we do not want them to die. They are men whom we can use, and they are no different from anyone else.

Mr. President, I have proposed a capital-levy tax, within the Constitution of the United States. I have proposed by

legislative and congressional action that on a net capital of \$1,000,000 there will be no capital tax, but upon all that is in excess of \$1,000,000 up to \$2,000,000 the Government will take 1 percent. That means that if my friend the Senator from Ohio has a fortune of \$2,000,000, the Government will require him to pay \$20,000 of capital-levy tax.

I then propose that on a fortune of from \$2,000,000 to \$3,000,000 we will take 2 percent of the next million, 3 percent of the next million, from \$3,000,000 to \$4,000,000, 4 percent of the next million. I propose that we gradually increase the tax 1 percent on the million dollars of wealth until the point of \$100,000,000, and when we reach \$100,000,000, the United States Government will take 100 percent of all over the \$100,000,000. [Laughter.]

Mr. LEWIS. Mr. President, I rise to a point of order.

The PRESIDING OFFICER. The Senator will state it.

Mr. LEWIS. I suggest that there be order in the galleries. A Senator is occupying the floor debating an important question, and the occupants of the galleries should be informed that it is not a matter of amusement, and that this is not a movie theater.

The PRESIDING OFFICER. The Chair admonishes the occupants of the galleries that they are here as the guests of the Senate, and the Senate rules strictly prohibit demonstrations of any kind. The rules of the Senate must be lived up to.

Mr. LONG. I do not object to interruptions, although I thank my friend, the Senator from Illinois. I want to say, however, that in stating that under my amendment a man would be allowed to own up to fifty or a hundred million dollars, I probably excited mirth. I know that in that particular this amendment seems ridiculous. It seems absurd for us to be trying to limit fortunes to fifty, fifty-five, or a hundred million dollars. It seems almost preposterous that in this day, when from thirteen to fifteen million people are unemployed; in this day, when somewhere in the neighborhood of 60,000,000 people are on the verge of starvation; that in this day of too much to eat and too much to wear, a Member of the United States Senate would be on the floor of the Senate urging such a preposterous proposition as allowing any one man to make a million dollars in a year, or to allow any one child to inherit \$5,000,000 without working for it, or to allow any one man to own from fifty to a hundred million dollars. It seems almost absurd that in this land of plenty and of too much anyone would be urging in the Senate, or be called upon to urge before the lawmakers of the United States, that in order that there might be such a thing as people eating what is here and wearing what is here, we would try to fix the absurd limitation on fortunes of fifty to a hundred million dollars. Yet that has even been referred to as being drastic and radical, a type and order of legislation that might beset the country with evils and destroy its initiative.

Mr. President, there is no sound-thinking man today who need expect to see this country emerge from the present chaos unless there shall be a redistribution of wealth. We need an expansion of the currency; we need more money; that is necessary for two purposes: First, because it is one of the means that will help us accomplish a decentralization of wealth and a redistribution in the hands of the masses; second, in order to allow intercourse in trade domestically and with foreign nations. But even though we do expand the currency, that is not going to accomplish anything like the necessary fundamental reform of redistributing the wealth of the country so that it may be shared among the people.

In order that I may illustrate that idea and to prove that what I am saying is in accord with modern thought, let me say that I am undertaking to carry out and to write into law the policy of the present President of the United States.

Mr. President, I saw the President before he made some of these important announcements. I knew how he felt about these matters probably in advance of many others of the American people. I was glad to ascertain, even before he had become a candidate for President of the United States, how he felt along such lines when he was formulat-

ing public utterances that later fell from his lips as important messages to the people. It was in his speech at Atlanta, Ga., where he said that the trouble with America was not the lack of anything; that it was not the lack of foodstuffs that kept people from eating; that it was not the lack of clothing that kept people from having enough to wear; that it was not the lack of houses that kept people from having homes; but it was the pronouncement of the President of the United States that the trouble, in his own words, was an insufficient distribution of the things that this country had; the lack in the hands of the people of those things which they needed in order to give them purchasing power and enable them to live.

I have excerpted these few remarks from his campaign utterances; they are fair excerpts, Mr. President, although the Senate will understand that it has been necessary to eliminate much in order to give just a few utterances that are pertinent.

Says our President:

We find concentrated power in a few hands; the opportunity in business has narrowed; the independent business man is running a losing race. He is squeezed out by highly organized corporate competition, as your corner groceryman can tell you.

That is the language of our President. He further says:

Our economic life is dominated by six hundred and odd corporations. We shall have all American industry controlled by a dozen corporations and run by perhaps a hundred men.

Those are the words of our President, showing, Mr. President, that in the language of our President there is no such thing as a living or a livelihood for the independent business or independent institution in this country; that we are running a losing race, and that if we are not already, in other words which he used—I did not have the space to display all the quotations on this one placard—that if we are not already in the midst of industrial absolutism, we are on the way there and bound to reach it unless we retrace our steps and go in the opposite direction; and, says our President, our basic trouble is not a lack of things but a lack of a proper distribution of them.

Having made myself modern, I go back to the year 1907, when Theodore Roosevelt was considering this question. I display in abbreviated form on this placard on the wall [indicating] the words of Theodore Roosevelt along about 1907:

We shall have to adopt—

Said Mr. Roosevelt in 1907—

some progressive tax on all fortunes, so as to put it out of the power of one to hand down more than a certain amount.

Those are the words of Theodore Roosevelt; and yet, Mr. President, we have waited for 26 years after Theodore Roosevelt had uttered that warning, and we now see that plutocracy of about 5 percent that owned half the wealth grow to a plutocracy of 1 percent that owns about 60 percent of the wealth. We have waited until that plutocracy have put the independent bank out of business; until they have put the independent drug store out of business; until they have shriveled up the dry-goods store, the hardware store, and the grocery store; we have waited until they have depressed the farmer to a point where he cannot earn the cost of producing a crop. We have waited, Mr. President, until we have had foodstuffs and wearing apparel piled so high that one cannot see the sun for them, and yet we let one half the people of the United States starve and go naked and homeless in a land of too much because we have not heard the words of Theodore Roosevelt in 1907; we have not heard the words of Franklin D. Roosevelt, and we have not transformed our promises and platitudes into law, as the people of America were entitled to expect, when we conducted the late successful campaign.

Mr. President, in order that I may go back further and perhaps to even greater authority, I will refer to the words of a commission appointed by Woodrow Wilson. There are Senators in this body who were here in 1916—I think my friend the Senator from Arizona was here then—and they will recall that President Woodrow Wilson appointed an in-

dustrial relations committee, which conducted a thorough survey all over the United States. It took several months, and in the course of that survey they called in the leading economists of this country, including Mr. Basil Manley, Judge Walter Clark, John D. Rockefeller, Jr., Judge Gary. There were called before the Industrial Relations Committee the leading economists, the leading industrialists, the leading labor-union men who were to be found in that day and time.

It was the purpose of that committee, appointed and created under the administration of President Woodrow Wilson, to find out what was the trouble with the United States. What did they report? I give you the first finding of the Industrial Relations Committee. They said, Mr. President, that the cause of the industrial unrest and the poverty and misery in America prevailing in the year 1916 was first as found in the words on the placard on the wall—

Unjust distribution of wealth and income.

They showed, Mr. President, by the tables of that day and time, that it was a physical impossibility for a country to live and thrive and for its laborers and farmers ever to have an opportunity to educate their children and live in respectability with the wealth of the country concentrated to a point where 2 percent of the people owned 60 percent of the wealth. At that time the Industrial Relations Committee showed that 33 percent of the people owned 35 percent of the wealth. Are we that well off now? We were supposed to correct the conditions that prevailed in 1916; but instead of having done that, instead of having provided against a condition which at that time allowed 33 percent of the people to own 35 percent of the wealth, we have let the middle class that owned 35 percent, be wiped out, obliterated altogether. We have left the plutocratic class of 2 percent dwindle to where 1 percent have as much wealth as 2 percent had when they owned 60 percent of the wealth, and the 65 percent of the people who owned 5 percent of the wealth of the United States in 1916 do not own enough to pay their debts, and most of them are at the point of starvation.

Now, I get back, Mr. President, to the fundamental law. I am going back very briefly and succinctly, if I can, to the fundamental law that has been proved by time and by experience. At the conclusion of the Napoleonic wars, or some of them, the French people found that France had gone through such a constant scourge of war that it was impossible, except through a redistribution of income, for that country to live and survive. Therefore the law of France was arranged upon a basis providing, to some extent, for the redistribution of its wealth. That was done in this way: If a man with five children died, he was compelled to divide his wealth more or less equally among his heirs. He was not allowed to set up a trust or a fideicommissum. He was required to bequeath to his children his wealth, more or less, in equal parts. They were allowed to take the money at once and dispose of it in such way as they saw fit, except idiots and minors, who were placed under guardians and tutors. Under the law of France—and there were other laws which I have not the time to enumerate—the wealth of France was gradually thrown back into the treasury and diffused into the hands of the people. That was the French law.

That law was written into the law of the State of Louisiana. Strange as it may seem, following war after war which France had gone through, following scourge and pestilence, France has always been able to emerge from every calamity simply because she kept her wealth more or less equally distributed. She is better off today than any other country of which we know. It is because under the Napoleonic code France has provided for a more or less equitable distribution of wealth that she survives today. Why did we not survive? For the opposite reason, if I may say so.

Another proof is that the State of Louisiana, which provided to some extent the same law which France enacted, has, as a State, had a fair share of this Nation's wealth, regardless of adversities under which its people have struggled; and today, Mr. President, it may be pointed to as

having one of the best systems for distributing wealth among its people, because back far enough the law was so framed as to compel fortunes to be distributed equally among heirs with certain portions to be paid to the State. But Louisiana suffers now because the Nation is collapsing.

That has not been done elsewhere in America. We have allowed a man to go along until he accumulated a million dollars and then to die and hand that fortune down to his most proficient son, and that son has taken the fortune of a million dollars and has rolled the snowball down hill and died and picked out his most proficient son and handed him a fortune of \$10,000,000; and then we have allowed someone else to take the fortune of \$10,000,000 and roll it through another generation and die with a fortune of \$100,000,000, until greed and grasping faculties and monopoly have enabled a few men to get together and squeeze the lifeblood out of every independent business of every kind and character, and practically to make themselves masters of fortune, of finance, and of Government and life in the United States.

Are we going to let that condition continue? I do not know how the President would feel; but in view of what President Roosevelt has said, I do not see how he can feel other than that his principles had received a stab in the back at the hands of everybody in Congress who would not vote today to carry out those policies and those pronouncements to the people.

If I were President of the United States—and I have only the human impulses that I think any ordinary human being like myself would have—if I were President of the United States and I had gone before the people of the United States pleading against this unjust distribution of wealth; if I had gone before my countrymen complaining of this bloated plutocracy of 1 percent existing in the land of plenty, existing in superluxury, and to the misery of the masses; if I were the President of the United States today who had warned the American people about this terrible calamity and growing canker; if I sat in the White House after having pointed out these difficulties and after having promised a relief and a deliverance from such aggravated and accentuated concentration and disaster; if I were in the shoes of the President of the United States, having pointed out these conditions with the results that are here to prove it; if I were the President of the United States and saw Members of the House and Members of the Senate voting against the redistribution of wealth, to which I had dedicated my political lifetime, I would feel that not only had the Congress failed to catch the spirit of the time but had failed to stand by my platform and to aid me in the work I had undertaken.

I know some may feel that it might have been well to have urged upon the President further to consider the logic of the situation. I have not done so. I have taken our great President at his word. That he says nothing now for these things does not detract from what he has said. I have come here to help him carry out his promises to the people. I have come here to help him because of his oft-repeated pronouncements in public and in private conversations, because in both I have heard him say these things to the American people. I have come here undertaking by an amendment to a revenue act to give to the Congress of the United States an opportunity to decentralize the wealth of the country.

What I have proposed is what I advocated in the last Presidential campaign. What I said in the last Presidential campaign, Mr. President, was stated at the request of and with the knowledge and upon the advice and consent of the great man who now occupies the position of Chief Executive. Nothing that I said at this time or at that time is any different in spirit or in letter from what the President has himself announced to the people of the United States before and after his nomination, and before and after his inauguration as President of the United States.

There may be some who think the calculations should be different. There may be some who think that instead of a man being allowed to earn a million dollars a year he should be allowed to earn only \$500,000 a year. There may be some who think instead of a man being allowed to earn

a million dollars a year he ought to be allowed to earn \$1,500,000 a year. I have undertaken to set a figure that is approved by practically all men who have discussed the question, a figure at which no man can say his earning has been restricted in any way that will cripple his business, dwarf his initiative in business, or deprive him of a possible luxury.

With reference to the \$5,000,000 of inheritance, I agree with some of the critics that \$5,000,000 is too much for any one child to inherit. There may be some who think most likely, as the Senator from Idaho [Mr. BORAH] indicated, that probably \$5,000,000 is out of order and out of proportion with the other provisions of my amendment. But be that as it may, I have undertaken to allow an inheritance in the millions sufficient so that there can be no such thing as a crippling of initiative and so there may be no such thing as luxury denied to the possessor of or the person inheriting that kind of fortune.

There may be some who figure that the capital-tax levy ought not to allow \$100,000,000 before taking all of a man's money, but I have undertaken to set a figure which I feel will be sufficient to allow us a revenue to the Government sufficient to care for its needs and to accomplish decentralization.

I should like to give the Senate the estimates which I have made, based upon normal circumstances, and after that I have nothing further to say in support of the amendment. Here is my calculation. No; it is not my calculation. Here is the calculation which has been supplied to me. I have been told that within 10 years possibly, but certainly within 15 years, under this decentralization plan the Treasury of the United States would have an income of around \$150,000,000,000. Not less than \$10,000,000,000 and most probably as much as \$15,000,000,000 average per year would come to the Treasury of the United States Government as the result of the amendment which I have offered.

Why do we wait for money to carry on public works and improvements? Why do we wait for money to pay the soldiers' bonus? Why do we wait for money to clear up deficits in the Treasury? Why do we wait for money to pay the \$27,000,000,000 of bonded indebtedness of the United States? Why do we wait here, having to go and take the crippled, the aged and the injured soldier who has fought in defense of his country, and throw him out of the hospital and leave him at the mercy of the world, without a home to occupy, without clothes for his back and without food to eat? Why do we wait in this stifled condition with a land overflowing with milk and honey, flour and meal, potatoes and cream—everything on the living earth here in abundance and superabundance that mankind might desire to consume? Why do we wait in this country with people starving to death by the millions, when we have so much here that they could not eat it if everybody was given everything he wanted to eat to start with?

Why? It is because we have taken the purchasing power out of the hands of the masses, because we have allowed the greed and avarice of the little bloated plutocracy of less than 1 percent of the people of the country to reach the point that they have amassed all the gold, all the wealth, all the silver, and all the property of America into so few hands that they actually have more satisfaction in owning that concentrated fortune and in the starvation of half the population of the country than they would have even though their fortunes allowed everybody to have plenty and themselves to enjoy whatever luxury could be supplied.

Why talk about a farm problem when nobody has money enough to buy cotton goods to wear? No one need go around trying to find the source of the trouble. If anyone wants to find out why we cannot sell any more cotton, I will tell him why. It is because the women have not any money with which to buy calico. That is why we cannot sell any more cotton. Does anyone want to know why we cannot sell any more silk? The first reason is because 99 percent of the people have not any money with which to buy silk. Does anyone want to know why we cannot sell shoes in the shoe stores, groceries in the grocery stores, and

dairy products? It is simply because 1 percent of the people controlling 99 percent of the wealth cannot eat any more than any other 1,000,000 people can eat and consume.

When we have taken the purchasing power away from the people, when we have not fed and clothed 99 percent of the people living in a land of too much to eat and too much to wear, and when they do not have anything to buy, anything to eat, or anything to wear, how does anyone expect to sell the wheat crop and the cotton crop, the corn crop, and whatever else is planted by the farmers of the country?

Our factories are idle; certainly they are. How could they be anything else? Take the statistics as shown by the income-tax returns and it will be found that there is such a small percentage of the people earning anything like a livable income in this country that it would be impossible today to have any such thing as busy factories.

Let us return our country to reason and equity.

Therefore, Mr. President, I submit my amendment, and ask that we may have the yeas and nays.

FOREIGN DEBT PROPAGANDA

THE MISCONCEPTION OR MISREPRESENTATION BY EUROPEAN DEBTOR LANDS DELEGATES OF CONVERSATIONS WITH PRESIDENT ROOSEVELT AND HIS AIDES ON DEBT SUSPENSION

Mr. LEWIS. Mr. President, I trust I do not impose too far upon the patience of the Senate at this rather uninviting hour, when I arise to meet the invasion the news from the press placed on our table at this hour alarms our confidences. The report, as I catch it at a glance, is of very impending weight upon the United States of America.

Mr. President, the afternoon cables support the statements made in the morning press by two premiers of European countries, these being the official spokesmen of two of the great debtor countries of Europe, both of whom being of the large debtors to the United States of America. Each of these master guides, being honorable representatives of their nations, have in the late weeks only departed from us, following what we assumed to have been a conference looking to readjustment of what is designated as the tariff, and conducting conversations formulating something of international economic trade arrangement. And we now have it stated as from these higher sources that as a preliminary essential to that meeting, which is shaped and framed to be held in the month of June either at London, or Geneva, Switzerland, that there must be by the United States of America accepted and agreed that a disposition of the debts due by the foreign lands to the United States, war and commercial debts, shall first be disposed of.

That in this first move some form of a reduction of the war debts which are due now or the wiping out of certain of the charges laid by the United States against the debtors; as commercial obligations must be agreed and arranged as a paid or adjusted debt preliminary and as a necessary step precedent to any undertaking looking to the adjustment of tariffs or the arrangement of an economic conference. It is now stated in the announcements, carrying out what is assumed to have been the object of the mission of these honorable gentlemen who came as the avowed and the acknowledged delegates of their countries, that first, and above all, is the abolishment of all obligation now existing to pay the debt.

Mr. President, I speak to what I charge to be the hypocrisy of the drama. I rise to charge upon the proceeding in the foreign parliament the farce of the pretense. I assert in my place that the intimation is now given to the world through speech of each premier addressed to his land that there was an understanding between this, our United States of America, through its representatives, and they who were envoys of other countries of the world, the principal debtors to this Republic, that before we, the United States, should be permitted to enter upon the specific schedules of any tariff truce, as it is termed, or the program of any economic adjustment touching trade between these lands, there must first be a concession on the part of the United States to take up the adjustment of the debts due the United States by these foreign lands, and that that question must be taken up in such manner as shall result in a conclusion of reduc-

tion, postponement, or cancelation satisfactory to the debtors.

Mr. President, it is very evident to my mind—I am sure it cannot be otherwise to the minds of those about us—that these expressions are sent throughout the whole world, all nations, for the purpose of increasing in European and Asiatic spheres the credit of these lands who are debtors to the United States. The object of the play is to give the appearance that the visits of their delegates here to our land resulted in an agreement at the instance of the debtor or at the initiation of the creditor to take up these international debts and as a first move to concede the debt as now due as either of immediate effacement or, sirs, as necessarily calling in their behalf for a large reduction, if not complete cancelation. With this false premise being circulated to the world, it enables our competitor nations to start out with the other countries of the world with the presumption that they are now to be enriched in their treasuries by the amount that they will be able to force us to concede in the reduction or effacement of the debt. This likewise will give to our debtors a form of credit from the other nations of the world upon the theory that the proportion of that credit advanced is sustained and secured by what is to be the amount surrendered by the United States of America.

Mr. President, the statement on the part of these honorable representatives, made in the parliaments of our debtors, that there is now compacted with arrangement concurrent with the economic conference a surrender by the United States of its debt as it is now adjusted is wholly without foundation. It was specifically stated here at the meetings in the city of Washington by the representatives of the United States of America at the State Department and at such other meetings as were concurrent with those gatherings that there was to be a fixed understanding that nothing whatever as to the debts between these debtor countries and the United States was to be taken up at the meeting looking to the economic conference. That only with that specific understanding, Mr. President, I am authorized to say that only at some later occasion is the subject to be entered upon, if at all; and upon my own information I do assert, that is now the compact, that in the economic conference nothing be entered upon in the form of a conference between our country and her debtors as to amounts of reduction nor payment is to be intruded in the program for the economic conference, the adjustment of tariffs, or the entering upon any form of arrangement touching the economy of trade throughout the world.

As to that specific agreement I summon you, sirs, to the statement of Professor Tugwell, representing the State Department of the United States, published as his utterance in the Sunday New York Herald, and one from his pen, and then that of the other aide of the State Department, Professor Moley, all these expressions spoke to the world that as a preliminary arrangement, if one may be termed an arrangement which is sent out as a prefatory and preceding understanding, the question of these foreign debts was not to be taken up, in anywise whatever negotiated, at the conference now being arranged on the basis of an economic trade.

Mr. President, I protest against this policy of misleading the United States on the part of these honorable foreign representatives, who, speaking from the parliaments of their high ascendancy, send out their message with a strange consistency in almost the exact verbiage—though they are contesting lands as between themselves—asserting that there was an understanding, and as such that it is now to be executed, executing the new agreed policy of effacing the debts by surrender or canceling them by a form of reduction that will leave to us the attitude of defeated debtor instead of victorious creditor.

I here say, sir, that the whole policy of sending out these statements in parliamentary-involved declarations is with the complete knowledge that they have no foundation in truth; but that these assertions are sent out in what are termed, in the parliamentary language of varying diplomacy,

as “feelers.” From such it is presumed that it might be ascertained how far the American people will go in generous gesture, for the seventh time, to further reduction of these debts far past the reduction we have subscribed to—far exceeding the reduction which even mercy, charity, and fairness would have justified. These “feelers”—a creeping poison which, like writhing vines, are twisted about the feet of those who move ahead in gloom and darkness, where they may be tripped to where they fall. And the object of these misrepresentative announcements are as two insidious things:

First, to educate the American citizen to the thought that his Government has already surrendered him in a private understanding here at Washington, and done in obedience to the demand of the ambassadors, premiers, and consultants of these honorable countries, our distinguished war debtors. I, as a humble representative of my distinguished State and as one of the colleagues of my honorable confreres in this gathering, the Senate of the United States, have reasons to deny, and upon these reasons specifically deny, that there ever was a conversation between these honorable representatives and the representatives of the United States upon the point of quantity or quality of further reduction of debts, the cancelation of them, or the readjustment of them to the surrender of the obligation.

Second, sir, the further purpose of the false dissemination was to give to the countries abroad the conclusion that without these delegates having an agreement for the surrender of a part of the debt, or a cancelation of its obligation, there would not have been an entrance by them into an understanding as to the surrendering of any of the trade advantages of their lands. It is that there be offered as a justification as against the assault of their own people for threatening to surrender the advantages and privileges they are enjoying in trade over the United States, they brought in turn the possibility of the abatement of these payments now due and to be paid this year.

Finally, Mr. President, the other and cruel purpose is to say to the American people, in such insidious propaganda as is now being scattered in the straining dew of gentle and facile declamation, that if they—our Americans—will yield now, despite their protests, to the form of a surrender of the amount of their debt, and place that obligation on the citizens of the United States, then the United States may expect some balance in losses in the surrender by us, your debtors, of our privileges of international trade, that America may enjoy the benefits of our present superiority, which is now yielded up. Sirs, all this concentrated effort of the parliamentary masters is to seduce the American mind into some form of yielding and some nature of concessions as against these debts.

True, sirs, with these murky movements we have nothing that gives light of method or detail. It is enough that through the press the mere statement of something of a “tariff truce”, of a “tariff concession”, of a “trade arrangement” be uttered. But from whence come these intimated assurances and in what description? I challenge my honorable colleagues upon both sides of the Chamber to note that in all these coagulated agitations of oratorical multiplication there is never a figure stated; never is a quantity defined as to what is offered. Nowhere is the specific declaration made clear. Never is the material or the basis of profit to the United States of the new trade stated. Everything is being brought to us now upon the theory we can assume as saying to us, “Dear friends of America, whatever you think you ought to have in trade, whatever you dream to enjoy in finance, whatever you hope to experience in any wise whatever, in new rejuvenation of our admiration and friendship, will depend on the amount you will yield to us on the debts you say we owe you.” Here, as the Scripture hath it, we exclaim “Selah.”

This very clever, this very artful insinuation, carrying nothing with it of newness, is multiplied in its form with a view of further seducing the credulity of our country, and imposing upon the confidence of our countrymen to believe

that there may again be perpetrated the same fraud which we have had to endure under similar pretenses in five previous gatherings. Sirs, all this replay and artifice after we had given notice that under no circumstances shall the matter of the reduction of the debts or even a discussion of the debts by our war debtors be considered in connection with this economic meeting—sirs, it is here that there still goes forth every day from the press, which is compelled to publish the news as it obtains it, that constant, repeated, and ever-flowing indulgence to the American public proclaiming, "If you will but persuade your public representatives to surrender you and your interests, to abase your country, to our superiority, and further loot your Treasury by concession and cancellation, you will be rewarded by us in some form of trade which may make up just now the losses you experience and that which you feel is hourly deepening its multiplication." What these national spokesmen of our debtor nations assume to offer they do not express. What we are to expect them to give us they do not say. We, they say, but tell you to trust us, and in this allurements trust and believe that for all you will lose—as we expect you to lose, for we are not meaning to have you gain—you may hope to be requited by something by which in some form, in the haggling terms of economic arrangement, you may, out of this mist and mystery, draw the varying light of some consolation.

Mr. TRAMMELL. Mr. President, will the Senator yield?

Mr. LEWIS. I yield.

Mr. TRAMMELL. I presume, from the Senator's statement, that he does not care to let them know exactly what we might do, that we are to let them wander along in darkness on that subject. Does he not think a better policy would be not to give any encouragement to this idea of a reduction of the indebtedness or a cancellation of the indebtedness? I believe that if we give any encouragement to people who are expecting to get something from us which we do not think they should have, that policy is detrimental in any future negotiation. I would rather be frank from the beginning, and state that we do not expect to have the matter of adjustment or the matter of the cancellation control or dominate this conference. Of course, the Senator has talked along that line, but I have just talked a little plainer.

I happened to drop into a movie a few nights ago where the subject was "Gabriel Over the White House", and Mr. Hammond, who took the part of the President, when they were clamoring for debt reduction, and some wise statesmen thought there ought to be reduction, said, "There is to be no reduction." When they wanted cancellation he said, "There is to be no cancellation of the debt." I think we need some plain talking.

Mr. LEWIS. Mr. President, I was stating, in what I felt was explicit language, that it was these our debtors who are leaving in this more or less confused state any proposition they were making; it is not ourselves. I had stated, evidently previous to the Senator coming to his seat, how we had in nowise made an agreement or an understanding looking to any cancellation or any form of interruption of the just course of the debt as it has now been placed by the previous understandings and agreements of our country and our debtors and now fixed as closed contract.

I answer the Senator from Florida to say the trouble is not the want of frankness on the part of his country. His country has made it public everywhere, wherever voice with dignity and manner with propriety could leave it, that there should be no entrance in this economic conference upon the question of the cancellation of the debts or a disturbance of the pleasant relations, and that there was no foundation at any time for the assumption by their statesmen that the matter of the debts, either their cancellation or their reduction, was to be entered upon at the time of these understandings we are about to launch respecting the economic affairs of these nations in commerce.

Mr. President, I was concluding, when I yielded to the distinguished Senator from Florida, to say that I regard it dangerous to the friendship between this Nation and her

debtors for these debtors to continue making public the statement that there should be a preliminary entrance upon these international debts looking to their readjustment or effacement before we enter into the fulfillment of the program of the Economic Conference which they sought and proposed as an illustration of new commercial friendship.

Mr. President, I find much in what the Senator from Louisiana has to say respecting the prospects of great losses to the people of the United States, and if the loss is to be accelerated by our yielding up the debts which are due us, and we are to be first trapped and then tricked out of the results because of the constant amalgamation and multiplication of the falsehoods, saying that we had a preliminary understanding that we were to enter upon the cancellation for the effacement of the debt before we concluded the Economic Conference, then we should not enter upon any conference or gathering of delegates under the false assumption.

Mr. President, if the United States—and I speak of its people—shall conceive seriously that there has been really a secret understanding by the representatives of this administration that we are to enter upon the question of the reduction of the debts which are honestly due us, the effacing of these obligations from the foreign lands, despite our statement to the United States through our representatives that such has never been the basis of any treatment on the part of the State Department or the foreign delegates—I say, sir, that if they, the spokesmen from Europe, shall continue with these statements as now published as their declaration, all to the contrary of what truly has transpired, these double-dealing delegates in their evasive speeches misrepresenting the history of the proceedings—these spokesmen will arouse a spirit of retaliation and resentment, I fear; and if the time should thereafter come when later the question as of the debts in any form of a suggested new adjustment could be appropriately revived, the temper of our people would not allow it to be approached. They would fear the spirit of delusion and deception. They would have been so convinced by the previous falseness that another scheme was set deliberately to entrap us that, whatever might be the proposition, all anew it should be at once repudiated by the spirit of the American people, too long and too often seduced by fair promises and betrayed by false deeds.

Mr. President, I rose merely to call attention, in this desultory manner, as I have, to the fact that we now warn the representatives of these debtors that they cannot continue these statements, which are directly in opposition to what is the truth of the arrangements between the United States and their representatives, without incurring a spirit of animosity on the part of the United States, and from this they will render their whole trade prospects nugatory; they will cause any concessions offered in that respect wholly void; they will remove from the American mind all confidence in the proposed undertaking at the outset; they will characterize it by the shadow of fraud; they will surround it in the gloom of suspicion. Sirs, they will enter upon it with doubt in all directions and with accusations so encircling it that, instead of it being an advance on the part of friendship through the delegates of those who are trusted, it will be an entrance again into the spirit charging falsehood and trickery and culminating in bitterness—perhaps hatred.

I therefore rise here to say that it is time these statements shall cease being sent out on the part of these honorable representatives and their parliaments of the world. These debtor nations and their representatives must know there never has been, at the meetings which they have lately attended here in Washington, one single, solitary agreement of any nature whatever that these foreign debts are to be made the basis of discussion or agreement at the economic conference.

The Economic Conference, if to be entered upon, must be entered upon with the knowledge that its only spirit is one looking to the exchange of trade between these nations in friendship and in confidence, and if it shall not be entered

into in that way, better, sir, that we withdraw at once than to enter that which is cursed with defeat through hypocrisy and held up to the world as a sham and as a device for tricking the American public either out of its rights in commerce, or its rights as a creditor.

Mr. President, no act on the part of these honorable debtors can benefit them if they continue misrepresenting the United States to its own people, and my object in rising at this moment is again to warn the United States that these plans of propaganda are, first, to take from the United States citizen his confidence in his own administration; second, it is to invest in the minds of foreigners the idea that there has been a secret understanding here by which, for some arrangement or surrender on the part of the United States, the economic trade conference about to be entered upon is to be entered upon with the theory that for all they give they are to be profited by the large sums of the surrender and loss of debts by the United States.

Mr. ASHURST. Mr. President, will the Senator yield?

Mr. LEWIS. I yield to the Senator from Arizona.

Mr. ASHURST. I tuned in on the radio one evening, some months since, and although I missed the announcement, I knew at once, from the mellifluousness of the voice, from the beauty of the diction, the correctness of the rhetoric, and the accuracy of the historical references, that the senior Senator from Illinois [Mr. LEWIS] was speaking. He reviewed with accuracy the history of past transactions on the collection of loans made by one government to another. The Senator pointed out how baleful and unjust it would be for the United States to cancel or remit any part of the foreign debt, and he concluded his brilliant radio address—I am sure it was heard by 10,000,000 persons—by an argument that appealed to me with force, pointing out not only the injustice to our own people in canceling the foreign debt, but made the superlatively important argument that it would be injurious to the debtor nations themselves to petition for or to accept such a humiliation as the cancellation of their own debts; that it would paralyze for a hundred years their efforts to attempt to secure credit; that each and every nation accepting a cancellation or a remission of its indebtedness would thereby suffer in its own self-esteem and would lose that which when a man or a nation loses is grievously hurt—its own self-respect.

The Senator has rendered a service in suggesting that this administration has never, directly or indirectly, intimated to anyone that there will be any cancellation, remission, or reduction of any part of the foreign debt due to the United States. Nothing would cause more feeling amongst our people, nothing would produce so much loss of confidence in the Congress and in the administration as to cancel, remit, or forgive any part of the foreign debt due to the United States.

Mr. LEWIS. Mr. President, I acknowledge the contribution of the able Senator from Arizona, the Chairman of the Judiciary Committee. I am flattered that he recalls an address of mine made at any time and approves it. I have from time to time, perchance at the expense of friendship and patience on the part of the Senate, invited their consideration to the thought that this, as I now charge, was the plan, and that behind the euphemistic expression "economic conference" was an underground and subterranean method of again reaching the point of driving the American public to a point where they would feel they must make some surrender of their rights to those who now seek to impose upon them.

Mr. President, as I conclude, I repeat I am anxious to hold the confidence of the American public to the administration. I shall not allow those outside of my land to be constantly presenting to my countrymen that there have been transactions secretly conducted which are deceiving the citizen and leaving him to conclude that he is being delivered by his public servants, and that under some secret allusion that the proposal is only one of mutual business touching economic conditions really and truthfully they are laying first the groundwork, the network, the trap, to be followed

by the surrender of the American people and their right to payment of honest debts due them.

Mr. President, we get from the great bard the famous line impugning the record of men saying:

Half a truth is worse than a whole lie.

It is against this half truth which is being heralded throughout the public press from the agencies of European debtors to our own countrymen at home, who write in their press that which will undermine the confidence of our countrymen in their country and rob them of the enjoyment of trust in the administration, that I protest. There shall not be a moment, so far as I may protest, sir, when over the gateways of our tomorrow in dealing with foreign lands there shall be inscribed by our engraving in cowardice at surrender—the proclamation of Dante:

Abandon hope, all ye who enter here.

Mr. President, having uttered the expression of my protest, and that which I firmly believe is the duty of an American to repeat as often as possible—a warning to his countrymen not to be further imposed upon, I submit my views as they have been expressed, with my sense of gratitude for the patience and kindness of the Senate. I call forth again, America, be on guard, beware; and as against all alluring approaches seducing her trust, O America, be true.

NOTIFICATION OF CONFIRMATION OF CIVIL SERVICE COMMISSIONERS

Mr. McKELLAR. Mr. President, earlier in the day I asked unanimous consent, as in executive session, that the President be notified of the confirmations of the nominations of Mrs. McMillan and Mr. Mitchell as members of the Civil Service Commission. Those two officials were sworn in this morning. I find that the time required by the rule has not yet elapsed; but I hope the Senate will agree to my request for unanimous consent, which is that the President may be notified of the confirmation of these nominations.

Mr. McNARY. Mr. President, for obvious reasons I have uniformly followed the practice of dissociating confirmations and notices to the President. The Senator from Tennessee conferred with me earlier in the day. The situation is rather an embarrassing one, due to a misunderstanding, and therefore, so far as I am personally concerned, I am willing to make an exception in this case.

The VICE PRESIDENT. Is there objection to the request of the Senator from Tennessee? The Chair hears none, and the President will be notified of the confirmations of the nominations.

EXTENSION OF GASOLINE TAX

The Senate resumed the consideration of the bill (H.R. 5040) to extend the gasoline tax for 1 year, to modify postage rates on mail matter, and for other purposes.

Mr. HARRISON. Mr. President, the hour is now so late and the Senate has been so patient in the consideration of the tax bill that I am not going to impose on the body at this time any remarks with reference to the pending amendment. I may say that if we can dispose of this amendment I think we may get through with the bill this afternoon; and it is the intention, as I understand, of the leader on this side in that case to move an adjournment over until Monday. So I hope we may expedite the matter and get through with it quickly.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Louisiana [Mr. LONG].

Mr. NYE. Mr. President, I desire to express myself briefly on the pending amendment offered by the Senator from Louisiana. I am numbered among those who are urging at this time that there can be hope for little or no recovery for America until we have accomplished, in some manner or other, a decentralization of wealth that has grown by such leaps and bounds in recent years. While the inflationary features of the farm bill were pending before the Senate, I offered an amendment which, had it been accepted, would have increased the income-tax rates on incomes in excess of \$100,000 a year.

Mr. LONG. Mr. President—

The VICE PRESIDENT. Does the Senator from North Dakota yield to the Senator from Louisiana?

Mr. NYE. I am glad to yield.

Mr. LONG. I want to ask the Senator to let me suggest the absence of a quorum.

Mr. NYE. I am not going to yield for that purpose at this time.

The VICE PRESIDENT. The Senator from North Dakota declines to yield.

Mr. NYE. The scale of taxation upon incomes under my amendment would range from 55 percent on incomes of \$100,000 or more to 75 percent on incomes of a million dollars or more per year. I was prevailed upon at the time of its offering to have it referred to the Committee on Finance, which was then considering the pending tax bill. So the amendment went to that committee.

I now understand, of course, that the amendment did not receive favorable consideration at the hands of the committee, but I intend to move that amendment to the pending bill in the event the amendment of the Senator from Louisiana shall be defeated. Yet I hope I am not going to have occasion to offer my amendment; in other words, I hope that the amendment offered by the Senator from Louisiana is going to prevail, and because I so much want that it shall prevail, I am going to plead with the Senator from Louisiana to do a thing which I am certain will enlarge the chance for the adoption of his amendment by the Senate.

His amendment deals with income taxes, with inheritance taxes, with gift taxes, and with the so-called "capital tax." I wonder if the Senator, in view of the largeness of the contract involved in his amendment, will not consider and finally consent to the elimination from his amendment of that portion of it dealing alone with the capital tax?

Mr. LONG. Mr. President, as I understand, the Senator is suggesting the elimination of the capital-tax-levy feature of the amendment, leaving the income-tax and inheritance-tax provisions as they are. Is that what the Senator suggests?

Mr. NYE. That is all. I suggest only that the Senator strike from his amendment all the language beginning in line 15, on page 4, striking out all on pages 5, 6, 7, and 8, and down to line 13 on page 9.

Mr. LONG. Mr. President, I have been urged so to change my amendment, and I am willing to modify the amendment. Accordingly, I accept the suggestion of the Senator from North Dakota.

Mr. NYE. I am sure the Senator will thereby improve the chance for his amendment in a large way.

The VICE PRESIDENT. The Senator from Louisiana modifies his amendment. The question is on agreeing to the amendment as modified.

Mr. LONG. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Couzens	Kendrick	Pope
Ashurst	Cutting	Keyes	Reed
Austin	Dickinson	King	Reynolds
Bachman	Dieterich	La Follette	Robinson, Ark.
Bailey	Dill	Lewis	Robinson, Ind.
Bankhead	Duffy	Logan	Schall
Barbour	Erickson	Loneragan	Sheppard
Barkley	Fess	Long	Shipstead
Black	Fletcher	McCarran	Smith
Bone	Frazier	McGill	Steiwer
Bratton	George	McKellar	Thomas, Utah
Brown	Goldsborough	McNary	Trammell
Byrd	Gore	Metcalf	Vandenberg
Byrnes	Hale	Murphy	Van Nuys
Capper	Harrison	Neely	Walsh
Carey	Hayden	Norris	Wheeler
Clark	Johnson	Nye	White
Connally	Kean	Overton	

The VICE PRESIDENT. Seventy-one Senators have answered to their names; a quorum is present.

Mr. LONG. Mr. President, I want to take just long enough to say to Members of the Senate who have come in recently that I have modified my amendment by striking out the capital-tax-levy feature of it, leaving it to apply

only as to inheritance and gift taxes and income taxes, limiting the incomes to \$1,000,000 and inheritances and gifts to \$5,000,000. I ask for the yeas and nays on my amendment.

Mr. TRAMMELL. Mr. President, may I ask the Senator a question?

Mr. LONG. Certainly.

Mr. TRAMMELL. The Senator provides for an increase of income taxes on incomes of \$300,000 and upward?

Mr. LONG. Yes.

Mr. TRAMMELL. The increase does not begin until the incomes reach \$300,000?

Mr. LONG. That is correct.

Mr. TRAMMELL. And, with reference to inheritances, what is the minimum from which the amendment proposes to start?

Mr. LONG. I have just scaled them from whatever they are now on up to \$5,000,000. I do not propose to affect them to any extent whatever in any of the lower brackets.

Mr. TRAMMELL. That is the impression I gathered from reading the Senator's amendment; that it does not affect the lower brackets in any of the taxes.

Mr. LONG. That is true. I ask for the yeas and nays on my amendment.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. LA FOLLETTE (when his name was called). On this vote I have a special pair with the senior Senator from Virginia [Mr. GLASS]. I understand if he were present he would vote "nay." If I were at liberty to vote, I would vote "yea."

Mr. LEWIS (when his name was called). I am paired with the Senator from Rhode Island [Mr. HEBERT]. Not knowing how he would vote, I withhold my vote.

Mr. LOGAN (when his name was called). I have a general pair with the junior Senator from Pennsylvania [Mr. DAVIS], who is absent. I transfer that pair to the senior Senator from Nevada [Mr. PITTMAN] and vote "nay."

Mr. McKELLAR (when his name was called). On this vote I have a pair with the junior Senator from Delaware [Mr. TOWNSEND]. I transfer that pair to the junior Senator from Massachusetts [Mr. COOLIDGE] and vote "nay."

Mr. ROBINSON of Indiana (when his name was called). I have a general pair with the junior Senator from Mississippi [Mr. STEPHENS]. In his absence I withhold my vote. If permitted to vote, I should vote "yea."

Mr. VANDENBERG (when his name was called). On this vote I am paired with the senior Senator from Oklahoma [Mr. THOMAS]. Not knowing how he would vote, I withhold my vote.

The roll call was concluded.

Mr. FRAZIER (after having voted in the affirmative). On this amendment I have a special pair with the senior Senator from Maryland [Mr. TYDINGS]. Therefore I withdraw my vote. I understand if the Senator from Maryland [Mr. TYDINGS] were present he would vote "nay." If I were at liberty to vote, I would vote "yea."

Mr. FESS. The Senator from West Virginia [Mr. HATFIELD] is necessarily detained on official business. He is paired with the Senator from Arkansas [Mrs. CARAWAY].

Mr. LEWIS. I desire to announce that the Senator from Ohio [Mr. BULKLEY], the Senator from Arkansas [Mrs. CARAWAY], the Senator from Georgia [Mr. RUSSELL], and the Senator from Colorado [Mr. COSTIGAN] are necessarily detained from the Senate on official business.

I also wish to announce the following general pairs:

The Senator from New York [Mr. COPELAND] with the Senator from Delaware [Mr. HASTINGS];

The Senator from South Dakota [Mr. BULOW] with the Senator from Connecticut [Mr. WILCOTT];

The Senator from New York [Mr. WAGNER] with the Senator from Missouri [Mr. PATTERSON]; and

The Senator from California [Mr. McABOOL] with the Senator from Vermont [Mr. DALE].

I wish further to announce that if the Senator from Arkansas [Mrs. CARAWAY] were present, she would vote "aye."

I wish further to announce that if the Senator from Arkansas [Mrs. CARAWAY] were present, she would vote "aye."

The result was announced—yeas 14, nays 50, as follows:

YEAS—14			
Bone	McGill	Overton	Trammell
Cutting	Neely	Pope	Wheeler
Dill	Norris	Reynolds	
Long	Nye	Shipstead	
NAYS—50			
Adams	Carey	Harrison	Murphy
Ashurst	Connally	Hayden	Reed
Austin	Couzens	Johnson	Robinson, Ark.
Bachman	Dickinson	Kean	Schall
Bailey	Dieterich	Kendrick	Sheppard
Bankhead	Duffy	Keyes	Smith
Barbour	Erickson	King	Steiner
Barkley	Fess	Logan	Thomas, Utah
Black	Fletcher	Loneragan	Van Nuys
Bratton	George	McCarran	Walsh
Brown	Goldsborough	McKellar	White
Byrd	Gore	McNary	
Byrnes	Hale	Metcalf	
NOT VOTING—31			
Borah	Costigan	La Follette	Stephens
Bulkeley	Dale	Lewis	Thomas, Okla.
Bulow	Davis	McAdoo	Townsend
Capper	Frazier	Norbeck	Tydings
Caraway	Glass	Patterson	Vandenberg
Clark	Hastings	Pittman	Wagner
Coolidge	Hatfield	Robinson, Ind.	Walcott
Copeland	Hebert	Russell	

So Mr. LONG's amendment was rejected.

Mr. SHIPSTEAD. Mr. President, I send to the desk an amendment which I offer.

The VICE PRESIDENT. The amendment will be read for the information of the Senate.

The LEGISLATIVE CLERK. On page 7, after line 22, it is proposed to insert the following:

SEC. 7. Section 604 of the Revenue Act of 1932 is hereby repealed on articles selling for less than \$40.

Mr. SHIPSTEAD. Mr. President, I shall take but a moment to explain the purpose of the amendment. In the Revenue Act of 1932 fur clothing was the only wearing apparel taxed. In that act it was taxed at 10 percent of its sale price as sold by the manufacturer. I assume the tax on fur clothing was adopted by the Congress on the assumption that furs are a luxury. As a matter of fact, in a considerable portion of the country furs are a necessity of life on account of the cold weather in the wintertime. A farmer who buys a sheep-lined fur coat must pay a 10-percent tax on that coat. Men and women, and children going to school in the wintertime, wading through the snow, must have whatever fur clothing they can buy. For that reason I have offered the amendment to exempt from this tax any fur garment selling for less than \$40. That is about the maximum that poor people pay for fur clothing. I am sure it was not the intention of the Congress in enacting this law to put a tax upon the winter clothing of people who pay less than \$40 for fur garments.

Mr. HARRISON. Mr. President, this tax on fur was levied to raise revenue. There are many very objectionable nuisance taxes that we wish we could repeal, but if we start on that we will lose the revenue. Under the present law, goods containing furs are not taxed unless the fur is the chief component.

I hope this amendment will be voted down.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Minnesota [Mr. SHIPSTEAD].

The amendment was rejected.

Mr. NYE. Mr. President, I offer the amendment, which I send to the desk.

The VICE PRESIDENT. The Senator from North Dakota offers an amendment, which will be stated.

Mr. NYE's amendment is to insert at the proper place the following new section:

SEC. —. (a) Subsection (a) of section 12 of the Revenue Act of 1932 is amended by striking out the last eight paragraphs thereof and inserting in lieu thereof the following:

"\$22,460 upon net incomes of \$100,000; and upon net incomes in excess of \$100,000 and not in excess of \$200,000, 50 percent in addition of such excess.

"\$72,460 upon net incomes of \$200,000; and upon net incomes in excess of \$200,000 and not in excess of \$300,000, 52½ percent in addition of such excess.

"\$124,956 upon net incomes of \$300,000; and upon net incomes in excess of \$300,000 and not in excess of \$400,000, 55 percent in addition of such excess.

"\$179,960 upon net incomes of \$400,000; and upon net incomes in excess of \$400,000 and not in excess of \$500,000, 57½ percent in addition of such excess.

"\$237,460 upon net incomes of \$500,000; and upon net incomes in excess of \$500,000 and not in excess of \$600,000, 60 percent in addition of such excess.

"\$297,460 upon net incomes of \$600,000; and upon net incomes in excess of \$600,000 and not in excess of \$700,000, 62½ percent in addition of such excess.

"\$359,960 upon net incomes of \$700,000; and upon net incomes in excess of \$700,000 and not in excess of \$800,000, 65 percent in addition of such excess.

"\$424,960 upon net incomes of \$800,000; and upon net incomes in excess of \$800,000 and not in excess of \$900,000, 67½ percent in addition of such excess.

"\$492,460 upon net incomes of \$900,000; and upon net incomes in excess of \$900,000 and not in excess of \$1,000,000, 70 percent in addition of such excess.

"\$562,460 upon net incomes of \$1,000,000; and upon net incomes in excess of \$1,000,000, 75 percent in addition of such excess."

(b) This section shall take effect as of January 1, 1933.

Mr. NYE. Mr. President, I am offering this amendment because I cannot help but be convinced that the vote recently recorded on the amendment offered by the Senator from Louisiana [Mr. LONG] brought some adverse votes by reason of the presence in that amendment of provisions dealing with inheritance taxes and gift taxes. The amendment which I have offered deals alone with income taxes; deals alone with incomes in excess of \$100,000 a year and graduates the scale of taxation from 55 percent on incomes of \$100,000 up to 75 percent on incomes of a million dollars or more per year.

Without taking any of the time of the Senate, I hope the Senate will accord the privilege of a record vote upon this amendment; and I ask for the yeas and nays.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from North Dakota, upon which the yeas and nays are requested.

The yeas and nays were not ordered.

Mr. BLACK. Mr. President, I desire to ask the Senator a question. Is this amendment offered as a substitute?

Mr. NYE. No; it is offered as an amendment to the pending bill.

Mr. BLACK. It is offered in addition to the other taxes?

Mr. NYE. It is.

Mr. BLACK. And provides an increase up to 75 percent?

Mr. NYE. It increases rates that now range from 48 to 55 percent to a range from 55 percent to 75 percent on incomes from \$100,000 up to \$1,000,000 a year.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from North Dakota.

The amendment was rejected.

Mr. LONG. Mr. President, I offer the amendment which I send to the desk. If there is any objection to this amendment, I do not want to urge it.

The VICE PRESIDENT. The Senator from Louisiana offers an amendment, which will be stated.

The LEGISLATIVE CLERK. It is proposed to insert at the proper place in the bill the following:

That all articles and commodities for sale or merchandise transported into any State or Territory wherein a tax is levied by such State or Territory upon the use, sale, consumption, storage, handling, or distribution within such State or Territory of any such commodity or commodities, or remaining therein for use, consumption, sale, storage, handling, or distribution within such State or Territory, shall upon arrival in such State or Territory be subject to the operation and effect of the laws of such State or Territory enacted in the exercise of its police power or otherwise, to the extent and in the same manner as though such commodity or commodities had been produced, distilled, refined, or manufactured in such State or Territory, and shall not be exempt therefrom by reason of being introduced therein in original packages or containers or otherwise.

Mr. LONG. Mr. President, at a national meeting of all the supervisors and tax collectors of the States they asked to have prepared and introduced a measure similar to the amendment which I have sent to the desk and asked to

have put on this bill, because it is very relevant. It will take me only a moment to explain it.

Many of the States have taxes on certain articles—as examples, tobacco and gasoline. In Louisiana, as an example, there is a tax on tobacco, and in Texas there is a tax on tobacco, and in Mississippi there is a tax on tobacco. If, however, one should go to Texarkana and ship the tobacco into Shreveport, then there is no tax, on the ground that that is interstate commerce; or if it is shipped from Shreveport, La., or New Orleans, La., over to Gulfport, Miss., they avoid paying either Mississippi or Louisiana the tax. So that interstate commerce is being used as a fraud to cheat the 48 States of their taxes.

The unanimous request of all of the tax-collecting agencies of the States was that we simply provide that the interstate-commerce clause shall not be used to defraud the States of their taxes but that when these commodities are shipped across State lines they shall be liable to pay the tax in the State the same as though they had been bought in the State.

I hope there will be no opposition to this amendment. I have discussed it with many of the Members of the Senate, particularly members of the Interstate Commerce Committee; and I hope the Senator from Mississippi will accept the amendment.

Mr. HARRISON. Mr. President, I am in sympathy with the purpose of this amendment, because I think the States that have adopted a sales tax must be protected from the contiguous States that have no sales tax. This matter, however, is now before the Interstate Commerce Committee of the Senate. They are giving some consideration to the proposal; and I hope it will not be included in this bill.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Louisiana [Mr. LONG].

The amendment was rejected.

Mr. TRAMMELL. Mr. President, I have a short amendment which I desire to present.

The VICE PRESIDENT. The Senator from Florida offers an amendment, which will be stated.

The LEGISLATIVE CLERK. On page 1 it is proposed to strike out lines 3 to 6, inclusive, in the following words:

That section 629 of the Revenue Act of 1932 is amended by striking out the following: "or after June 30, 1933, in the case of articles taxable under section 617, relating to the tax on gasoline."

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Florida.

Mr. TRAMMELL. Mr. President, this amendment merely involves the question of striking out the gasoline tax of 1 cent a gallon. The present law runs only to June 30 of this year, I think; and the provision which I seek to strike out extends the tax for a period of 1 year.

Mr. HARRISON. Yes; it extends the tax for a year. In other words, if the amendment of the Senator from Florida is adopted, we will lose \$137,000,000.

Mr. TRAMMELL. Mr. President, the States and the people who are contributing this money will be relieved of a very onerous and a very unjust tax, in many instances, if my amendment is adopted. We had quite a controversy over this matter a year ago. Prior to the enactment of this law levying a 1-cent tax, a great many of the States had not only practically preempted the field of taxation on gasoline and other fuels but they had already levied taxes that were almost prohibitive and certainly were exceedingly unreasonable and excessive. That was true in my own State and true in many other States.

In Florida we have to pay, under State exactions, 7½ cents per gallon on gasoline, as I understand, exclusive of the Federal tax of 1 cent a gallon. In addition to that, we have to contribute whatever the duty and the protection clause brings into the Treasury on account of the tariff which is written into this bill of 2½ cents a gallon on gasoline. We have a gasoline tax of 2½ cents a gallon in the nature of a tariff. Of course, that applies only to importations; but if it has any virtue, and is accomplishing any purpose that it is intended to accomplish, it necessarily helps to increase the price of gasoline to the consumer.

I notice that the committee states that this tax should be abandoned next year to the States. I think the time has already arrived for abandoning the tax. That is an acknowledgment on the part of the committee, found in its report, that the tax should be levied only for this one year, and then should be abandoned to the States. The only difference between the committee and myself is that I think the time has already arrived to discontinue this tax of 1 cent a gallon.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Florida [Mr. TRAMMELL].

The amendment was rejected.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

Mr. HAYDEN. Mr. President, on behalf of the junior Senator from New York [Mr. WAGNER], I desire to have the statement appear in the RECORD that he has been detained during the entire day in the preparation of the emergency public-works and industrial-control legislation, and for that reason has been unable to be present and vote.

NATIONAL MARITIME DAY

Mr. GEORGE. Mr. President, I ask that a joint resolution favorably reported today by the Committee on Commerce be laid before the Senate.

The VICE PRESIDENT. The joint resolution will be read.

The Chief Clerk read the joint resolution (S.J.Res. 50) designating May 22 as National Maritime Day, as follows:

Whereas on May 22, 1819, the steamship *The Savannah* set sail from Savannah, Ga., on the first successful transoceanic voyage under steam propulsion, thus making a material contribution to the advancement of ocean transportation: Therefore be it

Resolved, etc., That May 22 of each year shall hereafter be designated and known as "National Maritime Day", and the President is authorized and requested annually to issue a proclamation calling upon the people of the United States to observe such National Maritime Day by displaying the flag at their homes or other suitable places and Government officials to display the flag on all Government buildings on May 22 of each year.

Mr. GEORGE. I ask unanimous consent for the immediate consideration of the joint resolution.

The VICE PRESIDENT. Is there objection?

There being no objection, the joint resolution was considered by the Senate, ordered to be engrossed for a third reading, read the third time, and passed.

The preamble was agreed to.

ST. LAWRENCE SEAWAY—LETTER FROM J. ADAM BEDE

Mr. SCHALL. Mr. President, I am just in receipt of a letter from former Congressman J. Adam Bede, who was, while in the House, a member of the Rivers and Harbors Committee, and who has for many years past been an ardent advocate of the St. Lawrence seaway.

This letter contains many points that those who, through lack of information, are against this waterway, should read.

I ask unanimous consent that this letter may be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

HON. THOMAS D. SCHALL,

United States Senate, Washington, D.C.

DEAR SENATOR: I am writing you as to one sitting in darkness who may lead a nation into light.

There is pending in the Senate a proposed treaty with Canada for the completion of the St. Lawrence seaway, a self-liquidating project which need not take a dollar out of the Federal Treasury. A nominal toll on the tonnage of the Great Lakes will cover the maintenance and interest and also amortize the capital cost. This is believed to be the President's plan.

Why should anyone object to such a project? Why should even a Cape Cod Yankee complain, though his ancestry be Scotch? The seaway would cost him nothing and would bring ocean ships up a water stairway to Lake Superior, 602 feet above the ocean, and into the very heart of the continent, where the transportation troubles begin.

Through such a seaway the ores and agricultural products of the West would be exchanged for the industrial products of the East. What harm could come from unloading a few million barrels of flour in the harbors of New York, Boston, Baltimore, and Philadelphia? Vegetables cannot bear the long rail haul, but they would move by water. What is there wrong about it in morals or economics? If New England is afraid to trade with the West—with her own, for we are very largely of her stock—she should tear

down Fanuel Hall and join the Irish Free State. I once asserted that the Pilgrims never would have landed in New England if they hadn't been seasick, but they had to get off somewhere. So they huddled in the shadow of a great rock in a weary land. They are a good but parochial people who think in counties instead of continents. They ought to use their home State for a post-office address and be Americans for a while. New England is blind to her own interests if she does not support the seaway; and why did the West come into the Union if not that she might trade with her own? Free trade among the States is a cardinal principle of our Government, and yet the East is eager to maintain barriers against it. She should reread the Constitution before she refuses us the right to buy our own freedom.

RAILROAD OPPOSITION

Then, too, the railroads oppose the seaway, although it will prove to be a feeder for them. We gave them their property through land grants, bonuses, Government contracts, gifts of terminals, town sites, and in other ways, but they have made a failure of their undertaking. They have gambled in Wall Street, wrecked their own properties, robbed the public, and now stand in the bread line asking dole under the pauper's oath, while in the same breath they tell their benefactors how to run the world.

"Everybody knows that the railroads are up against new conditions which for years they refused to recognize, and no sane person wishes them any harm. But why should the railroads strike at the waterways which are really their helper and handmaid? The interlakes waterway has made it possible to move more than a billion tons of iron ore from the Minnesota mines which otherwise would still be lying buried in our hills. The railroads carried this vast tonnage from the mines to Lake Superior, and from Lake Erie to Pittsburgh, and then distributed the finished product. They have received several billion dollars in freight charges, and that isn't all. Our ores have reduced the cost of their locomotives, rails, and all other equipment. And still, backed by sordid wealth without a soul, they fight the seaway. They have kept experts, economic prostitutes, who will gladly predict ruin while you wait and endeavor to turn back the hands of time for a price."

The present depression will not always endure, and the railroads will be in hell or on high before the seaway can function. So they are only borrowing unnecessary trouble. In another decade the country will be crying for transportation that it can't buy unless not only the seaway but, also, our internal waterways are pushed to an early completion.

And notwithstanding all the railroad propaganda against competing automotive vehicles, airways, waterways, and pipe lines, the freight and passenger revenues of the railroads have both greatly increased during the period of these innovations.

For the 5 years 1911 to 1915, inclusive, the passenger revenues of all the roads were \$3,268,113,000; and for the 5 years 1927 to 1931 they had increased to \$4,027,174,000, though including 2 years of the depression.

In the same 5-year periods the freight revenues were: 1911 to 1915, \$9,932,105,000; and 1927 to 1931, \$21,452,677,000.

The truth is that the auto, truck, and bus have helped the railroads by the vast increase of traffic their manufacture has created, and by the unprofitable short-haul freight and passenger business of which they have relieved the rails. The railroads have carried fewer passengers, but they have carried them farther, and the all-night Pullman passengers, often on special-fare trains, are the cream of the trade. The profitable through freight also moves by rail.

If the railroad companies cannot successfully manage the properties which the public gave them, they should not penalize their benefactors for their own shortcomings. Every step of progress they have made has been forced on them—the prohibition of rebates and passes, the adoption of safety brakes and couplings, installation of safety devices, the use of refrigerated cars, and many more. In the heyday of their power they were as ruthless as any feudal lord that ever oppressed a bewildered tenant, and they cared no more for the statutes of a State than a tomcat cares for a marriage license. Their slogan was: "L'état, c'est moi."

They pay no debts but liquidate one stock or bond issue with another, and gamble in their own securities on inside information. If they would run Wall Street through a wringer they would have a waterway of their own.

The modern railroad manager is merely a thing in the hands of a big banker, a sort of "jimmy" with which high finance breaks into the treasure box of the people. And all of these "things" are against the St. Lawrence seaway which will have no stock to gamble in.

FEDERAL AID TO COMMERCE

It is illuminating to know how much the Government has appropriated for rivers and harbors and where it has been spent. The following table shows that those who are now complaining loudest have received the most:

Cost of river and harbor work to June 30, 1932

	New work	Maintenance
RIVER AND HARBOR WORK		
Atlantic coast harbors.....	\$276,208,555.85	\$83,627,913.57
Gulf coast harbors.....	85,811,659.54	51,843,300.30
Pacific coast harbors.....	67,864,446.37	25,316,488.76
Mississippi River system.....	377,227,994.18	61,174,188.28

Cost of river and harbor work to June 30, 1932—Continued

	New work	Maintenance
RIVER AND HARBOR WORK—continued		
Intracoastal waterways.....	47,813,948.41	\$8,740,093.35
Great Lakes.....	154,798,520.23	40,509,230.84
Inland waterways.....	38,402,939.10	17,137,604.55
Hawaii harbors.....	9,410,648.78	616,611.79
Alaska harbors.....	1,614,388.19	315,608.61
Puerto Rico harbors.....	2,671,061.57	529,429.66
Sacramento River, Calif.....	381,814.93	2,789,879.49
	1,062,210,977.15	293,666,324.17
FLOOD-CONTROL WORK		
Sacramento River, Calif.....	11,701,845.58	313,888.13
Mississippi River and tributaries.....	219,916,901.42	68,122,005.33
Emergency work on tributaries of Mississippi River.....	1,391,798.74	844,932.13
	233,010,545.74	69,280,825.59

This does not include the Panama Canal which was formally completed June 30, 1914, at a cost declared by the Bureau of Efficiency to be \$525,812,661.

Here are a few itemized accounts:

New York Harbor and channels.....	\$58,393,978
Philadelphia Harbor and Channel.....	52,807,596
Baltimore Harbor and Channel.....	13,633,490
New Orleans and mouth of Mississippi.....	35,629,705
Houston Channel.....	16,139,653
Portland, Oreg., Columbia River.....	11,483,591
Albany, N.Y., and Hudson River.....	18,265,494
Buffalo.....	8,688,671

EASTERN CITIES OPPOSE SEAWAY

Having received vast subsidies themselves, the Atlantic seaboard cities and industries now turn against the Midwest in its distress. The lower Mississippi valley and the Gulf cities have been the beneficiaries of Federal munificence, not only in river and harbor improvements but in flood control as well, and in the Panama Canal which gives them the commerce of the Pacific Coast from two continents and has opened up a large Oriental trade. These facts, when properly presented, receive a favorable response and there is almost universal support for the seaway in the South. The Coastal Canal from Boston to Corpus Christi, now more than half completed, is another factor which moves the Dixie Democrats to a reciprocal friendship for the marooned millions in the landlocked West.

We helped to build the canal that has made Houston the metropolis of Texas, the jetties in the Mississippi that put New Orleans forever on the map, and the channels that brought the ocean to Mobile. Their people should certainly be responsive to our appeals.

While a member of the Rivers and Harbors Committee long ago I personally urged the deepening of the Delaware River to take Philadelphia off the Schuylkill and put her on the ocean. And now she bitterly fights the claims of the Great Lakes cities that merely ask permission to build, at the expense of their own commerce, a channel which will give them access to the sea.

New York City is perhaps the worst of the seaboard babies crying out so lustily against the rights of the inland empire. It is boastfully asserted that she pays 30 percent of our national taxes, and that we must not burden her people with the seaway. We do not ask her for a dollar. We helped to build her harbor and take Hell Gate out of the East River channel, and now if she has stolen herself into bankruptcy we merely ask her permission that we may build a channel of our own.

But does New York pay 30 percent of our national taxes? Is she not merely the keeper of the national tollgate, taking her rake-off as our commerce passes by? We make no complaint, for great cities in so great a country must needs be, but let no such huddle of humanity forget its creator or its redeemer. Only for the hinterland Manhattan Island would be nothing but a fishing village and would have to send to Jersey for bait.

SOME PERTINENT FACTS

The Midwest is farther from deep-water navigation than any other agricultural area in the world.

The Panama Canal has aggrandized the seaboard cities and penalized the prairie States, causing them to lose both commerce and Congressmen.

We need lower freight rates, lower interest rates, and lower taxes. The last we can secure for ourselves; for the others we must look to the Government.

The Seaway would put the immediate Northwest in the garden area of the Atlantic cities and would give back to us what the Panama Canal has taken away.

No coast city will be robbed of its commerce but have it quickened instead. The chief use of the seaway will be for coastwise trade.

The internal commerce of the United States is greater than the commerce of all the rest of the world combined, and we merely ask permission to increase its volume by trading with our own.

We have gladly helped to build a hundred harbors on every shore and now seek only economic emancipation to be bought and paid for by ourselves.

New York gets the power and pays for it. The world gets the seaway and pays for it from the commerce that uses it. So nobody gets hurt.

The certain coming of the seaway would allay much of the spirit of revolt in the West. It would immediately cause large private investments for harbor facilities, thus employing thousands of laborers who have long been in distress. The mere announcement that the treaty has been ratified would change the psychology of many millions of people.

There are some sincere friends of the seaway who are opposed to the treaty because of its provisions affecting the flow of water from Lake Michigan for the use of the barge canal to the Gulf, but some satisfactory understanding with them can undoubtedly be reached.

It is a stock argument to say that the canal will be frozen half the year and will therefore be useless. The average open-navigation season for a long period of years on the Great Lakes has been more than 7½ months, and more tonnage passes through the channels at Detroit than transits any other point on the globe.

The cost of the project is not of great importance so long as we pay it ourselves. But it may be well to say that at present prices of materials and labor the work in the International section, which is the real seaway, will not be far either way from \$100,000,000. The engineer estimates are based on 1926 prices and are probably 25 percent above present cost. Most of the other work provided for in the treaty would be done sometime whether the seaway is constructed or not, and much of the work in the estimates is already done, for which each Government is properly credited.

Canada has a friendly premier with a parliament still held in session awaiting the treaty. Now is our time to act. A delay till next winter might mean for several years if in the meantime there should come any change in the Canadian Government.

For half a century the people of the West have been looking and longing for the sea. Hope deferred maketh the heart sick. So last year the worm turned, and although Minnesota had never voted Democratic for President before, Roosevelt carried 86 of its 87 counties, and the one that failed him is up on the north shore of Lake Superior, where a moratorium is considered merely an extension of the hunting season.

It was a real political revolution and demonstrates that the people want action. If Roosevelt gives us the seaway we shall hark back to the War of the Roses and declare that "Now is the winter of our discontent made glorious summer by this son of York."

I hope you will use your great influence to the utmost in our behalf in this crisis, which to us is a supreme occasion.

Sincerely,

J. ADAM BEDE.

DULUTH, MINN., May 5, 1933.

GUARANTY OF DEPOSITS IN TEXAS STATE BANKS

Mr. SHEPPARD. Mr. President, I present for publication in the RECORD a statement entitled "Sixteen Years of Guaranty of Deposits in Texas State Banks, January 1, 1910, to January 1, 1926", by Hon. Thomas B. Love, former Commissioner of Insurance and Banking for Texas, and former Assistant Secretary of the Treasury.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

SIXTEEN YEARS OF GUARANTY OF DEPOSITS IN TEXAS STATE BANKS, JANUARY 1, 1910, TO JANUARY 1, 1926

(A statement based on official records compiled by Thomas B. Love, of Dallas, Tex., former commissioner of insurance and banking for Texas, and former Assistant Secretary of the Treasury.)

During the panic of 1907 nearly all of the banks of Texas were forced to impose upon themselves the limit of paying to their depositors only \$10 in any one day; and, as a result, there was much agitation for some system of safe and adequate protection of the depositors in the Texas State banks.

In the fall of 1907 the Dallas News opened and led for more than a year a brilliant fight for a depositors' guaranty fund law. Hon. Thomas Mitchell Campbell was Governor of Texas then, and I was commissioner of insurance and banking, and both of us did everything possible to promote such legislation. Hon. C. M. Cureton, then a member of the Texas House of Representatives and now chief justice of the supreme court, was the author of the depositors' guaranty fund law which was enacted by the legislature of 1909 and was put into operation January 1, 1910.

It has been repeatedly stated that the guaranty of bank deposits in Texas "proved a failure"; and in 1932 Mr. J. W. Pole, then Comptroller of the Currency, testified before the House Banking and Currency Committee that the Texas guaranty of deposits law resulted in a "deficit of \$16,000,000." Mr. Pole was mistaken. Every depositor in every guaranty-fund bank in Texas was paid in full. There was no deficit, but a substantial surplus was distributed among the banks when the fund was wound up.

This law remained in effective operation for exactly 16 years, or until January 1, 1926; and the undeniable official records show that during the 16 years of its operation it protected absolutely, without the loss of a penny to any depositor, all of the deposits in several hundred Texas State banks (averaging more than 800 throughout the period), and that the cost of the guaranty to the

banks averaged about fifty-five one hundredths of 1 percent on their deposits for each year, or about \$900 per year per bank; and the records prove that these 800 and more State banks, during these 16 years when their depositors were absolutely guaranteed against loss, yielded larger profits to their stockholders than did the hundreds of national banks of Texas, which provided no such guaranty for their depositors during the same period.

Nominally, this law remained on the statute books until it was repealed in 1927; but it was effectually wrecked and rendered nugatory by the legislature of 1925, which passed an act providing that any of the banks in the system, all of which had voluntarily agreed to mutually guarantee the depositors of all, might be released from its obligation and quit the guaranty-fund system by giving an indemnity bond for the protection of its depositors.

The question is asked: "Why was the law repealed?" The answer is that some of the larger banks in the system, which were called upon to pay substantial assessments during the early years of the 1920's, became convinced that the guaranty fund, which had built up their deposits and business, would be unnecessary to maintain their deposits in the future; and that by getting out of the system they could save the cost of the guaranty and add that much to the substantial profits they were earning after paying the cost of the guaranty. Consequently they maneuvered the passage of the bill referred to, permitting banks to quit the system, and immediately following the passage of this act, the number of guaranty-fund banks was reduced from 829 at the beginning of 1925 to 104 in 1926 and to 34 in 1927.

It is significant that the State bankers, who led the movement to dissolve the Texas guaranty fund system in 1925, are today heartily supporting the proposal to provide for a system of Federal indemnity of depositors in all banks.

GROWTH IN NUMBERS OF THE TEXAS GUARANTY FUND BANKS

The records of the State banking department at Austin show that the number of banks whose deposits were guaranteed by the bank guaranty law, at the beginning of each of the 16 years that the law operated were as follows:

1910.....	515
1911.....	627
1912.....	698
1913.....	744
1914.....	849
1915.....	849
1916.....	778
1917.....	785
1918.....	821
1919.....	838
1920.....	907
1921.....	984
1922.....	864
1923.....	915
1924.....	911
1925.....	889

Thus the guaranty-fund banks increased from 515 at the beginning in 1910 to 889 in 1925, a gain of over 72 percent.

It will be found by striking an average that the deposits in 818 Texas banks were guaranteed under the law for each of the 16 years.

GRWTH IN DEPOSITS OF THE TEXAS GUARANTY-FUND BANKS

The amount of deposits in these guaranty-fund banks protected by the law at the beginning of each of the 16 years was as follows:

1910.....	\$37,857,732
1911.....	47,058,812
1912.....	49,835,246
1913.....	78,153,412
1914.....	73,837,993
1915.....	55,059,627
1916.....	74,747,432
1917.....	123,011,538
1918.....	167,868,140
1919.....	126,386,933
1920.....	268,970,780
1921.....	218,185,710
1922.....	179,145,391
1923.....	201,303,939
1924.....	235,553,753
1925.....	241,377,754

It will be noted that these figures grew from \$37,857,732 in 1910 to \$241,377,754 in 1925, a gain of more than 500 percent. It will likewise be noted that the average deposits per bank increased during the period from \$73,510 at the beginning to \$166,430 at the end of the 16-year period, a gain of more than 125 percent, notwithstanding a gain during the same period of over 72 percent in the number of banks.

GROWTH OF DEPOSITORS' GUARANTY FUND

The banking department records show that the amount of cash in the Texas bank-guaranty fund at the end of each of the 16 years involved was as follows:

1910.....	\$50,032.58
1911.....	121,442.76
1912.....	135,238.31
1913.....	176,986.31
1914.....	239,544.52
1915.....	260,335.32
1916.....	247,228.61

1917	\$217,824.60
1918	295,891.04
1919	403,403.70
1920	463,246.28
1921	445,738.08
1922	347,212.17
1923	654,848.37
1924	441,106.82
1925	746,039.78

The average amount remaining in the fund was \$384,972 at the end of each of the 16 years. The records also significantly show that after the guaranty fund law had been practically destroyed by the legislature of 1925, the guaranty fund, as a result of recoveries from liquidations of failed banks, continued to grow for several years, mounting to \$928,434.57 for 1926, \$1,041,562.79 for 1927, and \$1,421,578.49 for 1928.

But the amount in the guaranty fund at the end of each year reflected only a minor proportion of the relief afforded to depositors during the year, for during these 16 years the records show that there was paid to depositors in failed guaranty-fund banks in Texas a total of \$17,670,520, or an average per year of \$1,104,408, being an average of \$1,350 for each bank in the system per year. These figures include payments made after 1925 on account of liabilities which accrued while the system was in operation.

THE COST OF DEPOSIT GUARANTY IN TEXAS

The amount of money paid to depositors in failed banks each year is shown by the records to be as follows:

1910	(¹)
1911	(¹)
1912	(¹)
1913	(¹)
1914	(¹)
1915	\$35,982.93
1916	83,018.35
1917	(¹)
1918	(¹)
1919	123,606.90
1920	227,114.54
1921	4,450,425.58
1922	2,726,532.22
1923	1,522,735.77
1924	2,159,424.81
1925	3,797,021.73
1926	974,060.54
1930	255,677.71
1931	314,919.00

It will be noted that there were no losses and that nothing was paid out for the first 5 years of the period of the fund's existence, or until 1915; and also that nothing was paid out during the years 1917 or 1918.

But we are told that this system of protecting depositors in Texas State banks imposed an impossible cost burden upon the banks in the system, and that the legislature of 1925 was justified in wrecking the system by statute in order to relieve the banks of this great burden, and recently I heard a Dallas business man tell a legislative committee at Austin that if this bank guaranty law had not been repealed it would have forced every bank in Texas to close before now.

Let us see what this protection to depositors did cost the banks in the system.

It is not difficult to ascertain precisely what it cost. The banking department records show that the total gross amount contributed by all the banks to the Texas depositors' guaranty fund from first to last was \$18,038,060.22, or an average of \$1,127,379 per year for the 16-year period, or an average gross cost per bank per year of \$1,378.

But these figures show the gross cost from which must be deducted the refunds—the amount of the guaranty fund distributed back to the banks as the liquidation of failed banks progressed, which the records show were approximately \$6,000,000, first and last. Deducting this approximately \$6,000,000 refunded to the banks from the approximately \$18,000,000 contributed in gross by them, leaves as the net cost to the banks for the protection of the depositors in guaranty-fund banks for the 16-year period approximately \$12,000,000, or an average net cost per year for all the banks of approximately \$914, or a little over \$75 per month.

It will be found that this cost averaged for the period a little more than one half of 1 percent of the deposits guaranteed, or, to be exact, fifty-five one hundredths of 1 percent plus.

GROWTH IN PROFITS AND SURPLUS OF TEXAS GUARANTY-FUND BANKS

During this 16-year period the capital surplus and undivided profits of the guaranty-fund banks of Texas are shown by the following table:

	Capital	Surplus	Profits
1910	\$13,612,500.00	\$1,306,688.53	\$1,193,094.21
1911	16,519,000.00	1,904,444.35	1,536,759.14
1912	19,174,500.00	2,498,935.46	2,176,218.21
1913	21,882,500.00	4,270,499.57	2,209,735.39
1914	26,345,500.00	5,684,027.83	2,812,296.91
1915	25,533,000.00	5,564,213.75	2,364,726.71

¹ Nothing.

	Capital	Surplus	Profits
1916	\$25,057,000.00	\$5,989,209.38	\$2,719,980.53
1917	26,510,500.00	6,276,029.20	4,199,832.48
1918	28,096,125.00	7,782,917.96	3,618,391.01
1919	30,472,000.00	9,200,117.30	3,471,707.46
1920	34,787,100.00	10,964,000.73	4,248,890.07
1921	45,408,500.00	13,628,975.76	7,809,817.37
1922	44,852,200.00	14,005,236.63	3,525,520.96
1923	41,574,200.00	12,150,197.55	5,897,632.21
1924	39,569,477.18	11,516,967.96	4,008,443.00
1925	38,370,200.00	10,999,536.01	3,790,101.20
1926	11,959,000.00	2,582,202.81	901,210.32

GROWTH IN PROFITS COMPARED WITH THAT OF TEXAS NATIONAL BANKS

During the 16-year period the average surplus (including undivided profits) of the guaranty-fund banks of Texas, averaging more than 800 in number, increased by more than 210 percent, in addition to the dividends paid to their stockholders during the period; and the percentage of surplus (including undivided profits) to capital stock of the average guaranty-fund bank increased during the same period from 18.3 percent at the beginning to 38.5 percent at the end, being more than doubled.

During the same 16-year period the records of the Comptroller of the Currency show that the average surplus (including undivided profits) of the national banks of Texas, averaging more than 500 in number for each year of the period, was increased by only 47 percent, aside from the dividends paid to stockholders during the period and the percentage of surplus (including undivided profits) to capital stock of the average Texas national bank decreased during the same period from 68 percent at the beginning to 62 percent at the end.

THE RECORDS PROVE SUCCESS, NOT FAILURE

The above figures have been furnished me by the State Banking Department of Texas and are undoubtedly authentic.

The depositors' guaranty-fund system in Texas was in no sense a failure but a striking success. It made the banks safe for the depositors and at the same time profitable for their stockholders.

EXECUTIVE SESSION

Mr. ROBINSON of Arkansas. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The VICE PRESIDENT laid before the Senate several messages from the President of the United States submitting nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

UNITED STATES DISTRICT JUDGE—HON. HEARTSILL RAGON

The VICE PRESIDENT. The Chair lays before the Senate a message from the President of the United States, which will be read.

The legislative clerk read as follows:

To the Senate of the United States:

I nominate HEARTSILL RAGON, of Arkansas, to be United States district judge, western district of Arkansas, to succeed Frank A. Youmans, deceased.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,

Washington, May 12, 1933.

Mr. ROBINSON of Arkansas. Mr. President, the nominee in this case is a distinguished Member of the House of Representatives. Under the precedents that have prevailed here, I ask unanimous consent for the immediate consideration of the nomination.

The VICE PRESIDENT. Is there objection?

Mr. McNARY. Mr. President, that request is conformable to the custom of the Senate, and I have no objection.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

Is it desired that the President be notified?

Mr. COUZENS. It is not desired that he be notified, Mr. President.

The VICE PRESIDENT. The nomination is confirmed.

There are no further messages from the President. Reports of committees are in order.

REPORTS OF COMMITTEES

Mr. SHEPPARD, from the Committee on Military Affairs, reported back favorably sundry nominations in the Army.

Mr. FLETCHER, from the Committee on Banking and Currency, reported back favorably the nomination of Eugene R. Black, of Georgia, to be a member of the Federal Reserve Board for the unexpired portion of the term of 10 years from August 10, 1928, vice Eugene Meyer resigned.

The VICE PRESIDENT. The nominations will be placed on the calendar.

Are there further reports of committees? If not, the calendar is in order.

THE CALENDAR

The legislative clerk announced Executive C (72d Cong., 2d sess.), a treaty between the United States and the Dominion of Canada for the completion of the Great Lakes-St. Lawrence deep waterway, signed on July 18, 1932, as first in order on the calendar.

Mr. McNARY. I ask that the treaty go over.

The VICE PRESIDENT. The treaty will be passed over.

UNDER SECRETARY OF THE TREASURY

The Chief Clerk read the nomination of Dean G. Acheson, of Maryland, to be Under Secretary of the Treasury.

Mr. COUZENS. Mr. President, it will take considerable time to discuss this nomination, and I note that the Senator from Maryland [Mr. TYDINGS] is not here. For that reason I think the nomination ought to go over.

Mr. HARRISON. Mr. President, may I say that I have conferred just today with the Secretary of the Treasury. He is very anxious that this matter should be disposed of. On several prior days the nomination has come up and been put over. I have never heard any objection to this gentleman. I am sure the Senator from Maryland will be very glad if the nomination is taken up and disposed of, and I hope we can dispose of it this afternoon.

Mr. COUZENS. Mr. President, I have considerable to say about the nomination as a result of the hearings held by the Finance Committee. If the Senator from Mississippi desires to proceed with it, I will not delay the matter, but as long as the nominee was proposed by the Senator from Maryland [Mr. TYDINGS] I thought he ought to be here to respond to the complaints that I am going to make. I am willing to take up the nomination at this time, if the Senator desires.

Mr. HARRISON. I should like to have the Senate take it up now and dispose of it.

Mr. COUZENS. If the Senator wishes to go ahead with the matter tonight, very well.

Mr. HARRISON. I should like to have us go ahead with it tonight.

Mr. COUZENS. Mr. President, on May 5 Mr. Acheson appeared before the Finance Committee. I am not very well prepared to discuss the matter, because I did not expect to go ahead with it at this late hour. What I am going to say has more to do with the policy of appointing Mr. Acheson than with anything that pertains to him personally. I do not know him personally, and therefore have no objection to him as a man; but the facts are that the Treasury Department is now being manned with men whom I believe to be unable because of their former connections to serve the public properly.

When the nomination of Secretary Woodin was before the Senate, I raised the question of his former connections, and expressed some doubt as to the wisdom of his confirmation. During my term in the Senate I have protested against filling the Treasury with officials who are in a position to obtain benefits for themselves, to favor their former clients, and to do favors for special groups.

There is no department of the Government where such secrecy is maintained; there is no department of the Government where the records are so inaccessible. Every Senator who has been here during the consideration of a tax bill knows that repeated efforts have been made to make income-tax returns public records. Every Senator who has been here for some time knows that at one time we enacted a law making the amount of the income taxes payable by citizens a matter of public record. That law was made a kind of a joke of by the administration, and when I say that I say it entirely as a nonpartisan, because the Repub-

licans were then in power. What happened was that literally thousands, and hundreds of thousands, and, if I am not mistaken, millions of names were printed in the newspapers, showing the amount of taxes each individual had paid, when it was well known that that was not the intent of the Congress. What Congress intended, so far as I could interpret the intention, was that these records might be open so that the public might examine them to the same extent that assessments in municipalities are open records, where one citizen may look at the records to see the extent of the assessment on his neighbor's property.

Mr. President, for years Congress has endeavored to enact legislation so that the Government would not be defrauded by the filing of false returns, and in cases where the examiners or the administrative officers were not able to protect fraudulent or erroneous income-tax returns, then the public might advise the administrative officials of the opportunities of omissions from income-tax returns.

Some years back the Senate appointed a special committee, made up of the former Senator from Indiana, Mr. Watson, the late Senator from New Mexico, Mr. Jones, the former Senator from Kentucky, Mr. Ernst, the Senator from Utah, Mr. King, and myself. We spent a great deal of time and Government money investigating the operations of the Bureau of Internal Revenue.

During the progress of the examination thousands of income tax returns were examined. Many memoranda were found in the records indicating that special consideration was to be given certain taxpayers. While I am on that subject, I may say that we have now pending before the Finance Committee a nomination for Commissioner of Internal Revenue, which, by the way, is in my judgment a much more important appointment than the appointment of the Under Secretary of the Treasury. The two, considered together, indicate clearly to me, after the confirmation of Mr. Woodin, that there is to be an administration of the Bureau of Internal Revenue, and perhaps of the Treasury Department as a whole, by men who have specific and definite interests in being there. I am not going far enough to charge that these men are going to be dishonest, I am not going far enough to say that they are dishonest, or that they have ever been so, but I submit that it is not human for the administrators in the Treasury Department thoroughly and honestly to administer the income tax section in particular without a recognition of their former clients and a recognition of their friend in arriving at tax assessments.

Mr. President, that in itself does not necessarily mean favoritism or dishonesty, because there are hundreds of thousands of close cases, cases where the Bureau might decide one way or the other and the decision would be considered as honest. There are thousands and thousands of rulings in the Bureau of Internal Revenue today which have never been published. There are thousands of rulings which have been rendered favoring one taxpayer when another taxpayer with a like set of circumstances has not been able to receive the benefit.

Hundreds of millions of dollars of taxes have been lost to the Federal Government because of the secrecy maintained in the Bureau of Internal Revenue with respect to income taxes. The evidence the special committee took clearly showed that questions involving matters like oil discoveries, the depletion of oil wells, depreciation, obsolescence, matters of that kind, were decided in dozens of different ways, dependent upon who the taxpayer was or who handled the case in the Bureau.

Not only that, but thousands of employees who were in the Bureau during a large part of the period of the administration of the income-tax law have left the Bureau and have gone out into private practice and solicited cases which they knew were under consideration in the Bureau. The senior Senator from Virginia [Mr. GLASS], who was once a famed Secretary of the Treasury, has told the Senate of cases where officials or employees of the Bureau of Internal Revenue have deliberately overassessed citizens, and at the same time notified their coconspirators or colleagues outside of the Bureau that the overassessments were being made.

There are dozens of cases where a taxpayer receives a notice from the Bureau of Internal Revenue that an additional assessment has been made, and at the very moment the taxpayer receives the special assessment notice a tax expert appears at his office and offers to take the claim.

Cases are of record where a taxpayer would ask the tax expert, or accountant, or lawyer, or engineer, "How did you know that I received this extra assessment?" And the solicitor has said, "Well, I had information from the Treasury Department that they were about to make the assessment, and I wanted to get here promptly in order to be retained."

There is evidence now before the Finance Committee just along that line. There is evidence now pending before the committee concerning the nomination of one man for the Treasury Department where, immediately upon a taxpayer receiving notice of a special assessment, this man or his associates appeared and asked for the business. There is evidence in volumes to that effect. Notes were found in the Treasury Department to this effect, "This is a Mellon institution", and no tax was to be assessed.

Mr. President, this clearly shows how important it is to have men administering the income tax laws who have had no outside affiliations or former connections with persons who might influence them or persons who might be benefited by their decisions.

Mr. Acheson appeared before the committee, I think on the 5th of May, and I read from the record. The senior Senator from Mississippi [Mr. HARRISON] was presiding, and he said:

Mr. Acheson, you have been nominated as Under Secretary of the Treasury, and the committee felt they wanted to look you over and might want to ask you some questions.

STATEMENT OF DEAN G. ACHESON

Mr. ACHESON. I am delighted to come up, Senator.

The CHAIRMAN. You are from Maryland, are you not?

Mr. ACHESON. Yes, sir; I have a place at Sandy Springs, Md.

The CHAIRMAN. How long have you lived there?

Mr. ACHESON. I moved out there in the spring of 1925.

The CHAIRMAN. Where did you come from to there? Where did you live before then?

Mr. ACHESON. I have a house in Washington. Perhaps if I begin at the beginning it would be better.

The CHAIRMAN. Yes.

Mr. ACHESON. I was born in Connecticut and lived there until after the war. Then I came down to Washington as secretary for Mr. Justice Brandeis and intended to stay only a short time with him, and I stayed 2 years, and then went into Judge Covington's law firm and practiced law ever since. I have lived in Georgetown and have a house there. Then I bought this place in Sandy Springs, and we live there a little more than half the year.

Senator COUZENS. What was your practice when you were with Judge Covington?

Mr. President, I want to point out that Judge Covington is a well-known Washingtonian, who, I understand, served in Congress at one time, and has made a great deal of money in practicing before the departments in Washington, and particularly before the Bureau of Internal Revenue. If I have made any error in that statement I stand willing to be corrected, because I am trusting somewhat to my memory.

Mr. HARRISON. The Senator might state that he has served as Chief Justice of the Supreme Court of the District.

Mr. COUZENS. Chief Justice of the District of Columbia; yes. I was making reference more particularly to how he had made his money.

Mr. BARKLEY. Mr. President, I think it ought to be said also that Judge Covington is engaged in the general practice of the law. He has not specialized, I think, in cases before the Treasury. He is recognized as a lawyer of ability, a former Member of Congress from Maryland, a former Chief Justice of the Supreme Court of the District, and he is engaged in general practice here.

Mr. COUZENS. I am not saying otherwise. I was coming to the fact that he represents many large corporations that have to do with legislation, and, if I remember correctly, represented Charles Mitchell when he was before the Banking and Currency Committee under investigation in the National City Bank case.

Mr. LONG. Mr. President, will the Senator yield?

Mr. COUZENS. I yield.

Mr. LONG. I have been out of the Chamber, and I inquire who else particularly besides Charles E. Mitchell has he represented—some other big corporations?

Mr. COUZENS. A great many.

Mr. LONG. Is he interested in the Morgan chain of banks or anything like that?

Mr. COUZENS. Not that I know of. I want to be perfectly frank. I have known Judge Covington for a long time; I know he was here during the Wilson administration; I know that he has a very large office and a great many clients. I am going to take up the question of his clients later on.

Mr. HARRISON. Mr. President, if the Senator will permit a further interruption, it must be admitted that Judge Covington's is one of the largest law firms here, and that it has many clients, some of whom are very large concerns. I do not think there is any denying that fact.

Mr. COUZENS. I am not denying it. I am not trying to hide anything, nor am I trying to make an improper case.

Mr. HARRISON. I understand.

Mr. COUZENS. I want to point out, before I get through, the connection that will inevitably exist between Judge Covington's office and the Treasury Department and other departments of the Government as the result of the appointment of Mr. Acheson. I am not saying there will be anything dishonest about it, but I am saying that the temptation is too great to have public offices filled with men with such previous connections.

Mr. BYRNES. Mr. President—

The PRESIDING OFFICER (Mr. CLARK in the chair). Does the Senator from Michigan yield to the Senator from South Carolina?

Mr. COUZENS. I yield.

Mr. BYRNES. I merely want to ask the Senator a question, and I think the same thought prompted the Senator from Mississippi. The Senator from Michigan would not want to create the impression that Judge Covington's firm was engaged solely in business of representing clients before the departments, but would admit that the firm has been one of the prominent law firms of this city engaged in the general practice as trial lawyers in the courts, not specializing merely in representing clients before the departments of the Government? I think the Senator will agree to that.

Mr. COUZENS. I think that is a correct statement. I am going to relate later on some connections of Judge Covington's office. I mention that not as a reflection upon Judge Covington himself, but I merely mention it because it was testified by Mr. Acheson that he had been connected with Judge Covington's office, and I think it is generally known as "the Covington firm."

Mr. BYRNES. Will the Senator yield further?

The PRESIDING OFFICER. Does the Senator from Michigan yield further to the Senator from South Carolina?

Mr. COUZENS. Certainly.

Mr. BYRNES. And did it not appear in the testimony that Mr. Acheson was formerly the clerk of Mr. Justice Brandeis?

Mr. COUZENS. I just read that.

Mr. BYRNES. I did not hear the Senator do so.

Mr. COUZENS. I quote further from the testimony of Mr. Acheson:

I have been almost everything, Senator. I think we have a considerable tax practice. I myself have done most of the international law work. I went with the firm for that purpose in 1922. Our firm was representing the Norwegian Government in an arbitration with the United States that took place under the old Permanent Court of Arbitration at The Hague, and I prepared that case, which took a little over a year, and went to The Hague and presented it to the court with Mr. Burling, the senior partner.

Senator COUZENS. Have you practiced before the Bureau of Internal Revenue?

Mr. ACHESON. Yes, sir; I have been frequently before the Bureau.

Senator COUZENS. Can you name offhand some of your clients?

Mr. ACHESON. It is hard to think of them now. Going backward—I am now representing Mr. James E. Davidson, of Bay City, Mich. That is my most recent thing. I was doing that up to a few days ago. Before that I represented Mr. Polk, publisher of the—

Senator COUZENS. Polk's Directory?

Mr. ACHESON. Polk's Directory. I represented the Bethlehem Steel Corporation in a case which originated—no, that did not originate in the Bureau. That was in the Court of Claims. These things have completely gone out of my mind.

Senator COUZENS. Perhaps you could get a list and give it to us later on, if it is more convenient?

Mr. ACHESON. That will be a very simple thing to do. They are largely individual taxpayers. There are some corporate taxpayers, but not very many.

Senator COUZENS. Are the cases still open or closed?

Mr. ACHESON. I think there are about three that are still open.

The CHAIRMAN. Do you recall those cases that are still open?

Mr. ACHESON. Yes; there may be more than three. The ones that are still open are Mr. James Davidson, an estate tax case. There is the case of one of the partners of Price Waterhouse, a comparatively small one, which is still open. There is the case of an individual, Daniel Altland, of Detroit, which is still open.

Senator COUZENS. How did you come to get all of these Detroit cases? Most of everything seems to come from Michigan.

Mr. ACHESON. Mr. Bonchroon, who is a partner of Price Waterhouse has been a friend of mine for a long time, and almost all the things he has here he sends to me.

The CHAIRMAN. Judge Covington, your law partner, was on the bench of the Supreme Court of the District here, was he not? He was chief justice?

Mr. ACHESON. Chief justice; yes, sir.

Senator BARKLEY. And a former Member of the House?

Mr. ACHESON. Yes.

Senator CONNALLY. Was the case you had in Norway these ship-
ping claims?

Mr. ACHESON. Yes.

Senator BARKLEY. These tax cases—are they for refund or are they protesting against increased assessments?

Mr. ACHESON. I think there is only one case for a refund that I recall now. That is the case of what was the First National Bank of Detroit, in regard to its 1929 and 1930 tax. That has now left the Bureau and there will be suit in the district court of the United States. The Bureau has assessed the tax finally, the tax has been paid, and the next step is a suit for refund.

Senator KING. Are any of these dealings that you had, or your relations, with the tax department of the Government such that they would prove embarrassing to you in the duties of this office?

Mr. ACHESON. I do not think they would in any way, Senator.

Mr. President, I am speaking off the record now, but it is that kind of thing that has been coming up all the years during which I have been in Congress; it is this question of whether or not public officials who are administering billions of dollars of tax income are to be embarrassed by favors that they may be asked to accord to their former clients or to their business associates or to firms of which they have previously been officers.

The record is perfectly plain that during the administration of Mr. Mellon hundreds of millions of dollars were either refunded, canceled, or credited to the account of firms through secret rulings within the Department.

Mr. President, I am not even saying that those rulings were wrong; I am not saying that they were dishonest; I am trying to prove the opportunities within the Department to do favors at the expense of the Federal Government. My contention has always been, Mr. President, that men should not occupy these places who will be subjected to such temptations or who would be subject to embarrassment because of their former connections.

Mr. FLETCHER. Mr. President, may I ask the Senator a question?

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Florida?

Mr. COUZENS. I yield.

Mr. FLETCHER. What has the Under Secretary of the Treasury to do with these matters? Are they involved in the Under Secretary's functions?

Mr. COUZENS. The Under Secretary, in the absence of the Secretary, has complete control of the Department; he has complete control of the Bureau of Internal Revenue and every Assistant Secretary of the Treasury. It was quite evident from the examination we made over a period of years that one could not go into any department or any bureau or any division of the Treasury Department where the influence of the superior officers did not permeate.

I read again from the record:

Senator COUZENS. You would have to pass upon the decisions, I suppose, that the Bureau might render, since I notice the law requires the Treasury to approve those matters, and I suppose the Under Secretary, you, as Under Secretary, would have that responsibility?

Mr. ACHESON. I suppose I would in respect to any of the refunds. Cases of additional taxes would not, as I understand it, come before me at all.

Senator REED. Mr. Acheson, what financial experience have you had?

Mr. ACHESON. I have had practically none, Senator.

Senator REED. Have you made any study of public finances at all?

Mr. ACHESON. None at all.

The CHAIRMAN. Where did you attend school, Mr. Acheson?

Mr. ACHESON. I went to Groton School, in Massachusetts, and I went to Yale University and the Harvard Law School.

Senator BARKLEY. Were you an applicant for this place?

Mr. ACHESON. No, sir; I was not.

Senator COUZENS. Who was your sponsor—Senator Tydings?

Senator TYDINGS, who was present, said:

Of course, of course.

The CHAIRMAN. You said you were not an applicant for it, Mr. Acheson?

Mr. ACHESON. Not at all.

The CHAIRMAN. The suggestion came from without?

Mr. ACHESON. I had absolutely no knowledge of this at all until the Secretary asked me to come over and see him; and when I went over, he asked me if I would do this job for him.

Senator COUZENS. Is your firm also a representative of the International Telephone & Telegraph Co.?

Mr. ACHESON. Yes; they are.

Senator COUZENS. And Mr. John Marshall is also a member of your firm?

Mr. ACHESON. He is associated with our firm. He is not a member of our firm.

Senator COUZENS. Do you represent in any way the Radio Corporation of America?

Mr. ACHESON. I believe that we do. Whether we represent them generally, or in specific litigation, I don't know. I, myself, have never had anything to do with those general retainers, and I don't know what goes on exactly.

There is a suit, I believe, in the Court of Appeals of the District of Columbia, and I understand that our firm is representing the Radio Corporation there.

Mr. President, Mr. Acheson is perfectly frank; I do not charge him with being otherwise. Mr. Acheson has been a member of this firm that represents big corporations, such as the Radio Corporation of America, the International Telephone & Telegraph Co., and many others, to which I will refer later on when I come to read the list of clients he had before the Bureau of Internal Revenue.

I quote further from Mr. Acheson's testimony:

Senator COUZENS. Do you represent the Van Sweringens in any cases?

Mr. ACHESON. Mr. Marshall does. That is his own retainer. My firm has nothing to do with that and is not connected with it in any way, either sharing in the fees paid or participating in any advice. We have no knowledge at all of what is done in that.

Senator COUZENS. You have quite a lot of corporate affiliations, do you not?

Mr. ACHESON. My firm does.

Senator BARKLEY. Do you represent any New York banks that are known as "international bankers"?

Mr. ACHESON. In these recent hearings Judge Covington represented the National City Bank. Whether that is an international bank or not, I do not know.

Senator COUZENS. I would say it is a very decided international bank, according to the testimony before the Committee on Banking and Currency.

Senator BARKLEY. Does your firm represent J. P. Morgan in any way?

Mr. ACHESON. Mr. John Davis represents J. P. Morgan & Co., and he occasionally asks Judge Covington for his advice on specific questions. We have no general retainer or any specific employment by them.

Mr. President, story after story has come orally, that does not appear in the record, of Mr. Acheson's affiliation. Not only he and his firm have been affiliated with J. P. Morgan & Co., but with the International Telephone & Telegraph Co. and the Radio Corporation of America, and yet he and Mr. Woodin, who has been a close affiliate of the New York group for years, are to have complete charge of the Treasury Department of the United States.

Mr. LONG. Mr. President—

The PRESIDING OFFICER. Does the Senator from Michigan yield to the Senator from Louisiana?

Mr. COUZENS. I yield.

Mr. LONG. It is clear that the Senator has qualified Mr. Acheson because he has now proved that he is connected with the house of Morgan. Does not that put him in line with our policy here? It seems to have been the

policy of the Treasury that Morgan's hand must be there. When we get that down to where we know it, it seems we ought to wind up the matter and go along according to the accepted rules.

Mr. COUZENS. I do not care to indulge in humor in this connection. I am conscious of the fact of affiliations of the house of Morgan with the Treasury Department over a great number of years, in fact ever since I have been a Member of Congress. But I do not willingly stand here and see a man confirmed for the position to which Mr. Acheson is named without the Senate and the public knowing of the connection.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. COUZENS. Certainly.

Mr. BARKLEY. The Senator referred to rumors floating around, not a part of the record, that Mr. Acheson represents Morgan & Co. It seems to me that the committee had a fair chance to inquire of Mr. Acheson. He was asked about it, and unequivocally stated that he did not represent Mr. Morgan, that Mr. Covington was sometimes adviser to John W. Davis, who represented them. The Senator, I know, does not want to do Mr. Acheson an injustice. If there are any rumors about him representing Morgan & Co., it seems to me the committee ought to have gone farther into them after he denied that he did represent them.

Mr. COUZENS. Perhaps I used an unfortunate word when I said "rumors." I should have said it is general knowledge. Statements have come to me that it is well known that the Covington firm, of which Acheson was a member, was affiliated with the Morgan house.

Mr. BARKLEY. I thought the Senator was referring specifically to Mr. Acheson.

Mr. COUZENS. I was referring to his firm. Of course, Mr. Acheson was a member of the firm and he does not deny it. He was perfectly frank. He was a partner of Judge Covington and said that Judge Covington represented the Morgan house through John W. Davis.

I only want to make a record. I know Mr. Acheson is going to be confirmed. I know that Mr. Acheson and Mr. Woodin are going to be just as much the agents of the Morgan house as anybody we could possibly put in the Treasury Department. I do not believe that President Roosevelt understands or knows all these things. I do not believe that President Roosevelt knows the record behind Mr. Acheson or behind Mr. Helvering, the nominee for the Bureau of Internal Revenue. I want to say frankly that I am a great admirer of President Roosevelt, I want to help in every human way to make his administration a success. Partisanship has never been any part of my make-up. Democrats who have been here since I have been here will recall that I have never cast a partisan vote nor taken a partisan position with respect to any confirmation of anybody for public office, nor have I taken a partisan position with reference to votes on legislation.

Mr. President, I plead that the administration will not fill these important offices with men having the connection that these men had in the past and who will undoubtedly in the future be under the influence of those connections.

Remember, Mr. President, I am not saying, when I use the word "influence", that it is dishonest influence. I am not charging these men with receiving any monetary reward for what they may do for those people whom they have formerly represented. But, Mr. President, I have contacted with men and have associated with men for 50 years, and I know the motives of men and I know what influences men. I know what association does. I know what former connections do and how they influence the judgment of men's minds. I know it can be done in a perfectly honest way and yet not be in the public interest. So I am making this record for history and I hope in the interest of President Roosevelt, and not because I expect to stand here at this late hour and defeat the confirmation.

The Senator from Mississippi [Mr. HARRISON], I think, has been unduly urgent in his efforts to secure confirmation at this hour of the day when I was ill prepared to proceed,

and yet I did not want to be placed in the position of trying to unnecessarily delay confirmation.

I want to go back and repeat just briefly, in reading from the record:

Senator BARKLEY. Does your firm represent J. P. Morgan in any way?

Mr. ACHESON. Mr. John Davis represents J. P. Morgan & Co., and he occasionally asks Judge Covington for his advice on specific questions. We have no general retainer or any specific employment by them.

Senator CONNALLY. In addition to the duties of the Under Secretary, as the first assistant to the Secretary, does he have supervision over any particular departments over there?

Mr. ACHESON. I understand, Senator, the things that are directly under him are those bureaus that have to do with the public debt. I have a very vague idea of what are the duties of an Under Secretary, but I believe the financing of the Government and anything to do with the public debt comes directly under him.

Senator McADOO. The fiscal bureaus come under the Under Secretary, do they not?

Mr. ACHESON. I think there is one Assistant Secretary, Senator McADOO, who has charge of the internal revenue and another who has the customs.

Senator McADOO. I know that; but when I was Secretary of the Treasury the technical division was the fiscal bureaus, so called, and they were particularly in charge of one of the Assistant Secretaries. But since then I think the Department has been reorganized to some extent, and the Under Secretary having been created, I think he is considered as the right arm of the Secretary, and he acts generally with reference to all bureaus on all questions that arise in the Department.

That is what former Secretary of the Treasury McADOO said:

Mr. ACHESON. That is my understanding.

Senator McADOO. And he is practically the Secretary in his absence; isn't that the jurisdiction you will exercise?

Mr. ACHESON. I think that is about it.

Senator KING. With your understanding of the technic and the modus operandi in and of the Treasury Department, would you say your duties would be similar to those which were performed by Ogden Mills?

Mr. ACHESON. When he was Under Secretary?

Senator KING. Yes.

Mr. ACHESON. I presume they would be.

Senator COUZENS. Have you ever represented the Insulls in any case?

Mr. ACHESON. I don't think we have ever had anything to do with the Insulls.

Senator COUZENS. None of your firm has?

Mr. ACHESON. That is my understanding.

Senator COUZENS. Have you ever represented any of the Kruegers' companies?

Mr. ACHESON. Not at all. We have represented the Swedish Government.

Senator COUZENS. As against the Kruegers?

Mr. ACHESON. Yes.

The CHAIRMAN. Are there any other questions? We thank you very much for coming up, Mr. Acheson.

Senator TYDINGS. Apart from the fact that Mr. Acheson comes from Maryland, I believe you gentlemen will find he will be a pleasant surprise in the office. He has great ability and great industry, and holds high conception of any governmental responsibility, and it is a real pleasure for me to endorse him. I am satisfied the committee will have no regrets if they endorse him.

Senator KING. Mr. Woodin, then, did not initiate the movement to bring him into the Treasury; it came from you; is that it?

Senator TYDINGS. Partly, he did. He wanted a man who had not too much financial connections with banks and so on, yet who had enough general background and industry and general understanding to act in that office, so he told me over the telephone.

Senator KING. He didn't know Mr. Acheson?

Senator TYDINGS. He knew him, but not well. But he investigated him, he told me, very thoroughly and he seemed to be the very character of man he wanted.

The CHAIRMAN. Thank you very much.

Mr. ACHESON. Do I understand you would like me to furnish a list of those cases?

Senator COUZENS. I should like to have a list of those cases that were mentioned, if you do not mind.

Senator KING. The ones he has been engaged in personally or his firm?

Senator COUZENS. His firm, going back for the last 2 or 3 years.

Senator WALKOTT. I might say that Mr. Acheson really comes from Connecticut. His father was formerly Episcopal bishop up in our diocese, and he attended Yale and Harvard.

That ended the giving of testimony by Mr. Acheson. Then afterward there was forwarded to the clerk of the clerk of the committee a letter from Covington, Burling & Rublee, Union Trust Building, Washington, D.C., addressed to Hon. PAT HARRISON, Senate Office Building, and reading:

DEAR SENATOR HARRISON: I am enclosing a list of cases which my partners and I have had before the Bureau of Internal Revenue during the past 2 years, as I was requested to do this morning by the committee.

The letter was signed by Mr. Acheson.

Then there follows a list of firms that were represented, and so as to be perfectly fair I want to put in the classification of the firms as Mr. Acheson presented them to the committee. In the report Mr. Acheson stated:

The firm of Covington, Burling & Rublee has seven partners. In addition, there are seven lawyers who assist the members of the firm.

Of the partners, Mr. Shorb, with two assistants, has for many years devoted himself practically exclusively to tax matters. The cases that have been pending in the office since May 1, 1931, handled exclusively by Mr. Shorb and his assistants, are shown on the list marked "List A." The cases with a star opposite them have been concluded in the Bureau since May 1, 1931.

On "List B" are shown the cases before the Bureau which Mr. Acheson has had charge of since May 1, 1931. The cases marked with a star on this "List B" are those which have been concluded in the Bureau since May 1, 1931.

On "List C" are shown those cases which have been pending before the Bureau since May 1, 1931, in charge of other members of the firm. The cases on "List C" marked with a star have been concluded in the Bureau since May 1, 1931.

I am going to have these lists put in the RECORD completely. I will not take the time of the Senate to read them all. I am going to read a few of the names that appear on list B, which Mr. Acheson says are the ones of which he has had charge. In this connection, I desire to point out that while I am going to read only the names of those of which he has had charge, the list contains the names of his partners' cases, in the success of which I assume he, of course, had a financial interest.

List B, which Mr. Acheson furnished, is as follows:

Joseph H. Adams, Miami.
Daniel E. Altland, Detroit.
Estate of Antonio S. Andretta, Hartford, Conn.
W. D. Bonthron, Detroit, Mich.
*Chandler & Co., New York City.
James E. Davidson, Bay City, Mich.
First Bond & Mortgage Co., Lansing, Mich.
*Robert Gage Coal Co., Lansing, Mich.
*Kentucky Securities Corporation, Lexington, Ky.
Estate of A. Sidney Logan, Philadelphia, Pa. (now in court).
*First National Bank, Detroit, Mich.
*R. L. Polk Investment Co., Detroit, Mich.
W. Ernest Seatree, New York.
*Wayne County & Home Savings Bank, Detroit, Mich.
*Continental Can Co., New York.
*H. J. Hayes, Lansing, Mich.
*Estate of George J. Hoster, Columbus.
*International Textbook Co., Scranton.
*United States Stores Corporation, Philadelphia.
*National Food Products Corporation, New York.
*Paramount-Publix Corporation, New York.
*Sixteen East Fortieth Street, Inc., New York.

Those are all the cases that Mr. Acheson claims to have handled himself before the Bureau of Internal Revenue. The other lists are of those that were handled by his partners. Without taking the time of the Senate, I ask permission to make them a part of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

The matter referred to is as follows:

LIST A

*T. Smith & Sons, Inc.
*Consolidated Water Power & Paper Co.
Chicago Trust Co.
*David G. Joyce and Clotilde G. Joyce.
*W. I. Hollingsworth.
*Superior Machine Co.
*Consolidated Water Power & Paper Co.
*Honore and Potter Palmer.
*Peerless Iron Pipe Exchange.
*Estate of Theo. M. Nagle.
*M. W. Alworth, M. H. Alworth, R. D. Alworth, and J. L. Washburn.
*Estate of Charlotte H. Gerlach.
*Mrs. Anna Fellman, succession of.
The Morse Foundation.
*Marshall H. Alworth.
*Marshall W. Alworth.
*Royal D. Alworth.
*J. L. Washburn.
*Royal Mineral Association.
*Birdsell Manufacturing Co.

Nunn Bush & Weldon Shoe Co.
*Locomotive Fire Box Co.
*Post & McCord.
Chicago Trust Co.
*St. Louis Malleable Casting Co.
*John R. Thompson.
Palmer Corporation.
*Estate of W. K. Vanderbilt.
*Peerless Iron Pipe Exchange, Inc.
*Miami Bank & Trust Co. (1925).
*Great Western Smelting & Refining Co.
*E. J. Lander & Co.
*General Furniture Co.
*Polk Sanitary Milk Co.
*Estate of Bailey B. Nagle.
*Phoenix Hosiery Co.
*First National Bank, trustee for Farrington et al.
*George C. Stone.
*William F. Jennison.
*Ohio River Sand & Gravel Co.
*Albert F. Keeney and Harriett Sayre Keeney.
Coyne Electrical School.
*Tama Telephone Co.
David G. Joyce, Clotilde G. Joyce, Beatrice Joyce.
*Stephen E. Ryan.
National Enameling & Stamping Co.
*J. S. Brown Mercantile Co.
*George R. Carr.
*Frelinghuysen Realty Co.
*Cutler-Hammer Manufacturing Co., stockholders of.
*Economy Fuse & Manufacturing Co.
*George C. Ross.
*Fargo Mercantile Co.
Estate of Bailey B. Nagle.
*Walter E. Heller.
Melvin W. Ellis.
*Estate of Bailey B. Nagle (1926).
*Stadacona Steamship Co.
*Adam G. Thomson.
*Frederick T. Warner.
*Federated Metals Corporation.
*Continental Development Co.
*John Sutherland Stuart.
*National Life Insurance Co.
Josephine B. Gedney.
Peerless Iron Pipe Exchange, Inc.
*Tremont Lumber Co.
*Bellingham Canning Co.
*Walter Schuttler.
*Owens Illinois Glass Co.
*Neuss Hesslein & Co.
*C. M. Burlingame.
*Palmer Corporation.
*Peoples Saving Bank & Trust Co.
Peerless Iron Pipe Exchange, Inc. (1928).
*Rogers Park Building Corporation.
*Northwestern Trust Co.
*Northern Construction Co.
*Listenwaller & Gough.
*Republic Creosoting Co.
*Central Chemical Co.
*W. I. Hollingsworth (1923-28).
*Ralph B. Polk.
*Mr. and Mrs. Richard J. Lamb.
*Walklin Petroleum Corporation.
Consolidated Water Power & Paper Co.
*E. B. Miller.
*Granite City Steel Co. (1929).
*Peter Tettelbach.
*Burford Oil Co. and Pecos Refining Co.
Marquette Cement Manufacturing Co.
Peter C. Reilly.
*Grace Brown Palmer.
*Mr. and Mrs. T. G. Lovelace.
*Fort Wayne Corrugated Paper Co.
*Mulgrew & Sons Co.
Lester P. McCoy, Hazel C. McCoy, and estate of John M. Barton.
M. M. Kauffman.
*Bates Investment Co.
*Joseph E. and Margaret M. Sterrett.
*Estate of Gustav Hottinger.
*Dr. H. E. Thompson.
*John R. Thompson (1918 interest claim).
*Deming & Gould.
Republic Creosoting Co.
Mark C. Bates.
*Wolkowsky appeals.
National Life Insurance Co.
*R. D. Alworth.
Clara Holt Bates, Isabel F. Bates, George A. Bates, and Mark C. Bates.
Post & McCord.
*E. B. Hanley.
Loftis Bros. & Co.
Bertha Honore Palmer, estate of.
*Dr. Frederick D. Owsley.
Jacob Rothschild.
Bates Investment Co. (1930).

Chesapeake Investment Co.
 Burford Oil Co. (1930).
 Edmund W. Miller.
 *H. L. Hollis.
 A. J. More.
 Crow Wing Co. and estate of Cuyler Adams.
 Estate of George W. Niedringhaus.
 T. G. Dickinson.
 Copley Press.
 Granite City Steel Co.
 Christopher L. Ward.
 Midwest Ice Co.
 H. H. Raymond.
 Frank R. Bacon.
 Palmer Corporation (1930).
 Bates Investment Co.
 Schweitzer & Conrad and Schweitzer & Conrad, Inc.
 David M. Goodrich.
 Lillian S. Wick.
 Estate of Charles C. Goodrich.

LIST C

*Sullivan County Credit Union.
 *Charles R. Flint.
 *J. Noah H. Slee.
 Hammermill Paper Co.
 *Surety Credit Co.
 *Estate of Otto Becker.
 Estate of Henry Chalfant.
 Pierce Arrow Motor Car Co.
 Weston M. Fulton.
 Barbara S. Fulton.
 *Eli Lilly Credit Union.
 Pittsburgh Steel Co.
 *Banos de San Jose, Inc.
 *Mrs. Eugenia Sands.
 G. Daniel Baldwin.
 Isaac W. Baldwin.
 Hammermill Securities Corporation.
 Mary B. Behrend.
 *Estate of D. M. Myers.
 W. R. Grace & Co.
 *Allen Gundersheimer.
 Estate of Walter Strong.
 Baton Rouge Water Works Co.
 Erie Dry Goods Co.
 *Economy Drug Co.
 *Dean S. Edmonds.
 *Hamill Turpentine Co.
 *Lyon Turpentine Co.
 *Pittsburgh Steel Products Co.
 *Charles E. Shenk.
 Evelina K. Hollins.
 Estate of J. C. Cafilisch.
 John A. Howard.
 Edward A. Howard.
 Robert S. Schaffner.
 David B. Stern.
 *Sullivan Machinery Co.
 *Columbia Steel & Shafting Co.
 *James R. Deering.
 *Cumberland Glass Manufacturing Co.
 Wilson & Co. (In Court of Claims).
 *Federal American Bank, executor of estate of Josephine P. Gedney.
 *Continental Products Co.
 *Edward B. Leisenring, executor of estate of Daniel B. Wentz.
 *T. Smith & Son, New Orleans.
 *Estate of William K. Vanderbilt.
 *C. P. Dubbs.
 *Erie County Milk Association.
 *Margaret Stuart.
 First National Bank of Pittsburgh.
 Dr. A. C. Galster.
 *Estate of A. G. Peine.
 *Cowles Investment Trust.
 *Erie County Electric Co.

Mr. COUZENS. Mr. President, I think I have now concluded the presentation of my objection to the type of appointments that are being made in the Treasury Department, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The Senator from Michigan suggests the absence of a quorum. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Bachman	Clark	King	Murphy
Barkley	Connally	Lewis	Robinson, Ark.
Black	Couzens	Lonergan	Schall
Bratton	Fess	Long	Sheppard
Brown	Fletcher	McCarran	Steinwer
Byrnes	Gore	McGill	Thomas, Utah
Capper	Harrison	McKellar	Vandenberg

Mr. LEWIS. I desire to announce that the Senator from Nevada [Mr. PITTMAN] has been necessarily absent from the Senate in attendance upon conferences at the White House and the State Department.

The PRESIDING OFFICER. Twenty-eight Senators have answered to their names—not a quorum.

ADJOURNMENT UNTIL MONDAY

Mr. ROBINSON of Arkansas. Mr. President, I inquire what is the entry of record pertaining to the impeachment proceedings on Monday. What is the hour?

The PRESIDING OFFICER. The Chair is informed that the hour is 12:30 o'clock.

Mr. ROBINSON of Arkansas. That was my understanding.

As in legislative session, I move that the Senate adjourn until 12 o'clock noon on Monday.

The motion was agreed to; and (at 6 o'clock and 40 minutes p.m.) the Senate adjourned until Monday, May 15, 1933, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate May 12 (legislative day of May 1), 1933

TREASURER OF THE UNITED STATES

William Alexander Julian, of Ohio, to be Treasurer of the United States in place of Walter O. Woods, resigned.

UNITED STATES DISTRICT JUDGE

HEARTSILL RAGON, of Arkansas, to be United States district judge, western district of Arkansas, to succeed Frank A. Youmans, deceased.

FIRST JUDGE, CIRCUIT COURT, FIRST CIRCUIT OF HAWAII

Norman D. Godbold, of Hawaii, to be first judge, Circuit Court, First Circuit of Hawaii, to succeed Alva E. Steadman, resigned.

UNITED STATES ATTORNEY

T. Hoyt Davis, of Georgia, to be United States attorney, middle district of Georgia, to succeed William A. Bootle, whose term expired January 30, 1933.

CLERK OF THE UNITED STATES COURT FOR CHINA

William Thomas Collins, of Missouri, to be clerk of the United States Court for China.

COLLECTOR OF CUSTOMS

J. Walter Doyle, of Honolulu, Hawaii, to be collector of customs for customs collection district no. 32, with headquarters at Honolulu, Hawaii, in place of Mrs. Jeannette A. Hyde.

PUBLIC HEALTH SERVICE

The following-named surgeons to be senior surgeons in the Public Health Service, to rank as such from the dates set opposite their names:

Lionel E. Hooper, May 14, 1933.

Francis A. Carmelia, May 19, 1933.

APPOINTMENTS, BY TRANSFER, IN THE REGULAR ARMY

TO JUDGE ADVOCATE GENERAL'S DEPARTMENT

Capt. Paul Shober Jones, Infantry (detailed in Judge Advocate General's Department), with rank from July 1, 1920.

Capt. Eugene Ferry Smith, Infantry (detailed in Judge Advocate General's Department), with rank from November 9, 1928.

TO QUARTERMASTER CORPS

First Lt. George DeVere Barnes, Infantry, with rank from July 3, 1924, effective June 30, 1933.

PROMOTIONS IN THE REGULAR ARMY

To be captain

First Lt. Michael Charles Grenata, Corps of Engineers, from May 6, 1933.

To be first lieutenant

Second Lt. Arthur Layton Cobb, Field Artillery, from May 6, 1933.

MEDICAL CORPS

To be lieutenant colonels

Maj. Benjamin Beckham Warriner, Medical Corps, from May 8, 1933.

Maj. William Dey Herbert, Medical Corps, from May 9, 1933.

DENTAL CORPS

To be lieutenant colonels

Maj. Eugene Milburn, Dental Corps, from May 5, 1933.

Maj. Lowell B. Wright, Dental Corps, from May 6, 1933.

Maj. Harry Morton Deiber, Dental Corps, from May 7, 1933.

Maj. James G. Morningstar, Dental Corps, from May 8, 1933.

CHAPLAIN

To be chaplain with the rank of major

Chaplain George Jefferson McMurry (captain), United States Army, from May 6, 1933.

CONFIRMATION

Executive nomination confirmed by the Senate May 12 (legislative day of May 1), 1933

UNITED STATES DISTRICT JUDGE

HEARTSILL RAGON to be United States district judge western district of Arkansas.

HOUSE OF REPRESENTATIVES

FRIDAY, MAY 12, 1933

The House met at 11 o'clock a.m., and was called to order by the Speaker.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Behold what manner of love the Father hath bestowed upon us that we should be called children of God! In Thy holy name we would draw apart this quiet moment and acknowledge Thy abounding mercy and find the kingdom of heaven which lies within us. We thank Thee, blessed Lord, that Thou dost measure Thy justice by love rather than Thy love by justice. As time passes on may we lay up for ourselves the rich treasures of friendships, of sweet experiences, and lasting affections; at the last they shall be our chief and abiding fruits of comfort and satisfaction. Each succeeding day, our Heavenly Father, let us see our whole duty, always standing for the rights, honors, and dignities of our fellow men, and in all things do justly, love mercy, and walk humbly with Thee. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate had passed, with amendments, in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 5390. An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes.

The message also announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 1410. An act to amend section 207 of the Bank Conservation Act, with respect to bank reorganizations; and

S. 1582. An act to amend section 1025 of the Revised Statutes of the United States.

OUR PROGRESS TOWARD ECONOMIC RECOVERY

Mr. LUDLOW. Mr. Speaker, I had the privilege of being present at a banquet of the American Association of Advertising Agencies at the Mayflower Hotel in this city last night and listened to a splendid and inspiring address delivered over the radio from Pittsburgh by Hon. HENRY T. RAINEY,

Speaker of this House. Mr. RAINEY had expected to be present in person, but was unavoidably detained at Pittsburgh. His address, which dealt with the progress of America toward recovery, is of great interest to the entire Nation, and I ask unanimous consent to have it printed in the CONGRESSIONAL RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

Mr. LUDLOW. Mr. Speaker, I had the privilege of being present at a banquet of the American Association of Advertising Agencies at the Mayflower Hotel in this city last night and listened to a splendid and inspiring address delivered over the radio from Pittsburgh by Hon. HENRY T. RAINEY, Speaker of this House. Mr. RAINEY had expected to be present in person, but was unavoidably detained at Pittsburgh. His address, which dealt with the progress of America toward recovery, is of great interest to the entire Nation, and I ask unanimous consent to have it printed in the CONGRESSIONAL RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

The address is as follows:

Mr. Toastmaster, ladies, and gentlemen, I regret exceedingly that I cannot personally be with you tonight. I have been engaged in a speaking tour covering three cities yesterday and today, making my dates by airplane. Today, however, I find myself stranded in Pittsburgh on account of the storm, and, therefore, I am compelled to resort to this method of keeping my Washington engagement. In this progressive era through which we are passing I find that the air lines are putting out of business the passenger trains, and then weather conditions, including what are technically called low ceilings, put the airplanes out of business, and I find myself tonight unable to get anywhere, but fortunately the radio furnishes a method of meeting this condition. Perhaps also my audience is fortunate. It will only be compelled to listen to me for 30 minutes of time; otherwise I might have spoken much longer.

In its swing through the centuries this old world of ours has entered an era absolutely new; new conditions confront us everywhere, and new methods must be discovered to meet the new economic problems which are now presented with such force. And that is what we are trying to do in Washington. On the 4th day of March the very structure of this Government of ours seemed to be in danger of collapse. We had entered upon a period of deflation most destructive in its character. We had been told for a long period of time that prosperity was "just around the corner", and that the depression would end in 60 days, that brokers' loans were not too high, and that it was all right to invest in foreign bonds, and this sort of advice continued even after the stock-market crash of the late months of 1929. From every direction came the noise of the crash of failing banks. The buying power of people had been in a large measure destroyed; industry, to an alarming extent, had ceased to operate; factories were closed; 12,000,000 men walked the streets of our cities and roamed our countryside out of employment; and the affairs of this great Government were being permitted to drift upon the theory that there were certain economic laws which were as unchangeable as the laws of gravitation, and the thing to do, they said, was to let everything alone—not to attempt remedial measures but to wait until the processes of deflation were over, and then look forward at some indefinite future time for a recovery.

I deny that there are economic laws as unchangeable as the laws of gravitation. I deny that we must permit the destruction of the accumulated capital of our citizens. This is a world of men and nations, and economic laws can be changed by man-made laws, and so we are forgetting now that such economists as Malthus, Ricardo, and Mills ever lived. At any rate we are disregarding the things they taught. We decline to lie quietly down and permit the great juggernaut of destruction we have built up to roll over us and crush us. We are doing what we can to divert its course. Our constructive program of legislation will be completed early in June, and Congress will adjourn and go home. Already you may notice the effect of what we are doing in rising prices of basic farm products; stocks which have a real value are already registering price increase in our markets; unemployment has perceptibly decreased. The great structure we are building has commenced to operate, but we must complete it all before we adjourn, and this Congress will not adjourn until our program of constructive legislation is finished.

We are building a bridge over a chasm, and we have been pushed now to the very brink of that chasm. Every constructive piece of legislation is simply a section in the bridge we are building, and we must complete the bridge—the bridge which leads from the uncertainties, and the depression, and the fear and suffering of the present time across the chasm to the land where we think the sun is still shining.

Revenues from beer are already larger than we anticipated, and it is not too much to hope that from this source alone there will pour into the Treasury of the United States, during the next

fiscal year, \$150,000,000. The induced revenue from related industries started in motion from the manufacture of beer will soon be in evidence. The bottling industries of the country are running now with larger forces than they have employed for many months of time; industries which manufacture metal caps are running full blast throughout the country; industries which manufacture barrels are operating, some of them overtime. In the white oak forests of Arkansas, 7,000 sawmills now are operating, and 70,000 men are working there, receiving an average of \$8 per day. All through the length and breadth of the land people are regaining their courage; they are looking forward again hopefully to the future; confidence is being restored; fears of people are being dispelled, and back of the constructive leadership which comes now from the White House, Republicans and Democrats are marching hopefully shoulder to shoulder, looking again toward the sunrise.

Our program of reconstruction will succeed; it must succeed. Back in their districts Members of Congress who support the administration program are being applauded. Scores of letters reach the desks of Congressmen and Senators each week urging them to support the program of the administration.

A superman is in the White House—a man who fits into the emergencies of the present, an inspired leader. I often wonder at his powers of physical endurance. Those who work with him in this program, many of them are tired out, and only the enthusiasm which comes from an inspired leadership keeps them moving onward discharging the tasks which are allotted to them.

Fifty thousand young men taken from the ranks of the unemployed in our great cities are now working in the great forest army that we are creating, not under military discipline but under the kind of discipline that develops them physically and brings back to them courage and self-respect. Every one of them is subject to discharge—discharge when he can get a better job—and the work they are doing is adding to the intrinsic value of our national forests. Soon a quarter of a million young men will be working in this great army.

The Muscle Shoals project, upon which the Government has spent so many millions of dollars, has now been rescued from the Water Power Trust and will soon be in operation under Government supervision. The entire Tennessee Valley will soon commence the development which has been planned for it, and this means additional employment for thousands of men. The farm relief bill, fixing living prices for farmers, will be in operation in a day or two under the direction of skilled economists, and in the immediate future we expect to restore the buying power of 7,000,000 farmers and those who are directly dependent upon them in the villages throughout the rural sections of our country, and this means that we are restoring the buying power of a fourth of our population, and in order to advance we must first of all restore buying power to the people of the United States. Farmers all need replacements, and restoration of their buying power will mean the employment of thousands of men in our factories, and the restoration of the buying power of those men will make possible the restoration of the buying power of still other thousands of men. Already the measure which provides for mortgage relief for farmers is about to operate. Moratoriums, payments of past-due interest and taxes, and lower interest rates are all provided in this particular legislation. But while we are restoring economic conditions to normal we cannot afford to permit people to suffer, and a bill providing millions of dollars for direct relief for States will also soon be in operation.

There will soon be in operation a program of public works amounting to \$3,000,000,000. Work on roads, work on rivers and harbors, possibly also some naval construction, and probably some public buildings, requiring the kind of appropriation which is expended in a major part in the wages we pay to men. The railroad-relief bill will soon be in operation. The destructive paralleling of railroad lines will soon end. A proper movement of freight and passengers under the direction of a competent administrator will soon bring a much-needed measure of relief to the railroads of the country.

We have put into the hands of the President the power to meet the economic war now being waged against us by foreign nations which has for its evident object the depreciation of the pound sterling in the 31 nations which have gone off the gold standard and the appreciation in value of our own dollar. The object of this economic war has become apparent. With the depreciated pound they can produce cheaper than we can, but they sell to us for gold. They are able with their cheaper production to get over our high tariff walls, and the gold they receive will be earmarked and held by them for exploitation. Our high tariffs and the retaliatory tariffs, running always higher until recently, are compelling our capitalists to invest in branch plants abroad. They are becoming mechanized at our expense, and if their mechanization had reached the point they expected it to reach, it will be easy for them to call back the gold and to leave us with a minimum of that metal and reduce us to the position of a third- or fourth-class power. It has been said, and correctly said of us, that we never lose a war and we never win a convention. In the field of diplomacy we have always been defeated until 3 weeks ago, when the emissaries of foreign governments were on their way, there came the order embargoing gold and we went off the gold standard to the evident chagrin and discomfiture of our commercial competitors among the nations, and we have just passed a bill which places in the hands of the President of the United States a battery or three great 16-inch guns and we have authorized him to fire one or all of them in the economic battle which is now on.

He can revalue the gold ounce. He can authorize the nations which owe us money to pay us a considerable part of what they owe us now in silver bullion which they can purchase at 50 cents an ounce, but when it gets here it becomes dollars. This is free coinage of silver to a limited extent, but I predict it will be popular if it is adopted and that it will not be long until we take decided steps in the direction of a free coinage of this metal at an appropriate ratio which may even eventually reach the historic ratio of 16 to 1, and we have authorized the President through the Reserve banks to issue bonds redeemable in currency which may reach the amount of \$3,000,000,000. The revaluation of gold may mean that the debtor classes can pay their debts in the kind of dollars in contemplation when these debts accrued. In giving to the President these powers we will have provided relief for the debtor classes of the country, the kind of relief they were demanding and the kind of relief to which they are entitled.

We will find early in the next fiscal year, I predict, that we have balanced our Budget, that we are no longer borrowing money in order to pay the running expenses of the Government. Better times are just ahead, but too much must not be expected too soon. Recovery from conditions which oppress us now will not be instantaneous; it will be gradual, but from now on every day will be a better day. When we have completed the bridge we are now constructing across the chasm which yawns ahead of us, and when we have safely crossed, we may find ourselves entering with lighter hearts the new era which comes now to this old world of ours, and we may find ourselves standing on the very highlands of the morning, witnessing the dawning of a new day. Already there is appearing across the chasm and over the land to which we are journeying a rainbow of hope. In this brief address I have been able only to outline a part of the reconstruction program of the administration.

INDEPENDENT OFFICES APPROPRIATION BILL

The SPEAKER. The unfinished business is the passage of the bill H.R. 5389, the independent offices appropriation bill. The question is on the passage of the bill.

The question was taken; and on a division (demanded by Mr. WOODRUM) there were 87 ayes and 33 noes.

Mr. WOODRUM. Mr. Speaker, I object to the vote on the ground that there is no quorum present.

The SPEAKER. Evidently there is no quorum present. The roll call is automatic. The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—ayes 250, nays 117, not voting 65, as follows:

[Roll No. 39]

YEAS—250

Adair	Colmer	Goodwin	Lozier
Adams	Cooper, Tenn.	Gray	Ludlow
Allgood	Corning	Green	McCarthy
Arnold	Cox	Greenwood	McClintic
Ayres, Kans.	Cravens	Gregory	McFarlane
Bailey	Crosby	Griffin	McGrath
Beam	Cross	Grissold	McGugin
Beiter	Crowe	Haines	McKeown
Berlin	Crump	Hamilton	McMillan
Biermann	Cullen	Hancock, N.C.	McReynolds
Bland	Cummings	Harter	McSwain
Blanton	Darden	Hastings	Major
Bloom	Dear	Henney	Maloney, Conn.
Boehne	Deen	Hildebrandt	Maloney, La.
Boland	Delaney	Hill, Ala.	Mansfield
Boylan	DeRouen	Hill, Knute	Marland
Brennan	Dickinson	Hill, Samuel B.	Martin, Colo.
Brown, Ky.	Dies	Howard	Martin, Oreg.
Brown, Mich.	Dingell	Huddleston	May
Browning	Disney	Imhoff	Mead
Brunner	Dobbins	Jacobsen	Meeks
Buchanan	Dockweiler	Jeffers	Miller
Buck	Doughton	Jenckes	Milligan
Bulwinkle	Drewry	Johnson, Okla.	Montet
Burch	Duncan, Mo.	Johnson, Tex.	Moran
Burke, Calif.	Durgan, Ind.	Johnson, W.Va.	Morehead
Burke, Nebr.	Eagle	Jones	Musselwhite
Byrns	Elcher	Kee	Nesbit
Cady	Ellzey, Miss.	Keller	Norton
Caldwell	Faddis	Kenney	O'Connell
Cannon, Mo.	Farley	Kerr	O'Connor
Carden	Fernandez	Kleberg	O'Malley
Carley	Fitzgibbons	Kloebe	Oliver, Ala.
Carpenter, Kans.	Fitzpatrick	Kniffin	Oliver, N.Y.
Cartwright	Flannagan	Kociakowski	Owen
Cary	Fletcher	Kopplemann	Parker, Ga.
Castellow	Ford	Kramer	Parks
Celler	Frear	Lambeth	Parsons
Chapman	Fuller	Lanham	Patman
Christianson	Fulmer	Larrabee	Peterson
Church	Gambrill	Lea, Calif.	Pettengill
Clark, N.C.	Gasque	Lehr	Peyser
Cochran, Mo.	Gavagan	Lesinski	Pierce
Coffin	Gillespie	Lewis, Colo.	Pou
Colden	Gillette	Lindsay	Prall
Cole	Glover	Lloyd	Ragon

Ramsay	Sandlin	Sutphin	Wearin
Ramspeck	Schaefer	Swank	Weaver
Randolph	Schulte	Tarver	Weideman
Rankin	Scruggam	Taylor, Colo.	Werner
Rayburn	Sears	Taylor, S.C.	West, Ohio
Reilly	Secrest	Terrell	West, Tex.
Richards	Shallenberger	Thom	White
Richardson	Simpson	Thomason, Tex.	Whittington
Robertson	Sirovich	Thompson, Ill.	Wilcox
Robinson	Sisson	Turner	Willford
Rogers, N.H.	Smith, Wash.	Umstead	Wilson
Rogers, Okla.	Snyder	Utterback	Wood, Ga.
Rudd	Spence	Vinson, Ga.	Woodrum
Ruffin	Steagall	Vinson, Ky.	Young
Sabath	Strong, Tex.	Wallgren	The Speaker
Sadowski	Stubbs	Walter	
Sanders	Studley	Warren	

NAYS—117

Allen	De Priest	Johnson, Minn.	Rogers, Mass.
Andrew, Mass.	Dirksen	Kahn	Seger
Andrews, N.Y.	Ditter	Kelly, Pa.	Sinclair
Arens	Dondero	Kinzer	Smith, Va.
Ayers, Mont.	Douglass	Knutson	Stalker
Bacharach	Dowell	Kvale	Stokes
Bacon	Dunn	Lambertson	Strong, Pa.
Bakewell	Eaton	Lemke	Sweeney
Beedy	Edmonds	Lewis, Md.	Swick
Blanchard	Eltse, Calif.	Luce	Taber
Boileau	Englebright	Lundeen	Taylor, Tenn.
Bolton	Evans	McCormack	Thurston
Britten	Focht	McLean	Tinkham
Brumm	Foss	Mapes	Tobey
Burnham	Gibson	Martin, Mass.	Traeger
Carpenter, Nebr.	Gilchrist	Merritt	Treadway
Carter, Calif.	Goldsbrough	Millard	Turpin
Carter, Wyo.	Granfield	Monaghan	Watson
Cavichia	Guyer	Mott	Welch
Chase	Hancock, N.Y.	Muldowney	Whitley
Cochran, Pa.	Hartley	Murdoch	Wigglesworth
Collins, Calif.	Healey	Palmisano	Withrow
Collins, Miss.	Hess	Parker, N.Y.	Wolfcott
Condon	Hoeppel	Peavey	Wolfenden
Connery	Hollister	Perkins	Wolverton
Connolly	Holmes	Polk	Wood, Mo.
Crosser	Hooper	Powers	Zioncheck
Crowther	Hope	Ransley	
Culkin	James	Reece	
Darrow	Jenkins	Rich	

NOT VOTING—65

Abernethy	Doxey	Kennedy, N.Y.	Schuetz
Almon	Driver	Kurtz	Shannon
Auf der Heide	Duffey	Lamneck	Shoemaker
Bankhead	Fiesinger	Lanzetta	Smith, W.Va.
Beck	Fish	Lee, Mo.	Snell
Black	Foulkes	Lehlbach	Somers, N.Y.
Brand	Gifford	McDuffie	Sullivan
Brooks	Goss	McFadden	Summers, Tex.
Buckbee	Harlan	McLeod	Truax
Busby	Hart	Marshall	Underwood
Cannon, Wis.	Higgins	Mitchell	Wadsworth
Chavez	Hoidale	Montague	Waldron
Claiborne	Hornor	Moynihan	Williams
Clarke, N.Y.	Hughes	O'Brien	Woodruff
Cooper, Ohio	Kelly, Ill.	Reed, N.Y.	
Dickstein	Kemp	Reid, Ill.	
Doutrich	Kennedy, Md.	Romjue	

So the bill was passed.

The SPEAKER. The Clerk will call my name.

The Clerk called the name of Mr. RAINEY, and he answered "aye" as above recorded.

The following pairs were announced:

On the vote:

Mr. Hoidale (for) with Mr. Kurtz (against).
 Mr. McDuffie (for) with Mr. Doutrich (against).
 Mr. Bankhead (for) with Mr. Wadsworth (against).
 Mr. Auf der Heide (for) with Mr. Goss (against).
 Mr. Dickstein (for) with Mr. Lehlbach (against).
 Mr. Claiborne (for) with Mr. Gifford (against).
 Mr. Driver (for) with Mr. Somers, N.Y. (against).
 Mr. Kemp (for) with Mr. Waldron (against).
 Mr. Kennedy, N.Y. (for) with Mr. Marshall (against).
 Mr. Sullivan (for) with Mr. Moynihan (against).
 Mr. Williams (for) with Mr. Higgins (against).
 Mr. Cannon, Wis. (for) with Mr. Beck (against).
 Mr. Kennedy, Md. (for) with Mr. Reid, Ill. (against).
 Mr. Smith, W.Va. (for) with Mr. Woodruff (against).
 Mr. Almon (for) with Mr. McLeod (against).

Until further notice:

Mr. Black with Mr. Snell.
 Mr. Schuetz with Mr. Buckbee.
 Mr. Kelly, Ill., with Mr. Fish.
 Mr. Lanzetta with Mr. Cooper, Ohio.
 Mr. Abernethy with Mr. Reed, N.Y.
 Mr. O'Brien with Mr. McFadden.
 Mr. Shannon with Mr. Clarke, N.Y.
 Mr. Lee, Mo., with Mr. Shoemaker.
 Mr. Summers, Tex., with Mr. Romjue.
 Mr. Busby with Mr. Hart.
 Mr. Mitchell with Mr. Foulkes.
 Mr. Chavez with Mr. Doxey.

Mr. CULLEN. Mr. Speaker, I am requested to make the following announcements. The following Members were unavoidably absent, but if present would vote "aye": Mr. WILLIAMS, Mr. DRIVER—

Mr. PARKER of Georgia. Mr. Speaker, is it permissible under the rule for a gentleman to make an announcement of that kind?

The SPEAKER. It requires unanimous consent.

Mr. PARKER of Georgia. Then I object.

Mr. CULLEN. Mr. Speaker, I had the floor and had started to announce the names.

Mr. PARKER of Georgia. I think if a Member of the House desires to be recorded he should be here and vote.

Mr. CULLEN. If the gentleman will yield, these men are not able to be present; they are ill. If they were not ill, they would be here.

Mr. PARKER of Georgia. If these Members have communicated with the gentleman from New York and made known to him that they cannot be present and how they would vote if present, and if the gentleman will state that on his own responsibility, I will not object. I do seriously object to the gentleman from New York or any other Member calling the roll of absent Democratic Members of the House and stating how they would vote on certain legislation if present when the announcer does not have personal knowledge that his statements are correct in fact and that he has been authorized to make them.

Mr. CULLEN. I so state. I take the responsibility on my shoulders that they have communicated with me in that regard.

Mr. PARKER of Georgia. I withdraw my objection.

Mr. CULLEN. I now state that the following Members, if present, would vote "aye": Mr. TRUAX, Mr. FIESINGER, Mr. LAMNECK, Mr. DUFFY, Mr. HARLAN, Mr. UNDERWOOD, Mr. HORNOR, Mr. BROOKS, Mr. BRAND, and Mr. MONTAGUE.

Mr. ELLZEY of Mississippi. Mr. Speaker, my colleague, Mr. DOXEY, of Mississippi, is unavoidably detained, having been called to one of the departments for a very important conference. If present, he would vote "aye."

The result of the vote was announced as above recorded.

On motion of Mr. WOODRUM, a motion to reconsider the vote whereby the bill was passed was laid on the table.

Mr. WOODRUM. Mr. Speaker, I ask unanimous consent that all Members of the House may have 5 legislative days within which to extend their own remarks in the RECORD on the independent offices appropriation bill.

The SPEAKER. Is there objection?

There was no objection.

Mr. WOODRUM. Mr. Speaker, I ask unanimous consent that the clerk to the Committee on Appropriations be permitted to correct the totals and the section numbers in the bill.

The SPEAKER. Is there objection?

There was no objection.

Mr. CARPENTER of Nebraska. Mr. Speaker, before becoming a Member of this body I conducted a campaign in which I set forth certain declarations of what my policy would be if elected. No doubt every Member here did the same thing. No one is more interested in governmental economy than I am, but I think Congress has erred many times in its definition of economy. More than that, I think a great number of the Members have either forgotten or ignored their campaign pledges.

The cost of Federal Government is borne largely by the rich. Income taxes, tariff duties, internal revenues, and other taxes, collected from large corporations and from wealthy individuals, are used entirely for Federal Government expenditures. Now, these taxes and revenues are not borne directly by the people of my district in Nebraska, nor are Federal taxes an immediate problem out there. The pressure from local taxes, however, is particularly acute, and the burden of high interest on money they owe is heavy. Of course, the Federal Government cannot reduce local taxes; and the passage of the farm mortgage bill should relieve the interest burden to some extent. Also, the inflationary measures adopted by this body should raise the price

of farm commodities. Thus, insofar as these measures go, this Congress has materially assisted the people of the State of Nebraska.

But there is another problem confronting many individuals in my district, and this Congress has not only failed to help these men but it has actually hurt them. I am referring to the veterans of the World War and the Spanish War. I do not come here to shed tears about "those who gave their all on the battlefields", and grow maudlin in anguish as I pay tribute to those "defenders of the flag." There have been too many such speeches made here entirely for effect and not from sincerity of heart or purpose. Nor am I here to plead for continued pensions and benefits for those who were not injured in service and who are not entitled to Government help.

There are thousands of disabled and deserving veterans in Nebraska, and all of them have been hard hit by the drastic cuts in benefits. There is a regional office at Lincoln where these veterans may appeal for aid, and I want that office continued. I think the veterans of my State are entitled to it. There has been money appropriated by this Congress for almost every purpose known to politicians. We have appropriated here \$50,000 to dig up bones of prehistoric animals. Sometime ago Congress voted \$3,000,000 to eradicate the fruit fly from the orange groves of Florida. Another Congress spent \$5,000 to hang Cal Coolidge's picture in a gallery. There is not enough money appropriated in this bill, however, to carry on the work of this regional office in Nebraska and of similar offices in other parts of the United States.

We have taken pensions and benefits away from the veterans in the name of economy, but we have not provided jobs for them. It is an economic error to reduce wages and disability allowances before bringing a restoration of employment or opportunity otherwise to provide jobs and wages for these men. Now, I ask you why we should continue to advance economy at the expense of the ex-soldiers. Why should we take more crutches away from disabled and crippled veterans?

We have reduced wages affecting the little man. We have taken away pensions from veterans and their dependents. We have been trying to balance the Budget by taking all we can from the little man. Why have we not thought of taking something from the rich? When wages were reduced 15 percent, why did we not reduce the rate of interest we are paying the rich men who hold Government bonds? But instead of that we issued more bonds for the wealthy to buy and hold and collect interest thereon. If we are going to take all we can from the poor man and the veteran, let us take also from those who have the money. I have advocated that we issue ten billions of currency and pay it to the holders of callable Government bonds now drawing interest. The Government is back of both currency and bonds. Both are equally good, except that currency draws no interest while bonds continue to enrich those already wealthy. If we saved this interest on bond issues, we would not have to balance the Budget at the expense of the veteran.

Money paid to veterans of Nebraska is money collected by the Federal Government principally from the rich. That is why the big interests are opposed to any assistance being given to ex-soldiers. When money is paid to Nebraska veterans or Michigan veterans it helps the State. By cutting down benefits to veterans the Government has actually hurt business in Nebraska. It is universally agreed that the depression is being prolonged by a continued failure to improve the buying power of the people. We cannot come out of the depression by taking money from veterans and their families. Rather, I think, the full payment of the adjusted-compensation certificates should be one of the greatest things that could be done now to bring a new prosperity.

Destruction of buying power of the masses has wrought havoc to Nebraska farmers. Lowering wages and cutting veterans' compensations mean that those people cannot buy products from Nebraska farms. We are working backwards on this thing, gentlemen. We are not improving conditions

by stripping the veteran of his pittance and then giving it to big business. If the Government has money for railroads, for banks, for insurance companies, and for everything else in the world of big business, it has money to send to the needy veterans of the State of Nebraska or anywhere else.

Let us not be false to our promises. We have double-crossed the veterans long enough this session. We have thrown out all presumptive tuberculosis cases, we have discredited nervous cases, and we have made it almost necessary for a veteran to bring eyewitnesses to prove that he ever saw service. Gentlemen, no one can say what the after-effects of poison gas and shell shock may be. Medical science cannot say how long after a war is over the damage of shock is no longer felt on the nervous system. Spanish War veterans, whose records are lost or misplaced, can no longer expect any mercy from the Government it once defended. You know and I know that many deserving men are not going to get even a hearing on their cases. But Congress can go back and say that it has been "saving money."

Let us have economy, but let us not take everything from the common classes and let the wealthy retain their riches. Their laps are still full of luxury and their incomes are untouched. If we are going to take the livelihood from the small man, for God's sake let us take from the rich man as well. Let us keep our campaign pledges. We were elected by the common people, among whom are the veterans of all wars—for it is always the common people who fight on the field of battle when there is a war. We should legislate for the common people and not for the rich.

Mr. Speaker, in my opinion the Veterans' Administration will be curtailed entirely too much by this bill, the so-called "independent offices bill." I am opposed to its passage. I want the veterans of my State to have regional offices, so they can appeal their claims, and there is not enough money appropriated for it in this bill. I am for economy, but a dollar is less valuable in my sight than the health and welfare of the ex-soldier.

Mr. RANDOLPH. Mr. Speaker, I am whole-heartedly in favor of balancing the Budget. I believe that our national credit must be maintained, else all veterans' compensation, all regional offices, all hospitalization will be but the details of a story of national disaster. But is it necessary to abolish the regional offices to maintain the credit of the United States? Let us take all of the pathos out of this discussion and look at the problem as it actually exists before us in concrete form.

Everyone knows that into the administration of the compensation and pension laws entered graft and fraud. Case after case could be cited of fingers shot off, toes injured, minor difficulties and diseases construed into war-time and peace-time disabilities, entitling the possessor of such troubles to compensation from the Government. Indeed, a member of the present bonus army encamping on a vacant lot back of the House Office Building voluntarily told me today in my office of several cases of the grossest frauds of this kind. I know myself of a practicing attorney at law, making far more money than the average attorney today, who was drawing compensation of this character just a few weeks ago. But, Mr. Speaker, in our enthusiasm to purge ourselves of frauds and deceits let us not in turn become oppressors of the honest veteran who is fairly entitled to care by his Government, for whom he made needed sacrifice.

In my own district in West Virginia veterans residing in the three eastern counties of the State are within the radius of the Washington office. It takes only 2 hours to travel to Washington and in 1 day the examination by the Veterans' Administration and the trip to and from this city is history. Veterans residing in other counties of my district must apply for compensation through the regional office located at Charleston, W. Va. Even then from most parts of my district the Washington office is as easily accessible as the Charleston office. Therefore, my own district would not be greatly affected by the abolishment of the Charleston office and the handling of all claims through the Washington office. Yet, Mr. Speaker, I am enthusiastically in favor of the McCormack amendment. A rate table furnished by

any one of the trunk-line railroads will at a glance reveal the hardship which would be worked upon the thousands of honest veterans in all parts of the country who, in many cases, have little enough money for food—far less money for traveling to Washington for examination and presentation of their claims.

It is the least we can do to furnish the truly sick and disabled veteran an opportunity to prove his claim close to home. If the particular claim be false, diligent examining officials may protect the United States Treasury; but at least let us give him his day in court. Let us not add to the despairing outlook of the unemployed veteran the hopelessness of spirit of the thwarted sick veteran.

On April 27 I wrote to the White House the following:

While I voted for the Economy Act in the interest of the American people as a whole, I do not believe it is necessary to work such a hardship upon the veterans by taking away from them these regional offices. It is impossible for the majority of the veterans to travel to Washington on matters pertaining to their disability, etc., and consequently many worthy cases will be neglected.

I am glad of an opportunity to speak in behalf of the McCormack amendment, and I am glad that President Roosevelt has called for a liberalization of veterans' administration. I voted for the Economy Act when it was before the House of Representatives. It was an act to maintain the credit of the United States. It was necessary to the elimination of fraudulent drains on our Treasury. It was necessary to the balancing of the Budget and the restoration of confidence.

As President Roosevelt said in his message to Congress, in order to remedy the grave situation facing the country at that time it was necessary for that legislation to go into effect at once. The President asked for delegation of authority to himself to effect economies "in justice to all" and "with sympathy for those who were in need." I felt that he would be sympathetic to the veterans. I feel now that I did not misplace my trust nor did the American people misplace their trust in delegating such authority to him.

If the measures inaugurated by the President and this Congress in the last few months result in restored confidence, in better business conditions, in lessening of unemployment, they will more effectively alleviate the veterans' distress than all of the allowances ever made in the form of disability claims. In the midst of this business revival the honest disabled veteran asks for retention of the regional offices. He does not ask for approval of his claim without investigation. He asks only for the right to a prompt and sympathetic hearing. Because of his lack of money or unemployment he cannot come to Washington, and to abolish his nearest regional office is, therefore, to deny him a right to such hearing. The \$3,000,000 needed for maintenance of these offices is a small sum to pay for the confidence of thousands of citizens in our Government, because we have provided a court in which they may present their claims.

CONTESTED-ELECTION CASE—BOWLES V. DINGELL

The SPEAKER laid before the House the following communication, which, with the accompanying papers, was referred to the Committee on Elections No. 3:

WASHINGTON, D.C., May 9, 1933.
HON. HENRY T. RAINEY,
Speaker of the House of Representatives,
Washington, D.C.

MY DEAR MR. SPEAKER: There is herewith transmitted petition and accompanying letter relating to the election in the Fifteenth Congressional District of the State of Michigan, held on the 8th day of November 1932, for the election of a Representative in Congress from that district.

Very truly yours,

SOUTH TRIMBLE,
Clerk of the House of Representatives.

COMMITTEE TO VISIT PHILIPPINE ISLANDS

The SPEAKER also laid before the House the following communication:

MAY 10, 1933.
HON. HENRY T. RAINEY,
Speaker House of Representatives,
Washington, D.C.

MY DEAR MR. SPEAKER: On April 29 Senator Quezon, Senator Osmena, and Speaker Roxas, of the Philippine Legislative Mis-

sion, directed a letter to the Vice President requesting that a committee of Congress visit the Philippines soon after the Philippine Legislature has acted upon the Philippine Independence Act, which will be submitted to it at its next regular session in July.

I join in this suggestion, believing that such a visit would be mutually beneficial to the Philippines and the United States.

There is herewith transmitted a copy of the letter to the Vice President, which I respectfully request be laid before the House.

Very sincerely yours,

PEDRO GUEVARA.

SOME PROBLEMS OF TRANSPORTATION

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by placing therein some remarks made by myself to the transportation division of the United States Chamber of Commerce, which met in Washington a few days ago.

The SPEAKER. Is there objection?

There was no objection.

Mr. RAYBURN. Mr. Speaker, with progress in invention, first one form of transportation and then another appears to be most important. At present, the railroad is the dominant mode. When we inquire as to the relative importance of one agency as compared with others, the answer depends upon the basis for the comparison.

If present capital investment be the basis, the railroad represents the largest investment. The highways, though, are rapidly approaching the railroads in that regard, and within a few years will, no doubt, represent a larger sum of capital. In the amount of freight carried the railroad is of transcendent importance. The ton-miles by rail are about three times the ton-miles by inland waterways. No competitor of the railroad for tonnage shows a definite and steady increase except the trucks. If the basis for comparison be the number of passengers carried, then the privately owned motor car is far and away in the lead. If the number of people to whom employment is furnished be taken as a basis for comparison, then motor vehicles are more than twice as important as their nearest competitor, the railroads. The railroads formerly gave employment to about 2,000,000 people. Today they employ approximately 1,000,000. Motor transportation furnishes employment for about two and one half million.

These illustrations are sufficient to indicate that the American people are not definitely committed to any one particular vehicle, but prefer to choose the vehicle best suited to the needs of the moment. Obviously there is a demand for pipe lines or they would not be operated profitably, as they are. There is a demand for water transportation for certain types of commodities, a promise of permanent accepted service by the airways, and great demand for railway and motor services.

When the railroad first appeared its use was resisted by the owners of steamboats on the rivers, by those interested in canals and toll roads. During the course of two generations the railroad almost achieved a monopoly in transportation. When the railroad was struggling, novel, and still in the experimental stage of its development, it received large subsidies from the Government and all manner of encouragement, because it was recognized as a competitor of the steamboat, the canal boat, the stagecoach, and the freight wagons on the highways. When it was seen that the railroad was about to achieve a monopoly by reason of its advantages the subsidies were withdrawn and the people, through their State and Federal Governments, set up regulatory machinery as a protection against a monopoly. The people have never been quite satisfied that they could get as good results from a regulated monopoly as they could under competitive conditions. For that reason the American people have encouraged the waterways and have welcomed the development of motor transportation as a competitor of the railroads. A proposal to put all of these means of transportation under one company leaves the average American citizen cold, because he sees in such a proposal the substitution of monopoly for competitive conditions.

At present there are two trends in public opinion, as public opinion registers before congressional committees. One trend is toward further regulation and the inclusion of all means of transportation within the jurisdiction which

Congress would exercise over transportation. Those making this contention claim that it is unfair to subject the railroads to strict regulation and leave the competitors of the railroads with less regulation. The other trend is toward less regulation of the railroads and is opposed to the exercise of Federal control over the newer modes of transportation.

Those in line with this trend oppose the exercise of Federal control of interstate commerce by motor bus or by airway and favor the repeal of some of the regulation now exercised by the Interstate Commerce Commission on the theory that the railroad has now ceased to have a monopoly, and that no agency at present promises to achieve a monopoly, and that the results of competition between the different means of transportation will give to the public benefits which are fully as acceptable, if not more so, than would follow from regulation. Opinion has not yet fully crystallized, the country has not yet made up its mind which of these alternatives to choose. In the meantime there are those who are earnest in their endeavors to make up the mind of the country. For example, a certain group of security owners have been quite active in arguing for a further extension of the powers of the Federal Government, for consolidations, and for the so-called "coordination of the agencies of transportation." I gather that what they mean by coordination is to place the different agencies of transportation in the hands of a single corporation. That particular group seems to think that such a corporation should be either a railroad company or a company dominated by railway interests.

If all possible inventions could be made at once and the practical and desirable ones could be wisely selected, society might become static and the risks incident to investing money might be reduced to a minimum. It appears that human beings take their time about making discoveries and when they are made it is frequently without warning to those who would be most affected. Consequently, there are inevitable risks in putting money into fixed capital designed to bring to people the benefits of a newly discovered and economical device. The greatest risk is that something more economical and more generally acceptable may be found out. Within a hundred years the owners of turnpikes charging tolls have lost their investments. Canals have become largely obsolete. Electric interurbans brought great wealth to stockholders, and within the past few years have been unable to meet interest on their fixed charges. The owners of livery stables have had to go out of business. The wagon yard has been replaced by the garage. Now the railroads manifest some signs of incipient obsolescence, and the owners of junior securities and of first mortgages on some lines from which the traffic has flown are tactfully suggesting that Government ownership of railroads may be the way out.

In this discussion over the form that regulation should take, whether it shall be more or less, we are being constantly reminded of the numerous agencies for regulating transportation that have been set up by Congress in addition to the State regulatory bodies. It is pointed out that the Interstate Commerce Commission exercises jurisdiction over the railroads, express service, pipe lines, and somewhat over inland waterways, while the Bureau of Public Roads over in the Department of Agriculture was called upon to look after the highways, largely in a promotional way. When we turn to waterways and shipping, in addition to some jurisdiction of the Interstate Commerce Commission, we have other jurisdiction exercised by the Corps of Engineers of the War Department and the Bureau of Lighthouses and the Bureau of Navigation and Steamboat Inspection in the Department of Commerce. The Panama Canal is looked after by the President of the United States. The harbors are regulated by the War Department, the Department of Commerce, and the Coast Guard of the Treasury Department. Our inland, coastwise, and intercoastal shipping is fostered by the Department of Commerce, the Treasury Department, and the Shipping Board. And, finally, the Mississippi River Barge System has been committed to the Inland Waterways Corporation, located in the

War Department. The youngest and most spectacular means of transportation, the airways, are encouraged and permitted by the Aeronautics Branch in the Department of Commerce, and occasionally have their wrists slapped by the Post Office Department.

Those who believe that the hope of the railroads is to regulate everything else with equal severity point to all these promotional and regulatory activities of Congress in the field of transportation and demand that there be substituted therefor one dominant board or commission which will swing the big stick of Federal authority as heavily against the infant airways as against the giant railways, as lustily on the old and limping water transport as on the new and bumptious motor transport. They call for what they describe as a national system of transportation, under the firm guidance of the Congress and with the inference that all would then be lovely for investors. The other group who want less of Federal regulation point to these varied promotional and regulatory activities of the Congress and say that the changes that should be made are to lessen the authority of some of the commissions and perhaps to abolish some of the activities merely leaving sufficient control to make competition fair and to prevent its becoming unduly destructive. It will perhaps be a long time before we settle down in this country to one unchanging method of promoting and regulating transportation. So long as there are novel, new, and promising modes, there will be subsidies and encouragement by the Government. So long as there are threats of monopoly and the exercise of power by corporations analogous to that of the Government itself, there will be a public fear of such companies and a demand that they be restrained by Federal authority. So long as there are some modes like the railways, devoted almost entirely to interstate commerce, their regulation will, in a large measure, be by the Federal Government. So long as there are other modes, which, like the motor vehicle until recently, are largely intrastate, insofar as corporate activity is concerned, their regulation will be left in the main to the wisdom of the legislatures in the respective States. So long as there are invention, progress, and change, there will be hazards in making investments and losses through obsolescence. So long as there are shippers, security owners, and employees, their respective interest will from time to time appear to be in conflict and the Government will have to provide machinery for arbitration and procedure for orderly adjustment of their differences. Whether the action be by the State or the Federal Government will depend upon the character of the difficulty.

The present plight of the railroads is due only in part to the appearance of the new and competing forms of transport. The railroads have one thing to sell, and that is transportation. It matters not how much the people want to buy this commodity; they are unable to do it. The greatest immediate difficulty has been the present financial depression. That is more serious than it first appeared, because it has turned out to be the result of a mistaken policy on the part of our Government. Unwise tariff laws, complete neglect of markets for agricultural products, a deliberate and conscious diversion of the savings of the people into expanding industrial plants for foreign markets which were artificially created by lending our people's money abroad—all has resulted in a dislocation of the factors of production in this country, which will require time to readjust. As a consequence, carloadings in the railroads are the lowest in many years. Farmers are getting only 7 percent of the value of the national income instead of 15 percent of a few years ago, though they are producing about the same quantity of goods as ever before. That has destroyed their purchasing power to such an extent that many of our factories have had to close down. For example, manufacturers of farm machinery have been running in recent months only 15 percent normal capacity. With more wisdom in national affairs, the railroads will find themselves with increasing business.

It is not sufficient for the Government merely to lend money to the railroads. The taxpayers in this country can-

not be expected indefinitely to carry the deficits of those corporations. Yet to permit the railroads to go into receiverships will affect the insurance companies and the savings banks to such an extent as to bring to our country a major disaster.

The mere lending of money by the Government is a palliative; it is treating the symptoms. Something more fundamental must be done.

We must win back our foreign markets for agricultural products, and readjust our production and distribution on a basis which will enable our manufacturers and farmers to prosper together. Second, in regulating the means of interstate commerce we must recognize that the railroads have ceased to have a monopoly in transportation. Our interest in wage earners must include those who work in the new and competing agencies of transport. As a Government, we must not limit our interest in the workers to any one group. We must insist upon reasonable hours, decent working conditions, devices for safety of person, and fair wages for workers in the new and developing lines of transportation along with those on the railroads. Our views as to consolidation will have to be revised in the light of changed conditions. The weak lines of railroad which we hoped to save through consolidating them with strong lines under the act of 1920 have in many instances already been scrapped. In some instances the consolidations which we desired have been effected. In many other cases a hard-surface road with trucks and busses has reached out to the communities which 10 or 12 years ago were wholly dependent upon a weak railroad. The consolidations should not merely call for preserving service on weak railroads, but should enable the transportation companies to experiment in coordinating the various agencies of transportation so as to sell the shippers and passengers the transportation they want at the time they want it at the lowest rate which would be fair to all interests. That does not mean that the railroads should be given a monopoly of transportation with a view to strangling the new and competing forms.

The holding company, properly regulated, will be a device for effecting such experimentation until its success is demonstrated, when complete amalgamation and consolidation would logically follow. The holding company, heretofore, has been used not only for such purposes, but we have found upon inquiry that it has also been utilized to get around the law, to inflate capitalization, and to thwart the policies of the Government. The people of this country want such abuses stopped and they want the opportunity for irresponsible exploitation to be taken away from men who think more of their own power than they do of the public welfare.

Now for some things which I think should be done—the Committee on Interstate and Foreign Commerce has reported a bill to regulate railroad holding companies. It is now on the calendar of the House of Representatives, and it is my expectation that this bill will pass during this session. When Congress permitted railroads to consolidate with the approval of the Interstate Commerce Commission it was not contemplated that one financial interest should acquire two or more railroads through the device of a holding company without saying anything to the Interstate Commerce Commission about it. To permit that sort of thing is to render ineffective the attempt of Congress to regulate the consolidation of railroads in the public interest. The railroad holding company bill is designed to correct this evil and to force holding companies that own two or more railroad companies to make public through the Interstate Commerce Commission their accounts and to get the authorization of the Commission before they issue securities based on their ownership of railroads.

When we looked upon the railroads as complete monopolies, we understood that rates which would be reasonable for all of them would permit some of them to make more than a reasonable return. Congress therefore provided for recapture of what were termed "excess earnings." This money, as received, was to be loaned to the weaker railroads. This provision has become obsolete: First, because the railroads are no longer in the position of complete monopoly; second,

because experience has shown that the Interstate Commerce Commission, with all the moneys and facilities furnished by Congress, cannot evaluate the railroads, compute the earnings, and collect the excess within a reasonable time. Again, the recapture of these earnings which were enjoyed before 1929 by particular railroads, if enforced, would put most of such roads into receivership. The Government of the United States is loaning large sums of money to some of these very roads or affiliated systems to keep them out of bankruptcy. Would not it be the height of folly to loan them money from the Treasury of the United States to prevent bankruptcy and then to ask the Attorney General to institute legal proceedings based upon earnings for a particular year before 1929 which would result in receivership, if the Attorney General should succeed in his effort?

I am therefore in favor of repealing the recapture provision of section 15 (a) of the act of 1920, and a revision of the rate-making section thereof. Recapture can be accomplished only after long, bitter, and expensive lawsuits in which the railroads could assert that the sum they had earned was far less than claimed by the Commission. Why go through all that expense and futile litigation when we know that if the Government was successful, it would merely force the railroads into receivership? The railroads do not have that money in cash; they spent it for terminals, new locomotives, grade crossings, and the like, which are not now being used to their capacity.

The Committee on Interstate and Foreign Commerce of the House reported a bill to repeal the recapture provision of section 15 (a) and to rewrite the rate-making provision of that section. This bill is now on the calendar of the House of Representatives and it will no doubt receive careful consideration of the Congress at this session.

Legislation for the control of busses and trucks doing business in interstate commerce should be enacted. I do not belong to the school of thought that believes that this competing form of transportation should be unregulated. On the other hand, I do not belong to the other extreme school that desires to see this competing system of transportation put out of business. The power of government should never be used to destroy a competitor but the Government should see that the competitor is put under reasonable regulation.

In this, chambers of commerce, leading shippers, railroad companies, automobile manufacturers, highway-construction companies, those interested in airways, waterways, pipe lines, all find a common program on which they can agree and all cooperate in promoting the general prosperity of the country. May these larger interests dominate the minds of leaders in American industry? If so, the calls upon the Government for interference and for regulation will be fewer, less insistent, and properly subordinate, and there will not be the danger that such calls for action and interference by the Government will be exaggerated as of paramount importance. Prosperity will come to this country as a result of the activity of individuals and of business concerns. While well-considered legislation may help or ill-considered legislation may hinder, legislation in itself is powerless to produce prosperity.

After all, abundance of money, easy gains, hectic commercial activity, are not essential to social and political well-being. A recognition that there are ups and downs in the industrial progress of a nation, just as there are ups and downs in the fortunes of an individual, should enable us to bear with patience many of the inconveniences and afflictions of a depression and should sober our judgment during a time of exceptional business activity. In the field of transportation no one group should have the advantage. Shippers should pay a fair charge. Security owners should receive a customary return. Wage earners should be secure in good working conditions and fair wages. Any improvement should go to the benefit of all three groups. The aim of regulation by government is to encourage fair dealing, punish wrong, to remove temptation to arrogance by the strong, and to protect the weak from injustice. If the Government can achieve these ends in the field of transportation, it can do so in every other sphere of its activi-

ties. If the Government succeeds in performing its functions, it will be because such men as the Members of this Chamber can work together and be fair in competition with one another.

CRIME IN HIGH PLACES

Mr. OLIVER of Alabama. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record by placing therein the speech recently made over the radio by the Attorney General.

The SPEAKER. Is there objection?

There was no objection.

Mr. OLIVER of Alabama. Mr. Speaker, I ask unanimous consent to have printed in the RECORD a speech delivered Monday, April 24, 1933, by the Honorable Homer S. Cummings, Attorney General of the United States, and broadcast over the Nation-wide network of the National Broadcasting Co. The speech not only gives a splendid sketch of the Department of Justice from the date it was organized but traces its development through the years and makes a most informing statement of large savings to be effected during the next fiscal year, which total more than \$8,000,000.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

When Edmund Randolph, of Virginia, was appointed Attorney General by President Washington, pursuant to an act of the First Congress, adopted on September 24, 1789, a Department of Law, subsequently designated as the Department of Justice, had its origin. From a very modest beginning it has developed to its present rather overwhelming proportions.

The Attorney General of the United States, it has frequently been remarked, is at the head of the largest law office in the world. About 9,000 employees and officials fall within its direct supervision. It is a complicated mechanism, dealing with questions affecting hundreds of millions of dollars and the most sacred of human rights. Its functions have never been more important or more vital than they are today.

On a later occasion I shall discuss the wider purposes and the special activities of the Department. Tonight let me draw your attention to the field occupied by it and the general duties it has to perform.

In times of great prosperity, when things appear to run themselves, our people are inclined to take our Government for granted. When trouble develops, we appreciate more acutely the extent to which our welfare is dependent upon the proper functioning and economical administration of the various departments of our Government. Such periods result in a sharp awakening of public interest. We are passing through such a period at the present time. Clearly there should be a thorough overhauling of every department of our Government. This is a process which cannot be accomplished by a wave of the hand. It is going to require persistent, intelligent, and unrelenting effort over a very considerable period of time.

When this administration came into power on the 4th of March, public affairs were in a deplorable and, let me add, well-nigh desperate condition. The incoming administration and all the departments thereof were, therefore, under necessity of dealing not only with an immediate crisis calling for the utmost swiftness and precision in action, both administrative and legislative, but they were required also to meet the imperative problem of departmental economy, so that the National Budget might be balanced. In other words, each and every department had to undertake a cleansing process and had to bring itself into efficient coordination with the National Government as a whole. Moreover, each department was required to extend its activities and at the same time cut its expenditures by substantially 25 percent. Difficult as this program may seem and as impossible as it appeared to many people before it was undertaken, it has now advanced to a stage which enables us to say that the results aimed at will be achieved. It is a source of gratification to realize that the people of this country, without respect to partisanship, are thoroughly in accord with this program of regeneration.

There seems to be an impression in many quarters that the chief duty of the Department of Justice is to detect and punish violators of the Federal criminal laws. This, of course, is one of its essential functions, but there are others of great importance. For instance, the Department defends all civil claims against the Government. This involves the consideration of an endless number of cases dealing with suits based on contracts, claims made for the refund of taxes asserted to have been overpaid, and various other matters of a similar nature. In addition to this the Department represents the United States in innumerable civil suits to recover moneys claimed to be due to the Government; it proceeds in matters of land condemnations and in other types of litigation too multifarious to mention.

Moreover, the Attorney General acts as adviser to the President and to the heads of the various executive departments in matters involving questions of law, and is frequently called upon for both written and oral opinions. In addition to this the services of the Department are invoked in connection with the drafting of new legislation, especially with reference to matters involving novel

and difficult problems. In a word, the Attorney General, together with the available machinery of the Department of Justice, is at the disposal of the Government of the United States in performing the functions of attorney and counselor at law. The client is the United States of America, and this client is advised from time to time and, when necessary, represented in the courts of the land.

For purposes of convenience the work of the Department of Justice is allocated to sundry subdivisions. There are many of these, and 12 of them are of outstanding significance. One of these great subdivisions is under the direction of an official known as the Solicitor General. It is a post of very great importance and one which has consistently been held by lawyers of the first rank. There is a department presided over by an official known as the Assistant to the Attorney General, who has charge of anti-trust matters. There are seven Assistant Attorneys General, amongst whom there are allocated matters dealing with the United States custom laws, suits in the Court of Claims, matters dealing with admiralty questions, finance, taxation, prohibition, commerce, public lands, administrative functions, civil litigation, and criminal prosecutions. In addition to all the foregoing there are three remaining departments of very great consequence. One of these deals with the matters affecting the enforcement of prohibition, and the official in charge is known as the Director of Prohibition. Another large department is known as the Bureau of Investigation, and is in charge of the director of the Bureau of Investigation. Last, but far from being least, is the official known as the Director of the Bureau of Prisons. To his care all Federal prisoners are committed. He has charge of the management of the Federal prisons, and he must deal intimately with one of the most difficult and perplexing of administrative and social problems.

During the year ended June 30, 1932, there were commenced in the United States district courts alone 126,363 cases to which the Government was a party, as compared with 22,541 in the fiscal year of 1914. While the prohibition law has undoubtedly brought about the greatest proportion of this increase, other factors have contributed in no small degree. New penal statutes, the enforcement of which devolves upon the Department of Justice, are constantly being enacted. The revenue laws are frequently changed, thereby resulting in the raising of new questions for judicial determination. The questions which can arise in the customs department seem to be without end. Literally the suits there are legion. The engineering and construction projects of the Government have multiplied enormously in recent years. Thus there has been an inevitable enlargement of the functions of the Department of Justice. It has grown as the Nation has grown. The new legislation enacted by the present Congress will undoubtedly in due course bring new responsibilities and duties to the Department of Justice. Moreover—and I say this advisedly—financial crimes which have been committed in high places, growing out of banking irregularities and income-tax evasions, will require unexampled activity upon the part of the Department of Justice. Conditions too long concealed, some of which lie at the very heart of our present difficulties, must be brought to light and corrected. We have reached a stage where we want to know the worst and must know it before the remedy can be applied. Already extensive investigations are under way along the lines indicated, and their developments will be made known in due course.

I have said before, and I say again, that those who have considered it legitimate to gamble with other people's money must abdicate their leadership, and those who have thought that the center of government is located in the financial district must learn that its proper seat is at Washington. This is not a program of partisanship; it is a program of patriotism, which I am confident the people of America, without respect to previous party affiliation, will welcome with glad hearts.

I would not be frank if I did not say that I am amazed at the extent of the deadwood in the Department of Justice. An amount in excess of \$200,000 has already been saved by the elimination of a large number of totally unnecessary employees both in Washington and in the field. This process of elimination I expect to continue. Substantial savings can also be made in the offices of practically every United States district attorney. These savings will have to do with the number and compensation of assistant United States attorneys and employees in the offices of United States marshals, as well as in the limitation of fees paid to jurors and witnesses. Those who remain in the service will have to work a little harder and at a lower remuneration; but, if they are made of the right stuff, they will realize that they are taking part in a constructive and honorable way in a great regenerative national program; and I shall confidently expect their hearty cooperation and support.

The appropriations for the Department of Justice for the fiscal year ending June 30, 1933, total \$45,966,000. From present indications there is every reason to believe that when June 30 next is reached there will remain about a million dollars of these appropriations unexpended. This in itself is no mean achievement. The Congress has appropriated \$41,550,000 for the fiscal year ending June 30, 1934. There would be no difficulty, I am sure, in living within the amount allowed; but under the drastic plans of economy inaugurated by the administration and steadfastly carried forward by the very efficient Director of the Budget, Mr. Douglas, the Department of Justice has been requested to reduce this amount by about eight and one-half million dollars. This goal it will be our purpose to reach. It will require careful management, strict economy, limited ex-

penditures, reduced personnel, and savings in many directions. We have set our hands to this plow, and we shall not turn back.

One of the most difficult questions we shall have to deal with is the matter of the enforcement of the prohibition law. The Congress has reduced the appropriation for this branch of our activities from about ten and one-quarter million dollars to about eight and one-half million dollars. This revised appropriation must further be reduced in order to bring about the additional savings which the economy program requires. The enactment of the 3.2 beer legislation, it is to be hoped, will reduce the number of minor offenders, resulting not only in a direct saving but in the indirect saving which is reflected in the costs of our courts and in the expense of maintaining prisoners. It must not be forgotten, however, that the eighteenth amendment has not been repealed, and so long as it remains the law of the land it will be the duty of the Department of Justice to use its utmost efforts to see that it is respected and enforced. Minor offenders may well be left to the judgment and discretion of local courts, so that the work of the Bureau of Prohibition may be concentrated upon the activities of commercial violators, racketeers, and groups of offenders who make it their business, by conspiracy and violence, to defraud the Government, terrorize legitimate business, and bring the law into disrespect.

It is highly important that the legitimate, legalized beer industry should be kept free from the control of racketeers. It is to be anticipated—and, indeed, it has already become apparent—that the bootlegging interests will seek to levy a toll on the manufacture and distribution of legal beer as they have done for years with regard to illegal liquor and even more innocent enterprises. No matter how honest the beer industry itself may be, there remains the danger that it will be preyed upon by outside influences. This in itself constitutes a very substantial problem. Those who are endeavoring honestly to live within the law will find a friend in the Department of Justice; others will proceed at their peril.

There is another aspect of the work of the Department of Justice to which I ought to draw your attention. It cannot be called a self-supporting branch of the Government; nevertheless, the activities of the Department result in the covering into the Treasury of a large amount of money through the settlement of judgments, the imposition of fines, the collection of additional revenues, and various forms of taxes.

Moreover, this Department saves the Government substantial sums of money in defending, with success, suits brought against it. For instance, during the fiscal year now drawing to a close cases were brought against the United States involving more than \$470,000,000. In these cases judgments were rendered against the Government for only \$5,500,000, or a matter of a little more than 1 percent of the amount claimed.

Heretofore I have remarked upon the question of the elimination of unnecessary employees. One of the most vexatious problems I have to deal with grows out of the enthusiastic manner in which many people endorse themselves for attachment to the public service. It must not be forgotten that the work of a lawyer employed by the Department is specialized to a very considerable degree, requiring intimate knowledge of the branches of the law peculiar to governmental administration. It is manifest, therefore, that there can be no indiscriminate removal from the service of those who are efficiently and faithfully discharging their duties. Such changes as are to be made will be designed for the betterment of the service and for that purpose alone.

One of the most important functions the Attorney General is called upon to perform has to do with the recommendation to the President of candidates for appointment as Federal judges, district attorneys, and United States marshals. These officials are concerned in a most intimate fashion with the rights, the liberty, and the welfare of our people in all parts of the country. In particular, the members of the judiciary (whose appointments run during good behavior, and therefore in most instances for life) must be selected with the utmost care. So far as I am concerned, there will be no undue haste in making such appointments. Each person under consideration will be studiously investigated as to his character, capacity, knowledge of the law, and all other attributes which should be possessed by an upright, honest, and impartial judge. This particular responsibility lies heavily upon me. From personal experience I know, and in every fiber of my being feel, that the discharge of this duty is a solemn responsibility. Many mistakes may be repaired, but an error in the selection of such an official leaves a permanent and almost ineradicable mark upon the very structure of our Government. I am not saying these things to magnify the tasks of the Department of Justice but merely to state, in direct and simple language, what purpose it is we are supposed to serve and how we are endeavoring to meet the duties imposed upon us.

In brief, I aim at a sane, wholesome administration. The Department of Justice belongs to the people of America. It is their servant, ministering to their needs, and I bespeak for it the support and the good opinion of all law-abiding citizens.

INVESTIGATION OF MOVING-PICTURE INDUSTRY

Mr. SABATH. Mr. Speaker, I call up House Resolution 121, which I send to the desk and ask to have read.

The Clerk read as follows:

House Resolution 121

Resolved, That immediately upon the adoption of this resolution the House shall proceed to the consideration of House Resolution 95, and all points of order against said resolution shall be considered as waived. That after general debate, which shall be confined

to the resolution and shall continue not to exceed 1 hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Rules, the previous question shall be considered as ordered on the resolution to its adoption or rejection.

Mr. WARREN and Mr. BLANTON rose.

Mr. BLANTON. Mr. Speaker, before we take up the rule, I want to ask the gentleman a question.

Mr. SABATH. Mr. Speaker, does the gentleman from Pennsylvania desire any time?

Mr. RANSLEY. We want the usual time.

Mr. SABATH. Mr. Speaker, I yield 30 minutes to the gentleman from Pennsylvania.

Mr. BLANTON. Mr. Speaker, will the gentleman yield for a question?

Mr. SABATH. Yes.

Mr. BLANTON. The gentleman recognizes that in all of his long and able service here, this is a most remarkable rule. It gives the control to the Rules Committee of the entire hour on this resolution. Then after the rule is passed, it gives the same Committee on Rules entire control of the whole hour on general debate. That is the first time that such a procedure has been inaugurated in this House during the 16 years that I have served here. Is the gentleman from Illinois going to yield us any time to oppose this measure?

Mr. SABATH. I have yielded 30 minutes to the gentleman from Pennsylvania.

Mr. BLANTON. But that is to the other side of the aisle.

Mr. WEIDEMAN. Mr. Speaker, I demand the regular order.

Mr. BLANTON. Oh, we are not going to let this rule pass without due consideration.

Mr. SABATH. This is a fair rule. The Rules Committee is fair in allocating the time.

Mr. BLANTON. Is the gentleman going to yield any time to the opponents of this rule? I am one who wants to oppose it.

Mr. SABATH. I have already yielded 30 minutes to those who are opposed to it.

Mr. BLANTON. The gentleman has yielded time only to Republicans. As a Democrat I want to get time from the Democratic side of the House. I do not want to have to go over into the wilderness to get it. [Applause.] This is a bad measure that will accomplish no good whatever, but will cost the taxpayers of the United States a tremendous sum of money. We must not let it pass. We can defeat it if we are given time to properly debate it, and to let the Members of the House know just how seriously it may affect the Treasury.

Mr. SABATH. Mr. Speaker, the adoption of this rule will make in order the consideration of House Resolution 95, known as "the Sirovich resolution." It provides for the creation of a special committee of seven to investigate the most vicious group of manipulators—yes, racketeers—a group that has destroyed what at one time was a legitimate and prosperous motion-picture industry and that has defrauded and fleeced thousands upon thousands of investors, widows, and orphans of nearly two thousand millions of dollars; a group that within the last 4 weeks, through its hirelings and lobbyists, has attempted, and is now attempting, to mislead the Members of this House as regards its shameful activities in order to defeat this investigation; a group that by questionable means—yes, bribery—controls city, State, and even Federal officials; a group that has by corruption forced upon the screen some of the most obscene and crime-breeding pictures; a group that has even debauched our judiciary. This same group has defrauded the Government of millions of dollars and was instrumental in sending an innocent woman to the penitentiary.

Some claim, and will claim, that this is a matter for the courts. Yes; it might be a matter for the courts if individuals comprising this group were not able to control our judges.

It will be claimed, and statements have been circulated, that the investigation will cost \$200,000; but I have the

word of the gentleman who introduced this resolution, and I believe him, that it will cost no more than \$20,000 to \$25,000; and I assure the House that for every dollar that we will expend on the investigation the Government will recover at least \$100 in income taxes, of which the Government has been defrauded by this vicious group, this coterie of manipulators and racketeers. [Applause.]

I have here in my possession many resolutions from independent motion-picture houses in America. I have complaints from hundreds of men and women who have been defrauded of their entire savings. I hold in my hand the book, Upton Sinclair Presents William Fox, and I know that if all of us were to spend but 1 hour on this book and become acquainted with the conclusions arrived at, the vote for the resolution would be unanimous and that a real investigation could be had, so that in the future the activities of these men and other men of their caliber, who have been allowed to continue their speculations and fraud unmolested, controlling, as they do, some of the highest officials in the several States and even in our own Government, would be prohibited.

It is high time that this House should not be deterred by these lobbyists from doing its duty to provide a real, honest-to-God investigation, so that the country and the House may know what has been transpiring and so that we can legislate in the interest of the American people, eliminate this racketeering, and prevent these unscrupulous manipulators from continuing their nefarious work and from controlling our public officials.

I regret that I cannot continue further, for I have promised the balance of the time to others. However, before I conclude I want the new Members to know that if, due to the misleading statements that have been circulated, this rule shall be defeated, it may mean the defeat, at least temporarily, of the resolution itself, for it is only by the adoption of this rule that an investigation can be had. But I give notice now that if the resolution should fail to pass, its proponents will by no means cease their efforts to force action; so regardless of what the outcome may be today, I am certain that eventually the House will vote for investigation.

Mr. BLANTON. Will the gentleman yield for one question?

Mr. SABATH. I cannot yield, because I do not have the time.

I ask the gentleman from Pennsylvania [Mr. RANSLEY] to use some of his time now.

Mr. RANSLEY. Mr. Speaker, I yield 5 minutes to the gentleman from North Carolina [Mr. WARREN].

Mr. WARREN. Mr. Speaker, I deeply appreciate the courtesy of the gentleman from Pennsylvania [Mr. RANSLEY] in yielding me this time, which I was unable to get on my own side of the House.

It is to be greatly regretted that the House has been given no information whatever about this measure other than the statement just made by the gentleman from Illinois [Mr. SABATH]. The great Rules Committee of this House not only failed to hold any hearing on this resolution but it comes to us with the informing and enlightening report as their sole recommendation that the resolution should pass.

I also regret that this measure should be dignified by a rule of the most stringent kind, such as we have adopted on major legislation, providing that no points of order may be made, for, under the resolution as presented, a single point of order would send the entire thing to the discard, where it properly belongs.

Now, this calls for a large expenditure of money. I have had a careful investigation made in the Committee on Accounts, and I am told by experienced men that if section 4 of this resolution is carried out as it is intended, according to its wording, it would call for the expenditure from the contingent fund of the House of approximately \$200,000.

Mr. SABATH. Will the gentleman yield?

Mr. WARREN. No. The gentleman refused to yield, and I do not have the time.

Now, there is not one penny in the contingent fund of the House for investigations. Only \$40,000 is allotted each year,

and the \$40,000 allotted for the next fiscal year has already been set apart for the orderly investigations decreed by the House in times past.

I have no objection in the world to an investigation of the moving-picture industry. I do not know any of them. I am not connected with them. I understand this is a fight between two groups. I hear it is merely a case of "dog eat dog." [Applause and laughter.]

Mr. RANKIN. Will the gentleman yield?

Mr. WARREN. I do not have time.

I do believe that where we have set up orderly procedure for such investigations, they should be made by the constituted branches of this Government, rather than by any select committee of this House.

Now, if it is securities they wish to inquire into, both Houses of Congress have already passed a securities bill, so that those securities will be regulated in the future. If it is unfair trade practices they take exception to, then we have the Federal Trade Commission, which the administration has agreed it will put the breath of life into, and that it will act and function. If it is illegal receiverships and bankruptcies they wish to object to, then we have the grand juries of our land; and we Democrats have prided ourselves upon the fact that we have heading the Department of Justice the great Attorney General who will go into these matters and investigate them to the very limit, if they are properly brought to his attention.

In conclusion, permit me to say that this thing is a joy ride to Hollywood [applause] for the personal advancement and notoriety of some who are proposing it. If you want to kill it, if you want to stop it where it is, then vote down the rule and end the whole thing. Let us not embark upon a useless and reckless waste of public funds. [Applause.]

Mr. Speaker, I yield back whatever time I may have.

The SPEAKER. The gentleman has consumed 5 minutes.

Mr. RANSLEY. Mr. Speaker, I yield 5 minutes to the gentleman from Texas [Mr. LANHAM]. [Applause.]

Mr. LANHAM. Mr. Speaker, I am very much opposed to this resolution and, consequently, very much opposed to the very stringent rule which would make its consideration in order.

I oppose it, in the first place, because it is unnecessary. I oppose it, in the second place, because it is inexpedient. It is unnecessary by reason of the fact that we have various governmental agencies already established to investigate matters of this character. We have our Department of Justice and the Federal Trade Commission. A committee of the Senate is now making an investigation somewhat akin to the one here proposed. The Congress is now engaged in passing the securities bill to remedy many of the evils of which complaint is made. Such other things as may demand correction in this industry may be presented before a committee of the House here in Washington without the enormous expense which the adoption of this resolution would entail.

It is inexpedient because of the fact that in these times of necessary economy it authorizes a useless expenditure variously estimated at from \$200,000 to \$500,000, and for what purpose? For the purpose of providing for a junketing trip over the United States. [Applause.] Surely this is not the time to be taking money away from the disabled veterans in order to give a few Members of Congress an opportunity to gratify their whims by going about over the country and enjoying themselves. [Applause.] This seems to be a proposal which involves some ire on the part of certain wise men of the East who take exception to the practices of some other men, perhaps equally wise, who have gone west. [Laughter and applause.] It involves also a dabbling into the courts of our country. A committee of the House of Representatives on a junketing trip to investigate, incidentally, receiverships and bankruptcy proceedings and judicial matters of that character!

Now let me call attention to another thing. I believe in having proper regard for the welfare of our colleagues. The adoption of this resolution would bring to my friend the gentleman from New York a widespread publicity which would

be very distasteful to one of his modest nature. [Laughter and applause.] He would be constantly subjected to the ordeal of looking at pictures of himself with screen stars in various magazines and newspapers [laughter] and having to peruse interviews and things of that character with reference to himself and his activities. I would spare him that. [Laughter.] I feel that, if this resolution should unfortunately carry, there ought to be some concerted action here to see that he is not subjected to this ordeal. [Laughter.]

Only a few weeks ago we saw the gentleman from New York take his place upon this floor and inveigh very properly against the persecution of the Jews under the Hitler regime. We listened with attentive interest to his remarks on that occasion. Ah, little did I think then and little did you think that the gentleman from New York would be the very first in this body to make a proposal which would bring division and dissension among the Jewish people of America. [Laughter.] Yet here is his resolution.

I knew that the gentleman from New York was an eminent doctor. I knew he was an eminent playwright. I knew he was a great scientist. Now it is brought home to me in the authority proposed here to investigate the courts of the country that he is also a great lawyer.

Mr. Speaker, at this time, when economy is necessary, when the people are craving action with reference to the serious problems which confront them, there is no reason to authorize an expensive excursion of this kind, when the established channels for such investigation are open and available. Let the correction of such evils as may exist be undertaken through the proper committees and the constituted authorities organized for such purpose. [Applause.]

[Here the gavel fell.]

Mr. SABATH. Mr. Speaker, I yield to the gentleman from New York [Mr. SROVICH] 16 minutes.

Mr. SIROVICH. Mr. Speaker, to all intents and purposes, the motion-picture industry, one of the leading industries in our Republic, is bankrupt.

Billions of dollars have been invested in the motion-picture industry by working people, widows, orphans, small estates, and unsuspecting American citizens. It is alleged that most of this money has been dissipated, squandered, and diverted by a group of financial manipulators.

The rulers and officials of this great industry have milked it dry and almost destroyed its very existence. This deplorable situation holds very little hope for holders of 1,000,000 bonds and holders of 20,000,000 shares of stock, representing an investment of billions of dollars. An investigation will show that the very people who have been responsible for its looting and disintegration are now desperately trying to reorganize this artistic and useful industry so they may control its future destiny.

Whether any part of the billions that have been invested can be recovered and those responsible for its looting and ruination brought before the bar of public opinion and judicial scrutiny is dependent on what action the House will take regarding my resolution calling for a complete and thorough investigation of the whole motion-picture industry to protect the rights and property of our innocent American investors.

Mr. Speaker, our Government is conducted by three great branches, the legislative, the executive, and the judicial departments. The combined salaries of 435 Members of the House, 96 Members of the Senate, and President and his entire Cabinet, the Vice President, the Chief Justice and the 8 Associate Justices, and the 48 Governors of the States of the Union amount to about \$5,000,000 per year, which is less than the amount received by way of salary and bonus by 5 men in one motion-picture corporation alone. These bonuses paid to five men, according to my information, amounted to \$3,000,000 in 1930, \$2,000,000 in 1931, and \$1,500,000 in 1932, exclusive of salaries.

An astounding revelation regarding these bonuses is the fact that they have not been revealed to the stockholders in reports made at annual meetings or in published balance and earning sheets. In no other walk of industry are amounts like these rewards paid to executives. Not even in the days

of the great life-insurance scandal, investigated and exposed by the present distinguished Chief Justice of the Supreme Court, Charles Evans Hughes, was anything like the monetary insanity of the movies disclosed.

It is currently stated that the annual income of Louis B. Mayer was \$800,000; of Adolph Zukor and Jesse Lasky, \$520,000 each; of Irving Thalberg, \$500,000 minimum; of Nicholas Schenck, \$404,000, besides 2½ percent of all the profits of Loews; of Benjamin F. Shulberg, \$416,000; of the Warner brothers, \$520,000 each. In addition to these salaries, all received extravagant bonuses.

While these fabulous and hitherto unheard-of salaries and bonuses have been taken by these officials the assets of the companies have been dissipated and the liabilities have increased. Dividends have been wiped out in practically every company. The value of shares of stock has fallen almost to nothing; but, Mr. Speaker, the salaries of all employees in the studios, even the stenographers and typists, have been curtailed, but the officers' salaries and their bonuses have been renewed by themselves by an iron-clad contract for 6 more years.

Mr. Speaker, let me call your attention to one of the most glaring financial deals in connection with the Paramount-Publix Corporation. In the years 1927 and 1930 Paramount-Publix, in order to extend their activities, floated two 20-year bond issues amounting to \$31,000,000, and agreed it would not create any other encumbrance or lien against any of the assets.

In 1930 the Paramount-Publix Corporation owed a million dollars to banks, which it paid off from money raised by these \$31,000,000 bonds.

In 1932, due to extravagance and mismanagement, the Paramount-Publix was indebted to various banks in the sum of \$10,000,000. These loans were entirely unsecured. When the loans became due Paramount-Publix officials met the bank officials and stated they could not pay their obligations. The banks refused to extend the time of payment. Paramount-Publix needed an additional \$3,500,000 to carry on its operations. The banks refused to give them this loan unless they secured the previous \$10,000,000 due to the banks, which up to that time had been unsecured.

To accomplish the demand of these bankers Paramount-Publix created a paper subsidiary having no assets, possessed of nothing, and called it Paramount Productions, Inc. To this paper subsidiary Paramount-Publix turned over 23 of its motion pictures which had been completed or were in the process of completion, which consisted of practically the only live assets of the corporation and which violated the terms of the \$31,000,000 bond issue.

By this amazing financial transaction bondholders were defrauded of the security granted under the \$31,000,000 bond agreement. This financial transaction gave an unauthorized lien in favor of the banks, securing their otherwise unsecured claims, and a preference over the Paramount-Publix \$31,000,000 bondholders to whom these assets rightfully belonged, as well as other creditors.

This indefensible act diminished, weakened, and destroyed the equities of \$31,000,000 bondholders, as well as other creditors. A few months later, on November 5, 1932, the Paramount-Publix Corporation and its directors to further strip the \$31,000,000 bondholders, and other creditors, organized three other paper subsidiary corporations, the Paramount International Corporation, the Paramount Distributing Corporation, and the Paramount Pictures Corporation.

To these companies they transferred and conveyed all the remaining assets owned by the Paramount-Publix Corporation, namely, all of its properties, accounts receivable, real-estate holdings, contracts with producers and distribution in foreign countries, contracts with artists, directors, picture rights, book rights, dramatic rights, copyrights, and all its holdings including studios and plants and all other properties and by means of such paper corporations the Paramount-Publix Corporation stripped itself completely of every vestige of property and assets of which it had been possessed, ruining \$31,000,000 invested by bondholders, and approximately \$200,000,000 of stockholders' money that had been

invested in this enterprise, so that today the Paramount-Publix Corporation is bankrupt and an empty shell.

The amazing situation now is that Adolph Zukor, the president of the Paramount-Publix Corporation, and his associates, under whom all these extraordinary financial manipulations were planned and executed, has been appointed and is now the receiver of this corporation—the very man through whom and whose allies these manipulations were made possible, that wrecked the Paramount-Publix Corporation.

Indignant protests were made to the Paramount-Publix Corporation by the bondholders and stockholders through their various attorneys throughout the country, but no attention has been paid to these protests.

This gives you an idea of one transaction. If I had the time, I would give you dozens of other tragic incidents appertaining to Paramount-Publix Corporation that cry to heaven for investigation.

Let us take up matters concerning Loew's, Inc. Up to the year 1932, Loew's paid not only its customary annual dividend of \$3, but an additional dividend of \$1 per annum. This continued up to the last quarterly dividend period. At that time, without any prior notice to its stockholders, the dividend was cut to an annual dividend of only \$1. This dividend cut seemed to be in line with a decline in earnings of the corporation. Yet, in spite of these conditions, at the last annual meeting of that corporation, held on December 15, 1932, the corporation made a 6-year contract with certain of its executives which carried with it exorbitant salaries for five officials amounting to over \$2,000,000 a year and tremendous bonuses amounting to over \$1,500,000 a year, besides giving to these selected officials of the company valuable rights to acquire large blocks of shares of stock of the company at preferential rates. Three men are in charge of the motion-picture productions of that company. These three officials alone have contracts under which they receive a 20-percent share of the profits not only of the Metro-Goldwyn-Mayer Corporation, which is the corporation that produces the motion pictures of Loew's, Inc., but in addition thereto they receive a share of the profits earned from exhibiting in their theaters pictures that are not even produced by them. The shares of the profits which these three officials alone have received in the past have aggregated approximately \$1,500,000 a year besides their bonuses.

In the year 1929 five officers of Loews organized an inside pool, without the knowledge of the stockholders, and double-crossed their associates and sold 400,000 shares of Loews to William Fox Theatres Corporation. In gathering these 400,000 shares they obtained a call on most of these stocks at a price less than \$100 per share, then sold the entire block to the Fox Theatres Corporation at \$125 per share, resulting in the enormous profit to this inside group of approximately \$9,000,000.

Here, too, we find a repetition of the same situation in this company as in the Paramount-Publix Corporation; the payment of exorbitant salaries and of large bonuses without making any revelation thereof to stockholders or security holders in reports to stockholders in published balance sheets or profit-and-loss sheets.

Let us look into the affairs of Radio-Keith-Orpheum combine, commonly called RKO. The purchase of the Pathe Co. by RKO and the practical merger of that company with RKO embraces matters which concern an alleged fraud on the stockholders of RKO. It appears that a group were loaded down with a very substantial block of stock of the Pathe Co. The quotation had fallen down to about \$30 per share. As soon as the merger with RKO was announced, this inside group pushed the Pathe stock up until it reached about \$80 a share. The inside group then unloaded their stock on the public, making millions of dollars. The purchase was made at levels which were not warranted by any values possessed by the Pathe Co., and the purchase practically emptied the treasury of RKO. Competition in the open market between the Pathe Co. and the RKO Co. was stifled.

The RKO Co. received in the transaction studios which they did not need, and distributing agencies which only

duplicated those which already existed under the management of RKO. The only property that RKO obtained that it did not have was a news-reel service, at a cost of many millions of dollars more than it was worth at that time. As a consequence of this improvident transaction RKO was compelled to borrow \$6,000,000 to fill its empty treasury, to pay a bonus of \$600,000 for the loan, and the Pathe Co. transaction was the one that really got the RKO Co. into such serious financial difficulties that it was on the verge of receivership. In order to avoid this receivership, the Radio Corporation of America agreed to go along with a refinancing plan if it could obtain the stock control of the RKO Co. The stockholders under threat of receivership, and a total loss of their investment, were forced into a reorganization plan under which each stockholder was compelled to reduce his stock holdings by 75 percent and to give up to the Radio Corporation of America in effect 75 percent of his prior holdings, so that the Radio Corporation of America became the owner of the control of the shares of stock of the RKO Co.

This stock manipulation placed the Radio Corporation of America in the position of dominating the RKO Co., and in that way compelling the RKO Co. and its subsidiaries to use the electrical equipment of Radio Corporation of America in all of their activities. As a result of that manipulation the Radio Corporation of America, which prior thereto had owned only approximately 22 percent of the stock of the RKO Co., became the owner of approximately 60 percent of the stock of the RKO Co., the large part of which was taken out of the pockets of the stockholders of RKO by forced involuntary contribution.

In addition to the foregoing, serious charges have been made that the insiders of RKO operated a pool in RKO stock and at will, were on both the long and short sides of the stock and unloaded large blocks of the stock on the public at millions of dollars profit to themselves and at enormous loss to the public.

Besides the companies I have named, there is another—the Fox Corporation—in the assets and securities of which financial manipulation has been made that may well be called "astounding." This manipulation involved the diversion and dissipation of \$50,000,000 to \$100,000,000, into the details of which I now have not the time to go.

There are about 20,000 motion-picture theaters in the United States. About 1,500 belong to Paramount, Loews, Fox, Warner Bros., and RKO. They are banded together in an organization known under the "highfalutin" but deceptive name of the "Motion Picture Theater Owners" organization. This producer-controlled organization is working in conjunction with a most powerful and pernicious lobby, backed by the motion-picture industry, in and about the House Office Building and has sent out quite a good deal of false propaganda to influence the Members of the House against this resolution to investigate the motion-picture industry, making the ridiculous assertion that it will cost \$250,000, when, as a matter of truth, it would cost about \$20,000 to \$25,000. The remaining 18,500 motion-picture theaters belong to the independent owners in every congressional district of every Member of Congress.

The entry of these conniving big picture manipulators in the field of exhibition, first, as a means of exhibiting their own pictures, and then to monopolize the distribution outlets and finally to put the 18,500 independent exhibitors out of business, is an activity in the American motion-picture industry which the membership of the Congress of the United States will be privileged to correct.

Mr. Speaker, the distinguished gentleman from Texas [Mr. LANHAM] who preceded me, called the attention of the House to the fact that most of the people involved in the manipulation of funds of the motion-picture industry are Jewish people, and that only a few days ago I arose to defend the Jewish people of Germany against the atrocities of the madman of Germany, Hitler. Let me call his attention to the fact that I am proud to have arisen in this historic forum to speak for the persecuted and oppressed in Germany, whose pitiful cry to live in the land in which they and their forbears have been born and have given the

best of their lives to make Germany great, prosperous, and glorious, and who seek opportunities to earn their daily bread the same as all peoples of the world, is surely deserving of the responsive acclaim that has come to their cause from all the civilized people of the world.

Goodness, honesty, and justice belong to no race. They are the common property of civilization. In that spirit, I resent the statement of the gentleman from Texas [Mr. LANHAM] and desire to tell him that, so far as I am concerned, I demand the prosecution of all evil and wrongdoers irrespective of race, creed, or color, who have defrauded widows, orphans, and humble people of our country to enrich themselves. [Applause.]

[Here the gavel fell.]

Mr. SIROVICH. Mr. Speaker, will the gentleman yield me 2 additional minutes?

Mr. SABATH. I yield the gentleman 2 additional minutes.

Mr. Speaker, will the gentleman yield?

Mr. SIROVICH. Yes.

Mr. SABATH. Certain charges have been made as to the administration. The gentleman made a statement to me as to the President and the administration. Will he not repeat it on the floor of the House?

Mr. SIROVICH. Mr. Speaker, last week I saw the President of the United States, Franklin D. Roosevelt. I spoke to him about this motion-picture investigation; I explained the situation to him, including these outrageous salaries; and he is in full sympathy with this resolution and thinks this investigation would do a great deal of good to the American people. [Applause.]

Mr. MOTT. Will the gentleman yield for a question?

Mr. SIROVICH. I am awfully sorry, but my time is very limited. Let me first finish this statement.

Mr. MOTT. May I suggest to the gentleman that it will be necessary for the gentleman to get some time, either for himself or someone else, in order to answer a half dozen very pertinent questions or everything the gentleman has said will be of no avail. We want to know where the information came from and whether this is in violation of the particular blue sky laws of the States in which these concerns are located.

Mr. SIROVICH. I will give that later. When you pass this rule I would give you the source of all the information. I will give you court facts, documentary facts, and affidavits that will corroborate every word I have uttered.

Mr. MOTT. I hope the gentleman may, and I would like to have the information before the rule is voted on.

Mr. SIROVICH. I will do that after I have finished my statement, if I may have a few minutes more. The purpose of my resolution is to provide for an investigation which will disclose all this information.

Mr. RAYBURN. Will the gentleman yield?

Mr. SIROVICH. I hope the gentleman will let me finish my statement first. These continuous interruptions and interrogations are breaking the sequence of my thoughts.

Mr. RAYBURN. The President of the United States has been brought into this matter and I want the gentleman to be definite. Did the President of the United States tell the gentleman from New York that he wanted this resolution passed and this investigation made?

Mr. SIROVICH. I did not go to him when I started out on the investigation, but I saw him subsequently.

Mr. RAYBURN. The gentleman said he talked to him last week.

Mr. SIROVICH. That is correct. I saw him last week and talked to him about it, explained it, and he is in full sympathy with the purpose of this resolution.

The regular order was demanded.

Mr. SIROVICH. Now to continue with my thoughts:

What are some of the terrible injustices that have been perpetrated by these 5 large motion-picture concerns against the 18,500 independent exhibitors?

First. Block booking, combined with blind booking, which requires the independent theater owners to buy unseen the entire output of a given producer in order to get such pic-

tures as may be desirable or suitable for exhibition in their theaters.

Second. Compelling the 18,500 independent theater owners to wait for unreasonable periods of time after pictures have first been shown in producer-controlled houses before these 18,500 independent theater owners are allowed to run them in their theaters.

Third. The allocation of better pictures to producer-owned circuit houses without allowing the 18,500 really independent theater owners to even bid for these pictures in free and open competition.

Fourth. The buying up by producer-owned theater circuits of more pictures than they can use so as to cripple the 18,500 truly independent houses in their efforts to compete with the circuits.

Fifth. The practice of these big producers through motion-picture producers and distributors in contributing large sums of money to certain organizations of alleged independent exhibitors in order to create the impression that there is a division in the 18,500 independent ranks in the matter of industry reforms.

Sixth. The activities of the members of the motion-picture producers and distributors of America to monopolize or control the motion-picture industry by such devices as uniform sales contracts, compulsory arbitration, withholding of products from 18,500 independent theaters, the allocation of products to producer-controlled houses, unfair and unreasonable zoning, so-called "protection", and other unfair practices, especially by withholding films for unreasonable periods from the 18,500 independent low-admission houses.

There are 435 Representatives in Congress, so the average proportion of independent motion-picture theaters, each one a victim of these unfair practices, is over 40 theaters in each congressional district, all representing a substantial investment of over \$1,000,000,000 and a considerable employment in each district, the operators and employees of which look to Congress for relief from this unwarranted monopoly and tyranny.

Thus we see how a few czars in the motion-picture industry through devices of interlocking, long-term franchises, preferential zoning, clearances, and protection have almost ruined and destroyed, by these unjust and unfair practices, the 18,500 independent motion-picture houses found in every congressional district of our country.

Let us look at the transactions of Warner Bros. Warner Bros. Pictures, Inc., was incorporated in the State of Delaware in 1923. Prior to 1928 it was a small, inconsequential producing company of silent film that did not rate with the large producers. With the advent of sound, the company obtained a temporary monopoly on the production of synchronized sound on disk, and thereby became one of the large producing factors in the business.

Shortly after their development as a large producing company, they went into the purchasing of theaters on a large scale, and probably at present hold more theaters than any of the other producing and distributing units.

Warner Bros. Pictures, Inc., control approximately 50 corporations, covering every form of motion-picture activity. All of these companies, however, are dummy corporations in which the officials are either obscure office boys or glorified clerks, drawing modest salaries, although holding high-sounding titles in the various companies.

The actual control of all of these 50 subsidiary companies is held by 11 directors of Warner Bros. Pictures, Inc., the majority composed of 3 Warner brothers and 4 personal attorneys for the 3 Warner brothers. That, in itself, insures control of the board of directors.

With reference to this corporation two matters stand out glaringly. One is that Warner brothers have placed themselves in a position where they have become the preferred creditors of the corporation with respect to loans previously advanced so that if anything happened they would receive all of the money loaned the corporation and the stockholders would receive nothing. Second, it has been charged

and admitted that Harry Warner, the president of the company, and other members of his family, and officials connected with his company, were on the long and short side of their stock, unloading the stock to the public at high prices and making enormous profits in those transactions, the only sufferers being the public and the stockholders. It is also charged that the company is practically a family affair, the entire family having profited generally by way of large salaries and bonuses, while the stockholders have received no dividends and have suffered frightful losses, so that today the stock is practically worthless, and all the estates, widows, orphans, and humble owners of Warner Bros. stock have been ruined and their holdings are today worthless. Since 1928 the salary payments made to Warner brothers were between \$520,000 per annum to \$1,000,000 per annum each. They have received bonuses of 90,000 shares valued at \$12,000,000, and their stock speculations have made another \$10,000,000, totaling almost \$25,000,000, while the present value of the stock that shareholders paid for with their hard-earned money at \$100 a share, is selling at about \$1 per share, showing a shrinkage in value of the stocks of the staggering total of about \$200,000,000 of stockholders' money. And Mr. A. Julian Brylawski, the professional lobbyist, is in the employ of this company, and trying through propaganda to persuade Congress not to conduct an investigation.

Mr. Speaker, I have but scratched the surface of the great corruption that exists in the motion-picture industry today—corruption that will make the Teapot Dome investigation appear like a mere tempest in a teapot. The innocent holders of stocks and bonds of these looted companies that I have mentioned are crying aloud for justice. The moral welfare of America demands that the present control of motion pictures be eliminated. Eighteen thousand and five hundred independent motion-picture houses in every congressional district are earnestly appealing to you for assistance and justice. In the name of innocent investors and 18,500 small motion-picture concerns I appeal to the Membership of this House to pass my resolution calling for a complete and thorough investigation of the whole motion-picture industry, with the object of righting a great wrong, making restitution, if possible, to its now destitute financial victims, drive the looters from their executive offices, punish the guilty, and once and for all make an exemplary lesson to all future financial manipulators that the Government of the United States will not tolerate financial racketeers, masquerading as honest men, who through fraudulent representation and manipulation have diverted billions intrusted to them by widows, orphans, and small estates which represent the hard-earned life savings of our American working people.

For these reasons, fellow Members of the House, I appeal to your sense of honor, fair play, and justice to pass this resolution. [Applause.]

Mr. RANSLEY. Mr. Speaker, I yield 3 minutes to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Speaker, these are the days of the new deal. If the President of the United States were for this resolution, would he not have sent us a message? [Laughter and applause.]

You know this is a wonderful resolution. Why, I was brought up in school to believe that there were three departments of the Government, the executive, the judicial, and the legislative. This resolution is a declaration on the part of the Democratic majority, if it is passed, that the appointees to the Attorney General's Office are not competent to do their jobs. [Applause.]

Are you going to make this declaration and indict your President's own appointees, or are you going to say that you have some confidence in them and that you believe that they and the grand juries and the judges of the courts are as competent to make a judicial investigation as some committee of Congress?

Mr. KRAMER. Will the gentleman yield?

Mr. TABER. Is it not time we attended to our own business, instead of trying to attend to everybody else's business and every other officer's business, as well as our own?

Mr. O'CONNOR. Will the gentleman yield?

Mr. TABER. I cannot yield. I have not the time.

I believe if we do our own job and do it right, that is enough.

Frankly, I believe, and these are the facts, the Senate investigating committee has been into the Warner business, it has been into the Fox business, and yesterday there was put in the RECORD over there a voluminous report that pretty well covers that picture. Why should we go ahead and authorize the expenditure of a lot of money which would be wasted, instead of securing action on the part of the Attorney General, the grand juries, and the courts in reference to this matter? Is it not time we stopped trying to butt into things and to be ourselves a grand jury and to be ourselves an attorney general.

If they are not competent and able to do the job, why do we appropriate \$41,000,000 for the Department of Justice? Maybe they are not competent. If they are not competent, let us investigate them through the Judiciary Committee, instead of ourselves trying to do the job for which we have set them up and provided them with \$41,000,000.

Let us vote down this resolution and stop this kind of business. [Applause.]

Mr. RANSLEY. Mr. Speaker, I yield 3 minutes to the gentleman from Kentucky [Mr. CHAPMAN].

Mr. CHAPMAN. Mr. Speaker, in view of some of the things we have heard and seen in connection with this resolution, I think it not inappropriate at this time to quote an observation recently made by that great humorist and philosopher, Will Rogers:

You see the movies are a peculiar business. Everybody that don't get in 'em some way have got it in for 'em and want 'em investigated, abolished, or given solitary confinement for 99 years.

[Laughter.]

With respect to what the gentleman from New York, Dr. SIROVICH, said about the moving-picture securities that have been purchased by so many people in this country, I reply that already both Houses have passed a Federal Securities Act under the leadership of the President of the United States—an act which has teeth in it and will soon be in effect to protect the investing public from the purchase of worthless or fraudulent securities.

This resolution would carry with it an unlimited burden of expense to the taxpayers of this country. It would give a special committee of 7 Members of this House authority to investigate 15,000 theaters in America and approximately 320 distributing companies which distribute pictures to every State in the Union. Then, 15 corporations in New York, New Jersey, Illinois, and California, whose business it is to receive, record, and reproduce sound in making modern talking pictures, would have to submit themselves to the inspection of this nomadic committee. This select committee would investigate the production of moving pictures, which would require a long stay in New York and a still longer junket to far-famed Hollywood. In that vicinity, I am reliably informed, there are at least 30 companies engaged in the production of motion pictures, all of which would be subject to a microscopic examination by this committee.

Ladies and gentlemen, in view of the methods to which some have resorted in seeking adoption of this resolution, I wonder how many Members of this House have had held up to their enraptured gaze by some of the sponsors of this resolution alluring visions of a sojourn in that land of flowers and how many have had their ears ravished by glowing word pictures of the enchanting beauties and intriguing mysteries of Hollywood. [Laughter and applause.]

They would invade the province of the courts of justice, because this resolution would give them power to investigate receivership, bankruptcy, and equity proceedings, with trips all over the country, and all at the expense of the American taxpayers, at a time like this when we are striv-

ing to practice economy in every branch of the Government. I am surprised at the audacity, at the temerity of these men who, under these circumstances, stand up here and advocate such an expensive and extravagant resolution, such a prodigal and wanton waste of the American taxpayers' money. [Applause.] They would authorize the expenditure of public funds for—

legal counsel, technical, or other counsel; auditors, clerical, stenographic, and other assistants; to make * * * expenditures, including expenditures for actual travel and subsistence of members and employees, and for such other and further expenditures as are necessary for the efficient execution of its functions under this resolution, including transcription, printing, and binding of data and reports.

With such powers of investigation, such a committee gallivanting about over the country would spend at least a quarter of a million dollars before the Congress reconvenes in January 1934.

Such an investigation would undoubtedly result not only in delaying the production of pictures, the curtailment of the industry's legitimate activities, but would close innumerable picture shows throughout the country, and would also cause irreparable loss to countless business men in every State who are engaged in other lines of business, and especially to retail merchants who are largely dependent for their prosperity upon the prosperity of the picture shows in their immediate localities.

Ladies and gentlemen, I trust this House will vote down this rule and thereby prevent the consideration of this resolution by an overwhelming majority. [Applause.]

Mr. COCHRAN of Missouri. Mr. Speaker, if the arguments of the gentleman from New York [Mr. SIROVICH] are sound, this House should investigate every industry and corporation [applause] where the people of this country have lost money as the result of the purchase of stocks and bonds. Why stop with the motion-picture industry? I think every man and woman in this House has suffered a jolt in their bank account for the last few years as a result of the purchase of stocks and bonds.

The gentleman from Illinois [Mr. SABATH] stated that an investigation will disclose that there has been an evasion of the income-tax laws. I want to remind the gentleman—for I am sure he knows it—there is an outstanding investigation bureau of the Government in the Bureau of Internal Revenue, the intelligence unit; it cleaned up his own city when his police department could not do it. If he has any evidence that the people engaged in this business have evaded their income-tax returns or made improper returns, the head of the unit, Mr. Elmer Irely, will put the people responsible in a safe place in Atlanta, where he put Chicago's leading citizen. [Laughter.]

I have been attempting on this floor to get an adequate appropriation for the investigation of corporate practices—not only the motion-picture industry but all industries, by the Federal Trade Commission, and you have repeatedly refused to appropriate the money. The Commission desires to carry on such an investigation. It is equipped to do it.

I went to the Federal Trade Commission and asked the officials of the economic division what this proposed investigation of the motion-picture industry would cost, and the answer was, a tremendous sum. I could not get them to set the figures. I said, "Would it cost \$250,000?" and they said my estimate was probably too low, if the entire industry was to be investigated.

Mr. SABATH. I want to say to the gentleman that the Committee on Accounts has full jurisdiction, and they can say how much shall be expended. They set the figure at twenty to twenty-five thousand dollars.

Mr. COCHRAN of Missouri. I am a member of the Committee on Accounts. If the House passes the resolution, you will say it is a mandate for us to provide all the money needed. The Federal Trade Commission said it would cost more than \$250,000 to carry out a real investigation under this resolution. We would be required to appropriate funds to complete the investigation. Twenty-five thousand dollars would not be a drop in the bucket.

Mr. Speaker, the gentleman from New York, the author of the resolution, said the independent operators—18,000—favored his resolution. I challenge that statement, because I have evidence that he is not properly advised as to the attitude of the operators in my section of the country. I submit my proof. Here is what 500 owners from Missouri and eastern and southern Illinois have to say:

St. Louis, Mo., April 25, 1933.

Representative JOHN J. COCHRAN,

House of Representatives, Washington, D.C.

HONORABLE CONGRESSMAN: At a meeting held on Monday, April 24, this organization, consisting of over 500 theaters throughout the State of Missouri, wishes to protest against House Resolution No. 95, offered by Congressman SIROVICH, of New York, for the investigation of all branches of the film industry.

Passage of such an enactment at this time would be most destructive to the slowly awakening morale of our industry, and we deem it unwise and undeserved publicity, and we strongly urge you to use your good offices to defeat same.

Very truly yours,

FRED WEHRENBURG,

President Motion Picture Theater Owners of St. Louis,
Eastern Missouri, and Southern Illinois.

[Applause.]

Mr. Speaker, I have letters from the receivers of the large motion-picture houses in St. Louis, and we have some of the finest in the country, all in the hands of receivers. The receivers are lawyers and bankers. They were required to take over the theaters. They appeal for the defeat of the resolution. Mr. Clarence M. Turley, operating three large houses for a receiver says:

Steps are being taken in all directions to put this business on a sound, sensible basis, and the only accomplishment the Sirovich resolution would be is a hampering of strenuous efforts on the part of the people interested to straighten out their affairs, and would result in the expenditure of large sums by the Government and likewise large sums on the part of the representatives of the industry who are today extremely busy trying to salvage the same and put it on a sound basis.

What the author of the resolution complained of is water over the dam. Let him take his complaint to the Federal Trade Commission. If he presents the complaint in proper form and abides by the procedure, his complaint will receive attention. If he has evidence of law violation, let him give it to the Attorney General. The gentleman knows we now have a new and a real Attorney General. Take your evidence of income-tax evasions to Elmer Irely, of the Bureau of Internal Revenue. He will get results if you give him the proper lead. The Government agencies are set up to do what he wants if he can present a cause of action. This is not a matter for the House of Representatives, but belongs to the executive branch of the Government.

Mr. SIROVICH. That is one of the subsidized organizations paid for by these big fellows.

The SPEAKER. The time of the gentleman from Missouri has expired.

Mr. RANSLEY. Mr. Speaker, I yield 4 minutes to the gentleman from Texas [Mr. BLANTON].

Mr. BLANTON. Mr. Speaker, for nearly a score of years I have been the personal friend of our good colleague, ADOLPH SABATH, of Illinois. I have deep affection for him. For almost as long I have been the personal friend of our distinguished and talented colleague from New York, Dr. SIROVICH, ever since he came to Congress. Hence, it is very evident that when I oppose their resolution, it is with sincere regret that I cannot vote with them.

This measure proposed by them is a most unwise one. When the Committee on Rules favorably reported this Sirovich resolution (H.Res. 95) to the House, I convinced both the Parliamentarian and the Speaker that it was subject to a point of order, because it created a charge upon the Treasury, and the Rules Committee did not have the jurisdiction to report such a bill. When its proponents learned that it would be stopped by a point of order, they then got the committee to report this special rule making it impervious to points of order. Therefore it is necessary for us to vote down this rule in order to stop the passage of this measure.

Some of you who were then present on that day will remember that I took this floor on April 12, 1933, and warned

you against this resolution. I then called attention to the fact that by its terms, wholly unlimited and unrestricted, it would permit this proposed committee, or any subcommittee thereof, to sit anywhere at any time. It could sit in New York, or Chicago, or St. Louis, or Abilene, or California, or Seattle, or Alaska, or in the Philippines, or in England, France, Italy, Germany, Asia, Africa, or South America. The committee was to be controlled only by its own wish and will. And I then called attention to the wasteful, extravagant, ridiculous powers given this committee by section 4, to wit:

SEC. 4. The committee is authorized and empowered to employ such legal counsel, technical or other counsel; auditors, clerical, stenographic, and other assistants; to make such expenditures, including expenditures for actual travel and subsistence of members and employees, and for such other and further expenditures as are necessary for the efficient execution of its functions under this resolution, including transcription, printing, and binding of data and reports.

I then called attention, Mr. Speaker, to the fact that under said section 4 this committee could employ as many high-priced New York lawyers as it saw fit and could pay them tremendous salaries; that it could employ numberless technical advisers at huge salaries; that it could employ as many clerks, stenographers, and assistants as it saw fit and itself fix their salaries; and that this committee could spend just as much as it pleased for traveling expenses and subsistence for its members and employees, wholly without limit. And I then urged all of you colleagues then present to be on the watch for this resolution and to be here to help us kill it.

Several have indicated that it could cost \$200,000 or \$250,000. Why, if this committee saw fit to incur the obligations authorized by this House Resolution 95, it could cost \$500,000 or more. When a committee of Congress is authorized by such a resolution to incur obligations and it does incur them, they have to be paid, and they will be paid. We all realize that. If the committee under this House Resolution 95 saw fit to employ lawyers and agreed to pay them a fee of \$25,000 each, we all know that we would deem it a moral obligation, and we would have to provide the money to pay it. You will find my speech against this resolution on page 1596 of the RECORD for April 12, 1933.

We older Members here well remember that the Graham of Illinois smelling committee cost us nearly \$100,000, that the Joe Walsh committee that lived in special Pullmans with palatial diners attached for so long on the Pacific coast cost thousands upon thousands of dollars, that the special coal committee cost first \$400,000 and then an additional \$400,000, and that the initial cost of the Wickersham committee was \$500,000. I was against all of them. None of them accomplished anything worth while. The huge sums of tax money spent by all of them were wasted. It is time to stop such waste. It is time to stop these expensive junkets. I am going to fight them until we stop them. Our good friend from New York, Dr. SIROVICH, ought to be satisfied with the last trip he took to Europe that was paid for by Congress out of the Public Treasury. He ought not to ask Congress to provide another, especially one on such an extensive scale as this resolution authorizes. His last interesting junket to Europe ought to last him for a while. I have been here since the War Congress met in April 1917, and I have never even been to Panama. I have never yet taken any kind of a junket anywhere on Government expense. I have been all over the United States many times checking up Government business, but I have always paid out of my own pocket. It has not cost the taxpayers anything.

I want to talk to my good friend ADOLPH SABATH about his so-called "lobbying." This morning there came to every one of the 435 Members of this House that voluminous book by Upton Sinclair. Is that lobbying? That is the most expensive lobbying that I have ever seen.

I am for breaking up these picture-show monopolies and all other kind of monopolies. I am for passing whatever legislation that will stop them. But this junket resolution will not stop them. They will go on and on, even after we pass it. What more information do you want, Doctor, than

you recited and placed in the RECORD here a few minutes ago? You have that information already. You say it is all authentic. Then why do not you make use of it? It certainly is all-sufficient. Why do not you bring on this floor proper legislation that will put these crooks, as you call them, out of business?

Mr. SIROVICH. Mr. Speaker, will the gentleman yield?

Mr. BLANTON. No; I regret that I have not the time. Otherwise I would gladly yield. The Doctor said everything he charged against them was a fact. If that is so, he has enough facts, and why does he not bring in legislation to stop that great combine? Why does the gentleman not bring in legislation that will break up this monopoly?

Mr. SIROVICH. It is people like my friend from Texas who stop it.

Mr. BLANTON. No; I never stop salutary measures. I stop only the unwise wasteful ones. Gentlemen will remember what I told our friend, the gentleman from Missouri [Mr. SHANNON], when he was asking you to give him that money for his investigation. I said, "Mr. SHANNON, you know, and we already know, every fact that you are going to develop; and after you investigate, after you travel all over the United States, after you spend the \$13,500 of the people's money, you will not know any more than we know already, and you will not do a thing as a result of the spending of that money that accomplishes anything worth while."

If you will look on page 11680 of the RECORD for May 31, 1932, you will see where I predicted truthfully and reliably that Brother SHANNON would spend his thousands without accomplishing anything, which he did do as I predicted, to wit:

Mr. BLANTON. Mr. Speaker, if the gentleman from Missouri [Mr. SHANNON] or the Committee on Rules will present a resolution to stop the sale of these goods by the Government in Army commissaries and Navy stores I shall vote to stop it without hesitation, but I cannot support a resolution of this kind that will only waste money and do a futile thing. If they get any information, they will not have any more than we already have. We know that this is being done. What is the use of spending money to ascertain what we know already? This committee, or any member of it as a subcommittee, can travel all over the United States from Maine to Seattle and Florida and you will have to pay the bill. I am not in favor of it. You have to pay the expenses of it. You are authorizing them to incur expenses here, and you are going to have to appropriate the money to pay for it. I am not in favor of it. It is doing a foolish thing. Why do they not bring in a resolution and stop this now? We know that these commissaries and naval stores are selling these things all of the time and that they have been doing it.

You will remember that the Shannon committee first spent \$10,000, and then it came back to Congress and got \$3,500 more, making in all \$13,500. And not one thing did it accomplish worth while. We older Members here knew before he investigated all of the facts that he developed on his investigation. The people's money has been spent and is gone. And now it is proposed here that we pass this resolution under which \$500,000 could be spent, and in his speech this morning Dr. SIROVICH showed very ably and adeptly that he already knows every fact and circumstance about these crooks and manipulators, as he calls them, that he could hope to develop by any investigation. And after the Doctor and his expert committee junkets all over the United States, and possibly all over Europe, and has spent huge sums of money and has paid out of the Treasury all of the salaries, traveling expenses, and subsistence of his lawyers, his expert advisers, his clerks, stenographers, and assistants, he will not know any more about all this crookedness he has depicted than he knows so intimately right now, and he will not accomplish a single thing. He will not bring us back a fact that he does not have now. He will not produce a thing of value, and that is the reason I am against it. Otherwise I would be for it.

This is not the only proposed junket that is pending on the calendar. There are others. There is one proposing to spend \$48,500 on a junket to Rome, Italy. It is House Joint Resolution No. 149, which the Committee on Foreign Affairs has favorably reported, and it is now on the calendar, subject to be called up at any time. And the worst of it all is that it proposes to spend this \$48,500 in the name of the

farmers. It recites that it is to enable us to participate in the "International Institute of Agriculture at Rome, Italy." The farmers of the United States are not interested in any junkets to Rome, Italy. They want us to stop useless and wasteful expenditures and get our Nation back on a sound financial basis. So let us kill this rule and stop this Sirovich junket, and then let us watch for and kill this Rome junket. And when we do it both Brother SABATH and Dr. SIROVICH will think more of us for doing it. For when they reflect they will know that we have done our duty.

Mr. SABATH. Mr. Speaker, I yield 1 minute to the gentleman from Massachusetts [Mr. CONNERY].

Mr. CONNERY. Mr. Speaker, I regret that I have not more time than 1 minute to talk on this resolution, but I speak from personal experience, having run a theater of my own. In this 1 minute let me say that I am heartily in favor of this resolution of Dr. SIROVICH. The Actors' Equity Union, which is the actors' union of the theatrical profession as well as the union of the screen actors, is in favor of this resolution. The Federation of Labor, the workers in the picture industry, are in favor of the resolution, because it will show up to the American people the rottenness of some of the working conditions of that industry and will show what they are doing to labor, to their actors and actresses, and to the American people with their stock manipulations. I hope the resolution will pass. [Applause.]

Mr. RANSLEY. Mr. Speaker, I yield 4 minutes to the gentleman from Georgia [Mr. COX].

Mr. COX. Mr. Speaker, I have no particular objection to the adoption of the pending resolution. I am prepared to agree with the proponents of the measure that the moving-picture business is probably the rottenest industry in the country; that it has done more to corrupt public morals and to bring about a general disrespect for authority than all other influences combined; but this is what I want to say: The transactions that it is proposed that Congress shall investigate are properly the subject matter of judicial determination. There is nothing that the committee could disclose that would prove fruitful other than affording a basis for legislation for the control of the issuance and sale of stocks. There has just been passed by this House a blue sky law to take care of the conditions which it is insisted exist in the picture-show industry.

Mr. SABATH. Mr. Speaker, will the gentleman yield?

Mr. COX. Yes.

Mr. SABATH. That law applies only to new corporations that will be formed from now on and not to the old manipulations and thievery that has been going on.

Mr. COX. Let me say this to you gentlemen, that unless this House is prepared to authorize an expenditure of at least a quarter of a million dollars, any investigation that such a committee as you are invited to set up would prove absolutely worthless.

Mr. SCHULTE. Will the gentleman yield for a question?

Mr. COX. With pleasure.

Mr. SCHULTE. The gentleman has just made the statement that it would cost a quarter of a million dollars, and I take it that figure was given to him by some gentleman, to make this investigation. Is the moving-picture business that rank and rotten that it will cost a quarter of a million dollars to investigate it? [Applause.]

Mr. COX. The investigation, in order to amount to anything, must take a wide scope, and it is not the sort of matter that you could go to New York and sit down in an office and have a hearing in a week or 2 weeks, but it will take you all over the country and into all of the different operations of the industry.

Mr. KRAMER. Will the gentleman yield?

Mr. COX. Yes; I yield.

Mr. KRAMER. Does the gentleman know that this investigation would make the never-to-be-forgotten Teapot Dome oil scandal look like a backyard chicken-stealing?

Mr. COX. Oh, I know it is insisted the investigation will disclose that parties in control of the moving-picture business have been guilty of most scandalous practices, but are

we not prepared to accept that as a fact already? Suppose everything that is said by those advocating the adoption of the rule is true, then what of it?

What you are after is the curing of the evil that is complained of. What you must have is legislation. What facts can be disclosed by an investigation that will enable you to do more than you have already done or can do upon the basis of the facts in hand?

The SPEAKER. The time of the gentleman from Georgia [Mr. COX] has expired.

Mr. SABATH. Mr. Speaker, I yield 2 minutes to the gentleman from Mississippi [Mr. BUSBY].

Mr. BUSBY. Mr. Speaker, ordinarily I would not have anything to say on this question. I served for some years on the Committee on Patents and Copyrights, and would have been chairman of that committee if I had not gone to another committee. There seems to be a peculiar silent interest in opposition to this particular proposition. The resolution is being sternly opposed. I understood at one time what caused that particular type of interest. When I took this floor opposing a bill presented by the gentleman from Texas [Mr. LANHAM] and the late lamented Mr. Vestal on June 28, 1930, when there was not another Member of the House who was willing to take the floor opposed to that bill, I pointed to gentlemen who were sitting in the executive gallery at that time, and on that occasion I said:

Sitting in the gallery to the right are counsel of the lobbyists for this bill, some of whom I am informed are receiving as much as \$100,000 a year from monopolies they have organized to put over this legislation. There is no doubt about it. They do not deny it.

They did not stay there long but soon left the gallery. We whipped that type of interest that is down here today in opposition to this resolution [applause], and we ran them out, because they were wrong, and they were representing not the people but they were representing the type of interest that ought not show its head in these legislative Halls. We whipped them by exposing them, and if we had the time here today to expose them again, we would whip them, notwithstanding the gentlemen from Texas, Mr. BLANTON or Mr. LANHAM. And I might tell you that Mr. LANHAM went on that junket trip to Europe he spoke of a moment ago in referring to the gentleman from New York [Mr. SIROVICH] and had his expenses paid by the Government, but he did not tell you that. [Laughter and applause.]

Mr. LANHAM. Will the gentleman yield?

Mr. BUSBY. I do not have time to yield.

Now, I have no interest in the world in this matter, but I know their game; and if you knew their game you would vote for this resolution. You would not sidetrack it and pocket it down in the Department of Justice or the Federal Trade Commission or some other department that might be controlled by these big-salaried interests. [Applause.]

The SPEAKER. The time of the gentleman from Mississippi [Mr. BUSBY] has expired.

Mr. RANSLEY. Mr. Speaker, I yield 3 minutes, the balance of my time, to the gentleman from Pennsylvania [Mr. RICH].

Mr. RICH. Mr. Speaker and Members of the House, I have been very much interested during the discussion of this rule in regard to the remarks that have been made with reference to our colleague from New York [Mr. SIROVICH]. I want to say in reference to our colleague from New York that I have sat with him on the Committee on Patents and Copyrights during the last session of Congress for a month or 6 weeks, and I have learned to know that my colleague, Dr. SIROVICH, in the work he is trying to do is honest and sincere. I believe absolutely that the gentleman has something and knows something that will be vital to the interests and welfare of the American people. I think the remarks that have been made about him in the Halls of Congress today are not the kind of remarks we should make with reference to a colleague, because I believe if a proper investigation of this organization were made, such as we are discussing at this time, we would have revelations of unethical

business methods that would make some of the other investigations very small in the estimation of Members of Congress.

I think the amount to be spent should be limited to \$20,000. I think it will prove to be money well spent by the Congress of the United States. It will bring facts to the attention of various departments of the Government upon which they can take proper action.

I believe, however, the Members appointed to this committee should be charged by the Speaker of the House to serve diligently, because there is no reason for a Member to be put on a committee if he is not going to give his time and attention to the work.

As I say, I believe this will prove to be money well expended, and I hope the House will give consideration to this resolution, at least enough consideration to grant the rule that the Members may have a chance to discuss it on the floor. We have been prohibited from doing too many constructive things—I mean real action and constructive legislation.

Mr. CLARKE of New York. Mr. Speaker, will the gentleman yield?

Mr. RICH. Mr. Speaker, I believe there is a great lobby here. I think it should be exposed, and feel that in exposing it we will be doing a lot of good to the American people.

I now yield to the gentleman from New York.

Mr. CLARKE of New York. The gentleman himself has been on one of these investigating committees, the chairman of which was the gentleman from Missouri [Mr. SHANNON]. What has that committee accomplished except to spend a lot of money?

Mr. RICH. Committees cannot get legislation out on the floor unless it has been authorized by the President of the United States, nor will they be able to during this session of Congress. The Shannon committee has accomplished a great deal, and the members of the committee will do still greater service for the \$13,500 expended, and if its creation has not and will not save the Government millions of dollars, then I should say it was not justifiable. It will save to the American taxpayer \$100,000 for every dollar spent.

[Here the gavel fell.]

Mr. SABATH. Mr. Speaker, I yield the balance of my time to the gentleman from New York [Mr. O'CONNOR].

Mr. O'CONNOR. Mr. Speaker, there is an effort here apparently to defeat this measure first by disorder and secondly by ridicule.

I charge, and I shall be glad to support an investigation to prove my charges, that there is now lobbying on the floor of the House not only by ex-Members of Congress but by employees of the House. [Applause.]

I voted for this resolution in the Rules Committee. I am ready to stand by my friend from New York, Dr. SIROVICH, and I was shocked to hear that distinguished gentleman from Texas [Mr. LANHAM], who, too, has enjoyed junkets, using ridicule against such a distinguished Member of our body as the gentleman from New York [Mr. SIROVICH]. [Applause.]

We have seen this lobby working.

Mr. PARKS. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. I cannot yield; my time is too limited.

Mr. PARKS. The gentleman has made serious charges against ex-Members of Congress and employees of the House.

Mr. MOREHEAD. Will not the gentleman name them?

Mr. O'CONNOR. We have seen headlines in the magazines. This is a contest between a lobby and a committee of the House. We voted out the second rule because the challenge was given to the Rules Committee as to whether it is bigger than this lobby.

This threat was made to us.

I was not present when the first resolution came up; but, when this threat was made that a lobby would thwart the will of a committee of the House of Representatives, the Rules Committee voted out this rule we are now considering.

I think everybody who believes in the integrity of this House will vote to adopt this rule. [Applause.]

[Here the gavel fell.]

Mr. SABATH. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the resolution.

Mr. WARREN. Mr. Speaker, on that I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 115, nays 227, answered "present" 6, not voting 83, as follows:

[Roll No. 40]

YEAS—115

Allgood	De Priest	Kelly, Pa.	Pierce
Andrews, N.Y.	Dickinson	Kenney	Pou
Arens	Dingell	Kopplemann	Ramsay
Ayers, Mont.	Dirksen	Kramer	Rich
Beam	Doughton	Lehr	Sabath
Beedy	Dowell	Lemke	Schulte
Beiter	Duncan, Mo.	Lesinski	Shoemaker
Berlin	Dunn	Lloyd	Simpson
Biermann	Durgan, Ind.	Lozier	Sinclair
Boileau	Elcher	Lundeen	Sirovich
Boland	Faddis	McGrath	Sisson
Brennan	Fitzpatrick	McGugin	Snyder
Brown, Ky.	Fuller	McKeown	Steagall
Brown, Mich.	Gilchrist	McMillan	Sutphin
Burke, Calif.	Goodwin	Maloney, Conn.	Swank
Busby	Granfield	Martin, Colo.	Taylor, S.C.
Byrns	Griffin	Martin, Oreg.	Thom
Cady	Hancock, N.C.	Mead	Thurston
Cannon, Mo.	Healey	Monaghan	Truax
Carpenter, Nebr.	Hildebrandt	Muldowney	Wearin
Chase	Hill, Ala.	Nesbit	Weideman
Church	Hill, Samuel B.	Norton	Werner
Condon	Hughes	O'Connell	West, Ohio
Connery	Jacobsen	O'Connor	White
Connolly	Jenckes	O'Malley	Willford
Corning	Johnson, Minn.	Oliver, N.Y.	Withrow
Crowe	Kee	Parsons	Wood, Mo.
Crowther	Keller	Peavey	Zioncheck
Cummings	Kelly, Ill.	Perkins	

NAYS—227

Adair	Dear	Imhoff	Peyser
Allen	Deen	Jenkins	Polk
Andrew, Mass.	Delaney	Johnson, Okla.	Powers
Arnold	DeRouen	Johnson, Tex.	Prall
Ayres, Kans.	Dies	Johnson, W.Va.	Ramspeck
Bacharach	Disney	Jones	Randolph
Bacon	Ditter	Kahn	Rankin
Bailey	Dobbins	Kennedy, Md.	Ransley
Bakewell	Dockweiler	Kerr	Rayburn
Black	Dondero	Kinzer	Reece
Blanchard	Douglass	Kieberg	Richards
Bland	Doxey	Kloeb	Richardson
Blanton	Drewry	Kniffin	Robertson
Bloom	Eagle	Knutson	Robinson
Bolton	Eaton	Kociakowski	Rogers, Mass.
Boylan	Edmonds	Kvale	Rogers, N.H.
Britten	Ellzey, Miss.	Lambertson	Rogers, Okla.
Brumm	Elitze, Calif.	Lambeth	Rudd
Brunner	Englebright	Lanham	Ruffin
Buchanan	Evans	Larrabee	Sadowski
Buck	Farley	Lindsay	Sanders
Bulwinkle	Fernandez	Luce	Sandlin
Burch	Fitzgibbons	Ludlow	Schaefer
Burke, Nebr.	Flannagan	McClintic	Schuetz
Burnham	Fletcher	McCormack	Scrugham
Caldwell	Focht	McFarlane	Sears
Carden	Ford	McLean	Secrest
Carley	Foss	McReynolds	Shallenberger
Carpenter, Kans.	Gambrill	Major	Smith, Wash.
Carter, Wyo.	Gasque	Mansfield	Spence
Cartwright	Gavagan	Mapes	Stalker
Cary	Gibson	Marland	Strong, Tex.
Castellow	Gillespie	May	Stubbs
Cavicchia	Gillette	Merritt	Sweeney
Chapman	Glover	Millard	Swick
Christianson	Goldsborough	Miller	Taber
Clark, N.C.	Gray	Milligan	Tarver
Clarke, N.Y.	Green	Mitchell	Taylor, Colo.
Cochran, Mo.	Gregory	Moran	Taylor, Tenn.
Cochran, Pa.	Guy	Morehead	Terrell
Coffin	Hamilton	Mott	Thomason, Tex.
Colden	Hancock, N.Y.	Murdock	Thompson, Ill.
Cole	Harter	Musselwhite	Tinkham
Collins, Calif.	Hastings	O'Brien	Tobey
Collins, Miss.	Henney	Oliver, Ala.	Traeger
Colmer	Hess	Owen	Turner
Cooper, Tenn.	Hill, Knute	Palmisano	Turpin
Crosby	Hollister	Parker, Ga.	Umstead
Cross	Holmes	Parker, N.Y.	Utterback
Culkin	Hooper	Parks	Vinson, Ga.
Cullen	Hope	Patman	Vinson, Ky.
Darden	Howard	Peterson	Wallgren
Darrow	Huddleston	Pettengill	Walter

Warren	Whitley	Wilson	Woodruff
Weaver	Whittington	Wolcott	Woodrum
Welch	Wigglesworth	Wolfenden	Young
West, Tex.	Wilcox	Wood, Ga.	

ANSWERED "PRESENT"—6

Adams	Cox	Martin, Mass.	Wolverton
Celler	Hart		

NOT VOTING—83

Abernethy	Duffey	Kurtz	Reid, Ill.
Almon	Fiesinger	Lamneck	Reilly
Auf der Heide	Fish	Lanzetta	Romjue
Bankhead	Foulkes	Lea, Calif.	Seger
Beck	Frear	Lee, Mo.	Shannon
Boehne	Fulmer	Lehlbach	Smith, Va.
Brand	Gifford	Lewis, Colo.	Smith, W. Va.
Brooks	Goss	Lewis, Md.	Snell
Browning	Greenwood	McCarthy	Somers, N.Y.
Buckbee	Griswold	McDuffie	Stokes
Cannon, Wis.	Haines	McFadden	Strong, Pa.
Carter, Calif.	Harlan	McLeod	Studley
Chavez	Hartley	McSwain	Sullivan
Claiborne	Higgins	Maloney, La.	Summers, Tex.
Cooper, Ohio	Hoepfel	Marshall	Treadway
Cravens	Hoidale	Meeks	Underwood
Crosser	Hornor	Montague	Wadsworth
Crump	James	Montet	Waldron
Dickstein	Jeffers	Moynihan	Watson
Doutrich	Kemp	Ragon	Williams
Driver	Kennedy, N.Y.	Reed, N.Y.	

So the resolution was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Martin of Massachusetts (for) with Mr. Snell (against).
 Mrs. McCarthy (for) with Mr. Treadway (against).
 Mr. Cravens (for) with Mr. Beck (against).
 Mr. Frear (for) with Mr. McDuffie (against).
 Mr. Goss (for) with Mr. Watson (against).

Until further notice:

Mr. Bankhead with Mr. Wadsworth.
 Mr. Abernethy with Mr. Marshall.
 Mr. Underwood with Mr. Kurtz.
 Mr. Lanzetta with Mr. Cooper of Ohio.
 Mr. Crosser with Mr. Doutrich.
 Mr. Boehne with Mr. Buckbee.
 Mr. Claiborne with Mr. Fish.
 Mr. Driver with Mr. McFadden.
 Mr. Sullivan with Mr. Seger.
 Mr. Maloney of Louisiana with Mr. Waldron.
 Mr. Crump with Mr. Higgins.
 Mr. Lewis of Maryland with Mr. Gifford.
 Mr. Dickstein with Mr. James.
 Mr. Summers of Texas with Mr. Reed of New York.
 Mr. Ragon with Mr. Strong of Pennsylvania.
 Mr. Lamneck with Mr. Moynihan.
 Mr. Chavez with Mr. Hartley.
 Mr. Greenwood with Mr. Lehlbach.
 Mr. Kennedy of New York with Mr. McLeod.
 Mr. McSwain with Mr. Reid of Illinois.
 Mr. Almon with Mr. Stokes.
 Mr. Harlan with Mr. Lee of Missouri.
 Mr. Auf der Heide with Mr. Cannon of Wisconsin.
 Mr. Williams with Mr. Meeks.
 Mr. Griswold with Mr. Duffey.
 Mr. Fiesinger with Mr. Hoepfel.
 Mr. Smith of Virginia with Mr. Foulkes.
 Mr. Haines with Mr. Hoidale.
 Mr. Montet with Mr. Brooks.
 Mr. Kemp with Mr. Hornor.
 Mr. Fulmer with Mr. Romjue.
 Mr. Reilly with Mr. Shannon.
 Mr. Smith of West Virginia with Mr. Brand.
 Mr. Browning with Mr. Montague.
 Mr. Somers of New York with Mr. Jeffers.
 Mr. Lea of California with Mr. Lewis of Colorado.

Mr. MARTIN of Massachusetts. Mr. Speaker, on this roll call I voted "aye." I have a pair with the gentleman from New York, Mr. SNELL. If he were present, he would vote "no." I therefore withdraw my vote of "aye" and answer present.

The result of the vote was announced as above recorded.

On motion of Mr. WARREN and Mr. BLANTON, a motion to reconsider the vote by which the resolution was rejected, was laid on the table.

Mr. WARREN. Mr. Speaker, I ask unanimous consent that House resolution (H.Res. 95) be laid on the table.

Mr. O'CONNOR. Mr. Speaker, I object.

Mr. CLARKE of New York. Mr. Speaker, during the roll call on the independent offices bill I was meeting with the National Forest Conservation Commission. Had I been here I would have voted "no."

A PRIZE TRIBUTE TO MOTHER

Mr. CELLER. Mr. Speaker, I ask unanimous consent that our colleague, the gentleman from New York [Mr.

CULLEN], may extend his remarks in the RECORD by inserting therein a brief statement of one of his constituents on Mother's Day.

The SPEAKER. Is there objection?

There was no objection.

Mr. CULLEN. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following article containing the prize-winning essay of Esther Elwofsky, of Brooklyn, N.Y., winning the prize awarded by the Mother's Day Committee of the Golden Rule Foundation:

Youngest of a family of seven girls and a boy, younger than most of her classmates, and an honor student, 14-year-old Esther Elwofsky achieves a new distinction. And that by putting down in a few simple words all that she feels for her mother.

Esther is a Brooklyn high school girl, the daughter of Mrs. Pauline Elwofsky. With more than 600 other children she participated in a Nation-wide contest for prizes awarded by the Mother's Day committee of the Golden Rule Foundation. The children's tokens consist of prose, poetry, and song. Esther's is in prose, in just four paragraphs, in which she compresses all that others have taken volumes to express. Her tribute won the first prize, \$50, offered by Mrs. Frank Presbrey, vice chairman of the Mother's Day committee. It was presented at the Lincoln Building, headquarters of the foundation, in New York City, by Charles H. Tuttle, acting chairman of the board of trustees of the foundation.

Here is Esther's tribute as it is quoted in the Times:

"MOTHER'S DAY"

"One day in the year set aside for mothers—how strange a custom! Like setting one day aside to grasp the beauty of the sun, the moon, the stars—all the lovely, natural things that bring warmth, light, comfort.

"Many times I have longed to set my thoughts down upon paper. Not in the flowery language of greeting cards but in the simple language of love. I write the words, 'Dear Mother'—lovely tender words—and grow silent beneath the weight of thoughts and memories that, lying buried like precious jewels beneath the dust of years, arise clear and glowing in my mind.

"Impossible to describe the homely beauty of these thoughts: Warm kitchen filled with the scent of bread; sunlight dappling a clean white cloth, touching the rosy apples in their copper bowl; tender memories of loving acts and dreary tasks done smilingly while the sun shone and the years marched swiftly past, and youth, perhaps secretly mourned, passed with it.

"How describe the broad, deep-bosomed earth, symbol of maternity—awakening in the spring of the year, lying fruitful beneath the summer sun, resting from its labors in the autumn and dreaming peacefully wrapt in snowy mantle? Dwelling upon these thoughts, we hear borne strong on the wind the galloping hoofs of Time astride the ceaseless cycles of the years, drawing nearer and nearer. Then caught by a vague fear, we say or we think or we write, 'Dear Mother'."

HOUSE RESOLUTION 121

Mr. BEAM. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on House Resolution 121.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. BEAM. Mr. Speaker, I am supporting this resolution for the reason I believe the welfare of the industry and the security of the public demand such a congressional investigation as herein proposed. Of all industries not classed as public utilities or of a strictly governmental nature, none exercises a greater influence or has a more drastic effect upon the minds and hearts of our people than does the motion-picture industry in the United States.

It has in its power the instrumentality of appealing to the sentiments of our nature. It has the means of molding public opinion by the tremendous influence it exerts upon the people of our country. By dramatizing events, imprints are left upon the public minds; whether these impressions are for good or evil is determined largely upon the end they desire to attain.

Throughout the Nation a cry has arisen for a congressional investigation of this great industry, and only a congressional committee has the power to undertake such a far-reaching task as an undertaking of this kind will entail.

I am not concerned here with the class or character of entertainment which is produced. This is the responsibility of our municipal and State censor bureaus chiefly; but I am concerned, and so is every Member of this House, in what has become of the hundreds of millions of dollars of worthless stocks and securities which have been fed through this

great instrumentality of conviction and persuasion—"the screen"—to an unsuspecting and trusting public.

I am interested to disclose why a few men in this industry receive such unwarranted and fabulous salaries, ranging from \$150,000 to \$800,000 annually, in addition to having various forms of gratuities voted to themselves, to the detriment of hundreds of thousands of investors of their worthless securities.

I am concerned in bringing to the forefront that system of high finance which has existed for a great number of years between certain banking institutions of the United States and a few of these men who control the motion-picture industry in this country.

I believe the Membership of this House and the people of the United States should know by what means and for what particular purposes these interorganizations and intercorporations or subsidiary corporations, such as the Paramount-Publix Corporation; Paramount Pictures Corporation; Paramount Distributing Corporation; Paramount Pictures Distributing Co., Inc.; and the Paramount International Corporation, are formulated. I am anxious to have the searchlight of truth disclose some of the workings of these interlocking corporations to bring to light the alliance between the promotional schemes and the banking cooperation which they receive.

I want to know whether the antitrust laws of the United States have been violated by the practices in which they have heretofore engaged and indulged and if that same cloak of immunity which has assiduously guarded their activities during the last 10 years is still present and strong enough to prevent the searchlight of truth to pierce its sacred precincts.

I believe the Membership of this House and the people of the United States should have some information as to the inner workings of an industry which so vitally effects and influences our industrial and cultural life.

I want to ascertain some of the methods employed by this so-called "all-powerful trust." The receipts from the showing of motion pictures, I am advised, approximate \$1,600,000 a day, or approximately \$600,000,000 a year. I believe we are interested in finding out what becomes of this enormous intake of money, as only dribbles reach the bondholders and stockholders of motion-picture corporations and the rank and file of American citizens, who provide the actual cash for the operation of the industry.

I believe it is highly significant for us to ascertain whether or not there have been any infractions of the antitrust law by the system of block booking or protection in the distribution and exhibition of pictures classed as "features", to the detriment of thousands of independent exhibitors, which this giant monopoly has attempted to crush or destroy, to the detriment of the masses of the people of the United States.

I am of the opinion that the American Congress should know, and through them the citizens of our country should be informed, that that same all-powerful influence has successfully thwarted and stifled any attempt to investigate the motion-picture industry for the last 10 years. I, for one, want to know if that cloak of immunity from any congressional inquisition is still existing, is still an integral part of this Government, and under that mantle of defiance and security can still persist in their nefarious practices, which have brought ruin to so many of the citizens of our country.

Members of the House, this resolution should be passed unanimously. The mandate should issue from this Chamber that a few motion-picture executives or any combination of men are not powerful or influential enough to prevent the Congress of the United States from turning the searchlight of scrutiny upon their deeds and practices, to the end and to the purpose of safeguarding the citizens of this country and the future welfare and security of this great industry.

Mr. DOXEY. Mr. Speaker, like my friend, the gentleman from New York [Mr. CLARKE], I was meeting with the National Forest Conservation Commission this morning and was unavoidably absent when the vote was taken on the independent offices bill. If I had been present, I would have voted "aye."

EXTRAVAGANCE IN THE PURCHASE OF MOTOR TRUCKS

Mr. MEAD. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on the purchase of trucks by the Post Office Department.

The SPEAKER. Is there objection.

There was no objection.

Mr. MEAD. Mr. Speaker, our Committee on the Post Office and Post Roads, authorized to investigate expenditures of the Post Office Department in accordance with H.Res. 226, considered among other items the purchase of motor trucks for the use of the Post Office Department.

Hearings in this connection were held on Friday, July 8, 1932, at the committee rooms in the House Office Building, and representatives of a number of leading automotive manufacturing concerns presented their views to the committee.

Much of the criticism offered at the hearings by the witnesses was directed against the specification requirements and the general method of procedure adopted by the Department in awarding contracts to the successful bidder. It was pointed out very clearly that the present methods were discriminatory and resulted in increased cost to the Department.

The specifications as prepared prevent the offering of current production trucks and make it incumbent upon the bidding company to design a specially constructed truck, using parts and accessories which in many cases are obsolete and difficult to obtain.

Another complaint registered rather emphatically was to the effect that the bidding companies were given no opportunity whatsoever to prove that their product met with the Department's requirements, and that the elimination of designs which were held to be contrary to the Department's specifications and the award to the successful bidder usually took place at the same time. This procedure limits the number of bidders and gives the unsuccessful concerns no opportunity to prove their claims.

We were informed that considerable saving would result to the Government if all the companies desiring to bid were given a reasonable amount of time to prove that their product met with the Department specifications, and that keeping this information secret until the award was made public was bad business practice.

Information was also given to our committee to the effect that economy would result from the purchase of standard, current-production trucks, parts for which could be made available at lower costs at any time and without the delay which results from the present practice of specifying obsolete or out-of-production parts and accessories.

The procedure practiced by the Department in the past is not in keeping with the provisions of section 3709, Revised Statutes. If this law were followed, it would result in increasing the number of competing bidders and in securing lower cost to the Government.

Probably one of the most important subjects in Government contracting is that concerning section 3709, Revised Statutes, which requires that all purchases and contracts for supplies in any of the departments of the Government, except for personal services and except in cases of emergencies, shall be made after advertising a sufficient time previously respecting same. It has been frequently held by the courts and by the accounting officers of the United States that the provisions of the statute are designed to give all manufacturers, dealers, and so forth, equal right to compete for Government business, secure for the Government the benefits which flow from competition, to prevent unjust favoritism by representatives of the Government in making purchases on public account, and to prevent collusion and fraud in procuring supplies and letting contracts.

During the recent hearings before the committee there was brought to the attention of the committee a situation with reference to the purchase of automobiles by the Post Office Department as well as other departments of the Government, it appearing that the provisions of section 3709, Revised Statutes, had not been complied with in that the specifications were drawn with reference to a particular

make or to contain nonessential details not shown to have anything to do with the needs of the United States and that award was made to other than the lowest bidder without lawful reason therefor.

As an example of the situation prevailing in the Post Office Department, your attention is invited to certain purchases made during the past year. It appears that under date of May 5, 1932, bids were requested by the Post Office Department for the furnishing of 275 trucks of gross-load capacity of not less than 8,000 pounds, opening of May 27, 1932; 160 trucks of gross-load carrying capacity of not less than 12,000 pounds, opening of May 27, 1932; 300 trucks of a gross-load capacity of not less than 5,200 pounds, opening of June 2, 1932.

After the respective bids had been opened, they were referred to a committee of the Post Office Department, which was represented to consist of experts on the purchase of automotive equipment. The several bids were given consideration by the said committee, and as a result thereof recommendations were submitted as to whom the award was to be made, the higher bid being recommended for acceptance in each instance. There was filed in the office of the Comptroller General of the United States some 5 or 6 formal protests with reference to the proposed award; but notwithstanding this and the fact that award had been made to a higher bidder in each instance, the Postmaster General disregarded the advices of the Comptroller General to the effect that the representations made in the respective protests were such that no appropriated moneys were available to make payments pending disposition of the protest, and notwithstanding the fact that the matter was pending before a committee of the Congress, the Postmaster General ordered delivery to be made, and delivery was accepted, thereby obligating the United States to make payment on the basis of a quantum valebat, regardless of the shown irregularities in the rejection of the lower bids.

It was subsequently shown that the specifications were discriminatory and unduly restrictive, permitting only a few preferred competitors to qualify. In fact, one of the largest manufacturers in the United States—General Motors Corporation—could not bid on its standard model but was forced, because of the restrictive features of the specifications, to bid on a model in a higher price range which increased its price to the point where it could not bid competitively. The specifications were shown to be at variance with what the trade considered accepted manufacturing practice, although the operating requirements of the Post Office Department are no severer than ordinary commercial usage; that is transportation of mail in most cases over paved streets and highways. An examination of the specifications disclosed that they were inconsistent and contradictory. Maximum and minimum limitations were placed on engine displacement, which is a physical measurement only and has only a relative bearing on the amount of power the engine will produce.

The specifications covering the chassis frame were highly restrictive, exact dimensions were given covering depth, width, and thickness, with very close maximum and minimum tolerances. This disqualified frames which were actually larger and stronger than the specifications require, and it is singular to note that certain preferred manufacturers produced frames within the dimensional limits so specified. This in spite of the claim made by the Post Office Department that the frame was special to all bidders. The preferred manufacturers could produce frames of the special material called for, utilizing their existing dies, whereas other bidders, including some of the large manufacturers in the United States, were forced to new dies, the cost of which is shown to run into thousands of dollars, thereby preventing competition.

The nature of the unduly restrictive clauses in the specifications accompanying the bids in this instance justifies the conclusion that the Post Office Department was apparently unwilling to accept motor-vehicle designs which represented the opinion of the large majority of automotive engineers. This in spite of the fact that such designs have been ac-

cepted by commercial users at large and by other governmental departments, such as the Navy Department, Forest Service, and so forth, whose requirements in most cases would appear to be far more exacting than the requirements of the Post Office Department.

Your particular attention is invited to the request for bids on the 300 trucks in the 5,200-pound class. In that case the bid of the Studebaker Corporation of America was rejected and the higher bid of the International Harvester Co. was accepted; the principal reason for the rejection of the lower bid being that the steering gear on the truck offered by the Studebaker Co. was not adequate, this notwithstanding the fact that on numerous occasions before award had been made the Studebaker Co. with its resources and 80 years experience guaranteed that the steering gear was adequate and conformed to the specifications and would give bond for the satisfactory performance thereof. As a result of the rejection of the Studebaker Co.'s bid the United States was compelled to pay some \$38,000 more for trucks not shown to be of any better construction or any different from those of the lowest bidder.

In a recent purchase made by the Panama Canal the lower bid was rejected because the trucks so offered by the low bidder did not have pressure-feed lubrication to the piston pins. This notwithstanding the fact that trucks not equipped with pressure-feed lubrication to the piston pins were shown to be in extensive use by various Government departments as well as the District of Columbia and apparently giving satisfaction. The Panama Canal, in justification of its apparent disregard of the provisions of section 3709, Revised Statutes, stated that the trucks were not to be used for ordinary transportation purposes but for the purpose of constructing and repairing overhead and underground transmission lines and over wide areas and through jungles, over rough roads and cut trails where no road exists. It is singular to note, however, that there was nothing in the specifications that advised prospective bidders that the trucks were to be used for other than the ordinary hauling, and there was thus a failure to show such need of the United States and as had been pointed out in decisions of the Comptroller General of the United States that the provisions of section 3709, Revised Statutes, made it an administrative duty to specify the needs to support an expenditure of public moneys. It is not conceivable that the needs of the Panama Canal with respect to a truck differ in any respect from the needs of other departments of the Government who also use trucks in repairing transmission lines, and so forth. Furthermore, it would seem absurd to contend that the conditions under which the trucks were to be used or the areas to be covered are such that only a truck equipped with pressure-feed lubrication to the piston pins will answer the needs.

It is interesting to note in connection with the rejection of the low bidder in this case, Federal Motor Truck Co., offering a truck for the sum of \$1,908.90 meeting the essential requirements of the specifications, but not including pressure-feed lubrication to the piston pins, that at one time the Panama Canal used the specifications of the Federal Motor Truck Co.—the rejected bidder here—as a standard in its advertisement for trucks, and the specifications of the said trucks were incorporated into and made a part of the advertisement for bids; and that a protest was filed with the Comptroller General of the United States by the Autocar Sales & Service Co.—successful bidder here—against the use thereof, and in reporting to the Comptroller General with respect thereto the general purchasing officer of the Panama Canal stated in his letter of February 27, 1926, in part, as follows:

This circular also contained the standard provision hereinbefore quoted on page 2 of this letter, and bids were in fact received from three companies other than the Federal Motor Truck Co., to whom award was made. The specifications of the lower-priced trucks offered varied from the specifications in essential points, and, therefore, were not satisfactory for the service required.

The disinterested effort of the Autocar Sales & Service Co. to improve Government procedure for purchasing motor trucks is duly appreciated, but this office is unable to see wherein the present procedure of the Panama Canal for such purchases is unsound

in business principle or in any way prejudicial to the best interests of the Government.

The Panama Canal was very properly advised by the Comptroller General in his decision of March 9, 1926 (5 Comp. Gen. 712), that the methods must be corrected so that bids be not asked under specifications so drawn as to limit competition.

In a more recent case the Department of the Interior entered into a contract with the Ford Motor Co. in February 1933 for the furnishing of a 2-door 5-passenger automobile, the low bid of the Continental Automobile Co. being rejected because the spare tire was mounted in the rear instead of in a right front fender well as specified. In other words, the low bid conformed in every respect to the advertised specifications except that the spare tire was mounted on the rear instead of the right front fender well. I assume that it would not be seriously contended by anyone that an automobile conforming in every respect to the advertised specifications except location of spare tire would not answer the needs of the United States for ordinary transportation purposes. The procedure followed in this case justifies but one conclusion, and that is the desire of the contracting officer to purchase a particular make regardless of automobiles offered by others and at a lower price and conforming to the essential requirements of the specifications.

There was at one time a tendency on the part of the various establishments of the Government to standardize on automotive equipment, particularly the War Department. Originally the War Department stated that the Dodge automobile would best meet the needs of the service, and it was adopted as the standard and approved type of motor vehicle for the Army, and purchases were made accordingly for the fiscal year 1925. Next year the Chevrolet was adopted by the War Department as the only automobile that would satisfactorily meet its need. Recommendation was also made by the War Department for the purchase of a Willys-Knight car, with the result that we find the War Department urging standardization of a particular make of car because of military necessity and at the same time either purchasing or recommending the purchase of different makes—Dodge, Chevrolet, and Willys-Knight cars—and to add to this confusion of standardization the War Department subsequently purchased a Chrysler touring car and Chrysler sedan and more recently Ford cars. I am informed, however, that this situation has been somewhat corrected, and there is not the desire, or at least the War Department is not known to be now attempting, to standardize on one particular make of automobile.

In connection with the drawing of the specifications to accompany the request for bids the Comptroller General of the United States has on numerous occasions stated clearly and concisely the conditions that should govern the substance, being that under existing laws governing purchase of equipment for the Government the controlling element is the job to be done, the work necessary to be accomplished. The request for bids must fairly reflect the needs through specifications or otherwise, and the equipment to be had at the lowest price that will serve to do the job is that authorized to be purchased at the public expense. If the need be of an extraordinary nature as distinguished from the usual so as to require unusual equipment, the true nature of the need should be fully disclosed so that all who wish to bid may be informed but the specifying of minor details having nothing to do with the need may only be viewed as an attempt to limit competition and circumvent the law. The fact that manufacturers put out certain makes does not necessarily mean that they would not bid upon specifications open to all and not descriptive of a particular make or manufacture.

The various motor-vehicle manufacturers and stockholders have an interest in doing business with the Government. They have a right to stand or fall on such business by the superiority of their product rather than by favoritism of a purchasing officer or predilection of that purchasing officer for some particular make of car. The American people through Congress have an interest in keeping expenditures

to a minimum and preventing favoritism, waste, and extravagance in the expenditure of public funds. In conclusion, permit me to state that the procedure followed by the Post Office Department in awarding the contracts in question, as well as the other cases referred to, is but illustrative as to why there exists so much dissatisfaction among bidders and why numerous complaints are being filed in the office of the Comptroller General of the United States; it cannot be seriously contended that such procedure as was followed in the cases referred to is in the interest of the United States or fair to competitive bidders, nor does it comply with the decision of the Supreme Court of the United States in the case of the *United States v. Purcell Envelope Co.* (249 U.S. 313) to the effect "that the Government should be animated by a justice as anxious to consider the rights of the bidder as to insist upon its own." It can but seem to cast doubt on the integrity of the purchasing officers of the United States, eliminate competition to the prejudice of the Government and competing bidders. Furthermore, such restrictive specifications with a limited number of qualified bidders result in increased cost to the Government at a time when economy in Government expenditures is of paramount importance.

A PLAN SUGGESTED TO OUR COMMITTEE

The attention of the Committee on the Post Office and Post Roads has been called to the methods used by the Post Office Department in purchasing motor trucks for the Department, and there seems to be a feeling that these selections are made too near the end of the fiscal year to give the Department sufficient opportunity to investigate fully the merits of the individual bids.

Believing that the Department at the beginning of each fiscal year has a general conception of its motor-truck requirements, it is respectfully suggested that, instead of waiting until the end of the year, specifications be drawn and bids requested early in the year, to permit of a proper review of all the bids and give manufacturers an opportunity to submit claims to support their bids, should they so desire.

Knowing that there may arise some question as to the exact amount of money available for this purpose, and in order also that the Department's needs may be met in the event the original order falls short of actual requirements, it is further suggested that the specifications contain a proviso that a small percentage of additional motor trucks may be purchased at any time during the fiscal year at the same contract price.

In addition to giving the bidders ample opportunity to lay their claims before the Department, it is believed that this method would permit of a longer period of time in which to make deliveries, which, in turn, would enable the contractor to schedule production in a way that would help to keep down the costs, giving the Government advantage of a lower price, and stabilize employment by retaining the employees over a longer period.

MOTOR-TRUCK SUGGESTIONS SUBMITTED TO THE COMMITTEE ON THE POST OFFICE AND POST ROADS

The White Co., Cleveland Ohio: A classification plan, based on type of service, operating conditions, etc. Under this plan the manufacturer must establish and prove his qualifications before being permitted to bid.

Kenworth Motor Truck Corporation, Seattle, Wash.: Entire quantity on which bids are requested is so high as to eliminate 90 percent of the truck companies from bidding. Local manufacturers should be permitted to bid. The motor-truck business is very much of a local business. The conditions met in each district are handled by the truck manufacturer, and you will not find the same standardization in the manufacture of trucks as you will find in the manufacture of cars.

Continental Motors Corporation, Detroit, Mich.: A general specification covering the gasoline engine should suffice when dealing with reputable gas engine and truck manufacturers. Department's rigid standards calling for certain lubrication features in the engine as well as horsepower and torque output at a given speed entail changes in design and prevent manufacturer from bidding because the engine is not in strict accordance with descriptive literature previously published.

Moreland Motor Truck Co., Los Angeles, Calif.: Pacific coast manufacturers prevented from bidding because specifications require bidder to bid on all of the order and to be able to provide service at each one of the cities where the trucks are used. Local conditions are best met by local manufacturers, and Pacific

coast manufacturers would like to be permitted to bid on trucks for use in that territory.

Brockway Motor Co., Inc., Cortland, N.Y.: A reputable builder who meets every major specification should not be rejected because he does not use in his standard lines certain design features, such as special wrist-pin lubrication, unless he has in advance an opportunity to decide whether or not such a special feature should be incorporated in his standard line.

Federal Motor Truck Co., Detroit, Mich.: Specifications should be drawn so that all truck manufacturers may bid.

Fargo Motor Corporation, Detroit, Mich.: Specifications are too restrictive.

Theurer Wagon Works, Inc., North Bergen, N.J.: Business placed by the Government for these units would benefit the citizens of each locality if such bodies were to be built in the location in which they were to be used in the distribution of Government mail. It would be necessary to take into account the existing wage scale prevailing in such communities.

Superior Body Co., Lima, Ohio: Specifications are written with the assistance of outside engineers and the scope of purchasing is limited to a few manufacturers. General welfare of the country involved. Because of some of the prices paid for material, labor has received the lowest hourly rate in many years, and companies have been driven to the verge of bankruptcy. Competitors are forced, or feel they are forced, to make prices which crush both labor and material.

The Autocar Sales & Service Co., Washington, D.C.: Consideration should be given in the preparation of specifications to vehicles which will give the most continuous, uninterrupted service, coupled with the most economical operation, taking into consideration the original purchase price and the cost of operation spread over the life of the vehicle.

York-Hoover Body Corporation, York, Pa.: Awards on bids which are based on delivered cost at destination should be figured from official tariff rates and not on special concessions. Bidder should have right to have comparative figures to check up his bid against the figures which determined the award to the successful bidder.

Rex-Watson Corporation, Canastota, N.Y.: Unfair competition in the motor-truck body awards should be eliminated. Department might make up bills of material and estimated costs of the bodies involved at each letting, to be used as a guide in determining the lowest responsible bidder. If a bid is found to be considerably under the estimated costs as well as lower than a majority of the bids offered, an investigation should be made, and the Department reasonably satisfied that the contract if awarded would be completed and in accordance with plans and specifications.

Indiana Motors Corporation, Marion, Ind.: The specifications each year have been changed around to indicate a desire for one specific vehicle. This procedure precludes competitive bidding. The specifications should be written to define a truck to haul a certain pay load, to give the required performance under test, and be entirely free from all the identifying marks of one specific make and model. The committee on awards should be the post office inspectors, and to them should be furnished for technical advice and automotive counsel an engineer from the Department of Standards.

Spillman Engineering Corporation, North Tonawanda, N.Y.: Advocates a definite minimum scale of wages, such as the highway department has adopted in New York State by specifying that a minimum labor rate of 40 cents should be paid.

General Motors Truck Co., Pontiac, Mich.: Cites work of the Federal Specification Board and suggests that the Department adopt these specifications in their final form, employing the "evaluation" idea of these specifications, which considers the responsibility of the manufacturer and his ability to meet requirements, past performance of product, service facilities, price of repair parts, and many other items in addition to the mechanical details of his product. After advertising for bids the Department should designate a period, starting 7 to 10 days after issuance and continuing for 7 to 10 days, during which manufacturers may submit specifications on the model they believe will meet requirements and on which they would elect to bid. During this period the Department should be required to certify that such models will or will not be acceptable. Should there be a difference of opinion between the manufacturer and the Department regarding the interpretation of the specifications with regard to the manufacturer's design or product, the matter should be referred to some central governing board, such as the Federal Specification Board.

The Mifflinburg Body Co., Mifflinburg, Pa.: In awarding contracts the financial responsibility of the bidder should be taken into consideration. Irresponsible concerns often make such bids as to make it impossible for a financially responsible firm to compete. Government should discourage unsound low bids.

Diamond T Motor Car Co., Chicago, Ill.: It would be a very desirable thing if it were possible to standardize on a certain number of makes of trucks, allocating certain sections of the country to those manufacturers who geographically are best able to take care of that particular territory. This plan has been worked successfully with large privately owned corporations.

The Corbitt Co., Henderson, N.C.: Each and every bidder should be notified in writing of the reasons for rejection of his submission a reasonable length of time prior to the issuance of any notification of award to any other bidder for such action as each bidder might desire to take.

Pioneer Auto Works, Tacoma, Wash.: Awards should be made, as far as possible, to manufacturers in the district wherein this equipment is to be used.

It cannot be contended that the purchase of standard, current-production motor trucks will result in increased cost to the Government because of the necessity of purchasing standard parts for replacements when necessary. This matter is covered in an act approved June 30, 1930, which reads as follows:

[PUBLIC—No. 486—71ST CONGRESS]

[H.R. 12285]

An act to authorize the Postmaster General to purchase motor-truck parts from the truck manufacturer

Be it enacted, etc., That whenever motor-truck parts are needed by the Post Office Department in the operation of motor trucks, the Postmaster General is hereby authorized to enter into agreements with truck manufacturers for the purchase of such truck parts at a price not exceeding the truck manufacturer's list price, less regular discounts, without advertising under such arrangements as in the opinion of the Postmaster General will be most advantageous to the Government.

Approved, June 30, 1930.

Our committee has been furnished by the Comptroller General's Office with abstracts of bids received for the furnishing of automobile-truck chassis to the Post Office Department, showing that the award was made in favor of the company that was actually the highest bidder but who succeeded for the reason that the lower bidders were eliminated on the grounds that their product did not conform to the specifications.

It may be possible for the Department to secure lower estimates by advertising for standard, current-production trucks and to purchase replacements or parts in accordance with the act of June 30, 1930, or to give every responsible bidder an opportunity to prove that his product conforms with the specifications.

Under existing conditions the bidding is restricted and many reputable firms are not being given the privileges they should enjoy. This practice is wasteful and extravagant and should be stopped in the interest of economy in government and fair dealing to our American manufacturers.

PROPOSED INVESTIGATION OF THE MOTION-PICTURE INDUSTRY

Mr. MUSSELWHITE. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record on House Resolution 95.

The SPEAKER. Is there objection?

There was no objection.

Mr. MUSSELWHITE. Mr. Speaker, I am constrained to oppose the resolution fathered by my friend the gentleman from New York [Mr. SROVICH]. Whatever merits the measure may have I confidently feel are nullified by the dangerous provisions contained in section 4 of the bill.

We are here to carry out the pledges of the administration in its effort toward governmental economy. How can anyone in this House say that an unlimited empowerment contained in section 4 for the expenditure of money is in the interests of economy? Why, gentlemen, it is a pronounced reversion to the old type of junkets and wasteful expenditure.

This section places no limit whatever on the amount to be expended in this so-called "investigation." It would permit of traveling in style by these investigators from Hollywood to Long Island and back again, time without number.

The very language of the resolution indicates an intent to investigate and study every activity of the motion-picture industry. This investigation, of necessity, would be nationwide. With the limited committee suggested in the resolution, no real investigation of this great industry could be accomplished in less than 2 years and at a minimum cost of probably a quarter of a million dollars.

The supply of salable motion pictures has been steadily shrinking throughout the life of the depression until it is today but 60 percent of the 1928-29 period. As a result of this many theaters in the country have been forced to close, while to keep others open it has been necessary to import and use pictures made in foreign countries.

The investigation, if carried out, would cause a disruption in the orderly processes of making salable motion pictures,

and, by reason of the turmoil of investigation with its consequent disturbance of confidence and faith in the motion-picture industry, might easily curtail their financial resources to such an extent at this particular time that the American manufacturers would be unable to finance their product for the forthcoming season.

This financing of production is a vital necessity at this time of year when the manufacturers lay out their plans for the coming season, and any disturbance of their arrangements would be bound to result in further curtailed production, which is proving so devastating to the motion-picture theaters of the country.

I do not believe the motion-picture industry should be singled out for investigation at this time. It is a loyal American industry, whose contribution to the upkeep of the morale of this Nation was so singularly recognized during the war by President Wilson and by every succeeding administration. It has loyally supported the Government in all its movements and policies.

The continued operation of motion-picture theaters has been conceded by all students of political economy, as well as city and State governments, to be of vital necessity to the American public.

It is a known and admitted fact that the motion-picture industry has suffered in this depression and is just beginning to see the light, and, in fact, today is trembling on the upturn.

An investigation such as the one proposed would, in my opinion, demoralize the industry and retard its recovery.

To my mind, this provides the set-up for the most elaborate and expensive junket in the country's history. For this reason, if for no other, I must oppose it.

Under leave to extend my remarks in the RECORD I desire to include the following telegrams from representative men and organizations in the Ninth District of Michigan who stoutly oppose this resolution:

MANISTEE, MICH., April 26, 1933.

HON. HARRY W. MUSSELWHITE,
Representative Ninth Congressional District of Michigan,
House Office Building, Washington, D.C.:

Certain individuals with ulterior motives endeavoring force through House Resolution No. 95, known as the Sirovich resolution, to investigate the motion-picture industry. We respectfully ask your opposition to this measure which at present time would seriously penalize and handicap the operation of the industry during this time of stress in which it is already struggling under excessive burden.

MANISTEE BOARD OF COMMERCE,
GEORGE O. NYE, Secretary.

MANISTEE, MICH., April 26, 1933.

HON. HARRY W. MUSSELWHITE,
Representative Ninth Congressional District of Michigan,
House Office Building, Washington, D.C.:

As our Representative we ask your opposition to House Resolution No. 95, known as the Sirovich resolution, to investigate the motion-picture industry. This resolution seems to be inspired by thoughtless individuals and would bring untold hardship on this industry which employs thousands of workers directly and indirectly and which at present should not be further disturbed by such destructive legislation.

MANISTEE UNITY CLUB,
THOMAS KEELY, President.

CADILLAC, MICH., May 1, 1933.

HON. HARRY W. MUSSELWHITE,
House of Representatives, Washington, D.C.:

I desire to express my opposition to House bill No. 95, known as the "Sirovich resolution", believing it to be out-of-step at present time, and trust your views in this matter will coincide with mine.

JAMES C. FLYNN.

MANISTEE, MICH., April 26, 1933.

HON. HARRY W. MUSSELWHITE,
Representative Ninth District of Michigan,
House Office Building, Washington, D.C.:

Our attention has been directed to House Resolution No. 95, known as the "Sirovich resolution", to investigate the motion-picture industry. We ask your firm opposition to the passing of this measure, which would place another unwarranted burden on the motion-picture industry, which at the present time is struggling against odds to keep afloat.

MANISTEE ROTARY CLUB,
TED VOLMER, Secretary.

THIRD DEFICIENCY BILL

Mr. BUCHANAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill H.R. 5390, the third deficiency bill, with Senate amendments, disagree to the Senate amendments, and ask for a conference.

The SPEAKER. Is there objection to the request of the gentleman from Texas? [After a pause.] The Chair hears none and appoints the following conferees: Messrs. BUCHANAN, TAYLOR of Colorado, AYRES of Kansas, TABER, and BACON.

LEAVE TO ADDRESS THE HOUSE

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to proceed for 2 minutes.

Mr. WEIDEMAN. Will the gentleman withhold that request a moment?

Mr. PATMAN. I withhold it.

Mr. WEIDEMAN. Mr. Speaker, may I state further that my colleague the gentleman from Michigan [Mr. HART] was detained on important business and therefore did not vote on the independent offices bill.

MEDIOCRITY TRIUMPHANT

Mr. HENNEY. Mr. Speaker, I ask unanimous consent to extend and revise my remarks and to include in the RECORD an oration by Arthur B. Madigson, captioned "Mediocrity Triumphant", which recently won the national oratorical contest held at Iowa City, Iowa. Mr. Madigson is a distinguished student at the University of Wisconsin, and is a constituent of mine at Madison, Wis. I believe that this young orator, who has received national distinction, deserves the consideration of a place in our national RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. HENNEY. Mr. Speaker, under the leave to extend my remarks in the RECORD I include the following text of an original oration by Arthur Magidson, which this past week won him first place in the National Oratorical League contest at Iowa City, Iowa. Magidson won the \$100 Frankfurter oratorical contest with the same selection some time ago:

On a bleak, windswept hillside in Vermont, there is a newly made grave. As yet, no headstone marks the identity of the occupant. I should like to suggest one—an undecorated pillar of stone with no inscription. For the man was silent in life, silent in death, and will remain silent forever.

No words of his will long linger in our memories. We shall retain no colorful stories of his acts as the Nation's Chief Executive. He made no eternal precedents as did Washington; he propounded no new political philosophy as did Jefferson; he lacked the rugged, majestic personality of Lincoln; his public appearances were not filled with the bombastic showmanship of Theodore Roosevelt. He had neither the scholarly mien of Wilson nor the genial simplicity of Harding. Yet we shall remember him—remember him for what he was rather than for what he did.

Calvin Coolidge was Governor of Massachusetts at the time of the Boston police strike. Whether or not he actually wrote the ringing proclamation credited to him is a matter of conjecture, but because it was issued over his signature he became known throughout the Nation as the apostle of law and order. A peculiar twist of mob psychology, so common in our political conventions and legislative assemblies, made him the Republican candidate for Vice President. The postwar reaction swept him from the shadows of the governorship to the complete obscurity of the vice presidency, under Harding.

The Harding administration is remembered chiefly for the oil scandals. Coolidge sat in the Cabinet meetings at the time that the crooked deals were made. He remained silent—silent through the negotiations, silent through the discovery of the frauds, silent through Senator Tom Walsh's heroic prosecution of the guilty men. Suddenly the unexpected death of Harding shocked the Nation and pushed Coolidge into the Presidency. In that position he still remained silent. Only because of the insistence of his advisers did Coolidge reluctantly accept the resignations of Denby and Daugherty from his Cabinet. Yet when these two had left the Capital the country rejoiced that at last it had a President who would resolutely punish all evildoers.

Coolidge's ascension to the Presidency was perhaps the most dramatic incident in his career. When the news of Harding's death came the Vice President was in a cabin in Vermont with his father. There in that New England home, by the flickering yellow light of a kerosene lamp, the elder man, a notary public, raised his son's hand to Heaven and administered the solemn oath of office. And then the people began to couple the name of Calvin Coolidge with the name of Abraham Lincoln.

In 1924 the Democratic Party was split asunder at the sanguinary battle of Madison Square Garden. The late Senator La Follette entered a third party in the field, in a vigorous attempt to divide the vote and to force the election into the House of Representatives. The American people hesitated. Here stood John W. Davis—scholar, diplomat, statesman. Here stood Robert M. La Follette, appealing to the farmers and workers to support a program of industrial welfare and social justice. But here was Calvin Coolidge representing all that was safe and conservative in American life. His was not the party of Sinclair and Fall: it was the party of Hamilton and Lincoln. Davis promised sound international policies; La Follette promised a better world for the future; but Coolidge promised the full dinner pail. He sat calmly in the White House, made one speech shortly before the election to assure the country that it was fundamentally sound and prosperous, and was swept into office on a landslide. Bankers, industrialists, laborers, and farmers—all had unlimited confidence in the omniscient "sage of Northampton."

That election of 1924 was one of the great failures of democracy. Instead of recognizing that their President should be a forceful leader, and that his party should be an instrument for carrying out a definite political program, the American people asked that their Chief Executive be nothing more than a Santa Claus who would fill their stockings with Ford cars and put a chicken in every pot. When the Republican Party, represented by Coolidge, tried to satisfy that impossible demand, it bartered away the soul of its founder for a mess of political jobs.

During Coolidge's term, as usual, the people were clamoring for economy in government. Coolidge gave it to them by cutting the blue stripes off the mail bags, by ordering the Government office workers to conserve on paper, pencils, and rubber bands, and meanwhile by approving several new and expensive Government bureaus. Yet "Coolidge economy" was the watchword of the day.

Coolidge was in sympathy with the financial powers who engineered the boom in Wall Street. His phrase, "Don't sell your country short" became the battle cry of the bull market. "Coolidge prosperity" was one of the miracles attributed to the White House philosopher. We know today that this prosperity was a sham, and that beneath the towering piles of easy money to be made in Wall Street was a phantom foundation—desperate inflation of values. We know today that even then the farms and factories of the Nation were haunted by the specters of poverty, unemployment, and despair!

The Republican Convention, 1928, approached. A nod of the head from the White House and Coolidge would have been renominated by acclamation. But one summer morning, while the President was resting out in South Dakota, he handed the newspaper correspondents at his camp small slips of paper bearing the single sentence, "I do not choose to run in 1928. (Signed) Coolidge." And thus, in this terse yet cryptic statement the silent New Englander retired from public life.

Why did he issue that statement? Did he have a premonition that he would never live through another 4 years in the White House? Was he afraid of the third term tradition? Or had he seen on the horizon the tiny black cloud foretelling the impending storm, a devastating tornado which would strip any President of prestige and shatter the Coolidge legend? We do not know whether it was fear, foresight, genius, or merely luck which caused him to retire at the height of his popularity. Be that as it may, he will be remembered as "the man who knew when not to run."

But Calvin Coolidge had sowed the wind! And before the whirlwind broke he quietly sought the safe seclusion of Northampton to write syndicated columns of platitudes for the newspapers and long articles for the Saturday Evening Post at so many dollars per word.

He was like a vaudeville performer who has just built a house of cards upon the stage and then faded from view. There is a crash of trumpets! Another comes upon the scene! The house of cards collapses! So the audience still damns Herbert Hoover as a bungler but elevates Calvin Coolidge to a pedestal and proclaims him a miracle man.

The dark years of 1930, 1931, and 1932 went by. He saw the complete debacle of the system in which he believed. He saw the smashing victory of the forces of the opposition, a victory which even his own once potent voice was powerless to stay. And then he died, suddenly, alone, as unexpectedly as he had become President. And in his death as in his life he was silent.

The mound of earth above him has not yet become hard. Some are still fiercely questioning the merits of his policies; others are as warmly defending them. Now, before his figure is encrusted with legend, before he is either canonized as a saint or dismissed as a false prophet, we ought to analyze his story. Only by frank discussions can we eventually award him his due place in our American scene.

What was Calvin Coolidge? What made him so popular as President? His biographers would have us believe that his personality was warm, human, and lovable. H. L. Mencken calls him a "cheap and trashy fellow, deficient in sense, almost devoid of any notion of honor; in brief, a dreadful little cad." Neither of these two extreme positions is tenable. We still ask, What was Calvin Coolidge?

Let us put aside divergent opinions. Let us go to the man himself, as he is revealed in his speeches and papers of state. We open a volume of his earlier papers and we read, "Have faith in Massachusetts." A few more pages, "Have faith in America." Still a little further, "Have faith in government." In his last public address, delivered at Madison Square Garden during the recent campaign, he implored the people to have faith in the

Republican Party. "Have faith." It seems to be the sum total of his political philosophy.

What were his economic policies? They were epitomized when he said, "The fostering and protection of large aggregations of wealth are the only foundation on which to build the prosperity of the whole people." Or, in a more poetical mood, "The man who builds a factory builds a temple, and the man who works there worships there." It is in these incredible words that he stated the pith of his economic belief.

Have faith in the captains of industry! Have faith in the Mitchells, the Insulls, and the Kreugers! Twelve million starving families must be content to have faith in these demigods! And to think that Calvin Coolidge, living in the industrialized twentieth century, could seriously offer these banalities to a ruined and prostrate Nation!

But, after all, this is not the philosophy of Calvin Coolidge. The ideas are as old as the laissez faire doctrine of Jeremy Bentham. Coolidge did nothing original; he said nothing original.

Perhaps our answer lies in that very fact. For in the lack of anything outstanding about the man is a suggestion that as a Northampton lawyer, as Governor, as Vice President, as President, Calvin Coolidge was never more nor less than an average man. He had no transcendent qualities of leadership. His personality was average—neither remarkably forceful nor deplorably weak, neither humorous nor humorless, neither saintly nor wicked. Then why was he so popular as President? A political opponent once said, "Profound silence was mistaken for profound wisdom", but it seems to me that there is a better answer. The very fact that he was just an average American—one of the local boys who made good—gave rise to the myth that Calvin Coolidge had the interest of every common citizen at heart. Extraordinary luck, plus his own canny shrewdness, plus the sentimentality of the electorate, made Calvin Coolidge a hero.

We may not admire his policies. We may disagree with his political and economic philosophy. Even his staunchest friends are forced to admit that his 6 years as President produced no great achievement on his part. Yet he has a secure place in history. For, though Coolidge, the public official, may have seemed cold, sour, flinty, and unattractive, our aversion is tempered with a smile when we think of Silent Cal, the man. After all, that slow, cautious, thrifty Yankee is the inevitable product of our system of government, the veritable incarnation of democracy. He is the vicarious fulfillment of a hope that we all cherish; his triumph is ours—the triumph of the average man. Calvin Coolidge, more than any other national figure, personifies the spirit of middle-class America.

I will not condemn Calvin Coolidge as a man. I condemn him rather as the personification of middle-class America, which worships superficialities and sets a price upon platitudes. I condemn him as a symbol of our tragic rejection of the prophetic dream embodied in the League of Nations and our stupid preferences for the banal "back to normalcy" slogan of a petty Ohio politician. I condemn him as a typical representative of an electorate which scorned the social philosophy of the elder La Follette and chose the psychological prosperity of Andrew Mellon. I condemn him as the emblem of mediocrity triumphant.

INVESTIGATION OF MOTION-PICTURE INDUSTRY

Mr. KRAMER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on House Resolution 95.

The SPEAKER. Is there objection?

There was no objection.

Mr. KRAMER. Mr. Speaker and Members of the House, at a time when the whole country is suffering, our credit machinery broken down, our farmers pauperized, our industries paralyzed, and millions of our citizens terrified by the loss of their savings, their homes, and their daily bread, we are convened in Congress to adopt such measures as will most effectually operate to restore a condition which will permit security for life and property in the United States. Many of our industries have been forced to their knees; but one of our largest, the motion-picture industry, is prostrate, as a result not only of general conditions but of the extreme and destructive abuses to which it has been subjected by those that are in control of the organization. I favor this resolution as offering the best, the most practical way of correcting those abuses, reviving a great industry and placing it upon a sound basis for the benefit of a public which has invested heavily in its securities, and for the benefit of the many hundreds of thousands of persons throughout the country who are dependent on this industry for their employment and livelihood.

We do not need to authorize loans by the Reconstruction Finance Corporation nor do we need to issue bonds or go into the Treasury to start the life blood circulating in the motion-picture industry. We do need, however, to throw a strong white light into many dark corners if we would grant any measure of relief to thousands of swindled security holders and more destitute employees.

Every form of chicanery has been employed to complete the wrecking of this large industry. Nepotism, salary accounts, expense accounts, juggled accounts, illegal combinations, fraudulent financing, unnecessary receiverships, and bankruptcy, dilatory tactics, and every other abuse which could be practiced on the court, constitute only a partial list of the means used by the rapacious wreckers. While Wall Street has been loading the public with motion-picture securities which are now worth but a small fraction of the savings invested in such securities, every effort has been made, both from without and from within the industry, to render those securities valueless. In order to effect monopolies, intangible assets have been set up, illegal combinations in restraint of trade have been made, and receiverships have been jammed through the courts with the object of centralizing under the control of utility monopolies every branch of this industry. On the inside, the practice of nepotism is almost universal, huge unearned salaries are paid to inactive executives and practically all of their relatives during times while great displays of the so-called "economy" were being simulated.

Workmen, actors, office employees, and artisans of every kind have been discharged at such a rate that the studios lie idle and deserted for the most of the time. Those few employees remaining have taken a wage cut of 50 percent; but while this is going on the millionaires in their executive positions still draw their unearned and unconscionable salaries. They have appointed a czar of the industry who, with sophomoric glee, has proceeded to haze the independent producers, to haze the writers, to haze the actors, to haze the employees, to haze the wage earners, and to haze the industry and the public in general; and while all this is being done, no real steps have been taken to halt the milking of the companies by those in charge. We need go no farther than to the Wall Street Magazine for April 15, 1933, in an article written by Mr. C. F. Morgan, to find a statement of the following nature:

David Selznick had been production executive of RKO studios and under his regime—during which he is said to have drawn \$2,500 weekly—the studio failed to progress suitably, so his contract was not renewed. However, nepotism is still discernible in the studios, so his father-in-law, Louis B. Mayer, vice president and director general of MGM, hired him, the reported remuneration being \$4,000 per week. Whereupon the labor unions dashed back into their cyclone cellars, slamming the doors behind them, and Mr. Clarke groaned.

Mr. Clarke referred to is one Victor H. Clarke, who seems to have received much credit for his efforts to cut the union labor wage scales in the studios. If the Wall Street Magazine can be considered any authority, we can proceed on with Mr. Morgan's article, where we find the following:

It is my considered opinion that when much of the water is squeezed out of the motion-picture industry, when it comes to be administered by sane business men who have the background and knowledge of the country's amusement needs, it may return to 50 percent of its former financial position; but that will mean abandonment of superfluous studio plants, retirement from exhibition, cancellation of absurdly extravagant contracts, readjustment of compensations, and some appreciation of what makes a successful picture—which isn't filth, by the way.

What can the banks hope for in liquidation of their enormous loans? That will depend on their willingness to look their situation and the facts in the face. There will be losses inevitably. It will do the bankers no good to send out salvage corps from their own offices. That has been tried, and the result is flat failure. But there are men in Hollywood who know pictures, can bring order out of chaos, who are real business executives, and who have demonstrated their ability, but they are not affiliated with any studio today. They couldn't be.

And if the banks do not act to protect their loans—and perhaps if they do—undoubtedly stockholders themselves must guard their interests, for as conditions are now their securities are worth but a fraction of what was paid for them. The results of the congressional investigation into the motion-picture industry suggested by the Sirovich resolution and adopted by the House Rules Committee should prove of wide public interest.

Actually the movie business is a 5-and-10 enterprise, reaping its greatest profits in the years when production costs stayed below \$40,000 for a feature and the top admission price to a theater was 15 cents. Since then greed and rare stupidity have all but wrecked it. However, if there is a bright spot, it will lie in the rise of the independent producer, who has been half strangled during many years.

Regarding the proposed resolution, I should like to place in the Record an article appearing in the Cinema Digest, Hollywood, published under date of April 24, 1933, which is as follows:

No one within or "without" the industry can justifiably question his—Mr. Sirovich's—allegations "that assets of corporations within the industry are being dissipated, dividends are being passed, stock values are being lowered, and nothing is being done to protect the rights of the stockholders in good faith of the corporations", which in itself is sufficient to warrant an investigation.

It is our belief that such an investigation would in comparison make the never-to-be-forgotten Teapot Dome and Elk Hills oil scandals look like back-yard chicken stealing. Of course, such an investigation will have opposition on every hand, not only from the film magnates but from certain high Washington officials and ex-officials themselves; for in all likelihood, if such an investigation probed deep enough, it might expose political intrigue on the part of these Washington higher-ups and ex-higher-ups.

Most important of all right now is not to permit filmdom's Washington lobbyists to whitewash the efforts of such men as Sirovich, who desire democratically to look after the interests of a bilked public. If alleged irregularities are nonexistent, why do these lobbyists for the film magnates, as well as certain Washington officials, fear an investigation? Why not let them conduct the investigation and let the industry emerge from this current chaos with at least a clean slate?

Two questions for an investigating committee, if and when appointed, to try to find the answers to are:

(1) How can most of the studio heads continue to be millionaires and multimillionaires, either in their own names, their wives' names, or other relatives' names, while their companies go broke (some of them into bankruptcy), theaters have to close through lack of product, and the majority of films which are made are objectionable for one reason or another?

(2) Why are various lawsuits involving the Nation's antitrust laws permitted to drag through the Federal and State courts unadjudicated for years and years, while the victims of these alleged violations, including the cinema-going public, suffer pending these adjudications?

For the sole sake of emphasis we repeat: Don't permit Washington lobbyists and certain high officials to whitewash this attempted investigation. If their consciences, individually and collectively, are clear, they have nothing to fear.

For my part, I should like to propose several more questions for such an investigating committee. One of them is, Why have obsolete films and dead stock been carried at great values on the asset side of the ledger of certain motion-picture producing companies, and why have liabilities, in the form of personal-service contracts running into millions of dollars, been listed also as assets, and what connections have such practices with the rights of stockholders and the ability of studios to produce economical and good pictures? Why are writers, directors, and players being paid hundreds of thousands of dollars for not writing a line, for not directing a scene, and for not having played even a minor role?

If the executives and production vice presidents are too busy making pencil figures with general theater managers of vast circuits to give these writers, directors, and actors anything to do to earn their salaries, what kind of "cut backs" are they drawing with their pencil figures? Is it possible that these "cut backs" have nothing to do with the coordination of screen versions but rather have to do with the percentages and bonuses?

Thus we have a situation which requires prompt treatment in order to check the race to ruin, which threatens not only to wipe out the savings of many who have invested in motion-picture securities but threatens to bring about the downfall of the very industry itself. We must uncover and place before the Congress and the public the methods of juggled accounting by which the motion-picture financial statements are made up and used as a basis for the sale of securities; the methods by which the independent producers are hazed to death; the methods by which vast producing and exhibiting organizations are thrown into bankruptcy and receivership in order to acquire monopolistic control of all branches of the industry; the methods by which their assets are dissipated through the payment of huge personal-service contracts, their employees' salaries cut, their workmen discharged, and their profits disposed of in percentages and bonuses. This investigation should be instituted and carried to its conclusion if we wish to give any protection to

the holders of these securities and to preserve for the United States against foreign competition the business of making motion pictures.

HOUSE RESOLUTION 95—INVESTIGATION OF MOTION-PICTURE MONOPOLY

Mr. O'MALLEY. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on House Resolution 95 and to include therein part of the testimony in the case of Paramount-Publix against Commissioner of Markets of Wisconsin.

Mr. KNUTSON. Mr. Speaker, reserving the right to object, how much space will this occupy in the RECORD?

Mr. O'MALLEY. I do not believe it will occupy more than half a column.

The SPEAKER. Is there objection?

There was no objection.

Mr. O'MALLEY. Mr. Speaker, the investigation proposed by this resolution should have the support of the Members of this House. This resolution proposes the creation of a congressional committee to investigate numerous charges, many of them contained in the resolution itself, so that Congress may recommend legislation to effectively protect the American people, the governments of the several States, and the independent producers, distributors, and exhibitors of motion pictures from the unfair and restraining influences of an established monopoly in this important American industry.

There is no other business in America that so directly affects the American public as the motion-picture business. Likewise there is no other business that has for so long brazenly disregarded fair regulation, flaunted public decency, and which has been so successfully monopolized by a small group of producers, who have thwarted every effort of State and National Legislatures to expose their insidious activities and enact legislation to control them.

For more than a decade scores of responsible people in every walk of life from the educational field to the pulpit, and from the ranks of labor, and even in the industry itself, have charged that the business of producing and exhibiting motion pictures is being carried on by various corporations in direct violation of the antitrust laws. In addition, they have charged that indecent pictures, unfit for public display, are weekly being forced upon a defenseless public, even over the protest of exhibitors themselves. The rankest kind of frauds have been perpetuated on a large section of the investing public, due to the manipulations of certain picture-producing and theater-operating companies. This well-organized monopoly of producers, through unfair devices, such as uniform-sales contracts, compulsory arbitration, blacklisting of independent theaters, block booking, unreasonable zoning regulations, secret deals with censorship boards, and even the regulation of admission prices at theaters, has promoted and established itself to a point of absolute control of the motion-picture business.

State governments have been rendered helpless in their endeavors to remedy this situation by legislation because of repeated rulings of United States courts that the States have no jurisdiction. In the case of Paramount-Publix Corporation against the Wisconsin Department of Agriculture and Markets the department of my State charged and was ready to prove the following allegations which are contained in the court records of the United States District Court, Western District of Wisconsin, filed on December 20, 1932.

These records show that the Wisconsin department alleged in its complaint by specification these particulars:

- (a) That distributors refuse to sell films to independents.
- (b) That producer-affiliated exhibitors purchase pictures or plays "in excess of their requirements", thereby preventing independent exhibitors from acquiring a "suitable or sufficient number of pictures."
- (c) That distributors "exact discriminatory prices, terms, and conditions" as against "favored exhibitors."
- (d) That distributors and producer-affiliated exhibitors "have conspired with each other in Wisconsin to exact discriminatory prices as against producer-affiliated or favored exhibitors."

Second. The respondents therein, who are designated as "the distributor and producer-affiliated exhibitors", are charged "to employ unfair practices in the exaction of protective arrange-

ments; that is to say, the fixing of an interval after one exhibition of a copyrighted photoplay before its exhibition by a succeeding exhibitor in the same community."

(a) That distributors have exacted "discriminatory protection against exhibitors."

(b) That distributors "have administered protection and the release of films in an unfair manner."

(c) That producer-affiliated exhibitors "have induced and coerced the distributors to exact unreasonable protection against independent exhibitors."

(d) The distributors and producer-affiliated exhibitors "have conspired with each other in the State of Wisconsin to "exact discriminatory protection against independent exhibitors" and discrimination in the administration of protective arrangements and the release of films to independent exhibitors."

Third. That the "producer-affiliated exhibitors" are monopolizing the business of showing motion-picture films, i.e., exhibiting copyrighted photoplays in communities in this State.

The department has further, in support of its contentions, made the following allegations:

(a) That they have secured control of competing theaters in given communities and, in some instances, have closed one or more theaters, "thereby compelling patrons to come to the houses of producer-affiliated exhibitors."

(b) That such producer-affiliated exhibitors "have conspired in the State of Wisconsin to assign to each the exclusive control of the business of showing motion pictures in given communities in the State."

(c) That such last-noted practices "have the effect of monopolizing the business of showing motion-picture films in communities in this State."

In this particular case the department charged a violation of the statutes of Wisconsin and sought to compel the motion-picture companies, as shown in the court record on the injunction hearing—

(2) To compel the respondents (plaintiffs herein) to submit to a hearing;

(3) To determine the truth of the charges; and

(4) If such charges be found to be true, to enforce the statute and its penalties.

The net result of the case, from which I have quoted some of the record, shows that the United States court rendered a decree for an interlocutory injunction on April 14, 1933, thereby preventing the sovereign State of Wisconsin to proceed against Paramount-Publix Corporation in the injunctive proceedings to stop their violations of Wisconsin statutes, section 99.14, known as the "fair trade law" of my State. So when I say that the States are helpless to act against this monopoly to protect their citizens against unfair trade practices, I speak from the record of the inability of our established State departments to act to prevent the monopolization of the motion-picture industry in not only my own State but in every other State of the Union. The investigation proposed by the gentleman from New York is absolutely necessary in order that this Congress may proceed to recommend legislation to effectively smash this monopoly and protect the States against the actions of these certain producers.

Why, gentlemen, if this committee were to confine itself to only one phase of the motion-picture business it would more than justify creation and the small expense this House might be called upon to authorize. I refer specifically to the investigation of that phase of the motion-picture business under the domination of an organization known as "the Motion Picture Producers & Distributors of America", headed by that clever and elusive gentleman, Mr. Will Hays.

The organization headed by "Elder" Hays has been directly responsible for the monopoly in the motion-picture business. And this committee, if created, should be able to obtain ample evidence that the activities of Mr. Hays and his gang of motion-picture racketeers have subsidized and propagandized private and business agencies to a degree unparalleled in American history. In the 11 years during which Mr. Hays was head of this particular motion-picture organization, and his own so-called "censorship bureau", the motion-picture industry has been so manipulated that the public-utility monopoly, the oil monopoly, and similar superpublic organizations, are amateurs in the game of controlling, influencing, and frustrating an organized public opinion. Under the direction of Mr. Hays and his secret censorship bureau, many independent producers have been

driven into bankruptcy. Theater owners in every State have been forced to exhibit indecent and revolting pictures through crooked deals and questionable decisions rendered by censorship boards. The little "Main Street" theater owner has been forced to pay the cost of not only Mr. Hays' own stupendous salary of \$250,000 a year, but to pay a "racketeer tax" in order to support the costly organization that Will Hays and his crew have created to eliminate and destroy competition in every part of the motion-picture field.

For years pleadings have been made for an investigation of the activities of the Hays organization. For years decent American citizens in every walk of life have tried to discover why this great industry has persisted in releasing upon a defenseless public a yearly deluge of obscene, moronic, and downright filthy pictures, some of them so morally rotten that even the motion-picture theater owners rebelled against exhibiting them but had to take them or gain the enmity of the monopoly and be blacklisted. But somehow, through the activities of the censorship bureau with its whitewash brush, the connections Mr. Hays has maintained in Washington and the most powerful legislative lobby in the history of the country, this organized monopoly has succeeded time after time in openly and brazenly violating every anti-trust law ever written on the books and escaping every attempt to bring them to justice.

I charge that this censorship bureau maintained by the Hays organization, instead of being used as its proponents have claimed to clean up the motion-picture industry, has been nothing but a means to the end of perpetrating and strengthening the motion-picture monopoly. They have cared nothing about the type of picture they forced the American public to be exposed to as long as their profits are guaranteed. Col. Jason Joy, one of the chief "fixers" of the Hays crew, wrote a very interesting letter reporting his visit to censorship boards in the United States and Canada in 1932. This report of Colonel Joy's was addressed to Mr. Hays. In that report he gives some interesting information as to the true functions of this so-called "censorship bureau." In commenting on such pictures as *The Strange Love of Molly Louvain*, a particularly moronic descent into filth, Colonel Joy points out that this picture and others were passed by some of the boards only after "earnest consideration and discussion with us." It is entirely probable that these "discussions" were such as to convince the boards to pass the pictures regardless of their filth because profits were involved. Farther on in the colonel's illuminating report he makes the following comment:

My suggestion on this score (score of filthy pictures) is entirely constructive. The number of such pictures in any one period (I assume to be released during any year) should be determined by their acceptability upon the part of the audiences. An overdose of this theme is bad economics.

The colonel's last statement, I am sure, means to convey to the makers of pictures that it does not matter how dirty they are as long as they are diplomatically spaced so as not to excite the public to too much of a protest. Thus the so-called famous "Hays morality code", around which so much publicity and propaganda has been fed the public, and around which Mr. Hays has built up an organization to insure the maintenance in the monopoly of the motion-picture business, is only to be used to keep the public from getting an overdose of filth to the point where they would rise up in arms and insist upon an investigation such as we are asking for here today.

And now I leave the bunk connected with the Hays censorship bureau to return to the organization which supports and maintains this bureau through an enforcement of an agreement providing for payments by certain producers to maintain the expense of the Motion Picture Producers & Distributors of America, Inc. This particular body, of which Mr. Hays is also the leading light, aids and abets certain producers and associations to maintain a restraint of trade on copyrighted productions, and in secret ways is one of the organizations of the Motion Picture Trust which is active in attempting to prevent this legislative body from

investigating their activities and thus protect the public against their insidious manipulations. Why, gentlemen, I feel sure that if this Congress has the courage to authorize this investigation—and I hope it will have, in spite of the threats, intimidations, and activities of the powerful lobby attempting to prevent it—that this committee, when created, will show the American public that the Motion Picture Trust and its lobby has even had the temerity to enter under the roof of this Capitol and endeavor to subsidize public officials right here in the city of Washington.

This resolution provides the only means for a thorough and impartial investigation into the machinery of the motion-picture monopoly; provides the only means for disclosing the colossal corruption and graft that has thrived in the motion-picture industry for years. And it provides the only means for disclosing to the American public how a few producers, for the sole and only purpose of dictating and controlling the actions, profits, and businesses of small producers and thousands of independent theater owners, have banded themselves together in an "unbeatable alliance" to set themselves above the law and the will of the people and complete their stranglehold on this industry in brazen disregard of public welfare. The tactics employed by the promoters and supporters of this one organization have been so infamous that I know the revelations which this committee can disclose will astound the American public, as well as the Members of this House who have been denied the opportunity time and again to have brought before them the ramifications of the motion-picture lobby and the motion-picture monopoly.

Rumblings beneath the surface of public opinion have indicated unmistakably that the public itself is aroused to the need for an investigation of the motion-picture industry with a view toward legislation for sensible, decent regulation of this industry with which the public interest is so inseparably linked. As the culmination of a number of months' work on my own initiative, it was my original intention to introduce in this House a resolution calling for an investigation of the motion-picture monopoly, its self-maintained "censorship bureau", and its subsidized legislative lobby. I believe the resolution introduced by the gentleman from New York provides enough leeway for this proposed committee to go into every phase of the business, including that of the activities of Mr. Hays and his crew of motion-picture "trust builders."

In conclusion, I want to say that when any organization, through its lobbyists, through its secret propaganda, and through its publications and press releases, boldly asserts that it can get any picture past any board of censorship it wants to; that when its representatives go so far as to tamper with and fix news reels to influence public and political opinion; that when, under cover of a copyright law enacted by this Congress, it extracts penalties and payments from defenseless small-theater owners; and when, by intimidations of employees and its influence and friendships among members of public bodies, it dares to openly boast in the press of the Nation that it can continue to bunco and hoodwink the public and the lawmakers and still successfully choke off any investigation proposed, it has made a direct challenge to the integrity and courage of every Member of this House of Representatives.

Since the favorable report of the Rules Committee on this resolution numerous telegrams and letters have been received from the all-powerful members of the monopoly to the effect that this investigation should be prevented. The public favors this proposed investigation, and so does every small, independent exhibitor and theater owner in the country who, with the public, looks forward with hope that this House will create this committee and that its subsequent revelations will result in laws that will protect the public interest. I hope that every Member here will challenge the boast and the dare of these "archracketeers" of business that they have been able to prevent every investigation of their activities ever proposed and will support this resolution. Its passage is the first step in tearing the lid off the motion-picture monopoly, and will enable this Congress in

the next session to pass laws that will help the States and the governmental departments charged with the enforcement of the law to correct the abuses which have existed in this industry for more than a decade.

The motion-picture lobby and the powerful influences back of them protecting certain big companies in the violation of antitrust laws and their violation of the American public code of decency have issued a direct challenge to this House. They have attempted and are attempting to prevent and forestall this investigation; to heap ridicule upon its proponents; to inject everything but reason into their arguments; which certainly proves that if they were clean and able to face public opinion, they would not now be seeking by every means, fair and foul, to defeat this resolution. If we have the courage to justify our place in this body at all, we will answer the challenge thrown down to us that says that the "movie monopoly is bigger and more powerful than the House of Representatives" and support this resolution as our answer to the challenge.

ASSESSMENT WORK ON MINING CLAIMS

Mr. MURDOCK. Mr. Speaker, by direction of the Committee on Mines and Mining, I ask unanimous consent for the immediate consideration of Senate bill (S. 7) providing for the suspension of annual assessment work on mining claims held by location in the United States and Alaska.

Mr. BLANTON. Mr. Speaker, I reserve the right to object to ask the gentleman a question. Is this bill a part of the President's economy program for the special session? This special session was called by the President to carry out this program. Committee after committee has refused to function during the special session. One of them is the Committee on Pensions—as important a committee as that—it has not functioned at all. I feel impelled to object to any measure that is not sent here by the President of the United States, because we are going to be here until the first of September if we start on these outside measures. Until you confine measures called up to the President's program, I shall object. During this special session there should be no bills passed except those desired and sent here by the President himself. This is the President's session. It is to put into effect his program and his policies. It is to give the President an opportunity to carry out his pledges made to the people.

Mr. COX. Will the gentleman yield? This is not a part of the President's program, but it is an emergency measure.

Mr. BLANTON. If we are going to consider this bill, we then could not refuse to give time to all of the other 10,000 bills that have been introduced in this Congress, and we will be here all summer. The President wants Congress to adjourn. The people want Congress to adjourn. We all know that, and I want us to get through with emergency legislation and adjourn and go home.

Mr. GREEN. If we are going to take up these extraneous matters, I claim that we should take up the Mediterranean fruit-fly claim in my State.

Mr. BLANTON. I am going to object to everything except the President's program.

Mr. COX. Will the gentleman yield?

Mr. BLANTON. Yes; certainly.

Mr. COX. The Rules Committee granted a rule for the consideration of this emergency matter, and if the House grants this request of the gentleman from Utah it would save the House 2 hours' time.

Mr. BLANTON. If the Rules Committee gives a rule on this matter, it puts the responsibility on the Rules Committee. If we give unanimous consent to its consideration, it puts the responsibility on the shoulders of every man in this House.

Mr. BYRNS. Will the gentleman yield to me?

Mr. BLANTON. I will.

Mr. BYRNS. I want to say that I felt disposed myself to object were it not for these facts. In the first place, the Committee on Mines and Mining has unanimously recommended the bill and unanimously reported it. The Committee on Rules has unanimously reported it. If unani-

mous consent is not given the rule is going to be presented, and this will save 1 hour's time.

Mr. BLANTON. If the majority leader wants this bill considered I withdraw my objection. I always follow my leader.

Mr. GREEN. Reserving the right to object, and I shall not object, it is common information in the House that the people of my State have been waiting for 3 years for the consideration of the fruit-fly claim. I hope the Agricultural Committee will at least give us a hearing on it. Let us present the claim and let it stand on all-fours with the legislation that has been passed for reimbursement of the damages by the foot-and-mouth disease and the pink bollworm. It is an emergency, and our people need it.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. The Clerk will report the bill.

The Clerk read as follows:

S. 7

An act providing for the suspension of annual assessment work on mining claims held by location in the United States and Alaska

Be it enacted, etc., That the provision of section 2324 of the Revised Statutes of the United States, which requires on each mining claim located, and until a patent has been issued therefor, not less than \$100 worth of labor to be performed or improvements aggregating such amount to be made each year, be, and the same is hereby, suspended as to all mining claims in the United States, including Alaska, during the year beginning at 12 o'clock m. July 1, 1932, and ending at 12 o'clock m. July 1, 1933: *Provided*, That the provisions of this act shall not apply in the case of any claimant not entitled to exemption from the payment of a Federal income tax for the taxable year 1932: *Provided further*, That every claimant of any such mining claim, in order to obtain the benefits of this act, shall file, or cause to be filed, in the office where the location notice or certificate is recorded, on or before 12 o'clock m. July 1, 1933, a notice of his desire to hold said mining claim under this act, which notice shall state that the claimant, or claimants, were entitled to exemption from the payment of a Federal income tax for the taxable year 1932.

Mr. MURDOCK. Mr. Speaker and Members of the House, it is not my purpose at this time to make any prolonged speech in support of Senate bill No. 7, but merely to briefly explain the bill and point out some reasons for its immediate passage. Under the laws of the United States every person in possession of a mining claim, in order to perpetuate his right to the claim, must perform on the claim, annually, work and labor in the amount of not less than \$100 in value. In order for the thousands of persons, mostly in the western part of the United States, to perpetuate their possessory rights to mining claims, they must on or before noon of July 1, 1933, commence in good faith the prosecution of their annual assessment work.

Recently Senate bill No. 7 was introduced in the United States Senate by Senator BORAH, of Idaho, and passed by the Senate on May 1 of this year. The purpose of the bill is to relieve the holders of mining claims in the United States and Alaska from the performance of annual assessment work during the year beginning at 12 m. July 1, 1932, and ending at 12 m. July 1, 1933. The bill, however, has a proviso which excludes from the benefits of the bill and makes it inapplicable to any claimant not entitled to exemption from the payment of a Federal income tax for the taxable year 1932.

When the matter first came to my attention I was in doubt as to whether I should support it, for the reason that it might tend to deprive some people of employment which they would otherwise get in the event the annual assessment work was not suspended for this year. But after mature study of the situation and quite thorough investigation I have come to the conclusion that the employment which would be available in the performance of annual assessment work were this bill not to pass would, as compared with the benefits to be derived from the passage of the bill, be negligible.

Most of the big operators and the corporations which are engaged in mining to a very large extent have their property patented, and the bill, of course, in no way affects patented claims. On the other hand, there are thousands of miners and prospectors who in thousands of cases have

devoted many years to the development of their mining claims and whose entire future and hopes depend on perpetuating their possessory rights to these claims who are absolutely unable financially to do the required annual assessment work for this year due to the economic and financial depression. These are the men who would suffer, and probably lose their property were they required to conform to the annual assessment law requiring \$100 in work and labor to be performed on each and every mining claim.

In every mining locality there are what are known to the mining community as "claim jumpers", who like vultures are hanging around awaiting an opportunity to "jump" some valuable mining claim in the event the man in possession is unable to do his work. These "claims jumpers" when the opportunity presents itself "jump" mining claims, not with the idea of development but simply for the purpose of securing the right to the possession of such claims, in the hope that, without doing more than relocating, they will be able to sell the property "jumped" at a very fancy price.

The thousands of prospectors in the mining States who have devoted years to the development of their claims find themselves victims at this time of the worst financial depression ever known in this country. Their financial plight is not the result of indolence on their part or the result of any other economic principle or law within their control, but they are the victims of causes over which they have no control. To compel them to do their assessment work at this time on penalty of being deprived of their property would be confiscation of the most vicious kind and without any color of justification.

By the passage of this act our Government loses nothing. No appropriation is necessary, no person is injured in the least, except the few who might get some employment if the work were required; and these few, in my opinion, are negligible. We are here in a special session to enact emergency measures for the relief of all people throughout the United States. In many instances our Government is called upon to appropriate millions, yes, billions, of dollars out of the Public Treasury for the relief of our citizens. As Members of Congress we have been called upon to do this and have generously and patriotically enacted without exception every measure requested by the President up to this date. Notwithstanding the fact that this emergency measure will not cost the Government one dime, it is just as vital to the lives of thousands of United States citizens as if it carried with it an appropriation of millions.

Some might say that it is purely sectional legislation, but it is not simply because it will benefit my section of the country or my district that I am asking its enactment. I ask your favorable consideration of this bill and its immediate passage in behalf of thousands of citizens of the United States in the West whose hopes and future existence are very much dependent on the enactment of this bill. I ask you to join me and the other sponsors of the bill and pass it at this time.

Mr. COCHRAN of Missouri. Mr. Speaker, I move to strike out the last word. I am not going to oppose this bill—in fact I have constituents who will benefit by it—but I rise for another purpose. At the outset of this session the Democrats of the House met in caucus and adopted a policy, practically by unanimous vote, for the appointment of a steering committee. That committee has been organized. To the steering committee was to be referred legislation, and upon the vote of that steering committee legislation was to be presented, when approved for consideration of the House. Today a resolution reported from the Committee on Rules was considered. That resolution was not referred to the steering committee. We have now a bill that was not referred to the steering committee. I realize that it is of minor importance, speaking of the country as a whole, but it is of major importance to some of our citizens. The thought that I want to express is this. I feel in the future we should endeavor to stop the consideration of public bills which have not been referred to the steering

committee when attempts are made to call them up on the floor of the House. We should either carry out the policy that was adopted by the Democrats in caucus or reconsider our policy and decide that we do not want a steering committee. Some of us have fought for years to secure a steering committee to get away from control by a few, and now that we have it through the action of the caucus, there seems to be a tendency to ignore the adopted policy. I express the hope the Speaker and leader will see to it that in the future the steering committee will function as the Democrats of the present Congress desired that it function. It is no small matter, and if carried out will make for harmony. [Applause.]

Mr. WHITE. Mr. Speaker, I ask for a vote on the bill.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider laid on the table.

WHITE-BORAH RESOLUTION

Mr. WHITE. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. WHITE. Mr. Speaker, the bill under consideration, which has passed the Senate, is an emergency measure of vital need to the mining industry of this country and Alaska.

Mr. Speaker, I have been asked to state the number of people that would be benefited under the operation of this bill.

Mr. Speaker, in the great area of public lands in the West in our mining States there are thousands of mining claims staked and held under the provision of our statutes which require the expenditure of \$100 assessment work annually for each claim. In many cases groups of these claims are held by companies in which there are thousands of stockholders. Many of these claimants and companies, acting in good faith, have developed their mining properties by the expenditure of labor and capital in the hopes of discovering and developing ore bodies of commercial value.

Mr. Speaker, let me point out that many of the great mines producing millions in metal wealth passed through the prospect stage and were developed to their productive stage by the plan followed by the prospectors that are holding unpatented claims in thousands of districts in the mining States of the West. In many cases after discovering veins that give promise of developing into paying mines in the mountain fastness, they have complied with the law in making their location and have constructed roads, erected buildings, brought in machinery, and opened the ground by driving tunnels or sinking shafts. Many of these mining properties represent the work of a lifetime of the locators and company organizations that develop them. Many such companies deem it more advisable to expend their money in opening and proving the value of the deposits rather than making a large outlay necessary to acquire the land by patent before its value as a mine is proven. Now, when thousands of these owners, through financial inability, are unable to meet the requirements of the law and must, if the provision is not suspended, lose the labor of a lifetime. It is sought here by the passage of this bill to protect these helpless mine owners and preserve to them the title of the claim that they are holding under the Federal mining law.

Mr. Speaker, I should like to read to you the account of the life work of one of these sturdy prospectors, as outlined in an article printed in the *Spokesman Review*, of Spokane, Wash., under date of January 21, 1931:

By death of T. B. McWilliams, 65-year-old, 1-armed miner, at the Parnell Hospital at Sandpoint yesterday, Idaho has lost as resolute a prospector as ever took up a pick and shovel to wrest a fortune from its rugged hills.

Undeterred by the loss of his right hand in a premature blast while driving a prospect tunnel on Scotchman Peak 16 years ago, he continued working his claims, lengthening his tunnels day by day. In his work he used an ingenious device, fitted to the stub of his arm by the blacksmith here. It permitted his holding and turning drill steel or hooking onto the handle of a wheelbarrow to take out the broken rock.

Known to the scourdoughs and the youths of the region as "Uncle Tommy", he carried on. Summer suns passing, and winter

snows, piling high on his lonely cabin roof, found "Uncle Tommy" hammering away at the hard, steel-defying quartzite, boring his way to nature's mineral wealth, which has baffled and discouraged many more able-bodied and better-equipped men. Not one tunnel, but four, yawn at the foot of Goat Mountain as monuments to his undaunted courage and tireless labor.

"Uncle Tommy lived to see his dream of a mining camp in this district realized. His 40 years of faith and work have been an inspiration to those who in recent years have caused the surrounding hills to yield up silver and lead in paying quantities", was the tribute paid him here today.

Mr. Speaker, "Hope springs eternal in the human breast", and in no breast does it reside with more permanency than in the breast of our grizzled prospectors. Fortune awaits just 10 feet ahead in the solid rock in the minds of the old prospectors. Never daunted, always buoyant, and sure that fortune will some day smile upon his efforts, the prospector pounds away at the clinking drills slowly opening the way to the bonanza that lies a few feet ahead in the vein that he is following.

Mr. Speaker, let me recount to you an event in the history of mining in Montana, an episode told in mining camps wherever beans are boiled and bacon is fried over a prospector's camp fire. Years ago a stout-hearted little Irishman by the name of Tommy Cruse formed an idea that, in the hills surrounding the great placer diggings in the Helena district, somewhere there must be deep-bedded veins of gold. He staked his claim high on the mountainside in the Marysville district and resolutely drilled and blasted his way into the solid rock. Months and years rolled around as Tommy pounded away in driving his tunnel, leaving anon to go forth and earn a grubstake that he might continue his work. Some miner once wrote on his mine door, "Cruse's folly", but Tommy persevered single-handed and alone and drove 1,300 feet through the rock to open the great gold ore body known as the Drom Lummond Mine. Tom Carter, of Helena, was his lawyer.

Tommy's ambition had always been to own a million dollars. So when the sale was made and Tommy was secure in his million, lawyer Carter saw to it that he retained one sixteenth interest in the mine. This produced many times Cruse's original million and may have been one of the major reasons for giving us the Honorable Senator Tom Carter, of Montana. Tommy opened a bank in Helena for carrying out one of his cherished ambitions. When the great depression of 1893 closed in on Helena and bank after bank closed and eager depositors made a run on Tommy's bank, he simply opened his vaults and piled high in the teller's cages his golden store within sight of everyone, where eager depositors could be paid as fast as they came. This ended the run on Tommy Cruse's bank and made financial history in the State of Montana. My friends, the romance of mining is not dead in the West; many opportunities await stout-hearted prospectors that roam the western hills seeking for another Drom Lummond.

Mr. Speaker, in passing this bill let us give the sturdy prospector of the West a year's respite in this gruelling hour of depression. Preserve to him the future of his years of labor so that when prosperity again smiles upon the mining industry he may have an opportunity to continue his efforts in opening and bringing forth new mineral wealth for the use of this great Nation.

LEAVE TO ADDRESS THE HOUSE

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to proceed for 2 minutes.

The SPEAKER. Is there objection?

Mr. MARTIN of Massachusetts. Mr. Speaker, I reserve the right to object. The gentleman from Maine [Mr. BEEDY] would like to have 15 minutes, following the gentleman from Texas.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, is any other legislation coming before the House today?

Mr. BYRNS. No; but many gentlemen here are very anxious to get away this afternoon. They do not like to

leave while the House is in session. We will have plenty of time for discussion next week, because there will be little before us the first part of the week. I am not going to object to any of these requests for unanimous consent to address the House, but I do hope we will be able to adjourn soon and permit some of these gentlemen to leave.

Mr. MARTIN of Massachusetts. Can the gentleman tell us the order of business on Monday?

Mr. BYRNS. At the present time I know of nothing that will come up on Monday except possibly the President will have a message to deliver on Monday. There are no conference reports, and I know of no legislation that will come up. Of course that is suspension day, and I do not know what the Speaker has in mind.

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent that on Monday, after the reading of the Journal and the disposition of business on the Speaker's table, the gentleman from Maine [Mr. BEEDY] may address the House for 20 minutes.

The SPEAKER. That is contrary to the rule that we have been following. Under the practice, we have not granted permission to address the House at some future date.

Mr. BYRNS. I should not want to give unanimous consent to that, not knowing what will be before the House on Monday.

Mr. BRITTEN. Is it not possible to agree now that there will be no attempt made to pass any particular legislation this afternoon, so that Members who desire to speak under the unanimous consent may do so?

Mr. BYRNS. Will the gentleman from Illinois remain here until we adjourn, if that is done?

Mr. BRITTEN. Yes, if the distinguished leader remains with me.

Mr. BYRNS. I certainly will remain, but I wonder whether my friend will.

Mr. MARTIN of Massachusetts. Mr. Speaker, if there is no emergency business on Monday, I take it the gentleman would not object to Mr. BEEDY's having 20 minutes at that time.

Mr. BYRNS. No; but I would rather not have the order made now.

Mr. MARTIN of Massachusetts. With that understanding, I shall not object to the gentleman from Texas' proceeding for 2 minutes.

Mr. BLACK. Mr. Speaker, will the gentleman from Tennessee yield?

Mr. BYRNS. Yes.

Mr. BLACK. I notice that the Senate yesterday passed a bill concerning Federal secrets. Is there any possibility of that bill's coming up on Monday? That is the bill that passed the House under a misapprehension, which contained a press-censorship provision.

Mr. BYRNS. It would first have to go to conference.

Mr. BLACK. I ask the question because I want to have something to say about my own relations with the Attorney General's office and the Department of State in respect to that bill.

Mr. PARKER of Georgia. Mr. Speaker, I demand the regular order.

Mr. BYRNS. The bill has come over from the Senate. It is a bill that came originally from the Committee on the Judiciary and I think that that committee should have opportunity to look it over before it is brought up.

Mr. MARTIN of Massachusetts. Can the gentleman tell us whether the Celler resolution is coming up this afternoon?

Mr. BYRNS. It is not.

Mr. BUSBY. Mr. Speaker, will the gentleman yield?

Mr. BYRNS. Yes.

Mr. BUSBY. Some days ago I made points of no quorum for a purpose, which I did not explain at that time.

The thing that is now before the House relates to that situation. There is one committee of this House that is given the exclusive prerogative of doling out the time of the House, not to attend to its business but to let Members make speeches.

Mr. PARKER of Georgia. Mr. Speaker, the regular order. The SPEAKER. Regular order is demanded.

Mr. BUSBY. Mr. Speaker, I make the point of order that there is no quorum present.

Mr. BYRNS. Will the gentleman withhold that for just a moment?

Mr. BUSBY. No. I insist on the point of no quorum, if the gentleman from Georgia [Mr. PARKER], is going to be so inconsiderate of what I am saying.

Mr. PARKER of Georgia. Mr. Speaker, I made the point before the gentleman from Mississippi was recognized.

Mr. BYRNS. Mr. Speaker, if the gentleman will permit, I ask unanimous consent that when the House adjourn today it adjourn to meet on Monday next.

Mr. BUSBY. Mr. Speaker, I insist on the point of order of no quorum. I am not satisfied with the attitude of the gentleman from Georgia. I arose courteously and for a particular purpose.

Mr. BRITTEN. Will the gentleman yield for a question?

Mr. BUSBY. I do not have any time. The regular order has been demanded.

Mr. BRITTEN. Will the gentleman yield for a question?

Mr. PARKER of Georgia. Mr. Speaker, I have already made the statement that I demanded the regular order before the gentleman from Mississippi [Mr. BUSBY] was recognized, and the RECORD should show this to be a fact. I withdraw the point of order.

Mr. BUSBY. Mr. Speaker, I will withdraw the point of order of no quorum, temporarily. [Applause.]

ADJOURNMENT OVER

Mr. BYRNS. Mr. Speaker, I ask unanimous consent that when the House adjourn today it adjourn to meet on Monday next.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee [Mr. BYRNS]?

There was no objection.

Mr. BUSBY. Will the gentleman yield?

Mr. BYRNS. I yield.

Mr. BUSBY. I started to make this explanation, because some of the Members did not understand the other day why I made the point of no quorum. I consider the time of this House does not belong to the Committee on Appropriations, to be doled out to Members who manage to get some favorable ear from the subcommittee chairmen who happen to be handling the time. I think those requests of the gentleman from Texas [Mr. PATMAN] for time to address the House are entirely in order, and that the time of the House for debate ought to be controlled by the House and by the Speaker, instead of by the Committee on Appropriations. The fact is, I do not think the subcommittee chairmen of the Appropriations Committee want to be bothered with it. I think I shall continue, when the Committee on Appropriations performs, to make points of no quorum if it is so important that it can control the time of the House, to see that there is a quorum present to accord them that importance to which they are entitled. [Applause.]

Mr. BYRNS. Permit me to say to the gentleman that I have been a Member of this House for some time, and it has always been the custom when a bill is pending before the House to give the chairman and the ranking minority member the privilege of controlling the time. That has not only been done with reference to appropriation bills but it is done with reference to every bill that comes before the House.

Mr. BLANTON. To the District bills especially.

Mr. BYRNS. To the District bills and all bills. I know of no other way that we can have any regular procedure in the way of debate except by that particular plan which has been followed.

Mr. BUSBY. If the gentleman will yield, I will tell him how. You do not discuss your business as other committees are required to do. The District Committee does, most of the time.

Mr. BLANTON. It does not have to confine debate to its bills, for in Committee of the Whole general debate is always

in order. I myself have yielded the gentleman from Mississippi a whole hour. I distinctly remember yielding a whole hour to the gentleman myself.

Mr. BUSBY. And I thanked the gentleman for his courtesy when he was in the chair, and that disposes of that matter.

What I started to say was that formerly we had an opportunity of asking the Chair for special orders when men really had something to talk about, but we have to forego that under the recent arrangement and policy. That is how we got time, not from the Appropriations Committee, which time belongs to the Members of the House, but from the House itself, and from the Speaker, by unanimous consent.

Mr. DOWELL. Will the gentleman yield?

Mr. BYRNS. I yield.

Mr. DOWELL. May I make this suggestion: That when the Budget law was passed it was the understanding of the Members of the House and that was the rule that the Committee on Appropriations was not to consider or bring in any legislation. The rule just recently, however, has been that the Committee on Appropriations has had entire charge, not only of appropriations but of legislation, and if any objection is made to the legislation the Rules Committee brings in a rule making the legislation in order on an appropriation bill. That is the reason the Committee on Appropriations has the assignment of all this time, because they are doing all the legislating as well as appropriating.

Mr. BYRNS. May I say this: That I have been a member of the Committee on Appropriations of this Congress ever since the Budget law was framed and passed. I do want to say in justice to that committee, both under Republican Congresses and under the last Democratic Congress, that it recommended very little legislation on appropriation bills, and only in cases of what might be considered an emergency, and before those matters were brought in the committee consulted with the chairman of the legislative committee which would have jurisdiction of the matter as to whether his committee would object.

In the recent bill, to which the gentleman refers, there is a great deal of important legislation, and the gentleman realizes that if all that legislation had gone to legislative committees we might have been detained here 2 or 3 weeks considering it. Therefore a rule was brought in and the House was given an opportunity to vote its sentiments as to whether or not it should be retained.

Mr. DOWELL. If the gentleman will yield a moment, my criticism just now was not especially directed to the last bill. Before the Budget law was passed all of the legislative committees made their recommendations for appropriations, and when the Appropriations Committee was given the task of recommending appropriations for all activities of the Government, it was the definite understanding of the House that it would bring in no legislation.

Mr. BYRNS. The gentleman understands, and the country understands, that we are legislating now under emergency conditions, trying to meet a situation which the gentleman and every Member of the House is very anxious to clear up.

Mr. DOWELL. Yes.

Mr. BYRNS. This has required a rather unusual number of rules during this session; but I hope after we have disposed of this legislation, which is considered of an emergency nature, we can get back to normal conditions, insofar as procedure is concerned. As the gentleman from Oklahoma said, the amendments put upon this appropriation bill were solely in the interest of economy and nothing else.

The SPEAKER. The gentleman from Texas asks unanimous consent to proceed for 3 minutes. Is there objection? There was no objection.

INVESTIGATION OF MOTION-PICTURE INDUSTRY

Mr. PATMAN. Mr. Speaker, I voted against the Sirovich resolution because I felt the delay that would be caused by an investigation by a congressional committee would be in the interest of the law violators rather than against their interests. I felt that it would cause considerable and unnecessary delay.

DEPARTMENT OF JUSTICE SHOULD ACT

I am preparing now and expect to introduce Monday, a resolution requesting the Attorney General of the United States to immediately and speedily investigate all the charges made by Mr. SIROVICH in his resolution and all the charges made against the motion-picture industry, in the hope that if violations of the law are discovered that criminal and civil actions will be commenced immediately, and that there will be no delay. I hope if they are discovered that those who should be prosecuted will be tried before the bar of justice rather than before the bar of public opinion.

FEDERAL TRADE COMMISSION ORGANIZED TRUST

I do not want this investigation to be made by the Federal Trade Commission. The Federal Trade Commission made a substantial contribution toward the organization of this trust. If I had the time I could convince you that the Federal Trade Commission has organized many trusts; that it has assisted monopoly and not the people. Certainly it is not going to do anything against trusts when it is in the trust-organizing business. Therefore, I want a fair, impartial, and speedy investigation made by the Department of Justice in the hope that all violators of the law will have to pay a fine, go to the penitentiary, or go to jail. I am tired of this "throwing the rabbit in a briar patch" or "slap on the wrist" punishment that the Government has been a party to in recent years.

Mr. MARTIN of Massachusetts. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield.

Mr. MARTIN of Massachusetts. Does the gentleman think his resolution necessary? Can he not bring the facts to the attention of the Attorney General, and would not the Attorney General proceed?

Mr. PATMAN. Since the House refused to adopt the Sirovich resolution and since some of the Members were misunderstood in voting against the resolution, I felt that it would be in order for the House to express itself as favoring an investigation of the matter and I am introducing this resolution for the purpose of allowing the Members to record their expressions on this subject. The Attorney General will probably appreciate an expression from the House on this important matter. Certainly he would not object to it.

Mr. MARTIN of Massachusetts. The gentleman is not attacking the integrity of Mr. Cummings?

Mr. PATMAN. Not in the least.

Mr. MARTIN of Massachusetts. Then I do not see why the gentleman's resolution is necessary.

Mr. PATMAN. I do not doubt his integrity in the least. I have the utmost faith and confidence in Mr. Cummings. I believe he will carry out and perform the duties of his office, which is more, I will say to the gentleman, than was done by his predecessor. This resolution merely requests him to make this investigation.

Mr. MARTIN of Massachusetts. Then why does not the gentleman from Texas take it down to the Department of Justice and give it to him?

Mr. PATMAN. Passage of this resolution will be an expression from this House that we are in favor of it and that we want him to know how we feel about it.

Mr. COCHRAN of Missouri. Where does the gentleman get the information that Members were misinformed who voted in the negative on the rule?

Mr. PATMAN. I did not get that information. I said some of them were probably misunderstood.

Mr. MARTIN of Massachusetts. I think if the gentleman would take a taxi and ride down to the Department of Justice he would get there quicker than to wait for the resolution to be acted upon.

Mr. PATMAN. My resolution will be prepared and presented Monday.

Mr. WEIDEMAN. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield.

Mr. WEIDEMAN. The gentleman from Missouri said he is going to dispose of this matter. This matter is just started, and anyone who opposes it will never hear the end of it.

FUTILITY OF ORDINARY INVESTIGATION

Mr. PATMAN. I see no reason why we should investigate known violations of the law, except for the purpose of punishing someone; if that is the purpose, the investigation should be conducted by those who have the power to institute criminal and civil proceedings. A congressional committee would have no such power. We know the main facts presented in the Sirovich resolution, so why delay action against the wrongdoers until a congressional committee can spend a few months and a few thousand dollars? Such a committee would then have to turn the facts over to the Department of Justice, so why not let the Department of Justice check the facts that are now known and commence proceedings without delay? Delay is a wrongdoer's best witness. If the facts were not already known, I would be in favor of the Sirovich resolution. This proposal is unlike the Teapot Dome investigation in this: In the *Teapot Dome* case the facts were suspected but not known. In this case the facts are known. Do we need an investigation to determine the large salaries paid? No; Mr. SIROVICH has all that information now, and it is also known by other Government officials. It is also known how the giant monopoly is crushing independents and otherwise violating the laws. We do not need an investigation by a congressional committee; we need the facts compiled for effective criminal and civil action. A few criminal cases will do more toward effectively enforcing the antitrust and antimonopoly laws than all the investigations that can be conducted. Wrongdoers are not afraid of investigations by committees powerless to cause punishment to be administered. They want us to investigate until the statute of limitations has run against the enforcement of criminal penalties. That is what usually happens—a long investigation; volumes of testimony printed, never to be read by anyone; hundreds of thousands of dollars of the taxpayers' money spent, report made years later, and nothing done because of the long delay and the statute of limitations.

INVESTIGATION OTHER FEATURES DESIRABLE

The Sirovich resolution did not propose an investigation of the charge that no bona fide effort is being made to censor screen material and that pictures are exhibited that are indecent and otherwise unfit for public display; nor the charge that the Motion Picture Producers and Distributors of America, Inc., of which Mr. Will H. Hays is president, is primarily a political organization and, although a public-service industry, is attempting to unduly influence public opinion by misleading propaganda. The first charge in regard to indecent pictures I would especially like to see investigated. These three subjects should properly be investigated by a congressional committee in order that the facts may be disclosed in aid of future legislation.

I insist, however, that all investigations that have for their purpose the punishment of violators of the criminal laws or the antitrust laws where the facts are known should be conducted by a body that is in a position to prosecute such charges. An investigation to determine facts that are not known as a basis for wholesome legislation should properly be made by a congressional committee.

Mr. BUCHANAN. Mr. Speaker, I ask unanimous consent to address the House for 3 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. BUCHANAN. Mr. Speaker, there has been a great deal of discussion here relative to legislation being brought in on appropriation bills. I want to state to the Members of the House the policy that is going to guide my action as chairman of the Appropriations Committee, and that is this: When the special session is over and when the emergency legislation requested by the President has been enacted or disposed of and when normal times come, there will be no legislation on the appropriation bills. [Applause.]

I just want to let you know that this is my policy and under no condition will any legislation be on an appropriation bill, even during this emergency, unless the President requests such legislation.

Mr. HOEPEL. Will the gentleman yield?

Mr. BUCHANAN. I yield.

Mr. HOEPEL. Is the gentleman so hopeful as to believe that the emergency is going to be over in this session?

Mr. BUCHANAN. I am hopeful the legislation which we shall enact will cause prosperity to return to this country in a reasonable time.

Mr. HOEPEL. I hope the gentleman is correct, but I believe he is wrong. [Laughter.]

Mr. BUCHANAN. I am sorry the gentleman is such a pessimist.

Mr. BLANTON. May I remark that the gentleman, instead of looking at the doughnut is looking at the hole. [Laughter.]

Mr. BUCHANAN. Now, one other suggestion. We have had a special session and there has been emergency legislation on appropriation bills and there have been appropriations on legislative bills. Did you hear one complaint from any member of the Appropriations Committee against \$100,000,000 of actual appropriations carried in the farm relief bill? No. Why? Because we want results to bring this depression to an end, and we do not want any technicality to stand in the way of getting results. [Applause.] What do the people of this country care about the rules of the House when they are suffering and want results? Therefore, whatever will give the quickest results to end this depression I am for, and I do not justify my action in bringing in legislation on appropriation bills by Republican precedents, but on the necessities of the case, and I have no apology to make to any man. [Applause.]

Mr. BLACK. Mr. Speaker, I ask unanimous consent to proceed for 5 minutes.

The SPEAKER. Is there objection?

There was no objection.

Mr. BLACK. Mr. Speaker, yesterday I introduced a resolution, which was referred to the Committee on Foreign Affairs, to the effect that our delegates to the World Economic Conference be directed not to enter into any arrangements or accords or understandings with the delegates from the Governments of Germany, Spain, and Mexico.

I did this on the theory that this country, which has before all men stood for the thesis that there should be religious freedom, should not in any way use our economic resources to continue in power the present Governments of Germany, Spain, and Mexico, and thus enable these Governments to continue their persecutions—in Germany of the Jews and in Spain and Mexico of the Catholics.

I think it is highly unfair for this Government in any way to call upon the coreligionists in this country of the Jews in Germany and the Catholics in Spain and Mexico to help by their personal economic resources, through the taxing power of this country, governments abroad which are persecuting their own people.

If this country has builded well, because it offered opportunity to all men, regardless of their creed or religious belief, this is a good idea for the world to carry out; and inasmuch as we have taken a leading part before the world in the efficacy of religious freedom, and because we are taking a leading part in this conference, I believe we should insist that these persecuting governments should not be helped in any measure at all by the Government of the United States which, after all, is only the people of the United States.

We are going to call upon our people, no matter what they are, in the event of agreements with these countries, to do something in an economic way to help, and anything we do that will help the present Government of Germany and the present Governments of Spain and Mexico will only be calling upon our people to help to carry on persecutions of an economic nature abroad.

There is nothing religious about these persecutions. There is nothing spiritual about these persecutions. They are entirely economic persecutions. These governments do not care anything about the hereafter of any of their people. Those in the countries who insist on the government persecuting do not care anything about the spiritual welfare of those persecuted. All they care about is the watch in the Jew's pocket or the watch in the Catholic's pocket that they want.

Religious persecution is entirely a crass, material proposition, and I say this Government should not enter into any arrangements at all calling upon Catholics and Jews in this country to help continue in power these persecuting governments abroad. [Applause.]

LEAVE OF ABSENCE

By unanimous consent, the following leave of absence was granted:

To Mr. WILLIAMS, indefinitely, on account of illness.

To Mr. DRIVER, for 1 week, on account of important business.

To Mr. CLARK of North Carolina, for several days, on account of important business.

ENROLLED BILLS SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H.R. 3835. An act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes; and

H.R. 4606. An act to provide for cooperation by the Federal Government with the several States and Territories and the District of Columbia in relieving the hardship and suffering caused by unemployment, and for other purposes.

BILLS PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, bills of the House of the following titles:

H.R. 3835. An act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes; and

H.R. 4606. An act to provide for cooperation by the Federal Government with the several States and Territories and the District of Columbia in relieving the hardship and suffering caused by unemployment, and for other purposes.

ADJOURNMENT

Mr. BYRNS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 2 o'clock and 1 minute p.m.) the House, under its previous order, adjourned until Monday, May 15, 1933, at 12 o'clock noon.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. GLOVER: A bill (H.R. 5623) for the relief of William F. Henley; to the Committee on War Claims.

By Mr. HARTLEY: A bill (H.R. 5624) granting compensation to Philip R. Roby; to the Committee on Claims.

By Mr. KNUTSON: A bill (H.R. 5625) to authorize the sale and conveyance by the Department of the Interior to

C. M. Hanson, of Briceyn, Minn., or his heirs, successors or assigns, of approximately 1¾ acres of lot 2, section 33, township 43 north, range 27 west, in the county of Mille Lacs, Minn.; to the Committee on Indian Affairs.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1023. By Mr. BACON: Petition signed by 3,610 citizens, mostly resident in New York State, protesting against the enactment of any legislation to admit aliens from Europe outside of quota restrictions; to the Committee on Immigration and Naturalization.

1024. By Mr. KENNEY: Petition of the Department of New Jersey, Reserve Officers' Association of the United States, in convention assembled, protesting against any further weakening of national defense, and in particular against any reduction in the number of officers in the Regular Army or in the amount of training given to Reserve officers; to the Committee on Military Affairs.

1025. Also, petition of the Department of New Jersey, Reserve Officers' Association of the United States, in convention assembled, protesting against any further weakening of national defense, and in particular against any reduction in the number of officers in the Regular Army or in the amount of training given to Reserve officers; to the Committee on Naval Affairs.

1026. By Mr. LINDSAY: Petition of the Industrial Chemical Sales Co., Inc., New York City, opposing House bill 3759; to the Committee on the Judiciary.

1027. Also, petition of the Women's Auxiliary of the Democratic Veterans' Organization of Kings County, Holly Club, Brooklyn, N.Y., opposing modification or cancelation of any Government insurance policies; to the Committee on Ways and Means.

1028. By Mr. MALONEY of Connecticut: Resolution of the Common Council of the City of Bridgeport, relative to commemorating the naturalization of Brig. Gen. Thaddeus Kosciusko; to the Committee on the Post Office and Post Roads.

1029. By Mr. RUDD: Petition of the Women's Auxiliary of the Democratic Veterans Organization of Kings County, Brooklyn, N.Y., opposing any modification or cancelation of Government insurance policies; to the Committee on World War Veterans' Legislation.

1030. By Mr. SANDERS: Resolution of the Texas Senate, favoring an amendment of the Wagner bill so that the Reconstruction Finance Corporation funds could be appropriated to the Texas Relief Commission to be used for the building of good roads in any section of the State; to the Committee on Education.

1031. By Mr. TARVER: Petition of T. W. Langston, of Atlanta, Ga., protesting against the harsh measures of the economy bill, and calling attention to the effects of this law; to the Committee on World War Veterans' Legislation.

1032. By Mr. TERRELL: Petition of Commissioners Court of Panola County, Tex., requesting appropriations for Federal highway building; to the Committee on Roads.

1033. By Mr. SWEENEY: Petition of the members of the congregation Kneseth Israel of Cleveland, Ohio, requesting that the United States, through its administrative and diplomatic agencies, declare to the German Government its disapproval of the inhuman and brutal treatment of Jewish citizens of Germany; to the Committee on Foreign Affairs.

1034. Also, petition of the members of the Temple on the Heights of the city of Cleveland Heights, Ohio, representing 900 families, in annual meeting assembled, deploring the situation of the Jews in Germany, and appealing to the heart of humanity to stem the growing tide of anti-Semitism and exert its influence to put an end to this program of medieval cruelty in Germany; to the Committee on Foreign Affairs.

SENATE

MONDAY, MAY 15, 1933

The Chaplain, Rev. Z. Barney T. Phillips, D.D., offered the following prayer:

Almighty God our Heavenly Father, with whom is the well of life and light; impart to our thirsting souls the draught of living water from Thy plenteous fountain, and increase in us the brightness of divine knowledge, that our darkened minds may be illumined by the effulgence of Thy love.

Calm Thou our spirits by that subduing power which alone can bring all scattered thoughts into captivity to Thee, that we may find that inward peace in which Thy Spirit's voice is heard, calling us to sacrificial service for the welfare of our Nation. Deal tenderly with all mankind, granting hope to the discouraged, forgiveness to the sinful, friendship to the lonely, comfort to the sorrowing, and, to us all, light at eventide. We ask it in the name of Jesus Christ our Lord. Amen.

THE JOURNAL

The Chief Clerk proceeded to read the Journal of the proceedings of the calendar days of May 11 and 12, when, on motion of Mr. ROBINSON of Arkansas, and by unanimous consent, the further reading was dispensed with, and the Journal was approved.

CALL OF THE ROLL

Mr. LEWIS. I suggest the absence of a quorum and move a roll call.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Coolidge	Hebert	Reed
Ashurst	Copeland	Johnson	Reynolds
Austin	Costigan	Kendrick	Robinson, Ark.
Bachman	Couzens	Keyes	Robinson, Ind.
Bailey	Cutting	King	Russell
Bankhead	Dickinson	La Follette	Schall
Barbour	Dieterich	Lewis	Sheppard
Barkley	Dill	Logan	Shipstead
Black	Duffy	Loneragan	Smith
Bone	Erickson	Long	Steiner
Borah	Fess	McAdoo	Stephens
Bratton	Fletcher	McCarran	Thomas, Okla.
Brown	Frazier	McKellar	Thomas, Utah
Bulkley	George	McNary	Townsend
Bulow	Glass	Metcalf	Trammell
Byrd	Goldsborough	Murphy	Tydings
Byrnes	Gore	Neely	Vandenberg
Capper	Hale	Norris	Van Nuys
Caraway	Harrison	Nye	Wagner
Carey	Hastings	Overton	Walsh
Clark	Hatfield	Patterson	Wheeler
Connally	Hayden	Pope	White

Mr. LEWIS. I wish to announce that the Senator from Kansas [Mr. McGILL] is detained by illness. I ask that this announcement may remain for the day.

The VICE PRESIDENT. Eighty-eight Senators have answered to their names. A quorum is present.

MUSCLE SHOALS—CONFERENCE REPORT

Mr. SMITH submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 5081) to provide for the common defense; to aid interstate commerce by navigation; to provide flood control; to promote the general welfare by creating the Tennessee Valley Authority; to operate the Muscle Shoals properties; and to encourage agricultural, industrial, and economic development, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows: In lieu of the matter inserted by the Senate insert the following:

"That for the purpose of maintaining and operating the properties now owned by the United States in the vicinity

of Muscle Shoals, Ala., in the interest of the national defense and for agricultural and industrial development, and to improve navigation in the Tennessee River and to control the destructive flood waters in the Tennessee River and Mississippi River Basins, there is hereby created a body corporate by the name of the 'Tennessee Valley Authority' (hereinafter referred to as the 'Corporation'). The board of directors first appointed shall be deemed the incorporators, and the incorporation shall be held to have been effected from the date of the first meeting of the board. This act may be cited as the 'Tennessee Valley Authority Act of 1933.'

"SEC. 2. (a) The board of directors of the Corporation (hereinafter referred to as the 'board') shall be composed of three members, to be appointed by the President, by and with the advice and consent of the Senate. In appointing the members of the board, the President shall designate the chairman. All other officials, agents, and employees shall be designated and selected by the board.

"(b) The terms of office of the members first taking office after the approval of this act shall expire as designated by the President at the time of nomination, 1 at the end of the third year, 1 at the end of the sixth year, and 1 at the end of the ninth year, after the date of approval of this act. A successor to a member of the board shall be appointed in the same manner as the original members and shall have a term of office expiring 9 years from the date of the expiration of the term for which his predecessor was appointed.

"(c) Any member appointed to fill a vacancy in the board occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term.

"(d) Vacancies in the board so long as there shall be 2 members in office shall not impair the powers of the board to execute the functions of the Corporation, and 2 of the members in office shall constitute a quorum for the transaction of the business of the board.

"(e) Each of the members of the board shall be a citizen of the United States, and shall receive a salary at the rate of \$10,000 a year, to be paid by the Corporation as current expenses. Each member of the board, in addition to his salary, shall be permitted to occupy as his residence one of the dwelling houses owned by the Government in the vicinity of Muscle Shoals, Ala., the same to be designated by the President of the United States. Members of the board shall be reimbursed by the Corporation for actual expenses (including traveling and subsistence expenses) incurred by them in the performance of the duties vested in the board by this act. No member of said board shall, during his continuance in office, be engaged in any other business, but each member shall devote himself to the work of the Corporation.

"(f) No director shall have financial interest in any public-utility corporation engaged in the business of distributing and selling power to the public nor in any corporation engaged in the manufacture, selling, or distribution of fixed nitrogen or fertilizer, or any ingredients thereof, nor shall any member have any interest in any business that may be adversely affected by the success of the Corporation as a producer of concentrated fertilizers or as a producer of electric power.

"(g) The board shall direct the exercise of all the powers of the Corporation.

"(h) All members of the board shall be persons who profess a belief in the feasibility and wisdom of this act.

"SEC. 3. The board shall, without regard to the provisions of Civil Service laws applicable to officers and employees of the United States, appoint such managers, assistant managers, officers, employees, attorneys, and agents, as are necessary for the transaction of its business, fix their compensation, define their duties, require bonds of such of them as the board may designate, and provide a system of organization to fix responsibility and promote efficiency. Any appointee of the board may be removed in the discretion

of the board. No regular officer or employee of the Corporation shall receive a salary in excess of that received by the members of the board.

"All contracts to which the Corporation is a party and which require the employment of laborers and mechanics in the construction, alteration, maintenance, or repair of buildings, dams, locks, or other projects shall contain a provision that not less than the prevailing rate of wages for work of a similar nature prevailing in the vicinity shall be paid to such laborers or mechanics.

"In the event any dispute arises as to what are the prevailing rates of wages, the question shall be referred to the Secretary of Labor for determination, and his decision shall be final. In the determination of such prevailing rate or rates, due regard shall be given to those rates which have been secured through collective agreement by representatives of employers and employees.

"Where such work as is described in the two preceding paragraphs is done directly by the Corporation the prevailing rate of wages shall be paid in the same manner as though such work had been let by contract.

"Insofar as applicable the benefits of the act entitled 'An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes', approved September 7, 1916, as amended, shall extend to persons given employment under the provisions of this act.

"SEC. 4. Except as otherwise specifically provided in this act, the Corporation—

"(a) Shall have succession in its corporate name.

"(b) May sue and be sued in its corporate name.

"(c) May adopt and use a corporate seal, which shall be judicially noticed.

"(d) May make contracts, as herein authorized.

"(e) May adopt, amend, and repeal bylaws.

"(f) May purchase or lease and hold such real and personal property as it deems necessary or convenient in the transaction of its business, and may dispose of any such personal property held by it.

"The board shall select a treasurer and as many assistant treasurers as it deems proper, which treasurer and assistant treasurers shall give such bonds for the safe-keeping of the securities and moneys of the said Corporation as the board may require: *Provided*, That any member of said board may be removed from office at any time by a concurrent resolution of the Senate and the House of Representatives.

"(g) Shall have such powers as may be necessary or appropriate for the exercise of the powers herein specifically conferred upon the Corporation.

"(h) Shall have power in the name of the United States of America to exercise the right of eminent domain, and in the purchase of any real estate or the acquisition of real estate by condemnation proceedings, the title to such real estate shall be taken in the name of the United States of America, and thereupon all such real estate shall be entrusted to the Corporation as the agent of the United States to accomplish the purposes of this act.

"(i) Shall have power to acquire real estate for the construction of dams, reservoirs, transmission lines, power houses, and other structures, and navigation projects at any point along the Tennessee River, or any of its tributaries, and in the event that the owner or owners of such property shall fail or refuse to sell to the Corporation at a price deemed fair and reasonable by the board, then the Corporation may proceed to exercise the right of eminent domain, and to condemn all property that it deems necessary for carrying out the purposes of this act, and all such condemnation proceedings shall be had pursuant to the provisions and requirements hereinafter specified, with reference to any and all condemnation proceedings.

"(j) Shall have power to construct dams, reservoirs, power houses, power structures, transmission lines, navigation projects, and incidental works in the Tennessee River and its tributaries, and to unite the various power installations into one or more systems by transmission lines.

"Sec. 5. The board is hereby authorized—

"(a) To contract with commercial producers for the production of such fertilizers or fertilizer materials as may be needed in the Government's program of development and introduction in excess of that produced by Government plants. Such contracts may provide either for outright purchase of materials by the board or only for the payment of carrying charges on special materials manufactured at the board's request for its program.

"(b) To arrange with farmers and farm organizations for large-scale practical use of the new forms of fertilizers under conditions permitting an accurate measure of the economic return they produce.

"(c) To cooperate with National, State, district, or county experimental stations or demonstration farms, for the use of new forms of fertilizer or fertilizer practices during the initial or experimental period of their introduction.

"(d) The board in order to improve and cheapen the production of fertilizer is authorized to manufacture and sell fixed nitrogen, fertilizer, and fertilizer ingredients at Muscle Shoals by the employment of existing facilities, by modernizing existing plants, or by any other process or processes that in its judgment shall appear wise and profitable for the fixation of atmospheric nitrogen or the cheapening of the production of fertilizer.

"(e) Under the authority of this act the board may make donations or sales of the product of the plant or plants operated by it to be fairly and equitably distributed through the agency of county demonstration agents, agricultural colleges, or otherwise as the board may direct, for experimentation, education, and introduction of the use of such products in cooperation with practical farmers so as to obtain information as to the value, effect, and best methods of their use.

"(f) The board is authorized to make alterations, modifications, or improvements in existing plants and facilities, and to construct new plants.

"(g) In the event it is not used for the fixation of nitrogen for agricultural purposes, or leased, then the board shall maintain a stand-by condition nitrate plant no. 2, or its equivalent, for the fixation of atmospheric nitrogen, for the production of explosives in the event of war or a national emergency, until the Congress shall by joint resolution release the board from this obligation, and if any part thereof be used by the board for the manufacture of phosphoric acid or potash, the balance of nitrate plant no. 2 shall be kept in stand-by condition.

"(h) To establish, maintain, and operate laboratories and experimental plants, and to undertake experiments for the purpose of enabling the Corporation to furnish nitrogen products for military purposes, and nitrogen and other fertilizer products for agricultural purposes in the most economical manner and at the highest standard of efficiency.

"(i) To request the assistance and advice of any officer, agent, or employee of any executive department or of any independent office of the United States, to enable the Corporation the better to carry out its powers successfully, and as far as practicable shall utilize the services of such officers, agents, and employees, and the President shall, if in his opinion, the public interest, service, or economy so require, direct that such assistance, advice, and service be rendered to the Corporation, and any individual that may be by the President directed to render such assistance, advice, and service shall be thereafter subject to the orders, rules, and regulations of the board: *Provided*, That any invention or discovery made by virtue of and incidental to such service by an employee of the Government of the United States serving under this section, or by any employee of the Corporation, together with any patents which may be granted thereon, shall be the sole and exclusive property of the Corporation, which is hereby authorized to grant such licenses thereunder as shall be authorized by the board: *Provided further*, That the board may pay to such inventor such sum from the income from sale of licenses as it may deem proper.

"(j) Upon the requisition of the Secretary of War or the Secretary of the Navy to manufacture for and sell at cost to the United States explosives or their nitrogenous content.

"(k) Upon the requisition of the Secretary of War the Corporation shall allot and deliver without charge to the War Department so much power as shall be necessary in the judgment of said Department for use in operation of all locks, lifts, or other facilities in aid of navigation.

"(l) To produce, distribute, and sell electric power, as herein particularly specified.

"(m) No products of the Corporation shall be sold for use outside of the United States, its Territories and possessions, except to the United States Government for the use of its Army and Navy, or to its allies in case of war.

"(n) The President is authorized, within 12 months after the passage of this act, to lease to any responsible farm organization or to any corporation organized by it nitrate plant no. 2 and Waco Quarry, together with the railroad connecting said quarry with nitrate plant no. 2, for a term not exceeding 50 years at a rental of not less than \$1 per year, but such authority shall be subject to the express condition that the lessee shall use said property during the term of said lease exclusively for the manufacture of fertilizer and fertilizer ingredients to be used only in the manufacture of fertilizer by said lessee and sold for use as fertilizer. The said lessee shall covenant to keep said property in first-class condition, but the lessee shall be authorized to modernize said plant no. 2 by the installation of such machinery as may be necessary, and is authorized to amortize the cost of said machinery and improvements over the term of said lease or any part thereof. Said lease shall also provide that the board shall sell to the lessee power for the operation of said plant at the same schedule of prices that it charges all other customers for power of the same class and quantity. Said lease shall also provide that, if the said lessee does not desire to buy power of the publicly owned plant, it shall have the right to purchase its power for the operation of said plant of the Alabama Power Co. or any other publicly or privately owned corporation engaged in the generation and sale of electric power, and in such case the lease shall provide further that the said lessee shall have a free right of way to build a transmission line over Government property to said plant paying the actual expenses and damages, if any, incurred by the Corporation on account of such line. Said lease shall also provide that the said lessee shall covenant that during the term of said lease the said lessee shall not enter into any illegal monopoly, combination, or trust with any privately owned corporation engaged in the manufacture, production, and sale of fertilizer with the object or effect of increasing the price of fertilizer to the farmer.

"Sec. 6. In the appointment of officials and the selection of employees for said Corporation, and in the promotion of any such employees or officials, no political test or qualification shall be permitted or given consideration, but all such appointments and promotions shall be given and made on the basis of merit and efficiency. Any member of said board who is found by the President of the United States to be guilty of a violation of this section shall be removed from office by the President of the United States, and any appointee of said board who is found by the board to be guilty of a violation of this section shall be removed from office by said board.

"Sec. 7. In order to enable the Corporation to exercise the powers and duties vested in it by this act—

"(a) The exclusive use, possession, and control of the United States nitrate plants nos. 1 and 2, including steam plants, located, respectively, at Sheffield, Ala., and Muscle Shoals, Ala., together with all real estate and buildings connected therewith, all tools and machinery, equipment, accessories, and materials belonging thereto, and all laboratories and plants used as auxiliaries thereto; the fixed-nitrogen research laboratory, the Waco limestone quarry, in Alabama, and Dam No. 2, located at Muscle Shoals, its power house, and all hydroelectric and operating appurtenances (except the locks), and all machinery, lands, and buildings in connection therewith, and all appurtenances thereof, and all other property to be acquired by the Corporation in its own name or in the name of the United States of America, are

hereby entrusted to the Corporation for the purposes of this act.

"(b) The President of the United States is authorized to provide for the transfer to the Corporation of the use, possession, and control of such other real or personal property of the United States as he may from time to time deem necessary and proper for the purposes of the Corporation as herein stated.

"SEC. 8. (a) The Corporation shall maintain its principal office in the immediate vicinity of Muscle Shoals, Ala. The Corporation shall be held to be an inhabitant and resident of the northern judicial district of Alabama within the meaning of the laws of the United States relating to the venue of civil suits.

"(b) The Corporation shall at all times maintain complete and accurate books of accounts.

"(c) Each member of the board, before entering upon the duties of his office, shall subscribe to an oath (or affirmation) to support the Constitution of the United States and to faithfully and impartially perform the duties imposed upon him by this act.

"SEC. 9. (a) The board shall file with the President and with the Congress, in December of each year, a financial statement and a complete report as to the business of the Corporation covering the preceding governmental fiscal year. This report shall include an itemized statement of the cost of power at each power station, the total number of employees and the names, salaries, and duties of those receiving compensation at the rate of more than \$1,500 a year.

"(b) The Comptroller General of the United States shall audit the transactions of the Corporation at such times as he shall determine, but not less frequently than once each governmental fiscal year, with personnel of his selection. In such connection he and his representatives shall have free and open access to all papers, books, records, files, accounts, plants, warehouses, offices, and all other things, property and places belonging to or under the control of or used or employed by the Corporation, and shall be afforded full facilities for counting all cash and verifying transactions with and balances in depositaries. He shall make report of each such audit in quadruplicate, one copy for the President of the United States, one for the chairman of the board, one for public inspection at the principal office of the Corporation, and the other to be retained by him for the uses of the Congress. The expenses of each such audit may be paid from moneys advanced therefor by the Corporation, or from any appropriation or appropriations for the General Accounting Office, and appropriations so used shall be reimbursed promptly by the Corporation as billed by the Comptroller General. All such audit expenses shall be charged to operating expenses of the Corporation. The Comptroller General shall make special report to the President of the United States and to the Congress of any transaction or condition found by him to be in conflict with the powers or duties intrusted to the Corporation by law.

"SEC. 10. The board is hereby empowered and authorized to sell the surplus power not used in its operations, and for operation of locks and other works generated by it, to States, counties, municipalities, corporations, partnerships, or individuals, according to the policies hereinafter set forth; and to carry out said authority, the board is authorized to enter into contracts for such sale for a term not exceeding 20 years, and in the sale of such current by the board it shall give preference to States, counties, municipalities, and cooperative organizations of citizens or farmers, not organized or doing business for profit, but primarily for the purpose of supplying electricity to its own citizens or members: *Provided*, That all contracts made with private companies or individuals for the sale of power, which power is to be resold for a profit, shall contain a provision authorizing the board to cancel said contract upon 5 years' notice in writing, if the board needs said power to supply the demands of States, counties, or municipalities. In order to promote and encourage the fullest possible use of electric light and power on farms within reasonable distance of any of its transmission lines the board in its discretion shall

have power to construct transmission lines to farms and small villages that are not otherwise supplied with electricity at reasonable rates, and to make such rules and regulations governing such sale and distribution of such electric power as in its judgment may be just and equitable: *Provided further*, That the board is hereby authorized and directed to make studies, experiments, and determinations to promote the wider and better use of electric power for agricultural and domestic use, or for small or local industries, and it may cooperate with State governments, or their subdivisions or agencies, with educational or research institutions, and with cooperatives or other organizations, in the application of electric power to the fuller and better balanced development of the resources of the region.

"SEC. 11. It is hereby declared to be the policy of the Government so far as practical to distribute and sell the surplus power generated at Muscle Shoals equitably among the States, counties, and municipalities within transmission distance. This policy is further declared to be that the projects herein provided for shall be considered primarily as for the benefit of the people of the section as a whole and particularly the domestic and rural consumers to whom the power can economically be made available, and accordingly that sale to and use by industry shall be a secondary purpose, to be utilized principally to secure a sufficiently high load factor and revenue returns which will permit domestic and rural use at the lowest possible rates and in such manner as to encourage increased domestic and rural use of electricity. It is further hereby declared to be the policy of the Government to utilize the Muscle Shoals properties so far as may be necessary to improve, increase, and cheapen the production of fertilizer and fertilizer ingredients by carrying out the provisions of this act.

"SEC. 12. In order to place the board upon a fair basis for making such contracts and for receiving bids for the sale of such power, it is hereby expressly authorized, either from appropriations made by Congress or from funds secured from the sale of such power, or from funds secured by the sale of bonds hereafter provided for, to construct, lease, purchase, or authorize the construction of transmission lines within transmission distance from the place where generated, and to interconnect with other systems. The board is also authorized to lease to any person, persons, or corporation the use of any transmission line owned by the Government and operated by the board, but no such lease shall be made that in any way interferes with the use of such transmission line by the board: *Provided*, That if any State, county, municipality, or other public or cooperative organization of citizens or farmers, not organized or doing business for profit, but primarily for the purpose of supplying electricity to its own citizens or members, or any two or more of such municipalities or organizations, shall construct or agree to construct and maintain a properly designed and built transmission line to the Government reservation upon which is located a Government generating plant, or to a main transmission line owned by the Government or leased by the board and under the control of the board, the board is hereby authorized and directed to contract with such State, county, municipality, or other organization, or two or more of them, for the sale of electricity for a term not exceeding 30 years; and in any such case the board shall give to such State, county, municipality, or other organization ample time to fully comply with any local law now in existence or hereafter enacted providing for the necessary legal authority for such State, county, municipality, or other organization to contract with the board for such power: *Provided further*, That all contracts entered into between the Corporation and any municipality or other political subdivision or corporate organization shall provide that the electric power shall be sold and distributed to the ultimate consumer without discrimination as between consumers of the same class, and such contract shall be voidable at the election of the board if a discriminatory rate, rebate, or other special concession is made or given to any consumer or user by the municipality or other political subdivision or cooperative organization: *And provided further*, That as

to any surplus power not so sold as above provided to States, counties, municipalities, or other said organizations, before the board shall sell the same to any person or corporation engaged in the distribution and resale of electricity for profit, it shall require said person or corporation to agree that any resale of such electric power by said person or corporation shall be made to the ultimate consumer of such electric power at prices that shall not exceed a schedule fixed by the board from time to time as reasonable, just, and fair; and in case of any such sale, if an amount is charged the ultimate consumer which is in excess of the price so deemed to be just, reasonable, and fair by the board, the contract for such sale between the board and such distributor of electricity shall be voidable at the election of the board: *And provided further*, That the board is hereby authorized to enter into contracts with other power systems for the mutual exchange of unused excess power upon suitable terms, for the conservation of stored water, and as an emergency or break-down relief.

"SEC. 13. Five percent of the gross proceeds received by the board for the sale of power generated at Dam No. 2, or from any other hydropower plant hereafter constructed in the State of Alabama, shall be paid to the State of Alabama; and 5 percent of the gross proceeds from the sale of power generated at Cove Creek Dam, hereinafter provided for, or any other dam located in the State of Tennessee, shall be paid to the State of Tennessee. Upon the completion of said Cove Creek Dam the board shall ascertain how much additional power is thereby generated at Dam No. 2 and at any other dam hereafter constructed by the Government of the United States on the Tennessee River, in the State of Alabama, or in the State of Tennessee, and from the gross proceeds of the sale of such additional power 2½ percent shall be paid to the State of Alabama and 2½ percent to the State of Tennessee. These percentages shall apply to any other dam that may hereafter be constructed and controlled and operated by the board on the Tennessee River or any of its tributaries, the main purpose of which is to control flood waters and where the development of electric power is incidental to the operation of such flood-control dam. In ascertaining the gross proceeds from the sale of such power upon which a percentage is paid to the States of Alabama and Tennessee, the board shall not take into consideration the proceeds of any power sold or delivered to the Government of the United States, or any department or agency of the Government of the United States, used in the operation of any locks on the Tennessee River or for any experimental purpose, or for the manufacture of fertilizer or any of the ingredients thereof, or for any other governmental purpose: *Provided*, That the percentages to be paid to the States of Alabama and Tennessee, as provided in this section, shall be subject to revision and change by the board, and any new percentages established by the board, when approved by the President, shall remain in effect until and unless again changed by the board with the approval of the President. No change of said percentages shall be made more often than once in 5 years, and no change shall be made without giving to the States of Alabama and Tennessee an opportunity to be heard.

"SEC. 14. The board shall make a thorough investigation as to the present value of Dam No. 2, and the steam plants at nitrate plant no. 1, and nitrate plant no. 2, and as to the cost of Cove Creek Dam, for the purpose of ascertaining how much of the value or the cost of said properties shall be allocated and charged up to (1) flood control, (2) navigation, (3) fertilizer, (4) national defense, and (5) the development of power. The findings thus made by the board, when approved by the President of the United States, shall be final, and such findings shall thereafter be used in all allocation of value for the purpose of keeping the book value of said properties. In like manner, the cost and book value of any dams, steam plants, or other similar improvements hereafter constructed and turned over to said board for the purpose of control and management shall be ascertained and allocated.

"SEC. 15. In the construction of any future dam, steam plant, or other facility, to be used in whole or in part for

the generation or transmission of electric power the board is hereby authorized and empowered to issue on the credit of the United States and to sell serial bonds not exceeding \$50,000,000 in amount, having a maturity not more than 50 years from the date of issue thereof, and bearing interest not exceeding 3½ percent per annum. Said bonds shall be issued and sold in amounts and prices approved by the Secretary of the Treasury, but all such bonds as may be so issued and sold shall have equal rank. None of said bonds shall be sold below par, and no fee, commission, or compensation whatever shall be paid to any person, firm, or corporation for handling, negotiating the sale, or selling the said bonds. All of such bonds so issued and sold shall have all the rights and privileges accorded by law to Panama Canal bonds, authorized by section 8 of the act of June 28, 1902, chapter 1302, as amended by the act of December 21, 1905 (ch. 3, sec. 1, 34 Stat. 5), as now compiled in section 743 of title 31 of the United States Code. All funds derived from the sale of such bonds shall be paid over to the Corporation.

"SEC. 16. The board, whenever the President deems it advisable, is hereby empowered and directed to complete Dam No. 2 at Muscle Shoals, Ala., and the steam plant at nitrate plant no. 2, in the vicinity of Muscle Shoals, by installing in Dam No. 2 the additional power units according to the plans and specifications of said dam, and the additional power unit in the steam plant at nitrate plant no. 2.

"SEC. 17. The Secretary of War, or the Secretary of the Interior, is hereby authorized to construct, either directly or by contract to the lowest responsible bidder, after due advertisement, a dam in and across Clinch River in the State of Tennessee, which has by long custom become known and designated as the Cove Creek Dam, together with a transmission line from Muscle Shoals, according to the latest and most approved designs, including power house and hydro-electric installations and equipment for the generation of power, in order that the waters of the said Clinch River may be impounded and stored above said dam for the purpose of increasing and regulating the flow of the Clinch River and the Tennessee River below, so that the maximum amount of primary power may be developed at Dam No. 2 and at any and all other dams below the said Cove Creek Dam: *Provided, however*, That the President is hereby authorized by appropriate order to direct the employment by the Secretary of War, or by the Secretary of the Interior, of such engineer or engineers as he may designate, to perform such duties and obligations as he may deem proper, either in the drawing of plans and specifications for said dam, or to perform any other work in the building or construction of the same. The President may, by such order, place the control of the construction of said dam in the hands of such engineer or engineers taken from private life as he may desire: *And provided further*, That the President is hereby expressly authorized, without regard to the restriction or limitation of any other statute, to select attorneys and assistants for the purpose of making any investigation he may deem proper to ascertain whether, in the control and management of Dam No. 2, or any other dam or property owned by the Government in the Tennessee River Basin, or in the authorization of any improvement therein, there has been any undue or unfair advantage given to private persons, partnerships, or corporations, by any officials or employees of the Government, or whether in any such matters the Government has been injured or unjustly deprived of any of its rights.

"SEC. 18. In order to enable and empower the Secretary of War, the Secretary of the Interior, or the board to carry out the authority hereby conferred, in the most economical and efficient manner, he or it is hereby authorized and empowered in the exercise of the powers of national defense, in aid of navigation, and in the control of the flood waters of the Tennessee and Mississippi Rivers, constituting channels of interstate commerce, to exercise the right of eminent domain for all purposes of this act, and to condemn all lands, easements, rights of way, and other area necessary in order to obtain a site for said Cove Creek Dam, and the flowage rights for the reservoir of water above said dam, and to

negotiate and conclude contracts with States, counties, municipalities, and all State agencies and with railroads, railroad corporations, common carriers, and all public-utility commissions and any other person, firm, or corporation, for the relocation of railroad tracks, highways, highway bridges, mills, ferries, electric-light plants, and any and all other properties, enterprises, and projects whose removal may be necessary in order to carry out the provisions of this act. When said Cove Creek Dam, transmission line, and power house shall have been completed, the possession, use, and control thereof shall be intrusted to the Corporation for use and operation in connection with the general Tennessee Valley project, and to promote flood control and navigation in the Tennessee River.

"SEC. 19. The Corporation, as an instrumentality and agency of the Government of the United States for the purpose of executing its constitutional powers, shall have access to the Patent Office of the United States for the purpose of studying, ascertaining, and copying all methods, formulae, and scientific information (not including access to pending applications for patents) necessary to enable the Corporation to use and employ the most efficacious and economical process for the production of fixed nitrogen, or any essential ingredient of fertilizer, or any method of improving and cheapening the production of hydroelectric power, and any owner of a patent whose patent rights may have been thus in any way copied, used, infringed, or employed by the exercise of this authority by the Corporation shall have as the exclusive remedy a cause of action against the Corporation to be instituted and prosecuted on the equity side of the appropriate district court of the United States, for the recovery of reasonable compensation for such infringement. The Commissioner of Patents shall furnish to the Corporation, at its request and without payment of fees, copies of documents on file in his office: *Provided*, That the benefits of this section shall not apply to any art, machine, method of manufacture, or composition of matter, discovered or invented by such employee during the time of his employment or service with the Corporation or with the Government of the United States.

"SEC. 20. The Government of the United States hereby reserves the right, in case of war or national emergency declared by Congress, to take possession of all or any part of the property described or referred to in this act for the purpose of manufacturing explosives or for other war purposes; but, if this right is exercised by the Government, it shall pay the reasonable and fair damages that may be suffered by any party whose contract for the purchase of electric power or fixed nitrogen or fertilizer ingredients is hereby violated, after the amount of the damages has been fixed by the United States Court of Claims in proceedings instituted and conducted for that purpose under rules prescribed by the court.

"SEC. 21. (a) All general penal statutes relating to the larceny, embezzlement, conversion, or to the improper handling, retention, use, or disposal of public moneys or property of the United States shall apply to the moneys and property of the Corporation and to moneys and properties of the United States intrusted to the Corporation.

"(b) Any person who, with intent to defraud the Corporation, or to deceive any director, officer, or employee of the Corporation or any officer or employee of the United States (1) makes any false entry in any book of the Corporation, or (2) makes any false report or statement for the Corporation, shall, upon conviction thereof, be fined not more than \$10,000, or imprisoned not more than 5 years, or both.

"(c) Any person who shall receive any compensation, rebate, or reward, or shall enter into any conspiracy, collusion, or agreement, express or implied, with intent to defraud the Corporation or wrongfully and unlawfully to defeat its purposes, shall, on conviction thereof, be fined not more than \$5,000, or imprisoned not more than 5 years, or both.

"SEC. 22. To aid further the proper use, conservation, and development of the natural resources of the Tennessee River drainage basin and of such adjoining territory as may be

related to or materially affected by the development consequent to this act, and to provide for the general welfare of the citizens of said areas, the President is hereby authorized, by such means or methods as he may deem proper within the limits of appropriations made therefor by Congress, to make such surveys of and general plans for said Tennessee Basin and adjoining territory as may be useful to the Congress and to the several States in guiding and controlling the extent, sequence, and nature of development that may be equitably and economically advanced through the expenditure of public funds, or through the guidance or control of public authority, all for the general purpose of fostering an orderly and proper physical, economic, and social development of said areas; and the President is further authorized in making said surveys and plans to cooperate with the States affected thereby, or subdivisions or agencies of such States, or with cooperative or other organizations, and to make such studies, experiments, or demonstrations as may be necessary and suitable to that end.

"SEC. 23. The President shall, from time to time, as the work provided for in the preceding section progresses, recommend to Congress such legislation as he deems proper to carry out the general purposes stated in said section, and for the especial purpose of bringing about in said Tennessee drainage basin and adjoining territory in conformity with said general purposes (1) the maximum amount of flood control; (2) the maximum development of said Tennessee River for navigation purposes; (3) the maximum generation of electric power consistent with flood control and navigation; (4) the proper use of marginal lands; (5) the proper method of reforestation of all lands in said drainage basin suitable for reforestation; and (6) the economic and social well-being of the people living in said river basin.

"SEC. 24. For the purpose of securing any rights of flowage, or obtaining title to or possession of any property, real or personal, that may be necessary or may become necessary, in the carrying out of any of the provisions of this act, the President of the United States for a period of 3 years from the date of the enactment of this act, is hereby authorized to acquire title in the name of the United States to such rights or such property, and to provide for the payment for same by directing the board to contract to deliver power generated at any of the plants now owned or hereafter owned or constructed by the Government or by said Corporation, such future delivery of power to continue for a period not exceeding 30 years. Likewise, for 1 year after the enactment of this act, the President is further authorized to sell or lease any parcel or part of any vacant real estate now owned by the Government in said Tennessee River Basin, to persons, firms, or corporations who shall contract to erect thereon factories or manufacturing establishments, and who shall contract to purchase of said Corporation electric power for the operation of any such factory or manufacturing establishment. No contract shall be made by the President for the sale of any of such real estate as may be necessary for present or future use on the part of the Government for any of the purposes of this act. Any such contract made by the President of the United States shall be carried out by the board: *Provided*, That no such contract shall be made that will in any way abridge or take away the preference right to purchase power given in this act to States, counties, municipalities, or farm organizations: *Provided further*, That no lease shall be for a term to exceed 50 years: *Provided further*, That any sale shall be on condition that said land shall be used for industrial purposes only.

"SEC. 25. The Corporation may cause proceedings to be instituted for the acquisition by condemnation of any lands, easements, or rights of way which, in the opinion of the Corporation, are necessary to carry out the provisions of this act. The proceedings shall be instituted in the United States district court for the district in which the land, easement, right of way, or other interest, or any part thereof, is located, and such court shall have full jurisdiction to divest the complete title to the property sought to be acquired out of all persons or claimants and vest the same in the United States

in fee simple, and to enter a decree quieting the title thereto in the United States of America.

"Upon the filing of a petition for condemnation and for the purpose of ascertaining the value of the property to be acquired, and assessing the compensation to be paid, the court shall appoint three commissioners who shall be disinterested persons and who shall take and subscribe an oath that they do not own any lands, or interest or easement in any lands, which it may be desirable for the United States to acquire in the furtherance of said project, and such commissioners shall not be selected from the locality wherein the land sought to be condemned lies. Such commissioners shall receive a per diem of not to exceed \$15 for their services, together with an additional amount of \$5 per day for subsistence for time actually spent in performing their duties as commissioners.

"It shall be the duty of such commissioners to examine into the value of the lands sought to be condemned, to conduct hearings and receive evidence, and generally to take such appropriate steps as may be proper for the determination of the value of the said lands sought to be condemned, and for such purpose the commissioners are authorized to administer oaths and subpoena witnesses, which said witnesses shall receive the same fees as are provided for witnesses in the Federal courts. The said commissioners shall thereupon file a report setting forth their conclusions as to the value of the said property sought to be condemned, making a separate award and valuation in the premises with respect to each separate parcel involved. Upon the filing of such award in court the clerk of said court shall give notice of the filing of such award to the parties to said proceeding, in manner and form as directed by the judge of said court.

"Either or both parties may file exceptions to the award of said commissioners within 20 days from the date of the filing of said award in court. Exceptions filed to such award shall be heard before three Federal district judges unless the parties, in writing, in person, or by their attorneys, stipulate that the exceptions may be heard before a lesser number of judges. On such hearing such judges shall pass de novo upon the proceedings had before the commissioners, may view the property, and may take additional evidence. Upon such hearings the said judges shall file their own award, fixing therein the value of the property sought to be condemned, regardless of the award previously made by the said commissioners.

"At any time within 30 days from the filing of the decision of the district judges upon the hearing on exceptions to the award made by the commissioners, either party may appeal from such decision of the said judges to the circuit court of appeals, and the said circuit court of appeals shall upon the hearing on said appeal dispose of the same upon the record, without regard to the awards or findings theretofore made by the commissioners or the district judges, and such circuit court of appeals shall thereupon fix the value of the said property sought to be condemned.

"Upon acceptance of an award by the owner of any property herein provided to be appropriated, and the payment of the money awarded or upon the failure of either party to file exceptions to the award of the commissioners within the time specified, or upon the award of the commissioners, and the payment of the money by the United States pursuant thereto, or the payment of the money awarded into the registry of the court by the Corporation, the title to said property and the right to the possession thereof shall pass to the United States, and the United States shall be entitled to a writ in the same proceeding to dispossess the former owner of said property, and all lessees, agents, and attorneys of such former owner, and to put the United States, by its corporate creature and agent, the Corporation, into possession of said property.

"In the event of any property owned in whole or in part by minors, or insane persons, or incompetent persons, or estates of deceased persons, then the legal representatives of such minors, insane persons, incompetent persons, or estates

shall have power, by and with the consent and approval of the trial judge in whose court said matter is for determination, to consent to or reject the awards of the commissioners herein provided for, and in the event that there be no legal representatives, or that the legal representatives for such minors, insane persons, or incompetent persons shall fail or decline to act, then such trial judge may, upon motion, appoint a guardian ad litem to act for such minors, insane persons, or incompetent persons, and such guardian ad litem shall act to the full extent and to the same purpose and effect as his ward could act, if competent, and such guardian ad litem shall be deemed to have full power and authority to respond, to conduct, or to maintain any proceeding herein provided for affecting his said ward.

"SEC. 26. The net proceeds derived by the board from the sale of power and any of the products manufactured by the Corporation, after deducting the cost of operation, maintenance, depreciation, amortization, and an amount deemed by the board as necessary to withhold as operating capital, or devoted by the board to new construction, shall be paid into the Treasury of the United States at the end of each calendar year.

"SEC. 27. All appropriations necessary to carry out the provisions of this act are hereby authorized.

"SEC. 28. That all acts or parts of acts in conflict herewith are hereby repealed, so far as they affect the operations contemplated by this act.

"SEC. 29. The right to alter, amend, or repeal this act is hereby expressly declared and reserved, but no such amendment or repeal shall operate to impair the obligation of any contract made by said Corporation under any power conferred by this act.

"SEC. 30. The sections of this act are hereby declared to be separable, and in the event any one or more sections of this act be held to be unconstitutional, the same shall not affect the validity of other sections of this act."

And the Senate agree to the same.

Amend the title, as proposed by the Senate, so as to read: "An act to improve the navigability and to provide for the flood control of the Tennessee River; to provide for reforestation and the proper use of marginal lands in the Tennessee Valley; to provide for the agricultural and industrial development of said valley; to provide for the national defense by the creation of a corporation for the operation of Government properties at and near Muscle Shoals in the State of Alabama, and for other purposes"; and the House agree to the same.

E. D. SMITH,
JOHN B. KENDRICK,
B. K. WHEELER,
G. W. NORRIS,
CHAS. L. McNARY,

Managers on the part of the Senate.

JOHN J. McSWAIN,
LISTER HILL,

Managers on the part of the House.

Mr. SMITH. Mr. President, in view of the fact that the changes in the bill as passed by the Senate are not very material, and as this measure is one of considerable importance, I ask unanimous consent for the immediate consideration of the report.

THE VICE PRESIDENT. Is there objection?

Mr. McNARY. Mr. President, while I joined the Senator in making the report, a great many Senators in the Chamber desire such reports as this to go over for the day, under the rule, because they want to have an opportunity to read them; and I cannot make an exception in this case. Therefore I must object.

THE VICE PRESIDENT. Let the Chair suggest to the Senator from South Carolina that the report does not have to go over until tomorrow. The only question is whether the reading of it can be completed in 30 minutes before the

Court of Impeachment shall meet. Does the Senator care to continue?

Mr. SMITH. Mr. President, I thought perhaps the Senate might be in the spirit to adopt the conference report, as it is practically in the form in which the bill passed the Senate. I thought we might save time and expedite matters by considering it now. The author of the particular bill is of the opinion that we might get through with it before the time for the Senate to convene as a Court of Impeachment. That was the reason I asked unanimous consent, which, in effect, would be suspending the rule that it must go over for a day. However, in face of the objection, I merely present the report and consent to have it lie on the table.

Mr. NORRIS. Mr. President, of course it is in order under the rules to move to consider the report; but if the Senator from Oregon or any other Senator desires more time to look into it, I shall not object to its going over. However, just as the Senator from South Carolina says, we have been over this subject almost a thousand times.

The VICE PRESIDENT. The Chair just called attention to the fact that the presentation of a report of a committee of conference is always in order, except when the Journal is being read or a question of order or motion is pending.

Mr. McNARY. Mr. President, I have said I must adhere to the policy which I have heretofore inaugurated, in fairness to Members of the Senate who are not conversant with the particular report, and I hope the Senator from South Carolina will not insist on making the motion.

The VICE PRESIDENT. Without objection, the report will lie on the table and go over until tomorrow.

SUSPENSION OF REPORTS OF LARGE SPECULATIVE ACCOUNTS IN GRAIN FUTURES (S.DOC. NO. 61)

The VICE PRESIDENT laid before the Senate a letter from the Secretary of Agriculture, transmitting, in response to Senate Resolution 376, Seventy-second Congress, a report relative to the suspension of reports of large speculative accounts in grain futures, which, with the accompanying report, was referred to the Committee on Agriculture and Forestry and ordered to be printed, with illustrations.

CHAIN STORES: WASHINGTON—GROCERY (S.DOC. NO. 62)

The VICE PRESIDENT laid before the Senate a letter from the Chairman of the Federal Trade Commission, transmitting, in response to Senate Resolution 224, Seventieth Congress, a report of the Commission relative to prices and margins of chain and independent distributors, which, with the accompanying report, was referred to the Committee on the Judiciary and ordered to be printed.

CHANGE IN DATE OF THE INAUGURATION

The VICE PRESIDENT laid before the Senate a concurrent resolution of the Legislature of the State of Florida ratifying the twentieth amendment of the Constitution, fixing the commencement of the terms of President and Vice President and Members of Congress, and fixing the time of the assembling of Congress, which was ordered to lie on the table and to be printed in the RECORD, as follows:

Senate Concurrent Resolution 6

Concurrent resolution ratifying the proposed amendment to the Constitution of the United States fixing the commencement of the terms of President and Vice President and Members of Congress and fixing the time of the assembling of Congress

Whereas the Seventy-second Congress of the United States of America, at its first session in both Houses, by a constitutional amendment of two thirds thereof, has made the following proposition to amend the Constitution of the United States of America in the following words, to wit:

"Joint resolution proposing an amendment to the Constitution of the United States fixing the commencement of the terms of President and Vice President and Members of Congress and fixing the time of the assembling of Congress

"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two thirds of each House concurring therein), That the following amendment to the Constitution be, and hereby is, proposed to the States, to become valid as a part of said Constitution when ratified by the legislatures of the several States as provided in the Constitution;

"Article —

"SECTION 1. The terms of the President and Vice President shall end at noon on the 20th day of January, and the terms of Senators and Representatives at noon on the 3d day of January, of the years in which such terms would have ended if this article had not been ratified; and the terms of their successors shall then begin.

"SEC. 2. The Congress shall assemble at least once in every year, and such meeting shall begin at noon on the 3d day of January, unless they shall by law appoint a different day.

"SEC. 3. If, at the time fixed for the beginning of the term of the President, the President-elect shall have died, the Vice-President-elect shall become President. If a President shall not have been chosen before the time fixed for the beginning of his term, or if the President-elect shall have failed to qualify, then the Vice-President-elect shall act as President until a President shall have qualified; and the Congress may by law provide for the case wherein neither a President-elect nor a Vice-President-elect shall have qualified, declaring who shall then act as President, or the manner in which one who is to act shall be selected, and such person shall act accordingly until a President or Vice President shall have qualified.

"SEC. 4. The Congress may by law provide for the case of the death of any of the persons from whom the House of Representatives may choose a President whenever the right of choice shall have devolved upon them, and for the case of the death of any of the persons from whom the Senate may choose a Vice President whenever the right of choice shall have devolved upon them.

"SEC. 5. Sections 1 and 2 shall take effect on the 15th day of October following the ratification of this article.

"SEC. 6. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of three fourths of the several States within 7 years from the date of its submission";

Therefore be it
Resolved by the Senate of the State of Florida (the House of Representatives concurring), That the said proposed amendment to the Constitution of the United States of America be and the same is hereby ratified by the Legislature of the State of Florida; be it further

Resolved, That certified copies of the foregoing preamble and resolution be immediately forwarded by the secretary of state of the State of Florida, under the great seal, to the President of the United States, the President of the Senate of the United States, and the Speaker of the House of Representatives of the United States.

Approved by the Governor of Florida May 10, 1933.

STATE OF FLORIDA,

Office Secretary of State, ss:

I, R. A. Gray, secretary of state of the State of Florida, do hereby certify that the foregoing is a true and correct copy of Senate Concurrent Resolution No. 6 as passed by the Legislature of Florida, session 1933, and filed in this office.

Given under my hand and the great seal of the State of Florida, at Tallahassee, the capital, this 12th day of May A.D. 1933.

[SEAL]

R. A. GRAY, Secretary of State.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following joint resolution of the Legislature of the State of Maryland, which was referred to the Committee on Foreign Relations:

THE STATE OF MARYLAND,
EXECUTIVE DEPARTMENT.

I, David C. Winebrenner, 3d, secretary of state of the State of Maryland, under and by virtue of the authority vested in me by section 59 of article 35 of the Annotated Code of Maryland, do hereby certify that the attached is a true and correct copy of Joint Resolution No. 10 of the acts of the General Assembly of Maryland of 1933.

In testimony whereof I have hereunto set my hand and have caused to be affixed the official seal of the secretary of state at Annapolis, Md., this 12th day of May A.D. 1933.

[SEAL]

DAVID C. WINEBRENNER, 3d,

Secretary of State.

Joint Resolution 10

A joint resolution requesting the United States Senate to ratify the treaty whereby the United States would become a member of the World Court

Whereas the platform of both major parties endorsed the World Court and approved membership therein by the United States; and Whereas there seems to be no need for longer delay in joining the other nations of the world in supporting and maintaining said Court; and

Whereas the entrance of the United States into said Court would give great strength and comfort to those who are trying to maintain world peace by just and peaceful means; and

Whereas immediate ratification of the pending treaty for the adherence of the United States to the World Court would have a most heartening effect on the people everywhere: Therefore be it

Resolved by the General Assembly of Maryland, That the United States Senate be, and it is hereby, requested to ratify without delay the treaty now pending before it for the adherence of the United States to the World Court; and be it further

Resolved, That in the event the United States adheres to the statute of the World Court it shall make the following reservation: The code of law to be administered by the World Court shall not contain inequalities based on sex; and be it further

Resolved, That the representatives in the United States Senate from Maryland be, and they are hereby, urged to vote and to use their influence for the ratification of said treaty; and be it further

Resolved, That the secretary of state be, and he is hereby, directed to send a copy of this resolution to the President of the United States, to the President of the United States Senate, and to each representative from Maryland in the United States Senate.

Approved April 21, 1933.

The VICE PRESIDENT laid before the Senate the following joint resolution of the Legislature of the Territory of Hawaii, which was referred to the Committee on Territories and Insular Affairs:

TERRITORY OF HAWAII,
OFFICE OF THE SECRETARY.

This is to certify that hereto attached is a true and correct copy of Joint Resolution No. 2, as passed by the Legislature of the Territory of Hawaii in its regular session of 1933, the original of which is on file in this office.

In witness whereof I have hereunto set my hand and caused the great seal of the Territory to be affixed. Done at the capitol in Honolulu this 28th day of April A.D. 1933.

[SEAL]

RAYMOND C. BROWN,
Secretary of Hawaii.

Joint resolution requesting the Congress of the United States of America to amend the Hawaiian Homes Commission Act, 1920, so as to place certain of the lands of Auwailimu, Kewalo, and Kalawahine, on the island of Oahu, Territory of Hawaii, under the operation of the Hawaiian Homes Commission Act, 1920, and to confer thereon the status of Hawaiian home lands

Whereas there is no available public land in close proximity to the city of Honolulu which may be allotted under the provisions of the Hawaiian Homes Commission Act, 1920, to native Hawaiians for residence purposes; and

Whereas there are a large number of native Hawaiians in the congested tenement districts in the city of Honolulu whose condition will be greatly improved if they are enabled to secure residence lots in less-congested areas in or near said city under the terms of the Hawaiian Homes Commission Act, 1920, and thereby escape from the unhealthy conditions of said tenement districts; and

Whereas it is advisable and for the best interests of the Hawaiian race that the lands hereinafter described, which are within the limits of the city of Honolulu but are unoccupied at the present time, be brought under the operation of the Hawaiian Homes Commission Act, 1920, and be made available to native Hawaiians for residence purposes in lots not exceeding in area one half acre each: Now, therefore,

Be it enacted by the Legislature of the Territory of Hawaii, That the Congress of the United States of America be, and it hereby is, requested, through the Delegate to Congress from the Territory of Hawaii, to place under the operation of the Hawaiian Homes Commission Act, 1920, and to declare to be, and to confer thereon the status of, Hawaiian home lands under said act those certain parcels of land, being portions of the lands of Auwailimu, Kewalo, and Kalawahine, on the island of Oahu, described in the proposed bill hereinafter set forth in words and figures, which bill the said Congress is hereinafter requested to enact, such lands to be made available for allotment by the Hawaiian Homes Commission under the provisions of said act to native Hawaiians for residence purposes in lots not exceeding in area one half acre each; and to that end the Congress of the United States of America is hereby requested and urged, through said Delegate to Congress, to enact and adopt a bill amendatory of the Hawaiian Homes Commission Act, 1920, in substantially the following words and figures, to wit:

"A bill to amend sections 203 and 207 of the Hawaiian Homes Commission Act, 1920 (U.S.C., title 48, secs. 697 and 701), conferring upon certain of the lands of Auwailimu, Kewalo, and Kalawahine, on the island of Oahu, Territory of Hawaii, the status of Hawaiian home lands, and providing for the leasing thereof to native Hawaiians for residence purposes in lots not exceeding in area one half acre each

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph numbered '(4)' of section 203 of the Hawaiian Homes Commission Act, 1920 (U.S.C., title 48, sec. 697) is hereby amended to read as follows, to wit:

"(4) On the island of Oahu: Nanakuli (3,000 acres, more or less) and Lualualei (2,000 acres, more or less) in the district of Waianae; and Waimanalo (4,000 acres, more or less) in the district of Koolau, excepting therefrom the military reservation and the beach lands; and those certain portions of the lands of Auwailimu and Kewalo described by metes and bounds as follows, to wit:

"(i) Portion of the government land of Auwailimu, Punchbowl Hill, Honolulu, Oahu, described as follows: Beginning at a pipe at the southeast corner of this tract of land, on the boundary between the lands of Kewalo and Auwailimu, the coordinates of said point of beginning referred to government survey trig. station "Punchbowl" being 1,135.9 feet north and 2,557.8 feet east, as shown on government survey registered map 2692, and running by true azimuths:

"1. 163° 31' 238.8 feet along the east side of the Punchbowl-Makiki Road;

"2. 94° 08' 124.9 feet across Tantalus Drive and along the east side of Puuowaina Drive;

"3. 131° 13' 232.5 feet along a 25-foot roadway;

"4. 139° 55' 20.5 feet along same;

"5. 168° 17' 257.8 feet along Government land (old quarry lot);

"6. 156° 30' 333.0 feet along same to a pipe;

"7. Thence following the old Auwailimu stone wall along L. C. Award 3145 to Laenui, Grant 5147, (Lot 8 to C. W. Booth), L. C. Award 1375 to Kapule and L. C. Award 1355 to Kekuanoni, the direct azimuth and distance being: 249° 41' 1,303.5 feet;

"8. 321° 12' 693.0 feet along the remainder of the land of Auwailimu;

"9. 51° 12' 1,400.0 feet along the land at Kewalo to the point of beginning, containing an area of 27 acres; excepting and reserving therefrom Tantalus Drive, crossing this land;

"(ii) Portion of the land of Kewalo, Punchbowl Hill, Honolulu, Oahu, being part of the lands set aside for the use of the Hawaii Experiment Station of the United States Department of Agriculture by proclamation of the acting Governor of Hawaii, dated June 10, 1901, and described as follows: Beginning at the northeast corner of this lot, at a place called Puu Ea on the boundary between the lands of Kewalo and Auwailimu, the coordinates of said point of beginning referred to Government survey trig. station "Punchbowl" being 3,255.6 feet north and 5,244.7 feet east, as shown on Government survey registered map 2692 of the Territory of Hawaii, and running by true azimuths:

"1. 354° 30' 930.0 feet along the remainder of the land of Kewalo, to the middle of the stream which divides the lands of Kewalo and Kalawahine;

"2. Thence down the middle of said stream along the land of Kalawahine, the direct azimuth and distance being 49° 16' 1,512.5 feet;

"3. 141° 12' 860.0 feet along the remainder of the land of Kewalo;

"4. 231° 12' 552.6 feet along the land of Auwailimu to Puu Iole.

"5. Thence still along the said land of Auwailimu following the top of the ridge to the point of beginning, the direct azimuth and distance being 232° 26' 1,470.0 feet, containing an area of 30 acres. Excepting and reserving therefrom Tantalus Drive, crossing this land.

"(iii) Together with that portion of the land of Kalawahine (25 acres more or less), makai of Tantalus Drive, and lying between the portion of the land of Kewalo above described and the so-called "Kalawahine lots", in the District of Honolulu.

"Sec. 2. Paragraph numbered (3) of subsection (a) of section 207 of the Hawaiian Homes Commission Act, 1920, as amended (U.S.C., title 48, sec. 701), is hereby amended by adding thereto immediately following the end thereof, an additional proviso, reading as follows, to wit:

"Provided further, That the portions of the lands of Auwailimu, Kewalo, and Kalawahine on the island of Oahu under the control of the commission, shall be leased only for residence purposes in individual lots not exceeding in area one half acre per lot."

"Sec. 3. This act shall take effect on and after the date of its approval."

"Sec. 2. The Secretary of Hawaii is hereby requested and directed to forward certified copies of this joint resolution to the delegates to Congress from Hawaii, to the Secretary of the Interior, and to the President of the Senate and the Speaker of the House of Representatives of the Congress of the United States.

Approved this 26th day of April A.D. 1933.

LAWRENCE M. JUDD,
Governor of the Territory of Hawaii.

The VICE PRESIDENT also laid before the Senate the following joint memorial of the Legislature of the Territory of Alaska, which was referred to the Committee on Indian Affairs:

TERRITORY OF ALASKA,
OFFICE OF SECRETARY FOR THE TERRITORY.

I, Karl Theile, secretary of Alaska and custodian of the great seal of said Territory, do hereby certify that I have compared the annexed copy of Senate Joint Memorial No. 9 of the Alaska Territorial Legislature, 1933, with the original thereof, and that the same is a full, true, and correct copy of said original now on file in my office.

In testimony whereof I have hereunto set my hand and affixed hereto the seal of the Territory of Alaska at Juneau, the capital, this 2d day of May A.D. 1933.

[SEAL]

KARL THEILE,
Secretary of Alaska.

Senate Joint Memorial 9 (by Mr. Walker)

To the President of the United States and to the Congress of the United States and to the Honorable A. J. Dimond, Delegate to Congress from Alaska, and to the Commissioner of Indian Affairs:

Your memorialist, the Legislature of the Territory of Alaska, in eleventh regular session assembled, do most respectfully represent that:

Whereas the vital-statistics records show that more than three times as many persons die in the Territory of Alaska from tuberculosis than from any other cause, and further that practically

all of the victims of the white plague are natives, and the 1930 census shows there are 29,983 natives in the Territory—5,990 in the first division, 8,686 in the second division, 7,298 in the third division, and 8,009 in the fourth division; and

Whereas the only facilities for handling this dreaded disease among the natives, as reported by the medical director connected with the Bureau of Indian Affairs, consists of an annex to the native hospital in Juneau, Alaska; that this institution is not nearly large enough to care for the Indian patients in this immediate vicinity, and that frequently it has been necessary to refuse admittance to many needy cases, which necessitates returning these patients to their families and further exposing others and spreading the disease; that this single institution has demonstrated the wisdom of maintaining such institutions in every division of the Territory, and the need for such places is urgent;

Now, therefore, we, your memorialists, petition the Congress of the United States to appropriate sufficient funds for the Bureau of Indian Affairs to construct and operate such institutions in each of the four judicial divisions of the Territory and at such places as the said Bureau of Indian Affairs shall deem advisable. And your memorialists will ever pray.

Passed by the senate April 24, 1933.

ALLEN SHATTUCK,
President of the Senate.

Attest:

AGNES F. ADSIT,
Secretary of the Senate.

Passed by the house April 28, 1933.

JOE McDONALD,
Speaker of the House.

Attest:

C. H. HELGESEN,
Chief Clerk of the House.

A true copy:

AGNES F. ADSIT,
Secretary of the Senate.

The VICE PRESIDENT also laid before the Senate the following joint memorials of the Legislature of the Territory of Alaska, which were referred to the Committee on Territories and Insular Affairs:

TERRITORY OF ALASKA,
OFFICE OF SECRETARY FOR THE TERRITORY.

I, Karl Theile, secretary of the Territory of Alaska and custodian of the great seal of said Territory, do hereby certify that I have compared the annexed copy of Senate Joint Memorial No. 6 of the Alaska Territorial Legislature, 1933, with the original thereof, and that the same is a full, true, and correct copy of said original now on file in my office.

In testimony whereof, I have hereunto set my hand and affixed hereto the seal of the Territory of Alaska, at Juneau, the capital, this 2d day of May A.D. 1933.

[SEAL]

KARL THEILE,
Secretary of Alaska.

Senate Joint Memorial 6 (by Mr. Lomen)

To the President of the United States and to the Congress of the United States and to the Honorable A. J. Dimond, Delegate to Congress from Alaska:

Your memorialists, the Legislature of the Territory of Alaska, in eleventh regular session assembled, do most respectfully represent that—

Whereas mining is the basic industry of the Territory of Alaska upon which a large percentage of the population is directly and indirectly dependent; and

Whereas about 98 percent or more of the area of Alaska is public land and contains great potential mineral resources, auriferous deposits, and large areas where mineralized gold-bearing quartz occurs, as has been determined by the United States Geological Survey; and

Whereas these vast areas of public lands are to a large extent unprospected, unappropriated, and not subject to taxation by the Territory nor the United States, and yield no revenue to the Government of either the United States or the Territory of Alaska; and

Whereas the future development of all industries in Alaska, including agriculture and lumbering, depends on the development of the mining industry; and

Whereas this Nation and the whole world are greatly in need of increased gold production as a means of rehabilitating industry and reviving and stabilizing commerce, and aiding in a recovery of prosperity and normal conditions; and

Whereas many of the most promising mining areas in Alaska are in comparatively inaccessible districts not supplied with transportation facilities available to the average prospector; and

Whereas the Government of the United States has in the past assisted in the colonization of her undeveloped territories and possessions by means of various subsidies and inducements to those willing to pioneer unsettled and undeveloped districts and territories, and the Government can, with comparatively small expense, render more aid in the development of Alaska and in the production of gold than has ever been heretofore rendered in the opening up and development of other unsettled and undeveloped possessions of the country; and

Whereas if gold production is stimulated and mining encouraged, colonization can be accomplished, new cities and towns established, agriculture and lumbering encouraged and stimulated, and unemployment relieved and gold production greatly increased by the extension of the necessary encouragement to prospecting; and

Whereas both the Army and the Navy of the United States have many airplanes which are idle during peace times, and have a trained personnel competent to pilot and operate such planes, which could be used to the great advantage of Alaska and the Nation and the whole world in prospecting for gold;

Now, therefore, your memorialists petition that the Senate and the House of Representatives of the United States enact into law without delay a bill to assist in the prospecting of the great undeveloped area of Alaska by authorizing the organization of a prospecting and development army, which shall serve for a definite term of enlistment, officered by competent geologists, engineers, and prospectors, and recompensed on the basis of a small wage, together with an interest in such discoveries as may be made of mineral-bearing lodes and placers; and that machinery be set up in said bill for the authorization of the use of Government airplanes in transporting men and supplies to the areas to be prospected; and that sufficient appropriation be made to carry the expense of such an army of prospectors for a period of 5 years.

And your memorialists will ever pray.
Passed the senate April 20, 1933.

ALLEN SHATTUCK,
President of the Senate.

Attest:

AGNES F. ADSIT,
Secretary of the Senate.

Passed the house April 27, 1933.

JOE McDONALD,
Speaker of the House.

Attest:

C. H. HELGESEN,
Chief Clerk of the House.

A true copy:

AGNES F. ADSIT,
Secretary of the Senate.

TERRITORY OF ALASKA,
OFFICE OF SECRETARY FOR THE TERRITORY.

I, Karl Theile, secretary of Alaska and custodian of the great seal of said Territory, do hereby certify that I have compared the annexed copy of Senate Joint Memorial No. 8 of the Alaska Territorial Legislature, 1933, with the original thereof, and that the same is a full, true, and correct copy of said original now on file in my office.

In testimony whereof, I have hereunto set my hand and affixed hereto the seal of the Territory of Alaska, at Juneau, the capital, this 3d day of May A.D. 1933.

[SEAL]

KARL THEILE,
Secretary of Alaska.

Senate Joint Memorial 8 (by Mr. DeVane)

To the President of the United States, the Congress of the United States, the Department of Agriculture, and the Department of the Interior, and to the Delegate to Congress from Alaska:

Your memorialist, the Legislature of the Territory of Alaska, respectfully represents that:

Whereas the Congress of the United States has granted the President of the United States broad powers to reorganize the executive department of the Government, to prevent duplication of various departments, and to reduce governmental expenses; and

Whereas the Alaska Game Commission of the Department of Agriculture has built up an expensive and oppressive bureau costing the taxpayers of the United States more than \$100,000 per annum, to wit: 1931, \$97,450; 1932, \$106,290; 1933, \$103,566; and

Whereas the activities of the Alaska Game Commission have largely been and are oppressive and repugnant to a large majority of the people of the Territory of Alaska, especially since no distinction is made between commercial trappers and native Indians whose sole means of sustaining themselves is hunting, trapping, and fishing. They have made unreasonable, oppressive, and unenforceable regulations governing the taking and marketing of skins of fur-bearing animals resulting in large financial losses and great inconvenience to trappers and fur dealers who have all their resources invested in the fur industry; and

Whereas the Alaska Game Commission has ceased to represent the views of a majority of the permanent population of the Territory.

Wherefore your memorialist respectfully requests that the repeal of the Alaska game laws and abolishment of the Alaska Game Commission be made at the earliest possible date and that the Alaska Legislature be given full authority to make and enforce laws and regulations not inconsistent with the general laws of the United States and the treaties of the United States with other nations governing fur and game in Alaska and that pending such transfer of authority to the Legislature of the Territory of Alaska the President of the United States immediately reorganize the Alaska Game Commission by appointing a new commission, two

members of which shall be men actively engaged in the raw-fur industry.

That native Indians be exempted from the provisions of the Alaska game law and its regulations to the extent that they be allowed to take game for food when in need of food for themselves and families and such fur as may be required for clothing at all times regardless of any law regulation.

And your memorialist will ever pray.
Passed by the senate, April 21, 1933.

ALLEN SHATTUCK,
President of the Senate.

Attest:

AGNES F. ADSIT,
Secretary of the Senate.

Passed by the house April 28, 1933.

JOE McDONALD,
Speaker of the House.

Attest:

C. H. HELGESEN,
Chief Clerk of the House.

A true copy:

AGNES F. ADSIT,
Secretary of the Senate.

TERRITORY OF ALASKA,
OFFICE OF SECRETARY FOR THE TERRITORY.

I, Karl Theile, secretary of Alaska and custodian of the great seal of said Territory, do hereby certify that I have compared the annexed copy of Senate Joint Memorial No. 11 with the original thereof and that the same is a full, true, and correct copy of said original now on file in my office.

In testimony whereof I have hereunto set my hand and affixed hereto the seal of the Territory of Alaska at Juneau, the capital, this 5th day of May A.D. 1933.

[SEAL]

KARL THEILE,
Secretary of Alaska.

Senate Joint Memorial 11 (by Mr. Bragaw)

To the President of the United States, the President of the United States Senate, the Speaker of the House of Representatives, the Secretary of Commerce, the Commissioner of the Bureau of Fisheries, and the Delegate from Alaska:

Your memorialist, the Legislature of Alaska, in regular session assembled, respectfully represents:

I. That whereas the act of Congress of June 18, 1926, entitled "An act to amend section 1 of the act of Congress of June 6, 1924, entitled 'An act for the protection of the fisheries of Alaska, and for other purposes'", in the first section of said act, and its first proviso, declares, "That every such regulation made by the Secretary of Commerce shall be of general application within the particular area to which it applies, and that no exclusive or several right of fishery shall be granted therein, nor shall any citizen of the United States be denied the right to take, prepare, cure, or preserve fish or shellfish in any area of the waters of Alaska where fishing is permitted by the Secretary of Commerce" (44 U.S. Stat.L. 752).

II. That whereas under the authority of the several United States fishery laws applicable to the public waters in Alaska the Secretary of Commerce has heretofore made and promulgated rules and regulations having the force of laws to control and protect the salmon fisheries in those waters; these rules and regulations are found in the Department of Commerce Circular No. 251, nineteenth edition, dated December 20, 1932, signed officially by E. F. Morgan, Acting Secretary of Commerce, with some subsequent amendments issued by the same official.

III. That whereas False Pass (Isanotski Strait), separating Unimak Island from the western end of the Alaska Peninsula, and Ikatan Bay lie wholly within the Alaska Peninsular area, Ikatan Bay and False Pass constitute the first opening coming westward along the Alaska Peninsula from the Pacific Ocean through and into Bristol Bay, and affords the first chance the Pacific salmon hordes have as they swim north and westward from their winter resorts in the more southerly Pacific waters to enter Bristol Bay en route to their natural spawning beds in the streams and lakes at the head of Bristol Bay; False Pass (Isanotski Strait) is a very narrow and shallow body of water, and at low tide the salmon do not pass; when the spring run of Bristol Bay red salmon are seeking their spawning grounds through False Pass, they huddle in countless millions in Ikatan Bay, the southern entrance to False Pass, waiting for the rising tide, on which they go through the pass into Bristol Bay. Ikatan Bay is the natural gathering place of the greatest and most valuable horde of Alaska red salmon to be found along the Alaskan coast; a monopoly of the trap privileges in taking and canning these fish in that bay and pass is of exceeding great value.

IV. That whereas paragraph 23, page 13, of Circular 152, nineteenth edition, as amended in additional Alaska fishery regulations issued and signed by the Secretary of Commerce on January 6, 1933, provides: "The use of any trap for the capture of salmon is prohibited except as follows: 1. Unimak Island: Along the coast on the west and south sides of Ikatan Bay from a point on False Pass (Isanotski Strait) indicated by a marker to a point"—including the lower part of False Pass and the whole west and south shore of Ikatan Bay—"and 2, the mainland along the north side

of Ikatan Bay within 2,500 feet of a point"—there fixed; traps are prohibited at all other places along the shores of False Pass and Ikatan Bay. Paragraph 10, page 13, also provides: "The use of floating traps for the capture of salmon is prohibited." Paragraph 12 provides: "The use of purse seines for the capture of salmon is prohibited"—in False Pass and Ikatan Bay. Paragraph 19 provides: "Commercial fishing for salmon by gill nets, including drift nets and set nets, is prohibited west of 161° west longitude, exclusive of waters along the Bering Sea coast"—False Pass and Ikatan Bay are west of 161°. Paragraph 20 provides: "Commercial fishing for salmon by means of stake nets, except along the Bering Sea coast, is prohibited." Paragraph 2, page 12, of the rules and regulations governing the Alaska Peninsular area, provides: "In the waters along the south side of the Alaska Peninsula from Cape Tolstoi to Castle Cape, including the waters of Shumagin and other adjacent islands, the 36-hour closed period for salmon fishing prescribed by section 5 of the act of June 6, 1924, is hereby extended to include the period from 6 o'clock p.m. of Saturday of each week until 6 o'clock p.m. of the Wednesday following, making a weekly closed period of 96 hours," etc. Paragraph 3, following, provides: "In all other waters of this area the 36-hour closed period for salmon fishing prescribed by section 5 of the act of June 6, 1924, is hereby extended to include the period from 6 o'clock a.m. of the Saturday of each week until 6 o'clock a.m. of the Monday following, making a weekly closed period of 48 hours", etc. Ikatan Bay and False Pass lie about 100 miles west of the region described in paragraph 2; the weekly closed period in Ikatan Bay and False Pass is but 48 hours long, thus having under these rules and regulations 2 days each week longer fishing period than any other waters in any part of the Alaska Peninsular area, it has more protection under the rules and regulations and less restrictions than any other fishery in the Territory.

V. That whereas it appears to us from available information that the exclusive and almost unrestricted right to take Alaska salmon from False Pass and Ikatan Bay has long been under the ownership and control of the P. E. Harris Co. and the Pacific American Fisheries Co., two non-Alaskan corporations engaged in taking and canning salmon in said waters; that both these companies have long maintained salmon fish traps in the mouth of False Pass and on the west and south sides of said pass and bay; that in the fishing season of 1932 the Harris Co. took the salmon from False Pass and Ikatan Bay and canned 252,834 cases of forty-eight 1-pound cans to the case; that the Pacific American Fisheries Co. in that season took the salmon from the same waters and canned 69,824 cases of forty-eight 1-pound cans to the case; a total of 322,781 cases, containing 15,493,488 pounds—nearly 8,000 tons—of Alaska salmon from False Pass and Ikatan Bay; the average price of similar grades of Alaska salmon from the 10 years past, including 1932, is the sum of \$6.88 per case; at that 10-year average price the 322,781 cases taken from False Pass and Ikatan Bay by these two companies in 1932 would be \$2,220,733; the average price per case for that salmon in 1932, however, was reduced to the sum of \$4.06 per case, but at that 1932 average price (the lowest in 10 years) the value of the 1932 False Pass and Ikatan Bay pack was \$1,310,490, all of which belonged to the two said companies; that the cost of production of canned salmon in False Pass and Ikatan Bay is exceedingly low; all their salmon are caught in traps belonging to the companies which are located in the mouth of False Pass and on the west and south shore of Ikatan Bay; they transport their fish from their own traps in their own boats and scows to their own near-by canneries, and there they are prepared and canned;

VI. That whereas it appears to us from a fair consideration of the said fishery rules and regulations so heretofore approved and enforced by the Secretary of Commerce in their application to the natural conditions which exist at False Pass and Ikatan Bay that the Harris Co. and the Pacific American Fisheries Co., with the connivance and permission of those who make and enforce the rules and regulations are allowed to carry on their own exclusive and several right of fishery in one of the most important salmon streams in Alaska, and under unfair and illegal conditions are permitted to obstruct the ascent of these great salmon hordes in their efforts to reach their spawning grounds in the streams and lakes at the head of Bristol Bay; to secure for themselves an unfair and illegal advantage to the injury of the salmon industry by blocking the streams through which the fish get into Bristol Bay with traps set in the flow of the stream and thus violate the spirit of the act of Congress which forbids the establishment of traps at or near the flow of salmon streams; that the unfair but friendly rules and regulations prepared and enforced at this place by the Secretary of Commerce have created an unfair and illegal monopoly of right in these two cannery and trap companies, give them special privileges not possible to accord to any other person or company, and exclude all other persons and companies, Alaska and/or the Union or other fisherman from fishing in this location, thereby violating the spirit and letter of the act of Congress of June 10, 1926:

Wherefore your memorialist, the Legislature of the Territory of Alaska, in regular session assembled, does most earnestly request that the United States authorities take such immediate action to reduce the number of traps and restrict the days of fishing equal to those allowed in adjacent districts, and that such further action be taken as will prevent any person or company from acquiring an exclusive or several right of fishery therein, and that

all American purse seiners and gill netters be given equal right to fish therein while protecting the free flow of salmon through the False Pass stream.

And so your memorialist will ever pray.

Passed the senate May 2, 1933.

ALLEN SHATTUCK,
President of the Senate.

Attest:

AGNES F. ADSIT,
Secretary of the Senate.

Passed the house May 4, 1933.

JOE McDONALD,
Speaker of the House.

Attest:

C. H. HELGESEN,
Chief Clerk of the House.

A true copy:

AGNES F. ADSIT,
Secretary of the Senate.

The VICE PRESIDENT also laid before the Senate a petition and a letter in the nature of a petition from sundry citizens of New Orleans, La., praying for a senatorial investigation relative to alleged acts and conduct of Hon. HUEY P. LONG, a Senator from the State of Louisiana, which was referred to the Committee on the Judiciary.

He also laid before the Senate a memorial of sundry citizens of the State of Ohio, and two letters in the nature of memorials from citizens of Louisiana, endorsing Hon. HUEY P. LONG, a Senator from the State of Louisiana, condemning attacks made upon him and remonstrating against a senatorial investigation of his alleged acts and conduct, which were referred to the Committee on the Judiciary.

He also laid before the Senate resolutions adopted by Commissioners' Courts of Bandera, Bexar, El Paso, and Live Oak Counties, and a mass meeting of business and professional men of the Thirteenth Congressional District of Texas at Wichita Falls, all in the State of Texas, endorsing the program of President Roosevelt and favoring the adoption of a public-works program providing highway construction in the State of Texas, which were referred to the Committee on Education and Labor.

He also presented a resolution adopted by the Veterans' Association of Summit County, Akron, Ohio, protesting against the operation of the so-called "Economy Act", particularly in the cases of wounded veterans, which was referred to the Committee on Finance.

He also presented a resolution adopted by South Texas Chapter, the Disabled Emergency Officers of the World War, of San Antonio, Tex., relative to new regulations and instructions covering the "causative factor" in connection with the cases of emergency officers of the World War, which was referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by the Brooklyn (N.Y.) Division of the Cosmopolitan Twine and Paper Association, Inc., protesting against the treatment of and discrimination against Jews in Germany, which was referred to the Committee on Foreign Relations.

He also presented a memorial of members of Martha Board Chapter, National Society Daughters of the American Revolution, of Augusta, Ill., remonstrating against the recognition of the Soviet Government of Russia, which was referred to the Committee on Foreign Relations.

He also laid before the Senate resolutions adopted by the Allied Patriotic Societies of New York City, N.Y., protesting against the passage of legislation tending to break down existing laws and Executive orders restricting immigration, which were referred to the Committee on Immigration.

He also presented resolutions adopted by Phoenix Camp, No. 1, United Spanish War Veterans, of Phoenix, Ariz., protesting against the operation of the so-called "Economy Act" and regulations thereunder, especially as it affects pensions of veterans, and their dependents, of the Spanish-American War, which were ordered to lie on the table.

Mr. COPELAND presented a resolution adopted by Columbia Council, No. 64, Sons and Daughters of Liberty, of Ridgewood, N.Y., favoring the passage of legislation further to restrict immigration into the United States, which was referred to the Committee on Immigration.

He also presented a resolution adopted by the Allied Patriotic Societies, Inc., of New York City, N.Y., favoring the

enforcement of the Executive order instructing consuls to enforce strictly the clause of the present immigration law having the effect of excluding immigrants and aliens seeking employment in the United States, and protesting against the enactment of legislation granting certificates of legal entry to aliens who have entered the country illegally, which was referred to the Committee on Immigration.

He also presented a resolution adopted by the New York Committee of the National Woman's Party, of New York City, N.Y., favoring the passage of legislation granting women equality in nationality rights with men, which was referred to the Committee on Immigration.

He also presented a resolution of the New York Committee of the National Woman's Party, of New York City, N.Y., favoring adoption of a proposed amendment to the Constitution granting equal rights to men and women, which was referred to the Committee on the Judiciary.

He also presented a resolution adopted by the Building Material Men's Association of Westchester County, Inc., of Scarsdale, N.Y., favoring the passage of legislation to modify or permit a more liberal interpretation of the anti-trust laws so as to aid in the restoration of business profits, which was referred to the Committee on the Judiciary.

He also presented a petition of the Taxpayers' Organization of Jamestown, N.Y., praying for the passage of legislation establishing a uniform minimum hourly wage rate of 50 cents and a maximum working week throughout the United States, with the exception of enlisted men under the Government, which was referred to the Committee on Education and Labor.

He also presented a petition of retail and wholesale meat dealers of New York State, praying for the imposition of adequate tariffs on importations of animal, marine, and vegetable oils and fats, and the oil content of such oils and fats and of raw materials from which they are processed, and on hides and skins, which was referred to the Committee on Finance.

He also presented a resolution adopted by the Brooklyn Council, Kings County, Department of New York, Veterans of Foreign Wars of the United States, favoring the imposition of a tax on income derived from all governmental obligations, which was referred to the Committee on Finance.

He also presented a resolution adopted by the Allied Patriotic Societies, Inc., of New York City, N.Y., protesting against the adoption of measures placing officers of the Regular Army on furlough with half pay, which was referred to the Committee on Appropriations.

He also presented a resolution adopted by citizens and organizations of the State of New York, protesting against any reduction in the military or naval forces of the United States or in the training or personnel of the civilian components thereof, which was referred to the Committee on Appropriations.

He also presented the memorial of Dr. Raiford T. Wainock, of Portland, Me., remonstrating against the furlough of certain officers of the Public Health Service, which was referred to the Committee on Appropriations.

He also presented a memorial of sundry citizens of Brooklyn, New York City, and vicinity, in the State of New York, remonstrating against the passage of legislation providing for the retirement of Government employees after 30 years' service, which was referred to the Committee on Appropriations.

He also presented a resolution adopted by the Civil Service Forum, of New York City, N.Y., protesting against the compulsory retirement of Government employees after 30 years' service "almost without any opportunity to adjust their lives or living conditions", which was referred to the Committee on Appropriations.

He also presented resolutions adopted by the Northside Democratic Association of the Borough of Queens, of Corona; the Small Home and Property Owners Defense League of South Shore, Staten Island; the Property Owners Association of Middle Village, Long Island; and the Central Queens Transit Association, of Hollis, Long Island, all in the State of New York, protesting against the passage of Senate

bill 1137, the home loan mortgage bill, in its present form, and favoring the making of certain amendments thereto, which were referred to the Committee on Banking and Currency.

He also presented memorials of members of the Jeffersonville Synagogue, of Jeffersonville, and of sundry citizens of New York City and Brooklyn, all in the State of New York, remonstrating against the persecution of, and alleged outrages committed against, the Jews in Germany, which were referred to the Committee on Foreign Relations.

He also presented resolutions adopted by the Brooklyn Division of the Cosmopolitan Twine and Paper Association, of Brooklyn; the Metropolitan Conference of Temple Brotherhoods; a mass meeting of citizens of Saratoga Springs, comprising members of all creeds; the Men's Club of the Progressive Synagogue, of Brooklyn; members of the United Brotherhood of Janina, of Brooklyn; and the Hudson District of the Zionist Organization of America, of Hudson, all in the State of New York, protesting against the persecution of, and alleged outrages committed against, the Jews in Germany, and favoring the use by the Government of its good offices in the premises, which were referred to the Committee on Foreign Relations.

He also presented resolutions adopted by the Owen Roe Club of New York and the United Irish-American Societies of New York, opposing the cancelation or further reduction of debts owed to the United States by foreign nations, which were referred to the Committee on Foreign Relations.

He also presented resolutions adopted by Central Islip Council, No. 1816, of Central Islip; Penataquit Council, No. 564, of Bay Shore; Champlain Council, No. 441, of Elmhurst; Ridgewood Council, No. 1814, of Brooklyn; Brooklyn Council, No. 60, of Brooklyn; and Columbus Council, No. 126, of Brooklyn, all of the Knights of Columbus, and the Brooklyn Alumni Sodality, of Brooklyn, all in the State of New York, protesting against recognition of the Soviet Government of Russia, which were referred to the Committee on Foreign Relations.

He also presented a resolution adopted by the Twenty-eighth Ward Taxpayers' Protective Association of Brooklyn, N.Y., favoring the restoration of the former 2-cent postage rate, which was ordered to lie on the table.

He also presented a resolution adopted by the Erie County Committee, the American Legion, Department of New York, protesting against the operation of the so-called "Economy Act" and Executive orders issued thereunder affecting the pay and allowances of disabled veterans of the World War, which was ordered to lie on the table.

LIGHTHOUSE STATION, PORTSMOUTH, N.H.

Mr. KEYES. Mr. President, I present a concurrent resolution adopted by the New Hampshire Legislature protesting against the lowering of the standard of the lighthouse station in Portsmouth Harbor, N.H., by the substitution of an unattended light and the elimination of the fog bell, and ask that it may be printed in the Record and referred to the Committee on Commerce.

The resolution was referred to the Committee on Commerce and ordered to be printed in the Record, as follows:

STATE OF NEW HAMPSHIRE, 1933.

Concurrent resolution protesting against the lowering of the standard of the lighthouse station in Portsmouth Harbor

Whereas the Federal Government contemplates the substitution of an unattended light and the elimination of the fog bell: Therefore be it

Resolved by the Senate of the State of New Hampshire (the House of Representatives concurring), That the State of New Hampshire protest against any lowering of the standard of this station as detrimental and dangerous to shipping; and be it further

Resolved, That a copy of these resolutions be sent to the Members of the New Hampshire delegation in the Congress.

May 11, 1933.

Attest:

[SEAL]

ENOCH D. FULLER,
Secretary of State.

RECENT MEASURES AFFECTING VETERANS

Mr. ROBINSON of Indiana presented resolutions adopted by the Veterans' Society of Summit County, Ohio, which

were ordered to lie on the table and to be printed in the Record, as follows:

Resolution adopted by the Veterans' Association, Summit County Unit, Akron, Ohio, May 5, 1933

Whereas Congress recently enacted legislation of vital concern to veterans of wars of this country and directly affecting the welfare of 11,000,000 citizens, this legislation is of great length and highly technical; and

Whereas this legislation of such vast importance and grave consequences was considered by a special committee of the House of Representatives for only 3 minutes and then reported favorably for passage under a special rule denying amendment and limiting deliberation to 40 minutes and immediately put upon its passage; and

Whereas the Members of the House of Representatives were not permitted to have copies of the said legislation but passed the measure without seeing the bill; and

Whereas said law provides that "any person who served in the active military or naval service and who is disabled as a result of disease or injury incurred in line of duty * * * may be paid a pension" and fails completely to assure that the wounded and service-disabled man or his dependents shall receive any assistance from the Federal Government, and that the thousands of our comrades suffering from tuberculosis, from gas, and additional thousands now insane due to shock or shell fire and battle horror are precluded from reestablishing their claim because of their inability due to helplessness; and

Whereas a single appointive subordinate official has complete and final jurisdiction over every claim of every veteran or his dependents and that this decision "shall be final and conclusive * * * and no court of the United States shall review such decision"; and

Whereas such legislation specifically encourages the extravagant and unprincipled policy of private pension bills, thereby opening wide the door of politics in the matter of veterans' affairs; and

Whereas officers and employees of the Government receive a small reduction of salary for one year, while the reductions and eliminations of veterans' compensation are permanent; and

Whereas there was no emergency for such legislation, as it does not become effective until July 1, 1933, and that Congress had ample opportunity to give the question the time and deliberation that the gravity of the subject should have received: Now, therefore, be it

Resolved by the Veterans' Association, Summit County Unit, (1) That the method of passing this legislation be vigorously condemned as violative of the principles of representative government and contrary to the spirit and intentment of the Constitution of the United States;

(2) That the vesting of power in the discretion of a single official to deny the right of a wounded veteran help from the Government is a harsh, cruel, and unjust exercise of power of government in a Republic;

(3) That the sweeping denial of the right of appeal to the courts of justice of our country is a dangerous and insidious attack upon the fundamental institution of American Government and that private pensioning is an unfair discrimination; be it further

Resolved, That the Congressmen of Ohio who have the courage to vote against this vicious assault upon the principles of government cherished by our citizens and fought for on fields of battle, even though these Congressmen were threatened with political ostracism for their stand, be commended as a splendid example of real courage and faith in the representative government, maintaining the principle that "government of the people, by the people, and for the people shall not perish from the earth"; be it further

Resolved, That copies of this resolution be forwarded to the President of the United States, the Senators and Representatives in Congress from Ohio, the Director of the Budget, the Administrator of Veterans' Affairs, the Vice President of the United States, and the Speaker of the House of Representatives.

CHAS. DICK.

L. D. ETNIRE,

JOHN D. HOTCHKISS.

CLYDE B. MACDONALD.

KARL S. TUCKER.

WALTER B. WANAMAKER.

GEO. M. LOGAN,

Chairman.

TREATMENT OF JEWS IN GERMANY

Mr. ROBINSON of Indiana also presented a resolution forwarded to him by Rabbi Milton Steinberg, president of the Indianapolis (Ind.) Zionist District, protesting against the treatment of Jews in Germany, which was referred to the Committee on Foreign Relations and ordered to be printed in the Record, as follows:

Be it resolved, That the Indianapolis Zionist District of Indianapolis, Ind., views with pain and horror the persecution of the Jews of Germany; that its moral sensibilities have been outraged by authenticated reports of physical violence done against these people by systematic, legal exclusion of Jewish citizens from all contemporary German life, and by the persistent attempts of the German Government to reduce to the stage of degradation and

terror 600,000 Jews of Germany, whose only offense has been that they were born Jews.

That the Indianapolis Zionist District of Indianapolis, Ind., petitions you to express its sentiments and to exert your influence so that the Government of the United States may make official protest against such barbarous behavior of a modern, civilized nation and may use its moral influence in an attempt to check such excesses.

That the Indianapolis Zionist District of Indianapolis, Ind., petitions you to lend your efforts toward the amelioration of the lot of these persecuted Jews, and that it urges you to recommend a temporary loosening of immigration restrictions from Germany so as to permit for refugees from religious intolerance a haven in our United States.

That copies of the resolution be forwarded to our Representatives in Congress and to the Honorable Cordell Hull, Secretary of State.

This resolution was duly executed by the above-named organization on the 11th day of May, 1933.

Respectfully submitted.

RABBI MILTON STEINBERG,
President of Indianapolis Zionist District.

Mr. BARBOUR. Mr. President, I ask unanimous consent to have printed in full in the RECORD and appropriately referred a resolution adopted on March 27, 1933, at a mass meeting held in Asbury Park, N.J., protesting against the intolerant policy of the Hitler government toward the Jewish people in Germany. In this manner I want to draw to the attention of the Congress the demands of this group of representative citizens.

There being no objection, the resolution was referred to the Committee on Foreign Relations and ordered to be printed in the RECORD, as follows:

Whereas a protest has been made heretofore on the 27th day of March 1933, at the high school auditorium in the city of Asbury Park, county of Monmouth, and State of New Jersey, against the intolerant policy of the Hitler government in relation to the Jews of Germany, in which protest participated the lay and spiritual leaders of Jewish, Catholic, and Protestant religions of the Monmouth county seaboard, as well as civic, political, and industrial leaders of said county; and

Whereas this formal protest was delivered to the State Department of our Federal Government and to the German Ambassador, Wilhelm von Prittwitz; and

Whereas verified and confirmed reports from Germany have since that time brought to America, day after day, the news of a systematic and thorough exclusion of Jews from the civic and political life of Germany by the Hitler government, an exclusion which expresses itself in the elimination of Jews from all federal, state, and local offices, the wholesale dismissal of Jewish physicians, the forced retirement of Jewish professors and instructors from the colleges and universities and smaller educational institutions; the ejection of Jewish judges from the courts; the expulsion of Jewish lawyers from the bar; the limitation and restriction of the attendance of Jewish students in all the higher educational institutions: Therefore be it

Resolved, at this meeting of American-Jewish citizens of the county of Monmouth, State aforesaid, held this 10th day of May 1933, at the Synagogue Sons of Israel, in the city of Asbury Park, county of Monmouth, and State aforesaid, That we do hereby most emphatically condemn the unjust, intolerant, and outrageous anti-Semitic measures, policies, and discriminations of the Hitler regime; and be it further

Resolved, That we do hereby call upon the Honorable W. WARREN BARBOUR, and the Honorable HAMILTON F. KEAN, United States Senators for the State of New Jersey, and also upon the Honorable WILLIAM H. SUTPHIN, Congressman of the Third Congressional District of the State of New Jersey, to raise their voice of protest in the Halls of the United States Congress and move for the adoption of the resolution by the Congress and the Senate denouncing the unjust, unwarranted, and inhuman exclusion of Jews from the civic, political, and professional life of the country in which they have lived over 1,600 years and to which they brought untold glory and distinction in every field of endeavor; and be it further

Resolved, That we call upon the Honorable Franklin D. Roosevelt, President of these United States, to use his good offices in behalf of the oppressed and persecuted Jews in Germany.

Respectfully submitted by the resolutions committee.

MEYER COHEN,
Rabbi of Congregation Sons of Israel, Asbury Park, N.J.
SYDNEY DIERDEN,
President Congregation Sons of Israel, Belmar, N.J.
RALPH B. HEADRON,
Rabbi, Temple Beth El.
BENJAMIN FREEDMAN,
President Asbury Park Hebrew School.
LOUIS I. MILLER,
President Congregation Sons of Israel, Asbury Park, N.J.

REPORT OF THE INDIAN AFFAIRS COMMITTEE

Mr. BRATTON, from the Committee on Indian Affairs, to which was referred the bill (S. 691) to authorize appropriations to pay in part the liability of the United States to the Indian pueblos herein named, under the terms of the act of

June 7, 1924, and the liability of the United States to non-Indian claimants on Indian pueblo grants whose claims, extinguished under the act of June 7, 1924, have been found by the Pueblo Lands Board to have been claims in good faith; to authorize the expenditure by the Secretary of the Interior of the sums herein authorized and of sums heretofore appropriated, in conformity with the act of June 7, 1924, for the purchase of needed lands and water rights and the creation of other permanent economic improvements as contemplated by said act; to provide for the protection of the watershed within the Carson National Forest for the Pueblo de Taos Indians of New Mexico and others interested, and to authorize the Secretary of Agriculture to contract relating thereto, and to amend the act approved June 7, 1924, in certain respects, reported it with an amendment to the title and submitted a report (No. 73) thereon.

REGULATION OF BANKING

Mr. GLASS. I am directed by the Committee on Banking and Currency unanimously to report back favorably with amendments the bill (S. 1631) to provide for the safer and more effective use of the assets of Federal Reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, and later I shall attempt to secure its consideration.

The VICE PRESIDENT. The bill will be placed on the calendar.

INVESTIGATION OF SALE OF MILK AND DAIRY PRODUCTS IN DISTRICT

Mr. KING. From the Committee on the District of Columbia I report back favorably without amendment the resolution (S.Res. 76) to investigate conditions respecting the sale and distribution of dairy products in the District of Columbia. I ask permission to file a report later.

The VICE PRESIDENT. Without objection, permission is granted. The resolution will be placed on the calendar.

ENROLLED BILL PRESENTED

Mrs. CARAWAY, from the Committee on Enrolled Bills, reported that on today, May 15, 1933, that committee presented to the President of the United States the enrolled bill (S. 7) providing for the suspension of annual assessment work on mining claims held by location in the United States and Alaska.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and by unanimous consent the second time, and referred as follows:

By Mr. WHITE:

A bill (S. 1659) to authorize an increase in the number of directors of the Washington Home for Foundlings; to the Committee on the District of Columbia.

(By request.) A bill (S. 1660) providing for the clearance of certain American vessels where a fine has been imposed under the laws of the United States; to the Committee on Commerce.

By Mr. BARBOUR:

A bill (S. 1661) granting a pension to Minnie Wild; to the Committee on Pensions.

By Mr. NEELY:

A bill (S. 1662) granting an increase of pension to Caspar Hartmann; to the Committee on Pensions.

By Mr. STEPHENS:

A bill (S. 1663) granting an increase in pension to Mary L. Burgess; to the Committee on Pensions.

A bill (S. 1664) for the relief of Shelby Howell Batson; to the Committee on Military Affairs.

By Mr. KING:

A bill (S. 1665) to provide for the establishment and maintenance, under the Bureau of Mines, of a research station at Salt Lake City, Utah; to the Committee on Mines and Mining.

By Mr. COPELAND:

A bill (S. 1666) to carry out the findings of the Court of Claims in the case of the Wales Island Packing Co.; to the Committee on Foreign Relations.

A bill (S. 1667) to amend section 177 of the Judicial Code; to the Committee on the Judiciary.

A bill (S. 1668) for the relief of Charles F. Bond, receiver of the partnership of Thorp & Bond, New York, N.Y.;

A bill (S. 1669) for the relief of Cowtan & Tout, Inc.;

A bill (S. 1670) for the relief of Etna Watch Co.;

A bill (S. 1671) for the relief of B. Lindner & Bro., Inc.;

A bill (S. 1672) for the relief of Louis Godick;

A bill (S. 1673) for the relief of Valle & Co., Inc.;

A bill (S. 1674) for the relief of Epstein Underwear Co.;

A bill (S. 1675) for the relief of Sorenson & Co., Inc.;

A bill (S. 1676) for the relief of Bengol Trading Co., Inc.;

A bill (S. 1677) for the relief of Schapiro Bros.;

A bill (S. 1678) for the relief of A. & M. Karagheusian, Inc.;

A bill (S. 1679) for the relief of J. Henry Miller, Inc.;

A bill (S. 1680) for the relief of the estate of George B. Spearin, deceased;

A bill (S. 1681) for the relief of the Snare & Triest Co.;

A bill (S. 1682) for the relief of the North American Dredging Co.;

A bill (S. 1683) for the relief of the Standard Dredging Co.;

A bill (S. 1684) to confer jurisdiction on the Court of Claims to certify certain findings of fact, and for other purposes;

A bill (S. 1685) for the relief of A. W. Duckett & Co., Inc.;

A bill (S. 1686) for the relief of H. P. Converse & Co.;

A bill (S. 1687) authorizing the Court of Claims of the United States to hear and determine the claims of the estate of George Chorpenning, deceased;

A bill (S. 1688) for the relief of Messieurs M. Aronin & Sons;

A bill (S. 1689) for the relief of Robbins-Ripley Co., Inc.;

A bill (S. 1690) for the relief of the Bowers Southern Dredging Co.;

A bill (S. 1691) for the relief of the Sound Construction & Engineering Co., Inc.;

A bill (S. 1692) for the relief of the Compagnie Generale Transatlantique;

A bill (S. 1693) for the relief of the International Mercantile Marine Co.;

A bill (S. 1694) for the relief of the city of New York;

A bill (S. 1695) for the relief of Messrs. Stein & Blaine;

A bill (S. 1696) for the relief of M. T. Stark, Inc.; and

A bill (S. 1697) for the relief of W. K. Webster & Co.; to the Committee on Claims.

By Mr. SHEPPARD:

A bill (S. 1698) for the relief of Frank S. Fischer; to the Committee on Military Affairs.

A bill (S. 1699) to prevent the loss of the title of the United States to lands in the Territories or territorial possessions through adverse possession or prescription (with accompanying papers); to the Committee on Territories and Insular Affairs.

By Mr. ROBINSON of Arkansas:

A joint resolution (S.J.Res. 54) limiting the operation of sections 109 and 113 of the Criminal Code; to the Committee on Agriculture and Forestry.

AMENDMENT TO INDEPENDENT OFFICES APPROPRIATION BILL

Mr. STEPHENS submitted an amendment proposing that the unexpended balance of the appropriation "International Radiotelegraph Conference, Madrid, Spain, 1933", shall be available for the payment to Eugene O. Sykes of an amount equal to the amount he would have received as salary from February 23 to March 20, 1933, both inclusive, as a member of the Federal Radio Commission, intended to be proposed by him to House bill 5389, the independent offices appropriation bill, which was referred to the Committee on Appropriations and ordered to be printed.

REGULATION OF BANKING—AMENDMENTS

Mr. CONNALLY submitted two amendments intended to be proposed by him to the bill (S. 1631) to provide for the safer and more effective use of the assets of Federal Reserve banks and of national banking associations, to regulate

interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, which were ordered to lie on the table and to be printed.

COST OF ELECTRICAL DISTRIBUTION

Mr. COSTIGAN. Mr. President, I submit a resolution and ask that it be printed in the RECORD and lie on the table.

The resolution (S.Res. 80) was ordered to lie on the table, as follows:

Whereas growing interest is manifest throughout the Nation on the part of householders, both urban and rural, as to present and future uses of electricity and reasonable rates chargeable therefor; and

Whereas a considerable, if not controlling, factor in the cost of rural and domestic electric service is reported to be the expense of distributing transmitted current between local substations and the customers' meters; and

Whereas it is responsibly alleged by engineers that the service companies keep no record of this important distribution cost and that the subject has never been discussed before any engineering society; that technical literature does not deal with it; and that only rarely has it been considered in electric rate cases:

Resolved, That the Federal Power Commission is hereby requested to furnish the Senate with a report summarizing such information as may be available indicating the cost of electrical distribution expressed in cents per kilowatt-hour under varying service conditions, as contrasted with the more widely known costs of electrical generation and electrical transmission.

INVESTIGATION BY TARIFF COMMISSION

The VICE PRESIDENT. The Chair lays before the Senate a resolution coming over from a previous day, which will be read.

The resolution (S.Res. 68) submitted by Mr. REED on the 3d instant was read as follows:

Resolved, That the United States Tariff Commission is hereby directed to investigate, for the purpose of section 336 of the Tariff Act of 1930, the differences in the cost of production between the domestic article and the foreign article, and to report at the earliest date practicable upon goat, kid, and cabretta leathers.

Mr. REED. Mr. President, this is a resolution merely asking a study and information, but no other action. It is in the usual form. The Senate has passed a great many such resolutions.

Mr. KING. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Pennsylvania yield to the Senator from Utah?

Mr. REED. I yield.

Mr. KING. My recollection is that a similar resolution, or at least a resolution dealing with the same commodity, has been before the Senate within the past 4 or 5 months.

Mr. REED. Oh, I do not think so. There has been no investigation of this particular variety of leather. It can be done by the Tariff Commission in a very short time.

The VICE PRESIDENT. Without objection the resolution is agreed to.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States submitting several nominations were communicated to the Senate by Mr. Latta, one of his secretaries.

COMPENSATION OF DISABLED VETERANS AND THEIR DEPENDENTS

Mr. CAPPER. Mr. President, I ask unanimous consent to have printed in the RECORD two letters. The first is a letter received by me from Ernest A. Ryan, adjutant of the Kansas Department of the American Legion. The second is a copy of a letter delivered by myself to President Roosevelt, urging more of humanity and honorable dealing on the part of the Veterans' Administration in dealing with disabled veterans and with the widows and dependents of veterans.

It is my belief, Mr. President, that everyone is beginning to realize and ready to admit that the Veterans' Administration and the Budget Department have gone far beyond what Congress intended or the country desired in administering the provisions of the Economy Act affecting veterans. I know that I never intended such drastic cuts for veterans suffering from wounds and disabilities connected with the veterans' service in the Army or Navy. I sincerely hope that statement from the White House last week means that there will be more of justice and less of uncalled-for cruelty

in the revision of regulations and in the reviews of individual cases of these veterans.

Mr. President, the honor of this Government is just as important as a balanced Budget—and the Nation's honor is involved in taking adequate care of deserving disabled veterans. I send the letters to the desk.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

OFFICE OF ADJUTANT,
KANSAS DEPARTMENT, THE AMERICAN LEGION,
Topeka, May 10, 1933.

HON. ARTHUR CAPPER,
United States Senate, Washington, D.C.

DEAR SENATOR CAPPER: I presume that you have been besieged with communications from all parts of Kansas in regard to the recent regulations which have been put into effect governing pensions and compensations to World War veterans and Spanish War veterans.

I have completed my Fifth Congressional District meeting and I state to you frankly that I have never seen such a wholehearted and indignant uprising on the part of legionnaires in Kansas as there is over this legislation. That the legislation is unfair is not even being denied by the Veterans' Administration itself; and the extent to which the power voted the Administration under the Economy Act has been used, I am sure, far exceeds your expectations and the expectations of other members of the Kansas delegation who voted for the measure.

I presume it was your thought that the reductions in veterans' expenditures would affect largely those men who could not connect their disabilities with their war service and possibly a few others who could not prove their need for compensation at the time. However, this is not the manner in which the Economy Act has operated. The regulations issued subsequent to the act have proven extremely cruel to needy veterans who contracted their disabilities in active war service.

I can point to you instances in Kansas of outstanding veterans, with whom you are personally acquainted, who will suffer reductions in their service-connected compensations of as much as 40 to 60 percent. I believe in previous years that the Veterans' Administration has been correct and fair in the allowing of presumption of service connection in tubercular and mental cases, even when they extended the date as far as January 1925. Under recent regulations presumptive service connection is wiped out in these types of cases, and we find men heretofore totally disabled with tuberculosis and mental diseases who now will receive only \$20 per month under the nonservice provision of the new regulations.

I do not think that I need bring it home to you that hundreds and thousands of these men are going to be thrown upon the charity rolls of their local communities during the coming months, and this is coming at a time when local communities cannot possibly make provision for their care. I think you will agree with me that it is far more equitable that the burden at this particular time could much better be borne from Federal income taxes paid largely by corporations and individuals who built their fortunes during the war than by placing this tax in the form of a charity assessment on the backs of the personal and real property taxpayer in our local communities.

Whole I am presenting no particular brief in behalf of nonservice cases, these being the least worthy of those who have been upon the Government pension rolls, I want to recall to your mind that even the drastic provisions of the recent regulations make provision for \$20 per month for men totally disabled and who cannot connect their disability with service.

Undoubtedly these injustices have been called to your attention previously by individual legionnaires and service men who with their families have been affected by the recent action of Congress and the administration. I know and appreciate the fine service that you have rendered the World War veterans, and especially Kansas veterans, ever since we came home from service. I know that you still have that same appreciation for their war-time service and that same sympathy for their welfare in peace time.

I am asking you to present these problems, as you best see fit, not only to the Veterans' Administration but if necessary to the President himself. It will also be appreciated if you will see fit to call attention to the people of Kansas to what I am sure you now recognize to be the rank injustices of the recent Veterans' Administration regulations.

Thanking you in advance for your cooperation now and expressing again our appreciation for your loyal services in the past, I am,

Sincerely yours,

ERNEST A. RYAN,
Adjutant, Kansas Department.

WASHINGTON, D.C., May 13, 1933.

HON. FRANKLIN D. ROOSEVELT,
President of the United States,
The White House, Washington, D.C.

DEAR MR. PRESIDENT: I have just received from Ernest A. Ryan, adjutant of the Kansas Department of the American Legion, a protest against the hurried discharge of hundreds of needy vet-

erans from the national military home at Leavenworth. My information is that nearly 1,000 of these, practically none of them with any other means of support, are being discharged. Certainly, they cannot get jobs of any kind at this time. The local communities are not in shape to care for them adequately in addition to the heavy burdens already imposed upon them by the great army of unemployed in the country.

It was with heartfelt approval I read the statement from the White House Wednesday morning to the effect that there would be careful review of service-connected cases, and also of regulations affecting nonservice cases where the veterans are clearly disabled or destitute. It seems to me that is fair and just not only to the veterans in question but also to the country.

In regard to the Leavenworth situation, I believe Adjutant Ryan has sent you a telegram urging you to suspend all further discharges until the review of the regulations contemplated in the Wednesday morning statement by Mr. Early can be made.

Permit me to join Adjutant Ryan in that plea.

Permit me to urge that until the regulations are reviewed these disabled veterans be allowed to remain in the homes. Surely it is more equitable and more humane to discharge only those clearly entitled to such discharge after review than it is to cast them out now by the hundreds and then later allow some of them to return.

I realize this is a most difficult problem. I realize that you are doing everything in your power to handle the situation with justice to all and in a humane spirit. But I do want to urge that no needy disabled veteran be discharged upon public charity at a time when the local communities are straining every resource to take care of the large numbers of destitute already on their hands. And may I express the hope that immediate steps will be taken by the Veterans' Administration to correct the most glaring inequalities in the regulations now in force, and that pending these adjustments those likely to be affected by the change not be thrown out to shift for themselves at a time when this is practically impossible.

With sincere regards,

ARTHUR CAPPER.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the House had passed without amendment the following bills of the Senate:

S. 1410. An act to amend section 207 of the Bank Conservation Act with respect to bank reorganizations; and

S. 1415. An act to amend sections 5200 and 5202 of the Revised Statutes, as amended, to remove the limitations on national banks in certain cases.

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H.R. 5040) to extend the gasoline tax for 1 year, to modify postage rates on mail matter, and for other purposes; asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. DOUGHTON, Mr. RAGON, Mr. SAMUEL B. HILL, Mr. TREADWAY, and Mr. BACHARACH were appointed managers on the part of the House.

ENROLLED BILL SIGNED

The message further announced that the Speaker had affixed his signature to the enrolled bill (S. 7) providing for the suspension of annual assessment work on mining claims held by location in the United States and Alaska, and it was signed by the Vice President.

VETERANS' ALLOWANCES AND ADJUSTED-SERVICE CERTIFICATES

Mr. VANDENBERG. Mr. President, I ask unanimous consent to have printed in the RECORD two letters, one with respect to the allowances of veterans and the other with reference to the present movement in behalf of the payment of adjusted-service certificates. Preceding the letters are brief statements prepared by me, which I ask may also be printed in the RECORD.

There being no objection, the statements and letters were ordered to be printed in the RECORD, as follows:

Mr. President, two phases of veterans' legislation are involved in wide-spread discussion at the present time. One phase deals with excessive and indefensible reductions in service-connected disability allowances in violation of all the assurances which were given to Congress at the time of the passage of the so-called "Economy Act." Another phase deals with the renewed movement in behalf of present payment of adjusted-service compensation certificates. The only possible way in which I can hope to respond to the large number of inquiries that are coming to me upon this score is to ask the Senate's unanimous consent that two typical correspondence exhibits be printed in the RECORD.

The first exhibit deals with the so-called "bonus problem." The following typical letter was received from Mr. Stanley Banyon, editor of the News-Palladium, at Benton Harbor, Mich.:

"There is considerable discussion of the proposition that if the new administration is to attempt controlled inflation of the currency, as a stimulus to economic recovery, there ceases to be any sound reason why the so-called 'soldiers' bonus' should not now be included among those 'maturing obligations of the Government' to be paid with so-called 'greenbacks' at once. It seems to me that under a greenback program of controlled inflation the bonus question is a totally different question than it was 1 year ago. I do not discuss whether the inflation program is wise. That has been settled. We are to have it. Since we are to have it, I ask about the bonus as part of it. We all have great respect for your opinion on a matter of this nature, and I think your State would welcome any public statement you might care to make on the subject."

My self-explanatory reply follows:

"The so-called 'bonus problem' is substantially different today, in the light of the passage of the inflation bill, than it was previously. If the Federal Government is to embark upon the reissue of so-called 'greenbacks' under the general terms of the old act of 1862, for the purpose of meeting certain maturing obligations of the United States Government, it seems to me that a thoroughly sound case can be made out in favor of paying adjusted-compensation certificates in this fashion immediately. Therefore, if we are to have limited inflation as is the new administration's plan, I considered it logical and preferable to include the 'bonus' among those 'maturing obligations' which the President shall be thus authorized to pay in this fashion. I voted accordingly."

"There are several specific reasons which sustain this conclusion. I am glad to submit them to the approval of your judgment."

"First. There is more actual advantage to the Federal Treasury in using the major portion of the contemplated \$3,000,000,000 of 'greenbacks' in paying off this particular 'Government obligation' than any other. The new inflationary law requires an annual 4-percent sinking fund to retire these 'greenbacks.' (A 'greenback' is a piece of paper money representing the Federal Government's promise to pay, without specific collateral value assigned to support it.) This annual sinking-fund obligation, in respect to the 'greenbacks' necessary to pay the bonus, would be about \$25,000,000 per year less than the annual payment which otherwise must continue to be made into the maturity fund to pay the bonus in 1945. In other words, there would be an actual and substantial budgetary advantage today in using the contemplated 'greenbacks' to anticipate these bonus maturities. This is the exact reverse of the situation 1 year ago when we were not committed to inflation as a policy and when, on any other basis, the cash payment of the bonus would have more than doubled the already yawning deficit which was threatening to wreck the public credit."

"Second. The purpose of this inflation is said to be the encouragement of commerce through the increase in the volume of currency. I never have believed that the volume of currency is as important as the velocity of its turn-over—as witness the fact that we have as big a volume (barring hoarding) today as in the peak days of 1928. Certainly there must be velocity as well as volume—there must be the use as well as the creation of new money—if inflation is to serve any useful purpose. The payment of the bonus would produce swifter decentralized distribution and use than the payment of any other existing Government obligation. Therefore, if we are to try this inflationary stimulus—and that question is no longer open to argument—the present payment of the bonus best serves the end in view. Any argument to the effect that this money would be swiftly swallowed up and would soon cease to affect the situation, as was the case when the first 50 percent was made available upon my initial motion 2 years ago, is simply an argument against the utility of the contemplated limited inflation—with the exception that it must be remembered that the first payment was not in inflated money."

"Third. The present payment of the bonus in 'greenbacks'—if we are to pay any Government obligations in 'greenbacks'—would serve a collateral public purpose which is absent in the payment of any other existing Government obligations. It would take every World War veteran in the country off of local relief rolls for a considerable time to come. This would help relieve local welfare responsibilities and would aid the situation in cities and towns and States—even up to the Reconstruction Finance Corporation and its advances to the States for welfare purposes. Certainly there is a particular obligation to veterans in this connection."

"Fourth. The fact that the face of these adjusted-compensation certificates are not due until 1945—heretofore a compelling argument against anticipated payment of the 1945 value—ceases to be other than an academic consideration if the present payment be included within the already legalized 'greenback' limitation. Indeed, it were far better for the Government's reputation for good faith to thus inexpensively anticipate these particular 'maturing obligations' than, as in the case of other 'maturing obligations' contracted to be paid in gold, to repudiate the gold clause and force payment of gold obligations in paper money. Certainly I would not force a veteran to take 'greenbacks' in 1933 if he prefers to wait for other and different payment in 1945. But certainly I would give him the option at once, under all these circumstances and for these compelling reasons."

"This entire argument is predicated upon the fact that it already has been decided that the President shall have authority to issue up to \$3,000,000,000 in 'greenbacks' to pay 'maturing obligations' of the Government as he sees fit. In other words the advisability of this type of inflation has ceased to be in argument. The only remaining argument, as I see it, is the choice of

'obligations' to be paid. I have warned before—and I warn again that 'printing-press money' is a dangerous experiment. It is too much like the opium habit—a progressive curse. The German Republic doubled her currency with 'printing-press money' in 2 years. The next doubling occurred in 2 months; the next in 2 weeks; the next in 2 days. It finally had to be stabilized on the amazing basis of 1,000,000,000,000 to 1. We must protect America against that debacle at any cost. The American inflation now proposed is limited to \$3,000,000,000 in 'greenbacks.' They are protected by a 25-year sinking fund. They are limited to use on existing obligations of the Federal Government. It is to be fervently prayed that our self-restraint will keep us within limits. But since the power to proceed as indicated is now created and no longer open to argument, I believe that the power should also be created to include adjusted-service compensation certificates within the definition of those 'maturing obligations' entitled to present and immediate payment."

"I want to add that 'bonus marches' upon Washington, no matter how nobly meditated, have a most unfortunate effect upon these veterans' problems. No one would deny veterans, singly or in groups, the sacred right of petition. But when petitioners encamp upon the Capitol more or less indefinitely, there is an element of physical compulsion, whether intended or not, which emphasizes the threat above and beyond the petition itself. This inevitably has the exact reverse from the intended effect upon legislators."

The second exhibit which I desire to submit has to do with the rules and regulations announced by the United States Veterans' Bureau and the Bureau of the Budget in respect to reductions in pensions and disability allowances pursuant to the so-called 'Economy Act.' There are unexpected inequities and severities in the administrative rules and regulations which represent the form in which this Executive authority is to be exercised. Some of these inequities are more violent than those in the old order which it was sought to purge. Actual battle casualties have been reduced in allowances from 35 percent to 55 percent, sometimes even more. Total reductions of 72 percent in World War allowances and 66 percent in Spanish War allowances cannot be defended—either on the basis of justice, or on the basis of the driving need for economy which I support, or on the basis of the assurances given Congress when the 'Economy Act' was passed. There must be a rational revision of these rules and regulations or 'economy' inevitably will suffer from just such a reaction as previously hit prior allowances themselves. A typical letter on this subject from George A. Osborne, editor of the News at Sault Ste. Marie, Mich., was answered by me as follows:

"This will reply to your letter with its enclosed news article describing the contemplated reduction from \$90 per month to \$8 per month in the disability allowance to a veteran who 'received a volley of machine-gun bullets in the abdomen' while fighting in France in direct contact with the enemy and who thus was permanently disabled."

"Any such treatment of a veteran with direct service-connected disability is not only an affront to the humanities and to American patriotic sensibilities, but it also is a direct violation of the assurances which were given Congress at the time the President asked for special powers in the so-called 'economy bill.' I shall not only emphatically protest this action; I also shall use it as a further demonstration that the economy bill is being administered under rules and regulations never remotely contemplated when Congress was asked for the bill by the President in the dire emergency which he confronted the second week in March."

"Some of these rules and regulations, recently announced by the Budget Director, are shocking beyond words in their effects. They cannot be justified even in the name of 'economy'—to which we all must rigidly commit ourselves—because illogical and illegitimate economy simply invites reaction against all economy."

"Ten days ago the national commander of the American Legion, which is seeking patriotically to uphold the President's hands in his economy needs, protested to the President against some of these unexpected regulations. I promptly wired the commander at Indianapolis headquarters of the Legion, under date of May 5, as follows:

"I want you to know that I emphatically agree with your statement that 'those to whom President Roosevelt has intrusted administration of the Economy Act have gone far beyond what his spokesmen in Congress promised would be the extreme limit of the burden to be imposed upon veterans.' The Legion certainly is justified in asking a review of the new orders, particularly as affecting battle-front service-connected disabilities."

"On May 12 President Roosevelt ordered his Budget Director and his United States Veterans' Bureau to review these offensive rules and regulations. They ought to be reviewed and they ought to be purged. I am perfectly sure that the veterans themselves are willing to again make their fair share of contribution to the country's needs. But no exigency on earth could justify anything remotely approximating a cut from \$90 per month to \$8 per month in the case of a veteran who was disabled in action in such an instance as you present. Unfortunately, this is not an isolated case. I am amazed that any administrators could conceive such ruthlessness."

"It is physically impossible for my office facilities to pursue each individual Michigan case which falls under the new bans. But I shall be glad to make an example of the particular case which you submit. It could not be expected that the necessary cut-backs in veterans' allowances would not bring a storm of protests. But neither should it have been expected that the cut-

backs would invade legitimate allowances in any such fashion as we now contemplate. I feel particularly offended because I insisted upon assurances to the contrary when the bill originally was in the Congress.

"I am hopeful that the review which the President has ordered will correct some of these aggravated situations. If not, they must be corrected otherwise. I understand that already it has been determined not to abandon regional offices of the United States Veterans' Administration at once. This would have been another grievous error, since it would have centralized these millions of claims in Washington and prolonged, perhaps by years, their adjudication in many instances."

STIMULATION OF BUSINESS

Mr. NYE. Mr. President, I ask unanimous consent to have printed in the RECORD an article entitled "Program to Stimulate Business", by James M. Thomson, appearing in the New Orleans Item.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the New Orleans Item]

PROGRAM TO STIMULATE BUSINESS

By James M. Thomson

Senator COSTIGAN, Democrat, of Colorado, has offered a bill in the United States Senate providing for a \$6,000,000,000 public-works program. This bill contemplates an expenditure of \$5,000,000 a day for 2 years.

Senator COSTIGAN is an able and progressive Democrat. I am more than happy to see identified with the bill the name of Senator CUTTING, a Republican, of New Mexico, and the name of Senator ROBERT LA FOLLETTE, of Wisconsin. Senator CUTTING is an interesting character. He is a scion of a very wealthy New York family who moved to New Mexico on account of his health. He is in his forties and is a bachelor. He is reputed to be worth a good many millions of dollars of inherited money. It is greatly to his credit that Senator CUTTING has taken almost uniformly from the time he entered the Senate the fight of the people. He deserted the Republican Party and supported Franklin Roosevelt in the last election. He made some of the best speeches that were made for Roosevelt. He represents a type of western progressive leadership which should have a voice in the councils of the administration.

Perhaps the greatest compliment that can be paid Senator ROBERT LA FOLLETTE, of Wisconsin, another young man, is to state that he is a worthy son of a great father. When American history is written the senior La Follette will rank as one of the really great Americans of his time.

I don't know how the Senate will line up on this bill, but it will be surprising to me if another Member of the Senate, a wealthy Republican, does not line up with these gentlemen for a \$6,000,000,000 bond issue. I refer to Senator COUZENS, of Michigan. Senator COUZENS is a former partner of Henry Ford. He sold out his business for a good many millions of dollars. He is understood to have his money in the safest type of investment. It is clearly to his credit that the Michigan Senator has tried to stand uniformly for what he considers the popular interest. He refers to the attitude of Senator CUTTING and Senator COUZENS because it is popularly supposed that rich men in public life and whose investments may be in bonds or mortgages are considered to be influenced by their money in their vote and in their attitude. My personal contacts with men of this type have been rather refreshing. They are very often men desirous of legislation in the interest of the people.

I noted when America went off the gold payment abroad that J. P. Morgan came out in a statement not only approving the Government's action but approving inflation. When I started out several weeks ago to urge inflation or reflation on the Government I never expected to find myself in Mr. Morgan's company within a few weeks.

The point that I want to make is that in urging the issuance of five or six billion dollars by the Government to put the people to work, I do not believe that I am radical but think that I am business-like and conservative.

Interest on \$6,000,000,000 is \$180,000,000 a year at 3 percent, and if the Federal Government splits this money with the States and with the cities which need money and starts a vast employment program in this country, I for one expect to see business so stimulated that the Federal Government will increase its revenue by a billion dollars a year from income and other forms of taxes.

I have heretofore presented the argument that the loss to the country in increased wealth which can be got from employing 12,000,000 people now unemployed will be \$5,000,000,000 a year. Public improvements are not a liability to a nation; they are an asset to a nation, and expenditure for public improvements is wise.

All the surplus wealth of Russia goes each year into public improvements. A great part of the surplus wealth of Italy goes each year into public improvements. France has put her surplus wealth into military equipment and has loaned it to her European allies for military purposes. In my opinion, Great Britain made a terrible mistake in inaugurating the dole and in maintaining millions of idle people for 10 or 12 years at British expense. The

country had far better have issued public-improvement bonds and have put those people to work.

The United States does not need great military expenditures, I know.

DEPOSIT OF GOLD AND GOLD CERTIFICATES

Mr. STEIWER. Mr. President, I ask unanimous consent to have printed in the RECORD an article appearing in a Colorado paper written by Hon. C. S. Thomas, formerly a Member of this body.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

Shakespeare once defined gold as the visible god. Whatever its physical qualities, it was always and still is the most formidable deity ever worshiped by mankind. Even when the first commandment was voiced on Sinai, the Jews were imaging the golden calf at the foot of the mountain. Moses destroyed their statue, but he could not dethrone the metal which until quite recently men and women were privileged to see, albeit the bulk of it was buried in the ground from whence it came.

We, or some of us, therefore, know that it is yellow, bright, and heavy. Also that by reason of the supernatural qualities with which it has been endowed it measures and shifts the values of all things spiritual and material. Moreover, the more fortunate of the people until recently, could actually acquire and enjoy meager portions of it; while theoretically, those possessed of other forms of money might demand its conversion into gold as the only real money in the habitable world, those contending for other standards being neither honest, intelligent, nor trustworthy. The metal failed to function and then abdicated. Yet the gold god is too sacred to be seen. Its fires burn too brightly for mortal eyes to gaze upon.

The leader of American Democracy, ostensibly invested by Congress with the purple of unlimited power, last week issued an old-fashioned Russian "ukase" commanding all citizens (they are still so designated) by or before May next to deposit with the financial authorities all gold and gold certificates in their possession in exchange for other forms of money. Failing this, the President by the same edict subjects them to arrest, indictment, and on conviction to a maximum fine of \$10,000 or sentence of imprisonment for a term of 10 years or both. The visible god of Shakespeare is thereby clothed with invisibility and the single standard transformed from a human agency into a thing of omnipotence.

Under the law as written, gold is legal tender for the satisfaction of all human obligations. He who demands and he from whom it is demanded have no alternative but compliance with its terms. It was thus enacted at the behest and by the command of the single-standard powers and until yesterday it functioned as "the law of the land." But the President by his "ipse dixit" has assumed to repeal it.

The owner of paper money is not only prohibited from demanding its redemption in gold, he is commanded under the sanction of the penal code to exchange with the Treasury for its paper. Although his own, he may not even retain it save at the risk of his liberty. Its mere possession after May 1 becomes a felony *eo ipso*, not by act of Congress but by Executive order based on legislative delegation of authority.

With all due acknowledgement of the best of intentions, with which hell is said to be paved, I assert that this Executive order is the most deadly and appalling attack upon the integrity of the American Constitution thus far encountered since its ratification. Only by abdication can the Congress so legislate. Its Members falsify their oath of office when they so ordain. The President has no more power to exercise the authority thus conferred than he had before the effort was made to confer it. The plea of necessity would be farcical, if the incident were not so tragical in its reaction upon American institutions.

If the assertion were true that the salvation of the Republic or of the gold standard required this extreme policy, which it is not, then neither is worth the sacrifice. The latter has long been a curse and will so continue as long as the public interests are sacrificed upon its altar. Moreover, the Government has but to stretch out its hand and grasp the remedy; a fact which the world keenly realizes while its chancelleries willfully shut their eyes to it and will have none of it. If on the other hand, penalizing by edict those rightfully possessing and entitled to the use of gold is within the Executive power, especially in times of peace, then no right of the American citizen is safe from the exercise of despotic power.

The Nation has traveled far and fast on the road to centralization since the Civil War, but it is somewhat melancholy to reflect that the Democratic Party under Wilson and Roosevelt has done more to demolish State boundaries and trample upon the fundamentals of the bill of rights than its opponent, which for three quarters of a century we have bitterly denounced for its disregard of constitutional limitations. And the bitter pill is now coated with gold, whose bar sinister, branded by fraud on the Nation's forehead in 1873, dictating its policy for 60 years, itself bankrupt in morals and in fact and doomed to early extinction, has now dragged Democracy into the fathomless pool of repudiation. "Alas, it is not in our stars but in ourselves that we are underlings."

Comes at this juncture the economic statement that owing to expansion of debt and destruction of values, the Nation's liabilities

exceed its assets. If this be true, bankruptcy is in sight and repudiation, is inevitable. Is it surprising that gold as usual has between two days to run to its cover disappeared in the gloaming and left the Nation to the elements and to fate?

C. S. THOMAS.

MOTHER'S DAY—ADDRESS BY SENATOR NEELY

Mr. COSTIGAN. Mr. President, I ask unanimous consent to have printed in the RECORD an address in commemoration of Mother's Day delivered over the radio yesterday by the eloquent Senator from West Virginia [Mr. NEELY].

There being no objection, the address was ordered to be printed in the RECORD, as follows:

MOTHER'S DAY

For more than 19 centuries mankind has had three unfailing sources of inspiration to heroic efforts, great accomplishments, and sublime achievements. For more than 1,900 years the three words that represent these ever-flowing fountains of inspiration have charmed the ears, brightened the hopes, and thrilled the hearts of all the children of men. They have incited the genius that has produced the most exquisite pictures ever painted, the most beautiful poems ever written, the most melodious songs ever sung—songs, poems, and pictures that have given us sunshine for our shadows, joy for our sorrows, smiles for our tears, and intimated to us the endless bliss of immortality in that "realm where the rainbow never fades", where no one ever grows old, where friends never part and loved ones never, never die.

These three mighty, magic, and inspiring words are "Jesus", "Home", and "Mother."

The first of them impelled Charles Wesley to write:

"Jesus, lover of my soul,
Let me to Thy bosom fly;
While the nearer waters roll,
While the tempest still is high.

"All my trust on Thee is stayed;
All my help from Thee I bring;
Cover my defenseless head
With the shadow of Thy wing.

"Hide me, O my Savior, hide,
Till the storm of life is past;
Safe into the haven guide,
O receive my soul at last."

What unspeakable consolation, born of boundless faith in the everlasting Father's imperishable love for His erring children, is revealed in this beautiful hymn. Its music, "like a sea of glory, has spread from pole to pole."

The second of our magic words prompted John Howard Payne to compose that deathless song that has been sung and played around the world. Millions of weary wanderers on foreign strands have been transported upon the wings of imagination back to the romantic scenes of their childhood, to the picturesque paths which their infancy knew, to the happy days of the long ago by that soothing symphony of sublime sentiment:

"Mid pleasures and palaces though we may roam,
Be it ever so humble there's no place like home!
A charm from the sky seems to hallow us there,
Which, seek through the world, is ne'er met with elsewhere.

"Home, Home, sweet, sweet home!
There's no place like home!"

And the last of this tranquilizing trinity of wondrous words, with the stirring force of the celestial muse of Isaiah, impelled Elizabeth Akers Allen to write the following pathetic, appealing, and rapturous poem that is destined to live until the everlasting hills, "The vales stretching in pensive quietness between", and "old ocean's gray and melancholy waste", shall be no more:

"Backward, turn backward, O Time, in your flight,
Make me a child again just for tonight!
Mother, come back from the echoless shore,
Take me again to your heart, as of yore;
Kiss from my forehead the furrows of care,
Smooth the few silver threads out of my hair—
Over my slumber your loving watch keep;
Rock me to sleep, Mother, rock me to sleep!

"Backward, flow backward, O tide of the years!
I am so weary of toil and of tears—
Toil without recompense, tears all in vain,
Take them, and give me my childhood again!
I have grown weary of dust and decay,
Weary of flinging my soul-wealth away;
Weary of sowing for others to reap;
Rock me to sleep, Mother, rock me to sleep.

"Mother, dear mother, the years have been long
Since I last listened your lullaby song:
Sing, then, and unto my soul it shall seem
Womanhood's years have been only a dream.
Clasped to your heart in a loving embrace,
With your light lashes just sweeping my face,
Never hereafter to wake or to weep—
Rock me to sleep, Mother, rock me to sleep."

Kings and potentates and parliaments have proclaimed holidays, thanksgiving days, and emancipation days for observance by the people of various kingdoms and countries and states. But Miss Anna Jarvis, a distinguished woman of West Virginia, has established Mothers' Day in the love, in the devotion, and in the throbbing heart of the humanity of all the world.

Today we venerate the sacred name and memory of mother. We laud the virtue, extol the spirit of self-sacrifice, and eulogize the loving kindness of every mother living; and in imagination, with bowed heads, grateful hearts, and generous hands lay new wreaths of the freshest, the fairest, and the most fragrant flowers upon the graves of all the mothers who have gone from the fitful land of the living into the silent land of the dead. In this hour of sober and serious reflection we realize that everyone who treads the globe owes his birth to the unspeakable agony of a mother. From mother's breast the baby first was fed. In mother's arms the baby first was lulled to sleep. Mother, in the twilight hour of baby's existence, breathed the fervent prayer:

"That He who stills the raven's clamorous nest,
And decks the lily fair in flowery pride,
Would, in the way His wisdom sees the best,
For her darling child provide; but chiefly
In her loved one's heart, with grace divine preside."

Then, as the days grew into the months and the months lengthened into the years mother's life became a continuous round of solicitude, service, and sacrifice for her child.

Mother's hands made the first dress that baby ever wore. Mother's deft fingers made playthings for the little one that filled his eyes with wonder and his heart with joy.

A splinter in baby's finger, a briar in baby's foot, or a bruise on baby's toe became an affliction of such momentous consequence that only mother could heal it; only mother could banish its ache; only mother could exile its pain; only mother could smile away the tears it caused to flow down baby's cheeks.

And a little later mother, like an inexhaustible encyclopedia of universal knowledge, informed her baby about the birds and the beasts and the flowers and the trees. She discussed with him the cause of day and night; of winter's storm and summer's calm; the mysteries of the earth and sea and sky. She explained as best she could the marvels of the sun and moon and stars and the grandeur of the far-off milky way.

And the little one at night, upon his knees, at mother's side, with mother's hand upon his head, learned to say in the lisping accents of childhood:

"Now I lay me down to sleep,
I pray the Lord my soul to keep:
If I should die before I wake,
I pray the Lord my soul to take.
And this I ask for Jesus' sake.
Amen."

Thus from the day of the birth of her babe, "tolling, sorrowing, rejoicing onward through life mother goes", generously giving the best of her thought and energy and effort and life to make of her child a successful, useful, and righteous woman or man.

But until—

"The stars are old,
And the sun grows cold,
And the leaves of the judgment book unfold"—

no one will ever know the full measure of service the mothers of earth have constantly rendered their children.

The following touching story illustrates the fact that the average mother is ever ready to sacrifice as sublimely for her child as the mother pelican is said to sacrifice for her young by feeding them the lifeblood from her breast:

A poverty-stricken Italian woman was, by the death of her husband, compelled to work hard in a "sweatshop" to support her three little children. A humane organization learned that this unfortunate woman was in the last stage of consumption and endeavored to take her from her task. But she resisted and continued to work until she died of a hemorrhage. During this martyr's last moments someone inquired of her why she had worked so hard and so long, and she gasped, "I had to work to get the grub for the kids."

Greater love than this has no woman shown. She laid down her life for her children.

Just such love as this poor, dying Italian woman had for her children every other mother has for her own.

In token of our appreciation of the great boon of maternal devotion which we all enjoy, or have enjoyed in the days gone by, let us habitually exalt the name, commemorate the memory, and sing the praises of our mothers, and let us devoutly beseech our Heavenly Father to love them and keep them, and shower His richest blessings upon them forever and forever.

"O mother, thou wert ever one with nature,
All things fair spoke to my soul of thee;
The azure depths of air,
Sunrise and starbeam, and the moonlight rare,
Splendors of summer, winter's frost, and snow,
Autumn's rich glow, bird, river, flower, and tree.

"Mother, thou wert in love's first whisper,
And the slow thrill of its dying kiss;
In the strong ebb and flow of the resistless tides of joy and woe;
In life's supremest hour thou hadst a share,
Its stress of prayer, its rapturous trance of bliss.

"Mother, leave me not now when the long shadows fall athwart the sunset bars;
Hold thou my soul in thrall till it shall answer to a mightier call,
Remain thou with me till the holy night puts out the light
And kindles all the stars."

Mr. LONG subsequently said: Mr. President, there was ordered to be printed in the RECORD this morning, at the request of the Senator from Colorado [Mr. COSTIGAN], an address by the Senator from West Virginia [Mr. NEELY]. I understand that will be printed in the ordinary small type, will it not, unless I am able to get an order from the Committee on Printing to the contrary?

The VICE PRESIDENT. The Chair understands that the law provides that it shall be printed in small type unless authorized to the contrary by the Joint Committee on Printing.

Mr. LONG. I want to get authority from the Printing Committee to have it printed in the ordinary type of the RECORD. Will I have to have the request referred to the Printing Committee?

The VICE PRESIDENT. It will require action of the Joint Committee on Printing.

Mr. LONG. Of the two Houses?

The VICE PRESIDENT. Yes.

Mr. FLETCHER. Mr. President, was the request referred to the Joint Committee on Printing?

The VICE PRESIDENT. No; it was not.

Mr. FLETCHER. The law requires such matter to be printed in a certain type.

The VICE PRESIDENT. Yes; and the law requires action by the Joint Committee on Printing.

CARE OF VETERANS—DAYTON (OHIO) SOLDIERS' HOME

Mr. ROBINSON of Indiana. Mr. President, I desire to read a letter from Lawrence Andrews, of the editorial department of the Dayton Journal, with reference to the disabled veteran who was discharged from the Dayton Soldiers' Home in his underwear. That story was denied to some extent later in the day after it had been placed in the RECORD.

The Senator from South Carolina [Mr. BYRNES] had some matter incorporated in the RECORD that seemed to be somewhat at variance with the original story. I now have a communication from the Dayton Journal, which reads as follows:

DAYTON, OHIO, May 12, 1933.

HON. ARTHUR R. ROBINSON,
Senate Office Building, Washington, D.C.

DEAR SENATOR: The United Press Association, under date of May 12, under a Washington, D.C., date line, carried the following story:

"WASHINGTON, May 12.—Perry M. Long, of Dayton, Ohio, may have left the soldiers' home minus his pants, but the Roosevelt economy program has nothing to do with the incident, Veterans' Administrator Frank T. Hines has informed Congress.

"C. W. Wadsworth, director of the soldiers' homes for the Veterans' Bureau, and F. C. Runkle, manager of the home in question, were the authorities given by Hines for the denial. The two termed the affair 'A carefully staged publicity stunt.'

"Hines' statement was placed in the CONGRESSIONAL RECORD by Senator BYRNES, Democrat, of South Carolina, after Senator ROBINSON, Republican, of Indiana, had placed in the RECORD a news item from the Dayton (Ohio) Journal, in which Long was quoted as saying he had been told on leaving the home, 'Orders is orders; you will have to take them off.'

"A picture with the item showed Long standing in his underwear, shirt, and shoes."

If you want to make liars out of two Government officials, namely, C. W. Wadsworth, director of soldiers' homes for the Veterans' Bureau, and F. C. Runkle, manager or governor of the Dayton home, in their assertion that the above affair was a carefully staged publicity stunt, just write to me or either of the following men: Irwin Rohlf, former assistant prosecuting attorney of Montgomery County, residing at 1818 Ravenwood Avenue, Dayton, Ohio; Frank Humphrey, former municipal judge and prominent local Democratic leader, residing at 817 St. Agnes Avenue, Dayton, Ohio; Russell Schlafman, treasurer of the Montgomery County Veterans' Association, well-known local Democrat, residing at 410 Burns Avenue, Dayton.

Any of these men will be glad to furnish you with their own affidavits and affidavits from other persons who know the facts; that the above-referred affair did take place; that P. M. Long had no alternative but to turn in his clothes; that employees of the quartermaster's department at the home laughed when Long walked out in his underwear; that a stranger picked Long up just inside the home gates and took him to Ruebenstein's store, left

him in the machine and went in and bought him a suit of overalls, and then took Long home; that Long is a tuberculosis patient; that he took a Civil Service examination for a Government position at Wright Field, Government aviation field near Dayton, but that they refused him the position because a physical examination showed him to be suffering from tuberculosis.

Either of the above-mentioned men can cite you dozens of equally pitiful cases and back up their assertions with affidavits if you will request them. One of the latest cases to come to their attention is that of a former soldier who received frozen feet while on duty in the Yukon; had part of his feet amputated, crippling him for life, and was discharged from the Army because of his disability as shown by his papers; that he has been receiving \$60 a month pension, which is all that he has, and that this has just been cut to \$18 a month. Perhaps that does not come under the Roosevelt economy program either, but I am prepared to send you photostatic records and affidavits to substantiate those facts.

Perhaps you will be interested to learn that since April 1, 1933, approximately 2,000 former service men have been sent out of the soldiers' home; that these men were turned loose in hundreds of cases without any funds whatever as charges on our local government and welfare agencies; that it was necessary for the veterans' association to open a temporary shelter in an old building in the heart of the downtown section, and that 55 men are now housed there with 15 of them compelled to sleep on the floor while cots are stored away at the home—cots which they formerly slept on.

It may interest you to know that the veterans association at first attempted to take care of these men by voluntary subscription and funds raised from benefits; that the burden became so heavy that they demanded that county commissioners, under the State law, appropriate immediately the sum of \$254,000 for soldiers' relief to be raised by an additional half mill levy on over-burdened real estate; that the county commissioners did provide food and transportation for a number of veterans back to their homes, and finally were compelled to seek aid from the State relief commission, and that these needs are now being met by Reconstruction Finance Corporation funds. In other words a part of the burden of caring for indigent and disabled veterans is being borne by the Government out of Reconstruction Finance Corporation funds instead of the soldiers' home budget and at a greater per capita cost than formerly. Yet it is all a part of the "economy program."

You will find also, Senator, that all of the former soldiers in this city who are fighting for justice and fair play to be given their comrades, are men who do not themselves receive pensions, but who are insisting that those veterans who are in need be taken care of adequately by the Government.

The wide publicity given the Long story and picture has put officials at the soldiers' home on their guard, but at that time there was no alternative for Long but to turn in his clothes, and if you want an affidavit from Long I am certain that you can get it.

A rigid investigation of the manner in which the economy law is being enforced here would not be amiss and would be welcomed by 12,000 local veterans.

Sincerely yours,

LAWRENCE ANDREWS,
Editorial Department, The Dayton Journal.

P.S.—I am enclosing story that appeared on front page of Dayton News today. Suggest that you force Veterans' Bureau to make public correspondence they exchanged with Gov. F. C. Runkle, manager of Dayton home, on Long incident so you will have Runkle's story in black and white.

Even convicts discharged from Federal penitentiaries are given a suit of clothes and some cash.—L. A.

As will be noted, the writer suggests that the correspondence which passed between the Veterans' Bureau here in Washington and the Soldiers' Home in Dayton be made public. I am trying to get copies of that correspondence, and when I do I shall place them in the RECORD.

Mr. President, I understand the same situation exists all over the United States where veterans' hospitals are located, and there are some 54 or 55 of them. What a cruel thing it is! This administration will be known for its infamous so-called "economy act" long, long years after we are all dead and gone.

Mr. LEWIS. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from Illinois?

Mr. ROBINSON of Indiana. Certainly.

Mr. LEWIS. May I ask the Senator from Indiana who it is in charge of that home at Dayton representing the National Government?

Mr. ROBINSON of Indiana. F. C. Runkle.

Mr. LEWIS. How long has that official head been in charge of this particular locality and department?

Mr. ROBINSON of Indiana. I do not know of my own knowledge, but I understand about 2 years or more.

Mr. LEWIS. He is not a new appointee?

Mr. ROBINSON of Indiana. I think not. I think he is getting his orders from Washington, however. He is just administering the law as he is told to administer it under these inhuman regulations that the President and his chief executioner, Mr. Douglas, have promulgated.

Mr. LEWIS. I understand the Senator from Indiana merely deduces his idea that whatever transpired there was a result of orders obtained from Washington, but the Senator has no knowledge of such facts?

Mr. ROBINSON of Indiana. I think I will have some correspondence in the next day or so that passed between Washington and Dayton that will settle that question.

THE CALENDAR

The VICE PRESIDENT. Morning business is closed. The calendar is in order. The clerk will state the first business on the calendar.

JOINT RESOLUTION AND BILL PASSED OVER

The joint resolution (S.J.Res. 15) extending to the whaling industry certain benefits granted under section 11 of the Merchant Marine Act, 1920, was announced as first in order.

Mr. KING. I ask that that go over.

Mr. COPELAND. Mr. President, will not the Senator agree that the resolution may be considered at some day in the near future?

Mr. KING. I do not want to make any commitment in advance. I think the measure is so important and, to my way of thinking, so improper, not to say obnoxious, that I should not want to consider it under any limitation of debate. If it comes up in the proper way, in a way that does not involve limitation of debate, I shall have to take my chances.

Mr. COPELAND. Will the Senator withhold his objection just a moment?

Mr. KING. I will withhold it for a moment.

Mr. COPELAND. The resolution has to do wholly with the matter of an industry which is not associated with those matters which the Senator thinks are evil, connected with the American merchant marine. It has to do with the whaling industry and it is important at this time that there should be a reorganization of part of the work in order that there may be brought about an increase in the business. However, I shall not press the matter at this time.

The VICE PRESIDENT. On objection, the joint resolution goes over.

The bill (S. 682) to prohibit financial transactions with any foreign government in default on its obligations to the United States was announced as next in order.

Mr. JOHNSON. That may go over.

The VICE PRESIDENT. The bill will be passed over.

IMPEACHMENT OF HAROLD LOUDERBACK

The VICE PRESIDENT. The hour of 12:30 o'clock having arrived, under the order of the Senate, the Senate is now in session sitting as a Court of Impeachment for the trial of articles of impeachment against Harold Louderback, judge of the United States District Court for the Northern District of California.

The managers on the part of the House of Representatives—Hon. HATTON W. SUMNERS, of Texas; Hon. RANDOLPH PERKINS, of New Jersey; Hon. GORDON BROWNING, of Tennessee; Hon. U. S. GUYER, of Kansas; Hon. J. EARL MAJOR, of Illinois; and Hon. LAWRENCE LEWIS, of Colorado—were announced by the secretary to the majority (Mr. Leslie L. Biffle) and conducted to the seats assigned them.

The respondent, Harold Louderback, appeared with his counsel, Walter H. Linforth, Esq., and James M. Hanley, Esq., and took the seats provided for them.

The VICE PRESIDENT. The Sergeant at Arms will make proclamation.

The Sergeant at Arms made the usual proclamation.

The VICE PRESIDENT. The Journal of the proceedings of the last session of the Senate sitting as a Court of Impeachment will be read.

Mr. ASHURST. Mr. President, I ask unanimous consent that the reading of the Journal of the last previous session

of the Senate sitting as a Court of Impeachment may be dispensed with and that the Journal may stand approved.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

The Chair is informed by the Secretary of the Senate that on April 29, 1933, Representative HATTON W. SUMNERS, chairman of the managers on the part of the House of Representatives heretofore appointed to conduct the impeachment against Harold Louderback, United States district judge for the Northern District of California, filed with him, as said Secretary, under authority of House Resolution No. 108, the following documents:

1. The replication of the House of Representatives to the answer of said Harold Louderback to the articles of impeachment, as amended; and

2. A statement making more specific an allegation contained in article 5 of the articles of impeachment, as amended.

In order that they may be incorporated in the printed proceedings, the Chair lays before the Senate, sitting for the trial of the said impeachment, the said documents, which will also be printed for the use of the Senate.

The documents are as follows:

REPLICATION OF THE HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA TO THE ANSWER OF HAROLD LOUDERBACK, DISTRICT JUDGE OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF CALIFORNIA, TO THE ARTICLES OF IMPEACHMENT, AS AMENDED, EXHIBITED AGAINST HIM BY THE HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA

The House of Representatives of the United States of America, having considered the several answers of Harold Louderback, district judge of the United States for the Northern District of California, to the several articles of impeachment, as amended, against him by them exhibited in the name of themselves and of all the people of the United States, and reserving to themselves all advantages of exception to the insufficiency, irrelevancy, and impertinency of his answer to each and all of the several articles of impeachment, as amended, so exhibited against the said Harold Louderback, judge as aforesaid, do say:

(1) That the said articles, as amended, do severally set forth impeachable offenses, misbehaviors, and misdemeanors as defined in the Constitution of the United States, and that the same are proper to be answered unto by the said Harold Louderback, judge as aforesaid, and sufficient to be entertained and adjudicated by the Senate sitting as a Court of Impeachment.

(2) That the said House of Representatives of the United States of America do deny each and every averment in said several answers, or either of them, which denies or traverses the acts, intents, misbehaviors, or misdemeanors charged against the said Harold Louderback in said articles of impeachment, as amended, or either of them, and for replication to said answers do say that Harold Louderback, district judge of the United States for the Northern District of California, is guilty of the impeachable offenses, misbehaviors, and misdemeanors charged in said articles, as amended, and that the House of Representatives are ready to prove the same.

HATTON W. SUMNERS,
On Behalf of the Managers.

IN THE MATTER OF THE IMPEACHMENT AGAINST HAROLD LOUDERBACK, DISTRICT JUDGE OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF CALIFORNIA, IN THE SENATE OF THE UNITED STATES
MAKING MORE SPECIFIC AN ALLEGATION CONTAINED IN ARTICLE 5, ARTICLES OF IMPEACHMENT, AS AMENDED

Whereas on April 17, 1933, the managers on the part of the House of Representatives, in the impeachment against Harold Louderback, filed an amendment to article 5 of the Articles of Impeachment, which contains the following language:

"It also became a matter of newspaper comment in connection with that receivership matter and others that theretofore, about 1925 or 1926, the said Gilbert had been appointed by the said Harold Louderback when the said Harold Louderback was a judge of the Superior Court of California, an appraiser of certain real estate, the said Harold Louderback well knowing at the time of such appointment that the said Gilbert was without any qualification to appraise the value of such real estate, and in truth the said Gilbert never saw said real estate, and that the said Gilbert did not undertake to assist in the appraisal of said real estate, only signing the report which was presented to him, for which services he was allowed the sum of \$500."

And whereas said language and allegation was objected to by counsel for Harold Louderback by a motion to strike out said language on the ground that the said Harold Louderback was not advised of "the time or times (of) said acts were committed by respondent", or "in what action or actions, proceeding or proceedings such alleged acts occurred" whereupon the managers agreed with counsel for the said Harold Louderback that they would endeavor to give to said counsel more exact information with regard to said transaction, and failing to do so by the 5th of May the said allegations would be withdrawn and no evidence of-

ferred in their support, counsel for the said Harold Louderback agreeing that they would exert themselves to try to ascertain the facts with regard to the transaction referred to and advise the Managers.

Since such agreement and understanding the managers have ascertained more definite information with reference to this transaction, and now allege the facts to be that on or about April 5, 1927, in the matter of the estate of Howard Brickell, no. 46618, pending in probate that said Harold Louderback appointed the said Guy H. Gilbert an appraiser of property of said estate and also appointed with him as appraiser of said property Sam Leake, referred to in said article 5 of the Articles of Impeachment as amended; that on or about December 21, 1927, the said Harold Louderback made an order awarding to the said Guy H. Gilbert and to the said Sam Leake the sum of \$500 each for their services; which information has been furnished to the said counsel for Harold Louderback.

HATTON W. SUMNERS, *Chairman,*
On Behalf of the Managers.

Mr. KING. Mr. President, I offer the resolution which I send to the desk.

The VICE PRESIDENT. The Senator from Utah offers a resolution, which will be read.

The resolution was read, considered by the Senate, and agreed to, as follows:

Ordered, That the opening statement on behalf of the managers shall be made by one person, to be immediately followed by one person who shall make the opening statement on behalf of the respondent.

Mr. ASHURST. Mr. President, I would not resort to such an unseemly thing as even to intimate that either statement should be attenuated beyond what is absolutely necessary; but it might be well for the Senate sitting as a Court of Impeachment to be advised as to how long the honorable managers on the part of the House desire to take for their statement, and how long the attorneys for the respondent will require. I am sure there is no disposition on the part of the Senate to limit the time. The rule permits an hour on each side.

The VICE PRESIDENT. Do the managers on the part of the House desire to make a statement as to the length of time they desire to address the Senate?

Mr. Manager SUMNERS. Mr. President, the managers on the part of the House cannot anticipate the exact length of time required to make the opening statement, but we do not believe we will require an hour. We think we can finish in less time than an hour.

The VICE PRESIDENT. Do counsel for the respondent desire to make any statement about the probable length of time they will desire?

Mr. HANLEY. Mr. President, I will say to the Chair and to the Senators that I think we will consume about an hour.

Mr. Manager SUMNERS. Mr. President, the managers on the part of the House would like the privilege of having the clerk of the Committee on the Judiciary in attendance to assist the managers with regard to the documents they shall use.

Mr. ASHURST. Mr. President, I apologize to the Senate sitting as a court and to the managers on the part of the House and to the attorneys for the respondent, but I trust I shall not be required to ask the managers or the attorneys to elevate their voices. Audition is extremely important. In the Senate Chamber, to be heard at all, one must lift his voice almost to an oratorical pitch. If the honorable managers and the honorable attorneys and the witnesses desire any audition—and that is what we seek—I beg of them to speak so that they may be heard.

Mr. Manager SUMNERS. Mr. President, we will endeavor to conform to the suggestion made by the Chairman of the Committee on the Judiciary of the Senate, and we appreciate the suggestion made.

The VICE PRESIDENT. Is there objection to the request of the managers on the part of the House to have the clerk of the Judiciary Committee sit with the managers? The Chair hears none, and permission is granted.

Mr. Manager SUMNERS. Mr. President, we desire to submit a further request, namely, that Mr. Bianchi, a member of the bar of San Francisco, who has been requested by the managers to assist them in the development of the facts of this case, and who is here, be permitted to sit with the managers.

The VICE PRESIDENT. Is there objection?

Mr. HANLEY. We will ask the chairman of the managers whether or not Mr. Bianchi is to be a witness. If he is, we should say that he should not be present.

Mr. Manager SUMNERS. Mr. President, it is not anticipated that Mr. Bianchi will be a witness; but the managers do not propose to foreclose their opportunity and privilege of putting him on the stand if they should deem it necessary.

The VICE PRESIDENT. Let the Chair suggest—

Mr. BRATTON. Mr. President, a point of order.

The VICE PRESIDENT. The Senator from New Mexico will state it.

Mr. BRATTON. Under the rules of the Senate, the point is to be decided by the Chair without debate and without comment.

The VICE PRESIDENT. The point of order is sustained.

Let the Chair suggest to the managers on the part of the House and to counsel for the respondent that it has been suggested to the Chair, in view of the statement made by the Senator from Arizona as to the difficulty in hearing in the Chamber, that the gentlemen occupy a place on each side of the Chair in making their statements to the Senate. That is a mere suggestion to the managers and to counsel. They can occupy whatever station they see fit; but if they desire a place here, it will be made for them.

Mr. Manager SUMNERS. Will the President indicate at what point it is desirable that the spokesman for the managers shall now stand?

The VICE PRESIDENT. At a point here [indicating] on the rostrum, where the speaker can be seen better than when sitting in the well.

Mr. HANLEY. Mr. President, the Chair has not yet ruled upon the question as to whether or not Mr. Bianchi, if he is to be a witness, should sit in the Chamber and assist the managers.

The VICE PRESIDENT. The Chair will submit the question to the Senate: Shall the gentleman suggested by the managers of the House be permitted to sit in the Chamber and confer with the managers? [Putting the question.] The ayes have it, and permission is granted.

The managers on the part of the House are recognized to make a statement of their case.

Mr. HANLEY. Mr. President, before the manager makes his statement we have an affidavit to submit. We should like that opportunity at this time, and also to file an answer to the portion of article V that has been amended since the last session of the Senate sitting as a Court of Impeachment. Mr. Linforth has the answer, and we will ask that the clerk read it. It is very short.

The VICE PRESIDENT. The clerk will read the answer. The Chief Clerk read as follows:

IN THE SENATE OF THE UNITED STATES,
SITTING AS A COURT OF IMPEACHMENT.

THE UNITED STATES OF AMERICA V. HAROLD LOUDERBACK, UPON ARTICLES OF IMPEACHMENT PRESENTED BY THE HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA

Answer of respondent to article V as last amended

Respondent admits that on or about the 5th day of April 1927, while acting as judge of the Superior Court of the State of California in and for the city and county of San Francisco, in the matter of the estate of Howard Brickell, deceased, he made an order appointing Guy H. Gilbert, W. S. Leake, and R. F. Mogan appraisers; that in said matter Crocker First Federal Trust Co., of San Francisco, was special administrator of said estate; that in the first and final account of said trust company was included the sum of \$500 each paid to said Gilbert and said Leake as appraisers' fees therein; that upon the hearing of the settlement of said account, an officer of said trust company testified that said account was in all respects true and correct; that the inventory on file in said estate showed its appraised value to be \$1,020,804.38; that thereupon respondent, as judge of said superior court, made an order settling and allowing said account. Other than as hereinabove specifically set forth, respondent denies that he made any order awarding said Gilbert and said Leake, or either of them, \$500 for their said services as such appraiser.

HAROLD LOUDERBACK,
Respondent.
WALTER H. LINFORTH,
JAMES M. HANLEY,
Attorneys for Respondent.

Mr. HANLEY. At this time, Mr. President and Members of the Senate, we will ask whether or not the witness, W. S. Leake, has been subpoenaed and is here.

The VICE PRESIDENT. The Sergeant at Arms will give the information as to whether he is here.

The SERGEANT AT ARMS. W. S. Leake has been subpoenaed by both sides; but, so far as I understand, is not present.

Mr. HANLEY. We understood, Mr. President, that he may not be here. If he is not here, in order not to delay the Senate in the trial, but for the purpose of having permission to take his deposition in California before the end of these proceedings, we ask that the clerk read the affidavit which we submit upon an application for a commission to issue.

The VICE PRESIDENT. Without objection, the affidavit will be read.

The Chief Clerk read as follows:

IN THE SENATE OF THE UNITED STATES,
SITTING AS A COURT OF IMPEACHMENT.

THE UNITED STATES OF AMERICA V. HAROLD LOUDERBACK, RESPONDENT
CITY OF WASHINGTON,
District of Columbia, ss:

Harold Louderback, being duly sworn, deposes and says: I am the respondent in the above-entitled matter. On September 6 and 7, 1932, the special committee of the House of Representatives, Seventy-second Congress, pursuant to House Resolution 239, at San Francisco, examined as a witness one W. S. Leake. At the conclusion of his examination by Mr. LaGuardia on September 7, 1932, the following occurred:

"Mr. LaGuardia. Mr. Chairman, I want to reserve the right to recall this witness at a later day.

"Mr. SUMNERS. Very well.

"Mr. HANLEY. We won't ask any questions at this time. We will wait until he is recalled.

"The WITNESS. Will I have time to go back and see about some matters?

"Mr. SUMNERS. Yes; you are excused, Mr. Leake.

"The WITNESS. If you phone me, I can get over here very quickly.

"Mr. SUMNERS. Yes; we will telephone you.

"The WITNESS. I thank you."

The witness, W. S. Leake, was never recalled, his direct examination evidently not concluded, and the witness was not cross-examined.

Subsequently, on February 24, 1933, the Congress of the United States of America, in the House of Representatives, resolved that affiant be impeached for misdemeanors in office, and in the first article of impeachment it is alleged that affiant entered into a certain arrangement and conspiracy with the said W. S. Leake for the objects and purposes set forth in said first article. Affiant never entered into any such arrangement or any such conspiracy or, in fact, any conspiracy with the said W. S. Leake, and the said W. S. Leake will testify that no such arrangement as alleged in said article I, and no such alleged conspiracy as there referred to, was ever entered into between himself and affiant. That the said W. S. Leake is a material and necessary witness for affiant upon the trial of this matter, without the benefit of which testimony affiant cannot safely proceed to trial.

That on the 29th day of April 1933, and for several days thereafter, two of the managers selected and appointed by the honorable House of Representatives were in San Francisco, Calif., namely, the Honorable RANDOLPH PERKINS and the Honorable GORDON BROWNING. That the said W. S. Leake resides, and for many years past has resided, in the Fairmont Hotel in said city of San Francisco, and was on said 29th day of April 1933 confined to his bed by illness, and upon and according to the information and belief of affiant, had been so confined to his bed for some time prior thereto, and was so confined to his bed on Tuesday last when affiant left San Francisco for Washington. That upon and according to the information and belief of affiant the physical condition of the said W. S. Leake is such as to prevent his appearance in person in Washington before this honorable Senate.

That on April 29, 1933, counsel for respondent called to the attention of said managers the condition of the said W. S. Leake and requested their consent to the taking of the deposition of the said W. S. Leake to be used upon the trial of this matter, or, their consent to the reading before this honorable Senate of the testimony so given by the said W. S. Leake on the hearing already referred to, and the supplementing of that testimony by deposition, counsel for respondent informing said managers at said time that they desired to examine the said W. S. Leake, in particular as to these alleged charges of conspiracy so set out in the first article of impeachment and so filed months after the taking of the testimony of the said Leake as hereinbefore set forth. The said managers advised my said counsel they desired to interview Mr. Leake and would on the Monday following advise my counsel as to their conclusion in the matter. My counsel thereupon made arrangements for said managers to interview said W. S. Leake, and according to my information and belief both said managers

did interview Mr. Leake on the afternoon of the 29th of April 1933.

At said time and place my counsel also advised the said managers of their desire to supplement by deposition the testimony of one W. L. Hathaway, who was a witness at said hearing at San Francisco in September 1932, and also their desire to take the deposition of the wife of the said W. L. Hathaway, telling them of the testimony expected to be elicited from each of said witnesses, the same relating to the charge contained in said article I to the effect that the said W. S. Leake "did receive certain fees, gratuities, and loans directly or indirectly from one Douglas Short amounting approximately to \$1,200" and advising them that it was expected to be proven by said witnesses and each of them that the loan referred to in article I had no relation whatever to the said Douglas Short—did not come from any fees received by the said Douglas Short as attorney for any receiver or otherwise, but was a personal loan made by the said W. L. Hathaway and his wife to the said W. S. Leake, and arranged for by a borrowing upon a life-insurance policy on the life of the said W. L. Hathaway.

My said counsel at said time informed said managers that the said W. L. Hathaway was critically ill and unable to appear in person before this honorable Senate and testify on behalf of respondent, and that, due to his then condition, his said wife would not leave him and appear in person upon the trial of this matter.

On the said hearing so had in September 1932, in San Francisco, the said wife of the said W. L. Hathaway did not appear and was not examined as a witness. Said managers requested an opportunity of personally interviewing the said W. L. Hathaway and his said wife, and, as the result of arrangements made by my said attorneys, one of said managers—namely, Hon. Randolph Perkins—did, on the 30th day of April 1933, interview both Mr. and Mrs. Hathaway. On Monday, May 1, 1933, at about 5 p.m., Mr. Browning, on behalf of said managers, notified my counsel the managers would not consent to the taking of the depositions of any of said witnesses and would not consent to the testimony of either Mr. Leake or Mr. Hathaway being supplemented by deposition.

Subsequently and on the 2d and 3d of May 1933 said managers did enter into a stipulation with my counsel to the effect that the testimony so given by the said W. L. Hathaway at said hearing had in San Francisco in September 1932 might be read upon the trial of this matter and did enter into a stipulation to the effect that, if present, his said wife would testify in accordance with the statement attached to said stipulation, and that if the said W. S. Leake did not appear before this honorable Senate upon the trial of this proceeding, the testimony given by him at said hearing in San Francisco might be read, but beyond this said managers refused to go and refused to stipulate.

Said W. S. Leake, at the time of the giving of the testimony aforesaid, was not asked and did not testify in regard to the \$1,200 transaction referred to in article I, and was not asked and did not testify on the subject of the alleged conspiracy in said article I set forth.

Affiant desires the testimony of the said W. S. Leake on these and other subjects. Affiant does not desire to delay the trial of this proceeding. The testimony of the said W. S. Leake can readily be taken and returned for use upon this proceeding before the close of this trial, and if the said deposition is taken on Saturday next, said deposition can be completed and returned to this honorable Senate for use upon this trial within 48 hours thereafter.

Wherefore affiant respectfully requests that a commission forthwith issue, directed to Ernest E. Williams, United States commissioner at San Francisco, Calif., authorizing him to take on Saturday, the 20th day of May 1933 the deposition of the said W. S. Leake upon oral interrogatories to be then and there propounded to him by respective counsel, and thereafter return said deposition to this honorable body by air mail; said deposition to be taken either at his office or at the residence of the said witness in the event of his inability to attend in person at his office.

HAROLD LOUDERBACK.

Subscribed and sworn to before me this 15th day of May 1933.

[SEAL]

CHARLES F. PACE,

Notary Public.

My commission expires February 12, 1936.

Mr. Manager SUMNERS. Mr. President, in reply to the application to take the deposition of W. S. Leake, the managers on the part of the House desire to say that they are extremely anxious to have W. S. Leake here. W. S. Leake was a very intimate associate of the respondent in this case. He was available to the respondent. I observe from the statement made that he was to be called. There was nothing to prevent the respondent from calling W. S. Leake and eliciting any information possessed by him which the respondent then regarded as desirable.

I desire to direct attention of the Senate to the fact that when the managers on the part of the House were recently in San Francisco there was this stipulation with regard to the testimony of W. S. Leake:

It is further stipulated that the testimony of W. S. Leake taken at a hearing above referred to—

That is, the hearing to which counsel for the respondent refers—

may be read upon said trial by either party hereto with the same force and effect as if the said witness were present and testified in person. This stipulation, however, insofar as W. S. Leake is concerned, is without waiver by either party hereto to insist upon the attendance of said Leake before the court above referred to, and shall become operative only in the event of the nonappearance of the said Leake at Washington before the said Court of Impeachment.

The observation of the managers on the part of the House is that counsel's complaint with reference to the incomplete examination of W. S. Leake is without point because W. S. Leake was available to counsel on the part of the respondent at the time when counsel complains that the testimony of W. S. Leake was not fully developed.

Second, when the managers on the part of the House were recently in San Francisco, the respondent, through his counsel, stipulated with the managers on the part of the House that, in the event of the nonappearance of W. S. Leake, the testimony of W. S. Leake when he was examined in San Francisco could be offered by either party, the respondent or the managers.

We are very anxious to have the attendance of W. S. Leake. At this time the managers are not prepared to deviate from the stipulation entered into by counsel for the respondent and the representatives of the managers.

The VICE PRESIDENT. What is the pleasure of the court with reference to the request of respondent?

Mr. HANLEY. Mr. President, we should like to be heard.

Mr. ASHURST. Mr. President, a point of order.

The VICE PRESIDENT. The Senator will state his point of order.

Mr. ASHURST. All such matters ought to be decided by the Chair without debate at this juncture. It is not appropriate at this time to take the time of the Senate in the discussion of a matter like this. Let the affidavit be presented and be printed in the RECORD.

The VICE PRESIDENT. As the Chair understands it, the question before the court, or before the Chair, according to the construction of the Senator from Arizona, is whether or not grant will be given by the court to take the deposition of W. S. Leake.

Mr. ASHURST. That is to be decided by the Chair.

The VICE PRESIDENT. That, it seems to the Chair, is a matter which should be determined by the court itself.

Mr. ASHURST. Very well. The Chair has a right to submit it to the court.

The VICE PRESIDENT. It seems to the Chair that it is not a question for the Chair to determine. Therefore the Chair has recognized these gentlemen to make statements prior to the vote of the court.

Mr. Manager SUMNERS. Mr. President, may I make a suggestion to the Chair and to the court? It is that this particular matter be held in abeyance until tomorrow for determination.

Mr. HANLEY. We have no objection to that.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

OPENING STATEMENT ON BEHALF OF THE MANAGERS ON THE PART OF THE HOUSE OF REPRESENTATIVES

Mr. Manager SUMNERS. Mr. President and members of the court, on account of the peculiar powers possessed by the Senate sitting as a Court of Impeachment, it is a little difficult to determine what ought to be the scope of the opening statement by the managers.

If I may be permitted a very brief introductory statement, an examination of the place, the function, and the philosophy of the impeachment power lodged in the Senate of the United States discloses that when the Senate sits as a Court of Impeachment, it possesses all the powers of a civil court trying an ouster suit. In addition to that, with regard to a member of the judiciary, holding an office secure from the direct power of the people to remove, the Senate possesses all the power which a free people possess to rid themselves of a public official who disregards individual rights, and whose conduct in office is calculated to bring disrespect and

hurt to public institutions. I shall be very brief on this point.

Mr. President, there is, perhaps, no more interesting power possessed by government than the power of impeachment possessed by the Senate. It is rather an anomalous thing that a judge in a free country should be commissioned to hold office and exercise power over a free people secure from their power and opportunity to procure his removal. So the power of removal in such cases has been lodged in the Senate, and the Senate possesses all the power which free men have under our system of government to protect themselves and their institutions with regard to members of the Federal judiciary.

When we came to frame our Constitution we recognized a fact which had developed in England, from which country we inherited our institutions. Prior to the adoption of our Constitution the exercise of the power of impeachment had become practically obsolete in England. The impeachment of Warren Hastings was contemporaneous with the adoption of our Constitution, and the case of Lord Melvin in 1804 was the last one in which an impeachment was had in England.

In the beginning of the operation of our Constitution it was considered that an impeachment was a criminal action, notwithstanding the fact that our Constitution withdraws from the Senate all power to impeach. But in the process of time, because of the rather infrequent examination of the power, it has now come to be universally recognized, I believe, by all students of our Constitution that impeachment under the American Constitution is not a criminal action but, insofar as its distinctive features are concerned, it is an ouster suit, because the Senate has no power to punish. In addition to the power to oust, as I have indicated, and associated with that power to oust, is the delegated power of a free people to rid themselves of a public official whose conduct violates the principles of government under which a free people live.

Mr. President, this is the first time in 22 years that managers on the part of the House have appeared at the bar of the Senate offering to introduce testimony to substantiate impeachment charges. The House of Representatives, and particularly the Committee on the Judiciary, have a more frequent contact with this question. In this particular case the House of Representatives, in the first instance its Committee on the Judiciary, was moved to consider this matter by a letter received from the Bar Association of the city of San Francisco. With the permission of the Chair and as a matter explanatory and in line with the practice in the Archbald case, the last impeachment case considered by the Senate, I desire to have read this letter and to ask permission that my colleague [Mr. BROWNING] may read it for me.

The VICE PRESIDENT. Is there objection? The Chair hears none.

Mr. Manager BROWNING read the letter, as follows:

SAN FRANCISCO, CALIF., May 24, 1932.

JUDICIARY COMMITTEE,

House of Representatives, Washington, D.C.

SIRS: Under date of May 2, 1932, the Bar Association of San Francisco addressed a communication to His Excellency Herbert Hoover, President of the United States, with reference to certain matters published in the press of San Francisco concerning Hon. Harold C. Louderback, judge of the United States District Court at San Francisco, Calif., accompanying said communication with clippings from San Francisco newspapers.

Under date of May 9, 1932, we received an acknowledgment of said communication from Mr. Lawrence Richey, Secretary to the President, stating that the matter "is being referred for the consideration of the Attorney General", and thereafter we received a letter dated May 12, 1932, from Mr. Charles P. Sisson, Assistant Attorney General, stating in effect that our letter addressed to the President had been referred to the Department of Justice for consideration, and further stating "that the Department of Justice has no jurisdiction whatsoever over United States judges. Criticisms of Federal judges are ordinarily addressed to the Judiciary Committee of the House of Representatives."

Pursuant to the suggestion contained in the letter from the Assistant Attorney General, we are hereby addressing your honorable committee and forwarding copies of the above-mentioned correspondence, together with duplicate press clippings, for such action as your committee may deem proper.

We feel certain that you will readily realize that the interest of the Bar Association of San Francisco in this matter is solely a

public one and that it is concerned only in preserving the integrity of the bench, public confidence in, and respect for, the courts and the due administration of justice. We believe that no department of the Government should occupy a higher position in the public mind, or perform a more important function, than that of the courts, and that it is of the utmost importance that they shall be maintained on a plane of the strictest honesty and efficiency and shall be above suspicion. Charges against a court or judge, especially when publicly made, require thorough investigation, not only in the interest of the public and respect for our judicial system but also in the interest of the incumbent.

If your committee should undertake an investigation of the matters in question, our association will cheerfully render such assistance as is within its powers, in the hope that whatever the outcome may be the result will contribute to the maintenance of public confidence in our courts.

Respectfully submitted.

BAR ASSOCIATION OF SAN FRANCISCO,
By RANDOLPH V. WHITING, President.

Mr. Manager SUMNERS. Mr. President, in order to save time, we will not introduce the commission of the respondent and certain other documents which seem to have been usually introduced in the course of impeachment trials, but shall take it for granted that it will be understood that the respondent is a Federal judge of the northern district of California. Further, we shall not make specific reference to the preliminary action on the part of the House of Representatives, assuming that it will be understood that by due course and in the ordinary order this matter has gone through the preliminary processes and has now reached the Senate sitting as a Court of Impeachment.

It is a regrettable thing, of course, whenever it shall be deemed necessary to take the judgment of the Senate of the United States as to whether or not a judge or any other public official has forfeited his right to hold office in this country, but there is a duty that rests, first, upon the House, and now upon the Senate.

I shall be as brief as possible, and will introduce the conduct of this judge, the respondent, by a brief recitation of the facts which the managers on the part of the House will undertake to establish by competent testimony.

First, I desire to direct the attention of the court to the facts in what is known as the "Russell-Colvin Co. case." The Russell-Colvin Co. was a stock and bond brokerage concern, a member of the San Francisco Stock Exchange. Following the crash in the fall of 1929, this company became involved in serious financial difficulty. The stock exchange for some months had been in close contact with this concern, having constantly in the office of that organization its auditors, and receiving reports from an auditor by the name of Strong. It became evident after a while that it would be impossible for this concern to continue in business, and an equity receivership was suggested by the circumstances and conditions in which it found itself. That is the conclusion that was arrived at by frequent consultations between representatives of the concern and the stock exchange.

A proceeding brought in equity was determined, in the first instance, by those who had initiated this matter, the stock exchange and the copartnership. It was determined that the best man to be receiver was Strong, who was familiar with the affairs of the business. Representatives of the plaintiff in that case, representatives of the stock exchange, representatives of the copartnership, attended upon the respondent, asking the appointment of Strong to be the receiver, stating the facts with reference to his peculiar qualifications quickly to begin work because of his familiarity growing out of his contact with the business, the stock exchange having an interest in the matter which readily can be appreciated, and having only the interest of conserving the assets of that concern in order that its creditors might receive the largest possible amount. The respondents agreed to appoint Strong as receiver.

I shall not go into details, but directly after the appointment a controversy arose between Strong, the appointed receiver, and the respondent with reference to who should represent the receiver as attorney in this matter. The receiver insisted, under the circumstances, that he wanted an expert with regard to stock-and-bond matters and preferred to have for his attorney the firm which was the attorney, and had been for a long time the attorney, of the San Fran-

cisco Stock Exchange. The respondent insisted upon the selection of an attorney by the name of Short.

Short was then an employee in a law office at the rate of \$200 per month, with certain divisions with reference to fees that he originated. The controversy terminated in the discharge of Strong and in the appointment of a man by the name of Hunter, who on the evening after his appointment selected Short as his attorney.

Unfortunately, with reference to the transactions centering in this development of the matter, there comes a clear issue of veracity as between the respondent and gentlemen of high standing in that community.

From the judge's chambers, insofar as this transaction is concerned, the scene shifts to the Fairmont Hotel. In that hotel there was resident the father-in-law of Short. Hunter lived there, also; and Mr. Leake, who has been referred to this afternoon, also lived there. Mr. Hathaway was registered at the hotel. Mr. Strong was registered at the hotel. Mr. Leake had two rooms with regard to which he was registered, and in one of those rooms lived the respondent, not registered. In a room registered in the name of Sam Leake lived the respondent, judge of the Federal Court of the Northern District of California.

A statement as to how Hunter came to be selected is about to this effect: On the evening of the day when Strong's discharge was determined the respondent, sitting in the lobby of the Fairmont Hotel with Mr. Leake, discussed with him the situation in which he found himself, namely, that it would be necessary, in his judgment, to discharge Strong, and he asked Mr. Leake to indicate to him a good man to take the job. Mr. Leake said he would have to think it over, and just at the psychological moment Hunter appeared walking through the corridor, and Mr. Leake said, "That is your man." Commissioned by the judge, he interviewed Mr. Hunter, and Mr. Hunter asked the privilege of consulting his employer. The next day Mr. Hunter indicated that he would take the job, and that night Mr. Short was engaged by Mr. Hunter.

The explanation which the respondent makes of the peculiar conditions under which he was living at the Fairmont Hotel was that he anticipated or rather there was possible a lawsuit against him, a civil action, and that he did not want to register at the hotel, because registering at the hotel was indicative of residence, and that if the suit was brought against him he wanted to be able to shift it to Contra Costa County, Calif. In order to strengthen the claim of residence in Contra Costa County, the respondent had registered there and voted there. It is charged by the managers and we propose to prove that the respondent registered as a voter and voted but refused to disclose the truth as to his place of residence by registering his name as people ordinarily do who have not anything to hide, in order that he might, in furtherance of the conspiracy—I do not like to use the term—commit a fraud against the rights of the contemplated plaintiff to have the case tried in the place where as a matter of fact the judge resided.

In this hotel resides Mr. Hathaway, the father-in-law of Mr. Short, the attorney whom the respondent was deeply concerned to have appointed.

Mr. Leake, according to his testimony, has no business. He keeps no bank account. He does claim to have this business—he is a mental healer. He teaches people how to think right and does not charge them for his services, but they make contributions to him. His office costs him \$72 a month and his hotel—and, by the way, it is one of the more expensive hotels in San Francisco—costs him \$200 per month. He is a widower. We shall establish the fact that Mr. Hathaway, the father-in-law of Short and beneficiary of the judge's interest, loaned to Mr. Leake \$1,000 which he admits he had little hope of being able to collect, and later gave him \$250.

Sam Leake, it is charged, is the cover-up man of the respondent, living those 2 years or more in a room registered in the name of the respondent. In order to be just about the matter, and we hope we will be just, the evidence will show that while Mr. Leake paid for the room at the hotel

in which the respondent lived, the respondent reimbursed him. It is the contention of the managers that in these transactions we begin to see the picture of the respondent as the respondent appears to the people of the northern district of California where he exercises jurisdiction.

The respondent's claim for wanting to be rid of Strong because Strong would not select the attorney whom he wanted was that he wanted somebody, either the attorney or the receiver, known to him to be an honest man whom he could trust and whom he knew. It is the contention of the managers that that is the front, and that behind it lay the facts which we propose to develop. It is our contention that those facts will develop as we examine the other cases to which I now desire to make reference, and I shall be brief about it.

We had raised the question that the fees in that case and the fees in the other cases to which we shall make reference were entirely out of proportion to what people of the ability of the receiver and the attorneys were drawing and were out of proportion to the services they rendered. Mr. Short, who was drawing a salary of \$200 per month and whatever division of fees he could get for a little over a year, was allowed a fee of \$51,000, and the receiver was allowed a fee of \$45,000. It is the contention of the managers that, extravagant and unreasonable as are those fees, they do not constitute the gravamen of the respondent's offense with regard to these transactions.

Mr. Leake had another very intimate friend, Mr. Gilbert. The first appointment of Mr. Gilbert by the respondent was in the Stempel-Cooley case. I shall not take the time of the court to discuss that case because there is not anything very significant about it except that in that case Mr. Gilbert employed as his counsel the same Short referred to in the other transaction.

We now move to the Sonora Phonograph Co. case and take the liberty of suggesting to the court that the transactions of the respondent with regard to the Sonora Phonograph Co. case bear directly upon the claim of the respondent with reference to his desire to have competent receivers, attorneys, and so forth. The Sonora Phonograph Co. was a large distributor of phonographs and radios, one of the major businesses of that community. Without going into detail, financial difficulties brought it to the court of the respondent. The respondent selected for the receiver in that case a man whose whole training had been connected with the mechanical operations of a telegraph company, Mr. Gilbert. For thirty-odd years he had been an employee of the telegraph company, and there is no evidence indicating any familiarity on the part of this referee with business transactions. In this case the respondent designated as attorneys the firm of Dinkelspiel & Dinkelspiel, who showed up with three accounts which had been forwarded to them from New York, a typical case of bankruptcy ambulance chasing, as we contend. In this case they were allowed a fee of \$20,000, which fee we shall undertake to establish was not a justified fee to be allowed.

The Prudential Holding Co. were large real-estate operators in that community, with alleged assets of \$1,500,000, engaged in large and varied real-estate transactions; chiefly, however, in the operation and probably the construction of apartment houses. The respondent selected to represent him and the interests of the creditors in that case this telegraph operator, Mr. Gilbert. I do not mean to reflect upon Mr. Gilbert by that observation. He probably was a very fine telegraph operator, a good man to have been selected if the question had been with reference to operating telegraph instruments. Dinkelspiel & Dinkelspiel were also the attorneys appointed in that case.

There was a very remarkable transaction in connection with that case. The petition for the receiver was filed, sworn to by an attorney upon information and belief, and granted without a hearing. Immediately the concern itself came into court, seeking to have the action set aside. The respondent held that matter in abeyance until a petition in bankruptcy was filed in Judge St. Sure's division. There were three judges in that court. When Judge St. Sure was absent

the respondent went across in Judge St. Sure's division, and, upon the application in bankruptcy, agreed to the writ, and appointed this same Gilbert and Dinkelspiel & Dinkelspiel receiver and attorneys, respectively, in that case. Then, later, he dismissed the application for the equity receivership on the ground that it ought not to have been issued, and granted the application in bankruptcy upon the sole ground that this action with reference to the equity receivership in his court had been granted. Judge St. Sure came back to his bench and dismissed the whole thing.

I am going to take up the time of the court to refer to only one additional case specifically. That is the Lumbermen's Reciprocal Association case.

The Lumbermen's Reciprocal Association was an insurance company engaged in writing workmen's compensation insurance. Perhaps I do not state it correctly; but they were insuring companies against the hazards to their workmen. It was a Texas concern. It became known in California that the home office of the Texas concern was in difficulties; and immediately the insurance commissioner of the State of California busied himself to try to hold in California, for the benefit of the citizens of California insured and having claims, about \$80,000 required by the law of California to be deposited in that State, the plan being not only to hold this money but to permit the administration of the affairs of this concern in California by the insurance commissioner of California in order to save the ordinary expense of equity administration for the benefit of the citizens of California who were being protected by that fund. We will show that the respondent not only refused to cooperate with the officials of California seeking to bring about that arrangement, but—I will make a general statement—that he did in substance whatever a Federal judge could do in the contest between the insurance commissioner and Mr. Samuel Shortridge, Jr., his receiver, to prevent those funds going back to the insurance commissioner of California.

Without going into the details of the procedure had, the action of the respondent was appealed from. It went to the circuit court of appeals of that circuit, and the respondent was reversed and the funds ordered into the custody of the insurance commissioner of California. When that mandate came back—and I will venture the statement that there is not to be found in the judicial history of this country a thing like it—when that mandate came back from the circuit court of appeals, commanding that these funds be turned over to the insurance commissioner, the respondent attached a condition to the mandate of the circuit court of appeals that the funds should not be turned back unless there should be effected an agreement that his determination, his assignment of fees to Shortridge and the attorney, would not be appealed from.

There are a good many things about that case which we will undertake to develop.

I beg the pardon of the court for having overlooked the Fageol Motor Co. case.

The Fageol Motor Co. was one of the very largest concerns in that part of the country. It was engaged primarily in assembling automobiles, and was engaged to a degree in making at least the bodies of automobiles. It got into difficulty also. Now, here is the picture:

Everybody interested came into conference with regard to what ought to be done in that situation; and after conference they decided that a man by the name of Tuller, who had been prominently connected with an automobile activity, a man with large experience in business and all sorts of financial and business contacts, should be the man who would be intrusted with taking the affairs of that business, administering them intelligently and wisely and economically, and giving back to the creditors the very greatest amount that could be salvaged from the concern.

Following that agreement the papers were prepared and the counsel for all the parties in interest presented themselves at the chambers of the respondent. That was shortly before the noon hour of adjournment. They were advised by the secretary of the respondent that the re-

spondent would not adjourn court at the usual hour; that he would be delayed. They left the papers. They went back at 1:30. They were told by the secretary for the respondent that the respondent had gotten through earlier than he expected and was gone. They returned at 2:30 to see the respondent, the judge of that people, and were told that he had already appointed Gilbert, this telegraph operator, instead of this automobile man, the choice of a free people.

An arrangement was finally effected, under a threat of going into bankruptcy, that if Gilbert and Dinkelspiel & Dinkelspiel—I did not mention that, the same Dinkelspiel & Dinkelspiel—would step into the background and let the people in interest run the thing, they would not go into bankruptcy; and Dinkelspiel & Dinkelspiel apparently faded into the background. They were satisfied with only \$6,000. My impression is that this was a concern with assets that ran into some millions; and Gilbert, I believe, took the statutory fee.

Just one word in conclusion, gentlemen:

We propose to show to the court the picture of this respondent as it is developed by the facts in this case, to show that the reasonable and probable consequence of proven facts has been to destroy the confidence of the people of the northern district of California in the judicial integrity and fairness of this defendant, and make it, therefore, necessary, unpleasant as may be the duty of the Senate of the United States, to exercise its extraordinary power, the only power that this people have.

OPENING STATEMENT ON BEHALF OF THE RESPONDENT

Mr. HANLEY. Mr. President and Members of the Senate, you have just heard Mr. Manager SUMNERS make his opening statement. In the interest of accuracy I have put down, practically in form of writing, the whole situation as it will be developed to the Senate. I will try to follow that line of thought to show you that Judge Louderback should not be tried upon insinuation, not upon surmise, not upon suspicion, and not upon thoughts of any of the managers, but upon sworn testimony. In that respect let me address myself to you as to what we expect to show in this case.

You judges and jurors of the fate of Harold Louderback are about to try the articles of impeachment which you just heard repeated in the opening statement of Mr. Manager SUMNERS. We deem it proper at this time, without waiting to hear a single bit of testimony that will be adduced by the managers in support of their five charges, expressed in the impeachment articles, to make our statement now, at this time, of what we expect to show to each and all of you Senators of the United States sitting as judges and jurors in this case, to prove that there is not one syllable, there is not one thing in any of those articles, for which Judge Louderback should be found guilty.

Who is the man you are about to try? Judge Louderback is a man about 52 years of age. His father was Judge Davis Louderback, of San Francisco. His mother was born in San Francisco, where Judge Louderback was born. We are proud of our pioneers of California. Judge Louderback is the son of a mother pioneer, and his father was an old pioneer judge of the city of San Francisco and the State of California.

Judge Louderback's brother is George D. Louderback, professor of geology of the University of the State of California, and the dean of that university in the college of science and letters.

Judge Louderback in his youth was quite delicate. He was sent by his parents to Nevada, and while in Nevada he graduated from the University of the State of Nevada. He afterwards took his law course at Harvard University, and graduated therefrom. He then was admitted to the bar of the State of Massachusetts. He was then admitted to the bar of the State of California. He was a practicing attorney for a number of years, and was associated with men of the standing of the late William C. Van Fleet, a district judge; the late John S. Partridge, a former district judge of the

northern district of California; Mr. Mastick, and others—eminent lawyers, eminent men of our community.

During the World War this same respondent went to the first officers' training camp, graduated therefrom and became a captain of artillery, and, at the end of the war, came back and resumed the practice of the law in San Francisco, with few clients, as was the case with most of those returning from the war.

Judge Louderback was elected a judge of the superior court of San Francisco for a term of 6 years. I am speaking of the man you are trying. Thereafter he was reelected to that office for another term of 6 years by the highest vote given any judge that year in the city and county of San Francisco. There are 16 judges of our superior court. Judge Louderback was elected the presiding judge thereof, and he remained the presiding judge for the term of 1 year. Thereafter he was nominated, selected, and appointed one of the three United States district judges for the northern district of California.

He was vouched for by the late Chief Justice Taft. He was vouched for by Judge Gilbert, the presiding and eminent judge of the Ninth Circuit Court of Appeals. He was vouched for by the chief justice of the Supreme Court of the State of California, the present chief justice, William Waste. This is the man whom you are about to be asked to find guilty of the charges in the articles of impeachment.

You heard Mr. SUMNERS in his opening statement say to you what he expected to prove. In the interest of an intelligent presentation of this matter, we deem it proper, not by rambling outside statements, not by anything that cannot be produced in evidence, but taking the articles of impeachment, to explain each and every one of them to you, so that when the testimony comes forth from the lips of the witnesses, you will be prepared to receive that testimony, and know what it is all about.

We will prove to you from exhibits, from documents, and from records in the cases mentioned in the articles, and from witnesses produced on both sides, that each and every charge against Judge Louderback—and I say this now advisedly to you Senators—will fall of its own weight.

You heard the half truth as told to you by the House manager about the Russell-Colvin Co. case. Let me tell you the whole truth about the matter. The Russell-Colvin Co. was a stockbrokerage concern doing a stock and bond business in San Francisco at the time of the receivership, on March 11, 1930. The appraised value of the securities belonging to that firm and to its customers was about \$2,100,000. The appraised value of the firm's securities, not including other assets, was over half a million dollars.

In the receivership 679 claims were filed, totaling in money, \$1,300,000. Bank loans and repurchase securities liquidated in the receivership amounted to nearly a million dollars. That was the kind of a receivership with which the court presided over by the respondent was asked to deal.

Respondent wanted the receiver to be a man of integrity and one of ability, a receiver who would follow instructions of the court in administering truly the affairs of that particular estate.

As we progress we will show to you that this receivership was one of the outstanding receiverships in the United States, both for ability shown, for integrity displayed, for economic and speedy operation, among all the receiverships in the United States.

The creditors of the Russell-Colvin Co. entitled to preference—and I want you to pay particular attention to this—and the customers entitled to priority, received 100 cents on the dollar. The ordinary margin customers, those who signed cards giving the firm authority to deal with their securities as they would, and not entitled to priority, received 46 percent of their claims, either in cash or in securities. We will show that the claims of the general creditors of the firm, including margin customers who were relegated to the position of general creditors for a portion of their claims, amounted to over half a million dollars, of which \$152,000 represented claims of general customers

not creditors, and about \$352,000 represented the claims of margin customers who were relegated to the position of general creditors.

We will show that the general creditors received 28 percent of their claims, with a prospect of an additional dividend of about 12 percent. We will show that the creditors and customers of the firm had received securities and cash in an amount of about \$828,000, and, for all creditors of all kinds, of every nature and character, 65 percent was paid to the customers and the people who had dealings with that particular firm.

We will show that, due to the splendid administration of this estate—remember, now, I told you that there were 679 claims filed—only 21 objections were filed to the receiver's report, either by customers or creditors, and those objections were summarily settled, either at a hearing before the court or before the referee, with the result that the administration of this estate was substantially completed without any protracted litigation on the part of any dissatisfied customers, and the work of tracing the money and the securities to which they were entitled was completed in a period of about 18 months, and we will show that there is still due to be distributed in this estate about 12 percent when the assets are finally distributed.

It will be seen, from what I have stated to you, that this Russell-Colvin matter involved careful, conscientious, and expert handling. It was a case of magnitude, dealing with numerous customers of the concern, and with a great many conflicting claims.

I say to you Senators now, is it to be wondered that Judge Louderback wanted men in charge of this estate who would honestly and freely consult with him and inform him conscientiously and truthfully of the administration of the estate as and when it progressed? Judge Louderback felt that the receiver and the attorney for the receiver should have no entangling alliances with the stock exchange of San Francisco. The testimony will disclose to you that, because Judge Louderback did divorce the administration of this estate from the hands of the stock exchange of San Francisco, its influence was such that he is now being here tried upon articles of impeachment.

It is alleged in article I, and what might be termed a subdivision thereof, is in substance as follows. I quote now almost verbatim from article I of the impeachment articles. Here it is:

That Judge Harold Louderback did, on or about the 13th day of March, at his chambers, in his capacity as judge, willfully, tyrannically, and oppressively discharge one Addison G. Strong, whom he had formerly appointed, on the 11th day of March 1930, as equity receiver in the Russell-Colvin case, after attempting to force the said Strong to appoint one John Douglas Short as the attorney for the receiver in said case.

It is alleged immediately thereafter that Judge Louderback did attempt to cause Addison G. Strong to appoint said Short as attorney for the receiver, by promises of allowance of large fees and by threats of reduced fees if Strong refused to appoint said Short.

We have filed with the Senate a formal answer setting out in some detail our set-up, and we will show you by affirmative proof in relation to this matter and from the testimony to be adduced that—remember this, because it will be spoken of in the testimony frequently—that Thelen & Marrin, attorneys for the plaintiff in the Russell-Colvin case, De Lancey C. Smith, another attorney, and Francis C. Brown—they were the attorneys for certain defendants—requested the appointment of Strong on the 11th day of March 1930; that at that time there were present in the chambers of Judge Louderback—now mark this well—Max Thelen, his partner, Mr. Marrin, Mr. DeLancey Smith, Mr. Francis C. Brown, Lloyd Dinkelspiel, who has no relation to the firm of Dinkelspiel & Dinkelspiel, adverted to by our friend, Mr. Manager SUMNERS, but was one of the partners of the firm of attorneys known as Heller, who is dead, Ehrmann, who is alive, White, who is alive, and McAuliffe, who is alive.

They are the attorneys and have been the attorneys for the San Francisco Stock Exchange. Mark that well, because it is to be a very important matter in the consideration of the affairs of the Russell-Colvin Co. These attorneys, as I have said, were all attorneys for the stock exchange and had been for some time. Addison Strong was auditor for the stock exchange. He was also auditor for the Russell-Colvin Co. as and when that firm was doing business.

It is true he was recommended to Judge Louderback, as we will show you, to be appointed receiver. The recommendation was concurred in by all the parties present in the judge's chamber that day—the attorney for the stock exchange, the attorney for the plaintiff, the attorney for the defendant. Two of the partners of the firm of Russell-Colvin Co., namely, Ronald Burliner and Guy Colvin, were also present at the meeting. We will show you that Judge Louderback did not personally know Strong, although he knew him by reputation as a member of the firm of Hood and Strong, but personally Judge Louderback had never met Addison G. Strong.

At the meeting while they were present Judge Louderback emphasized the proposition that Addison G. Strong, if appointed receiver, would be an officer of the court and that he must confer with the judge in the matter of the appointment of his attorney. That was said to the group there. There was no hiding about it; no going behind doors. It was said to Strong in the presence of all who were then and there assembled that in the appointment of the attorney the court must be consulted.

Lloyd Dinkelspiel was there, representing the stock exchange and representing his own firm, the attorneys for the stock exchange. Strong was asked by Judge Louderback then and there, "Have you selected any one of the attorneys present in this room or in this chamber as your attorney?" Strong said, no, that he had not done so. We will show you, from the testimony, that regardless, at the very time Strong made that statement, in fact the day before, he had already selected a man named Lloyd Ackerman to act as his attorney in the event he was selected as receiver in the Russell-Colvin case. We will show you from the deposition of Mr. Lloyd Ackerman, taken while two of the managers were out in San Francisco the other day, that when Strong stated to Judge Louderback that he had not selected an attorney in the event he was selected as the receiver he told that which was not true. At the time he had already selected Lloyd Ackerman to act as his attorney in the event that he (Strong) was appointed receiver, and Ackerman had accepted the office. That is the witness Strong, who, we are told, was such a marvelous receiver and was to be the friend of the court and that he was full of integrity.

Later Strong was appointed, and he informed Ackerman that he could not appoint him. He said the pressure—this is, in substance, what we will show you—that the pressure brought to bear upon him by the San Francisco Stock Exchange was too great; that they wanted Strong to appoint their own attorneys, the firm of Heller, Ehrmann, White & McAuliffe as the attorneys for the receiver.

Let me say here parenthetically that we will show you under a rule of the stock exchange, the seats being very valuable, that in the case of a fellow member defaulting for any debts due to another member of the stock exchange the members must receive dollar for dollar before creditors. In other words, the seats that were sold in this case, with a curb seat, were worth 2 years before March 1930 one hundred and some odd thousand dollars, but we will show you that the receiver in this case sold the two seats on the exchange for \$75,000. We will show you why the stock exchange was so anxious to control the appointment not only of the receiver but to have appointed the attorney for the San Francisco Stock Exchange.

Judge Louderback relied upon the statement of Strong before he appointed him, the statement being made at the meeting at the time of his appointment. If Addison G. Strong, the receiver appointed, had told Judge Louderback at that time that he had selected Heller, Ehrmann, White,

& McAuliffe he might not have been appointed; the Russell-Colvin case would not be before you, and the fact is we would have no impeachment case here to be tried this day.

What developed thereafter in the Russell-Colvin case? Immediately when the matter was placed before Judge Louderback what happened? The first thing that was discovered was that two filings were made in the same matter with the same defendants and in the same cause of action. Two filings—for what purpose? I leave that to the Senate when the time comes. The two filings were called to the attention of Judge Louderback after he had agreed on their recommendations to appoint their selected receiver, Addison G. Strong. We will show you that immediately suspicion was aroused in respondent's mind that he had to be careful in dealing with the affairs of the Russell-Colvin Co. The filings were simultaneous, I say. In one instance the case number was 2594, assigned to Judge St. Sure, and in the other the case number was 2595, assigned to Judge Louderback. Time will not permit me to go into the details of how and when. The clerk will do that when he arrives here, as to how they assign cases to the three judges by a certain system of pooling they have in that particular district. Judge St. Sure was absent. I think he was in Sacramento. That is a place where we hold court. We hold court in Eureka; we hold court in San Francisco in that district, and we hold court in Sacramento. At different times the different judges are assigned to these various places to sit. At that time and at the time of the assignment to Judge St. Sure he was sitting in Sacramento. In the absence of Judge St. Sure, we will show by letter and by stipulation, that Judge Louderback acts for him, and during the absence of Judge Louderback Judge St. Sure acts for him. We will show that Judge Louderback said: "I cannot attend to this matter now; get in touch"—or words to that effect—"with Judge St. Sure." They said, "No; we will dismiss the action assigned to Judge St. Sure's department. You appoint our receiver as selected"; and Judge Louderback did appoint the receiver as selected.

A strange thing will develop in this case, that is, the first double filing ever had in that Federal court is the double filing had in the Russell-Colvin case. When Judge Louderback made his order appointing Addison Strong he approved the bond. The hour was late, the closing time of the clerk's office had passed. The judge sent word to the clerk, as we will show you, to do what? To hold the office open in order to accommodate the litigants. The bond was filed and the order appointing the receiver was filed.

Now I want the Senate to just bear with me, because this man comes 3,000 miles from San Francisco; witnesses cannot all be brought here with reference to the matter, and it is important for us now, the only time we have to meet and face this accusation, to have the attention to some of the matters that will be brought out here; and I ask your indulgence and your patience to bear with me while I relate what took place at that time.

Before Strong left Judge Louderback's chambers, upon the afternoon of the 11th of March 1930, he turned to Strong and he said to Strong, in words and substance to this effect, "I want to talk to you when you qualify; I will wait for you in the chambers; come back to see me; I want to talk to you."

I will tell you what then took place and what we expect to show. Strong promised to return. The clerk's office is a distance of less than from the end of the Senate Chamber to the other end over here [indicating]—I would say a distance of about 50 or 75 or 80 feet away from the judge's chambers. The hour was about 5:30 or 5:35. The judge waited for Strong. Did Strong return? Oh, no. What did Strong do? All practitioners of the law in San Francisco, those who do not golf too early, try to leave their offices at about 5 or 5:15. But Strong immediately on his way down, as if the guiding hand of the stock exchange was waiting for him, moved to Montgomery and Market Streets and entered the Wells, Fargo Building. There in the great suite of offices was the lone man, Florence McAuliffe, waiting to receive him. Strong stayed with him for an hour or more,

and when he left him the firm of Heller, Ehrmann, White & McAuliffe, the attorneys for the stock exchange, was selected. A telephone message then went on to Lloyd Ackerman, "We do not need you Lloyd; we have already taken the attorney for the stock exchange."

That is the picture we will show you of what took place in San Francisco in March of 1930. Then what took place?

Strong got very busy—I say Strong in the interest of time—in the morning about 9:30 and immediately came to Judge Louderback's chamber full of excuses and full of apologies for not having been there the night before. The conversation then drifted to what he had done. The judge told him that he had waited for him, that there was a matter he wished to talk to him about, and that was the matter of an attorney. Then he said to the judge that he had employed the firm of Heller, Ehrmann, White & McAuliffe as his attorneys—the attorneys for the stock exchange. The judge said to him in substance "That is the very thing that I feared would take place." Then the judge told him to think it over. We have some very eminent firms of lawyers in that city, the present speaker and his associate not included. We have the firm of Sullivan, Sullivan, and Theodore Roche, at that time, but now one of your own Members in it, Senator JOHNSON. We have Pillsbury, Madison & Sutro. We have Cushing & Cushing, very eminent lawyers. They were there practicing law. The judge named several firms and went down the line to name a number of firms from among whom he might select one as his counsel. But Strong said, "Heller, Ehrmann, White & McAuliffe" first, last, and all the time. That is not his exact language, but in substance and effect "I stand by them." The judge told him that he would not take the firm, that he wanted to get away from the stock exchange in the receivership, that it was too close in the family. He gave his reason, not any personal reason against the members of the firm, but that the association was too close and that he wanted the estate handled in an open, free way, as we will show you.

Strong refused to recede from his position. It was no one except that firm. He was defiant to the judge in his request. The judge asked him at the time if he had signed any request for the appointment. He said, "Not yet"; but he did cause a signed petition to be presented to the judge requesting the appointment of the firm of Heller, Ehrmann, White & McAuliffe, attorneys for the stock exchange. Mr. Jerome White may be a witness here and will probably so testify.

Immediately Judge Louderback called into consultation the attorneys for the parties. He told them in substance that it was probably incumbent upon him to remove Addison G. Strong as receiver unless Strong resigned; that he had lost confidence in Strong by reason of his conduct. Would you if you were a judge? Judge Louderback stated that he had seriously contemplated the removal of Strong and the appointment of H. B. Hunter as receiver. He requested then and there of those attorneys that they go out and find the qualifications of H. B. Hunter and report to him their findings upon that subject matter. "Is he a fit and proper man?" he asked them. "Go and look him up, because the conduct of this man Strong is such that I feel that I cannot go along with him because of the defiant attitude he is assuming toward the court."

He finally determined there was no other course for a courageous, just, and decent man to take but to remove Strong; and he did remove Strong.

It will also be shown that Judge Louderback said to the attorneys at this time—mark this—that it would be entirely agreeable to him to dismiss the proceedings, thereby getting rid of the entire matter. We will also show that before he appointed Hunter he caused his secretary to telephone the attorneys for the parties asking what their investigation disclosed, and the word came back that the same was favorable and that Hunter was a competent man.

The evidence will show that on the 13th of March, 1930, Judge Louderback vacated and set aside his order appointing Strong as receiver and that the same was filed; that there was no arbitrariness involved, but that there was no other course left for a decent, courageous man to

pursue because Strong was so defiant in his attitude as an officer of the court, and because, as we will show you, a receiver is an officer of the court, and the judge did the only thing, the human thing, the right thing, and that was to dismiss him and remove him.

We will further show to you that there is a standing general rule of that court, known as rule 53, which in part reads as follows:

Receivers shall employ counsel only after obtaining an order of the court therefor.

We will show you that this rule at that time and prior thereto had been construed by the court and by the judges thereof to mean that counsel should be satisfactory and acceptable to the judge of said court.

Subdivision 1, article I, of the articles of impeachment alleges that respondent—I shall follow this as closely as the language will give me permission without reading it verbatim—willfully, tyrannically, and oppressively discharged Addison G. Strong as receiver. We will disprove this allegation. We will prove that Judge Louderback had the right at any time to remove his own officer as receiver in that case or any other receiver who was an officer of that court.

It will be established by the testimony of witnesses that Judge Louderback, the respondent, did not force or coerce Strong to appoint John Douglas Short as attorney, but that he suggested to him different attorneys of eminence and standing in the community for Strong to select from among them, but that the course of conduct of Strong and his defiance of the court made it necessary for the respondent at that time to remove Strong.

In subdivision 2 of article I it is charged that the respondent improperly used his office and his power as district judge in his own personal interest by causing the appointment of John D. Short as attorney for H. B. Hunter. It is stated that this was done at the instance and at the suggestion and at the demand of the gentleman whom the managers have so thoroughly played up here, Mr. W. S. Leake; that the judge was under personal obligations to W. S. Leake; that they had entered into an alleged conspiracy, the articles charge, wherein Leake was to provide Judge Louderback with a room at the Fairmont Hotel, and made arrangements for registering it in Leake's name and paying all bills in cash under an agreement with Leake; that Leake was to be reimbursed in full or in part, in order that the respondent might continue to actually reside in San Francisco, after having improperly and unlawfully established a fictitious residence in Contra Costa County for the sole purpose of removing for trial to said Contra Costa County the cause of action which the respondent expected to be filed against him. This is quoting in almost exact language subdivision 2 of article I.

It is further charged in said subdivision that said Attorney Short did receive large and exorbitant fees for his services as attorney for the receiver in the Russell-Colvin matter, and that W. S. Leake did receive certain fees, gratuities, and loans directly or indirectly from said Short amounting to approximately \$1,200.

We will show you in this matter by evidence that the receiver, H. B. Hunter, appointed by Judge Louderback after the removal of Addison G. Strong, was at the time of his appointment by respondent connected with the firm of William Cavalier & Co., a company doing a general stock brokerage and banking business in San Francisco and thoroughly competent to act as receiver, and that H. B. Hunter was at that time and is now for all purposes one of the most competent receivers that possibly could be appointed in any jurisdiction of the United States.

The evidence will show that Hunter, after his appointment and qualification as receiver, petitioned for the appointment of the firm of Keyes & Erskine and John Douglas Short as his attorneys. Keyes & Erskine had been for a great many years one of the principal firms of attorneys handling at that time and now some of the biggest cases for the Bank of Italy, now the Bank of America, in the State of Cali-

fornia; that a former member of that firm, Keyes, was for years president of the Humboldt Savings Bank and was the attorney for the Humboldt Savings Bank, with hundreds of millions of dollars of the people's money, when it merged with the Bank of America; that this firm was one of the outstanding firms in San Francisco, and that Short was connected with this firm; that it was this firm and Short who were selected as attorneys for H. B. Hunter; that the same was done upon petition, and the judge approved the petition.

We will show that Short, mentioned in subdivision 2, was not appointed at the suggestion of Leake; that Louderback, the judge, was not under any obligation to Leake; that Leake was his friend, but that is all.

We will show you that the appointment of this attorney was approved by the court, and that the conduct of the receivership and the results obtained more than justified Judge Louderback's good judgment in confirming the appointment and selection of H. B. Hunter, and in confirming the appointment of his attorneys.

It will be shown from the testimony that the receivership, as I stated in the beginning, was an outstanding receivership. It was handled economically, intelligently, effectively, and expeditiously. The results achieved for the benefit of both the creditors and the customers of that company were most gratifying. It will be shown from the evidence that Leake for more than 20 years resided at the Fairmont Hotel; that he resided there with his wife until she died in November of 1931; that Hathaway resided there at the Fairmont for a great number of years—I have forgotten the number; I think 12 years—and that his wife resided there; that he had been for many years, and at the present time is, the resident manager in the northern district of California of the Mutual Life Insurance Co. of the State of New York, a man of eminent standing, and a man of integrity.

Hathaway and Leake had been intimate friends from their boyhood—from the early eighties. At one time they were both residents of the city of Sacramento in our State. At one time Mr. Leake was the postmaster in that city, during one of the terms of the Cleveland administration. It will be shown that Leake is a man of prominence in the State; that at one time he was the editor of the San Francisco Call when it was run by what are known as the Spreckels interests. For more than 20 years last past he has been a metaphysical student. Call it what the managers will; I care not, be he a Christian Scientist, a New Thoughtist, or what. It will be shown that due to the continuous illness of Mrs. Leake during the period of 2 years prior to her death Mr. and Mrs. Leake became embarrassed, and that while Mrs. Leake was suffering her last illness Leake borrowed from Hathaway the sum of \$1,000. This is part of the alleged amount that is stated in article I, in which Short was supposed to have given some of his fee to Leake in the way that is alleged in the article.

What is the fact about the matter, as we will show you? Leake borrowed from Hathaway \$1,000. The loan was made possible because of the fact that Mr. and Mrs. Hathaway borrowed upon a life-insurance policy in Mr. Hathaway's own company, and \$1,000 was made payable to Mr. and Mrs. Hathaway. Being the beneficiary under the clause, they insisted upon her signing it, and she signed the note to the insurance company and the application, and the check was made out by the insurance company. We will produce the check in evidence here, showing you the borrowers on the insurance policy, and give you the number thereof. We will show that the check was made payable to both of them; that they cashed this check for \$1,000, and gave the cash to Sam Leake, or W. S. Leake, familiarly called "Sam" by those who know him.

We will show you that Sam Leake paid interest upon this \$1,000 loan for 1 year up to April of 1932; that Mr. Hathaway and his wife made this loan to Leake because they were friendly, and because there was a great affection between the families one for the other, and they knew Leake's financial embarrassment. His wife had been dying for a period of 2 years.

It will be shown from the evidence introduced that son-in-law Short—that is, John Douglas Short—never knew a thing about the borrowing of the money by Leake from Hathaway, his father-in-law; and that the respondent, Judge Louderback, never heard of the situation until the proceedings were brought and the special investigation had in San Francisco. Then, for the first time, and the first time only, did Judge Louderback, the respondent, ever know that Leake had borrowed any money from any one, let alone Hathaway, because their intimacy was not of such a kind that they discussed the borrowing of money one from the other, or with others.

The testimony of Mr. Hathaway which was taken while the managers were in San Francisco in September last has been stipulated now to be read because of his illness. He had a partial stroke and was confined to his bed, and Mr. Manager PERKINS and the others saw him when they were there. That testimony will be read in accordance with the stipulation. A statement of what Mrs. Hathaway would testify to has been added to the stipulation, coupled with the application and the note, and so forth, that transpired between these two people. Mrs. Hathaway, attending to her ill husband, refused to come here unless forced by the Senate to desert him in his illness, and the managers have agreed to take, in lieu thereof, her statement as sworn testimony, as if it were given under oath in this particular case.

There was no thought of loaning Mr. Leake any money out of the fees that were allowed John Douglas Short in the Russell-Colvin receivership. We will show you that no one knew of the loan from Hathaway to Leake except Leake, Hathaway, and Mrs. Hathaway. It will be shown further from the testimony that when Mr. Leake needed more money at a subsequent time, Hathaway gave Leake \$250. I do not know whether he considered it a loan or not, but my memory of the testimony that will be read to you is that he considered that he could not go away upon a trip feeling that his old friend Sam was there in need, or probably in distress, and that he let him have \$250. That is the type and kind of a man that Hathaway is—the resident manager of the Mutual Life Insurance Co. of New York, whose testimony will be read to the Senate in this particular case.

We will show you that the fees of Short and Keyes & Erskine as attorneys in the Russell-Colvin case had not anything to do, of any kind or character, with a loan made by Hathaway to Leake; and we will thoroughly disprove the allegation that the \$500 alleged in article I, either directly or indirectly, or at all, came from Douglas Short's portion of the fee, or any part of it.

I want the Senate now to bear with me upon a proposition that will come to its attention with reference to this alleged exorbitant fee, as stated by the managers. In that connection I will say that we are going to show you that John Douglas Short and the firm of Keyes & Erskine did not receive any large or exorbitant fee for their services in the Russell-Colvin case as attorneys for the receiver. How are we going to do that? I will tell you how.

We are going to show the Senate, upon the question of fee, that parts of 3 days were spent in that proceeding; that the hearing was upon application for the allowance of compensation to the 3 attorneys, the 2 Erskine brothers, and John Douglas Short for services rendered to the receiver; that a hearing was had, noticed in open court, upon that proposition. I will show you that a hearing took place upon March 14, 1916, and a day that some will remember, the 17th day of March 1931, in San Francisco, upon the question of fee; that there were present in court a great number of the creditors; that all of the attorneys representing the different parties were there; that there was a contest as to the amount of the fee. They had asked for the sum of \$65,000. A hearing was had, and witnesses were examined, and upon that full hearing the court awarded the fees; but before I come to what he awarded I am going to tell you the proof upon which he awarded the fees.

Upon the hearing there was introduced the testimony of three outstanding attorneys at the bar of San Francisco, John L. McNab, Albert Rosenshine, and Henry A. Jacobs.

These three attorneys testified that, in their opinion, the services rendered by the attorneys in the Russell-Colvin case were worth somewhere between \$55,000 and \$75,000.

One of the attorneys, John L. McNab, stated that, in his opinion, \$75,000 was a fair fee for the services rendered. McNab is a man of standing in our community. He is a well-known attorney in both State and Federal practice. At one time he was United States district attorney for the Northern District of California—the same position as that to which you confirmed, the other day, H. H. McPike. He is quite an eminent man in national affairs. He nominated one of the Presidents of these United States. His honor and his integrity have never been questioned. He testified, after cross-examination by eminent counsel, that the reasonable value of those services was the sum of \$75,000.

Albert Rosenshine, who testified as to the value of the services, is an attorney of integrity and distinction in California. He has handled large affairs for very wealthy clients, and he is well known in our State. For many terms he was a member of the Legislature of the State of California. He has been the attorney for the banking superintendent of that State. At the present time he is handling a similar affair for another stock-brokerage concern known as the Gorman-Keyser receivership. Rosenshine was eminently qualified to give his opinion as to the value of the services rendered by Keyes & Erskine and John Douglas Short, and we will show you that he testified that in his opinion their services were worth \$65,000.

Mr. Henry A. Jacobs is a prominent member of our bar, a lawyer of eminence, standing, and integrity. He is a member of the firm of Jacobs, Blanckenberg & May, who engage particularly in what is known as the commercial-law business, and is thoroughly familiar with the type of services rendered in the Russell-Colvin estate; and he, Jacobs, fixed the sum at \$55,000.

The receiver and the attorneys for the receiver gave to the court a set-up of their services, and testified as to the value of their services, and requested the court to fix a reasonable fee for them for the services rendered.

I want the Senate to mark this well. On March 17, after one adjournment of the matter, a consultation was had between the attorneys with reference to the fee. Those who had filed objections to the amount requested, and one of the attorneys who was carrying on the examination of the witnesses in reference to the value of their services, made a statement in open court. I am going to read to you as to what we are going to show about the extravagant fees which were alleged to have been given in this particular receivership. This is the statement of the counsel leading the objectors:

We are ready to proceed, if it please the court. During the morning and noon, counsel on the other side and myself have been in conference for the purpose of arriving, if we possibly may, at a settlement of this application. We have come to the conclusion that if the court would ratify the settlement of the various other creditors heard in court, and if the creditors will be satisfied, that the court allow Mr. Hunter the sum of \$20,000 for services rendered in addition to what he had received (meaning \$1,000 a month he had received up to that time), and to Messrs. Keyes & Erskine and Short the sum of \$46,250. All of this will be without prejudice to the rights of the receiver and the attorneys to apply in the future in the ordinary course of business and under normal conditions for compensation for services to be rendered from this date on. We have also felt that the sum of \$8,750 would be a reasonable and adequate compensation to be allowed for the attorneys for the plaintiff and the attorneys for the defendant, in such sum and such proportion as they may see fit to divide among themselves. I feel confident there are some very serious questions involved as to the right of the attorneys for the plaintiff and especially the attorneys for the defendant to come into court and ask for compensation.

Mr. ASHURST. Mr. President, I desire to offer a resolution at this point.

The VICE PRESIDENT. Will counsel suspend for that purpose?

Mr. HANLEY. Certainly.

Mr. ASHURST. I send forward a resolution, which I ask to have agreed to. It is necessary to have the resolution agreed to at this time.

The VICE PRESIDENT. The clerk will read the resolution.

The legislative clerk read as follows:

Ordered, That during the trial of the impeachment of Harold Louderback, United States district judge for the Northern District of California, the Vice President, in the absence of the President pro tempore, shall have the right to name in open Senate, sitting for said trial, a Senator to perform the duties of the Chair.

The President pro tempore shall likewise have the right to name in open Senate, sitting for said trial, or, if absent, in writing, a Senator to perform the duties of the Chair; but such substitution in the case of either the Vice President or the President pro tempore shall not extend beyond an adjournment or recess, except by unanimous consent.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the order will be entered.

The Chair takes the privilege of appointing the senior Senator from New Mexico [Mr. BRATTON] to preside for the balance of the day.

(Thereupon Mr. BRATTON took the chair.)

The PRESIDING OFFICER. Counsel will proceed.

Mr. HANLEY. The statement of counsel from which I was quoting proceeded as follows:

However, I feel confident also and I am certain that they have rendered service for the benefit of this estate in this case, and with that point in view, I certainly am not going to contest their receiving a reasonable allowance. From that I conclude the arrangement is satisfactory to everybody, but I do feel that the sum of \$8,750 is reasonable under all the facts of the case, and I also, without prejudice to their right to go into court in the future, if they see fit, and to ask for reasonable compensation for services which they will render in the future.

That is the end of the statement of counsel asking the allowance. Then followed a discussion between the attorneys, whereupon Judge Louderback said, and I quote the language used:

This arrangement is within the scope of what I think proper, although I will be frank with you gentlemen and say that it is not what I would have made it if this matter were pressed—its present form—I am satisfied with it, if everyone else is, and apparently everyone else is satisfied—it being within the range of a proper fee. I think it is satisfactory to the court to accept that, and without proceeding further, then, with the hearing, in view of the fact that everybody is apparently satisfied, or has shown no objection to this matter, or no objection has been offered by anyone who has been participating in this hearing, I will allow the sums mentioned, \$20,000 to Mr. Hunter in addition to the money he has already received in monthly payment; I will allow \$46,250 to the attorneys John Douglas Short and Erskine & Erskine, and I will allow the plaintiff's attorneys and the defendant's attorneys the sum of \$8,750, and I presume everybody present signifies his acceptance of that arrangement and all join in its approval. I see Mr. Thelen and I believe Mr. Brown is here. Are you satisfied with what has been done?

Mr. Smith replied, "Yes, sir."

The Court then said:

And I presume these arrangements are satisfactory to both of you gentlemen.

Mr. Smith said, "Yes, sir."

Judge Louderback then said, in substance:

I think you gentlemen ought to feel yourselves thanked in this proceeding for handling this matter in the way that you have. You certainly have undertaken a great deal of work in verifying all of these various petitions.

I interrupt to say that over 300 petitions were filed, some very lengthy, requiring a great deal of care, labor, and intelligence in their preparation. All of those were, by order of court, always O.K'd by Thelen & Marrin and by Brown and DeLancey Smith, and when the judge was speaking of the various petitions, he referred to the O.K. that had been placed upon them by the attorneys representing the parties. I continue quoting in substance from what the judge said on that occasion:

You certainly have undertaken a great deal of work in verifying all of these various petitions, and satisfying yourselves that the interests of yourselves and your clients are being protected. I was given your names on the various petitions as they have gone through, and I thought it was very splendid, and such a close check was made by all the parties to see what was done was done properly, and I approve of it, and I presume you did, or you would not have allowed it to be done as it was.

That is the extravagant fee we are alleged to have given to these attorneys. This is the proof we will offer to show that it was a stipulated fee, after a 3-day hearing in open court; yet you are asked to find Judge Louderback guilty because he allowed extravagant and exorbitant fees to the attorneys who stipulated to the genuineness and to the faithfulness of the services rendered.

It will be seen from what I have just stated as to what took place in open court on the 17th of March that the fee allowed for the receiver and the fee for the attorneys were stipulated to by all of the parties, and by the creditors, in open court, after the testimony of expert witnesses who were called to aid the court in fixing the fee for the receiver and the fee for the attorney for the receiver. They were and are reasonable fees, fixed by the respondent, as we will show you in this case.

The attorneys for the receiver gave more than a year of their entire time to the receivership. Their intelligence and knowledge effected great saving to the estate. Litigation was avoided. There were 659 claims against this estate, every one of them a potential lawsuit. Instead of it being necessary to refer the six hundred-odd claims to a master to settle them, the attorney and the receiver, really acting as masters themselves, were successful in settling all but 21 of these particular claims.

It is alleged in the concluding subdivision of article I of the articles of impeachment as follows:

That Judge Louderback entered into a conspiracy to violate the provisions of the Political Code of the State of California to establish a residence in Contra Costa County, when Judge Louderback in fact did not reside in the county, and could not have established a residence without concealment of his actual residence in the county of San Francisco, covered and concealed by means of his said conspiracy with said W. S. Leake, all in violation of the law of the State of California.

Then the article goes on and, in substance, charges this:

That to give color to his fictitious residence in Contra Costa County, all for the purpose of preparing and falsely creating proof necessary to establish himself as a resident of Contra Costa County in anticipation of an action he expected to be brought against him, for the sole purpose of meeting the requirements of the Code of Civil Procedure of the State of California, providing that all causes of action must be tried in the county in which the defendant resides at the commencement of the action, and did in accordance with the conspiracy entered into with W. S. Leake, unlawfully register as a voter in said Contra Costa County, when in law and fact he did not reside in said county, and could not so register, and the said acts of said Harold Louderback—

Mark this—

and the said acts of said Harold Louderback constituted a felony as defined by section 42 of the Penal Code of California.

Senators, judges, and jurors, we are going to show you that Leake had been a friend of Judge Louderback; that Leake was a resident of the Fairmont Hotel, and that the respondent here, due to unhappy differences which existed between himself and his wife, on the 21st day of September 1929 separated from his wife; that he obtained a room in the Fairmont Hotel, and that said room was registered in the name of Leake. Arrangements were made with respondent that he was to pay monthly to the hotel through W. S. Leake the amount of the hotel charges for the room, and also any expenses incident to the judge's staying there, such as tailor's bills, barber's bills, meals, and so forth.

In September 1929 Mr. Leake's wife was very ill, and occasionally Mr. Leake, in order to obtain rest, had to take other rooms, because of two trained nurses who were with Mrs. Leake during that period. He had to get other rooms in the hotel in which to sleep. One of the rooms that was formerly occupied by Mr. Leake was a room Judge Louderback took over as his temporary abode. Judge Louderback consulted with his friend Leake, and he told Mr. Leake that he did not know whether the separation was going to be a temporary one or a permanent one. We will show you that the judge, being a Federal judge, was careful about having it notorious in San Francisco that he and his wife had separated; he wanted to keep that matter out of the daily press, although he did not succeed, because it got in the daily

press as early as February 1930, and it contained the very idea that has been stated here.

When Leake heard these statements from the respondent he made arrangements with the hotel management for Judge Louderback to stay at the hotel. We will show that every bill contracted at the hotel by respondent was paid by the respondent to Leake. This was either by check or cash. In turn, Leake paid the Fairmont Hotel. The room number was 26, and the Senate will hear of it many times. The canceled checks made to Leake for this room, which we have, we will present to the Senate and allow the Senate to see those checks.

The respondent openly was about the hotel. He had his meals there, he signed the tags that were charged to the room, and he did everything open and aboveboard. There was no concealment of the fact that he was at the hotel, though he was not registered at the hotel.

It will be shown that in September 1929 Judge Louderback, the respondent, had no intention of any kind or character of making his residence in Contra Costa County. It was not until April 1930 that he concluded to make his residence in Contra Costa County. Respondent will show that in the month of April 1930, and that for some years prior thereto, his brother, George D. Louderback—he is the professor to whom I referred in the beginning—and his wife resided at 107 Ardmore Road in the Kensington district of Contra Costa County, which is a little division there about 100 yards in the Berkeley Hills, the county of Alameda stopping at that point and Contra Costa County being the adjoining county. Judge Louderback's brother resided at that place. We will show you that it is about 40 minutes' ride from San Francisco. People commute all the time down the peninsula and across the bay, and it is within commuting distance from the business section of San Francisco.

We will show that in the month of April 1930, with the consent of his brother, Prof. George D. Louderback, and his wife, the respondent determined to make his home with his brother, and he carried out his intention so to do, and that on the 17th of April 1930 he removed nearly all his personal effects, his trunk, and his clothing, and so forth, to a room in the home of his brother, and the room was given to him by his brother to be used by him and for his benefit. Judge Louderback left in his room at the Fairmont Hotel only such articles of clothing as he might need while stopping temporarily at the hotel.

Judge Louderback in evidencing his intention to reside at his brother's home and become a resident of Contra Costa County did on or about the 17th of April 1930 cancel his voting registration in the city and county of San Francisco; and on the 18th of April 1930—the 18th of April is quite an official day with us out there and we can remember it—on April 18, 1930, he registered in the little town of Martinez as a voter in the county of Contra Costa and has voted there ever since. He was actually living and residing there, and this was his home; it was his place of residence.

Respondent will show that in moving to Contra Costa County and registering as a voter therein he acted then with the bona fide intention of abandoning San Francisco as his place of residence and making his home and his residence at the home of his brother in Contra Costa County; that the residence of his brother was the only residence Judge Louderback has had from about the middle of April 1930 up to and including the present time; that it was and is his bona fide residence; that he has no other residence.

Respondent will show that when he was a young man he was a student at the Nevada University and that he lived with his brother, who was then a professor at that institution prior to the time when he was appointed to the institution in California. We will show this from the testimony of his brother, George Louderback, the professor to whom I have adverted. We will show you that George D. Louderback is a man of standing and dean of the College of Letters and Science at the University of the State of California.

It will be shown that the civil code of procedure, or the code of civil procedure, as we call it, does not provide that

all cases must be tried in the county where the defendant resides at the time of the commencement of the action. It is only a matter that the defendant can take advantage of if he will. It can be tried in any county.

Respondent states that when the testimony shall be adduced, covering all the charges set forth in article I of the impeachment articles, it will be shown there never was any act of Judge Louderback, as stated in article I, that amounts to misbehavior, misconduct, crime, high or low, felony, or misdemeanor, or any other of the matters that are contemplated as high crimes or misdemeanors under the Constitution of the United States of America.

I now turn to another matter. In the interest of having the Senate know that we are not in any way stopping this investigation, that we are now at the beginning, stating it fully, we tell you what we are going to prove in each article as they present themselves categorically and sequentially, I, II, III, IV, and V. I now come to what is known as the "Lumbermen's Reciprocal Association case", which is covered by the second article of impeachment. It is charged in the first part of article II that the respondent was guilty of a course of improper and unlawful conduct as a judge, filled with partiality and favoritism in improperly granting excessive, exorbitant, and unreasonable allowances and disbursements to one Marshall B. Woodworth and to one Samuel M. Shortridge, Jr., as receiver and attorney, respectively, in the case. I might state here that the learned managers have misstated the situation. It is stated that Marshall B. Woodworth was the receiver. He was only the attorney. In the article as drawn Marshall B. Woodworth is named three times as the receiver instead of the attorney.

It is charged in the second paragraph of said article II that respondent improperly acquired jurisdiction of the case contrary to the law of the United States and the rules of the court; that on the 29th day of July 1930 he appointed Woodworth and Shortridge receiver and attorney in said case; that after appeal had been taken from the order and other acts of respondent to the United States Circuit Court of Appeals, Ninth Circuit, the said court set aside the order and acts of respondent, which were reversed by that court, that after the mandate of the court directing respondent to turn over the assets of the associations in his possession to the insurance commissioner of California it is alleged that the respondent unlawfully and improperly and oppressively did sign an order directing the receiver to turn over said assets to the insurance commissioner but improperly and unlawfully made said order conditional that the insurance commissioner or any party in interest would not take an appeal from the allowance of fees and disbursements granted by respondent to said Woodworth and Shortridge, thereby improperly using his office as a judge to favor and enrich his personal and political friends and associates, to the detriment and to the loss of the said insurance commissioner and parties in interest in said action, causing unnecessary delay, and, it is alleged, forcing the State insurance commissioner to unnecessary delay and expense in protecting the rights of all the parties against such arbitrary, improper, and unlawful order of the respondent.

Then the article goes on to allege that the respondent did improperly and unlawfully seek to coerce the insurance commissioner and the parties in interest to accept and acquiesce in the excessive fees and exorbitant and unreasonable disbursements which were granted by the respondent to the said Woodworth and the said Shortridge, receiver and attorney, respectively.

It is further alleged that respondent did unlawfully and improperly force and coerce the parties to enter into a stipulation modifying said improper and unlawful order.

It is further alleged that the respondent did make it necessary for the insurance commissioner to take another appeal from said arbitrary, improper, and unlawful action of the respondent.

It is further alleged in article II that the respondent did not give fair and impartial and judicial consideration to the objections of the insurance commissioner against the allow-

ance of excessive fees and unreasonable disbursements. Then, it is alleged, that it was all done to enrich his friends and at the expense of litigants, and then that the respondent did cause said insurance commissioner and the parties in interest additional delay and expense and labor and taking an appeal to the United States Circuit Court of Appeals in order to protect their rights. It is then alleged that, by reason of his alleged misconduct, respondent was guilty of a misdemeanor in office. That is the charge part of the second article of impeachment.

We will show you in that connection the following: That on the 29th day of July 1930 a verified bill of complaint was filed in the office of the clerk of the court for the northern district, the southern division, by Helen Lay, who was plaintiff, against the Lumbermen's Reciprocal Association, defendant; that the complaint was signed by Reisner & Deming, attorneys for the plaintiff; that an application was made for the appointment of a receiver for the Lumbermen's Reciprocal Association. The testimony will show that Bronson, Bronson & Slaven were the attorneys for the defendant; that the attorneys representing both parties requested in writing the appointment of a receiver; that both parties signed a written application requesting the appointment of Samuel M. Shortridge, Jr., as receiver; that thereafter Samuel M. Shortridge, Jr., qualified as receiver and thereafter he petitioned the court for the appointment of Marshall B. Woodworth as his attorney, and the petition was granted; and that they entered upon the discharge of their duties.

The receivership in this matter was for an insurance company that was incorporated under the laws of the State of Texas, from which comes our learned friend who made the opening statement on behalf of the managers. It had an office in the city and county of San Francisco, State of California. The plaintiff had a judgment against this insurance company and was fearful that all its funds in California would be removed and impounded in the State of Texas, thereby lessening the chances of the plaintiff to collect her judgment. Suit was brought to hold the funds in the jurisdiction of California for the benefit of the corporation and the creditors in California.

We will show that, due to the state of the law in California, the insurance commissioner of California was unable to take action in this State, that is in California, until a receiver was appointed in the State of Texas. It will be shown that if the insurance commissioner of California was compelled to wait until the action was taken in the State of Texas it might be too late; and therefore the suit was brought in the Federal court of our district.

It will be shown that Judge Louderback, the respondent, had no means of knowing that a petition would be filed in the matter; nor did he know nor was he informed, until after the filing of the suit, that the appointment of Samuel M. Shortridge, Jr., would be requested by both parties to act as receiver in the case; that on the 6th day of August 1930 the defendant, in the action by its attorneys, the same ones, filed an answer and they admitted all allegations contained in the complaint; that in the said answer no attack was made upon the jurisdiction of the court presided over by the respondent to entertain the bill of complaint or to grant the relief prayed for.

The evidence will show that Roy Bronson, one of the attorneys for the Lumberman's Reciprocal Association, advised with the Industrial Accident Committee of the State of California, and succeeded in having an award made in favor of Helen Lay, the plaintiff in this action. The award was for \$5,000. This gave a jurisdictional amount for the plaintiff, Helen Lay, enabling her to bring the action she brought in the Federal court against the Lumberman's Reciprocal Association. We will show you that the complaint in the equity proceeding in which Reisner & Deming appeared for the plaintiff, was prepared from data furnished by Bronson, Bronson & Slaven, and that Mr. J. T. Reisner accompanied Mr. T. J. Slaven and conferred with respondent at the time the receiver was appointed.

It will be developed from the evidence that the award of \$5,000 to the plaintiff Helen Lay by the Industrial Accident Commission was set aside after the filing of the equity suit by the plaintiff, Helen Lay. Frank L. Guereña, the attorney for the insurance commissioner of California, appeared for the employer of the deceased husband of Helen Lay, the plaintiff in the equity suit, and asked for a rehearing of the award made by the Industrial Accident Commission, and ex parte had the first award set aside. This was for the purpose of aiding the insurance commissioner of California to gain jurisdiction of this case after the Federal court had already appointed a receiver, at the request and with the consent of the plaintiff and defendant, and after the defendant had fully answered and admitted the allegations of the bill of complaint filed by the plaintiff, Helen Lay. This will be shown from the records and files in the action of *Helen Lay v. Lumberman's Reciprocal Association*.

It will be shown that an order to show cause to set aside the appointment of Samuel M. Shortridge, Jr., as receiver in said matter was issued at the request of the insurance commissioner of California and that a hearing was had thereon. Respondent denied said order to show cause. The respondent at no time, until the decision was rendered by the United States Circuit Court of Appeals, entertained any doubt of the jurisdiction of his court to proceed and pass upon the various matters that arose in said action. Respondent's conduct in this regard was not filled with partiality and favoritism, or favoritism in any way, as alleged in article II of the impeachment articles.

It will be shown that on the 1st of December 1930 there was filed in the office of the clerk of the court an order fixing and allowing compensation to the receiver and his counsel, in the sum of \$3,000 each for services rendered, covering a period from the 29th day of July 1930 to the 30th day of November 1930. The allowance was made by respondent upon a detailed statement of the services rendered by the receiver and his attorney and upon written stipulation of Reisner & Deming, the attorneys for plaintiff, and Bronson, Bronson & Slaven, the attorneys for the defendant. We will introduce said stipulation in evidence. In substance it provides as follows:

The compensation for the services of the receiver for the above period of time from July 29, 1930, to and including November 30, 1930, in the sum of \$3,000 is a proper and reasonable sum for the services rendered, and that the compensation for the legal services of the attorney for the receiver for the above period of time in the sum of \$3,000 is a proper and reasonable sum for the legal services rendered by such attorney.

We will show that thereafter, about the 23d day of April 1931, respondent made a further order allowing said receiver and his attorney an additional sum of \$3,000 each as compensation for services rendered by them, covering a period from December 1, 1930, to and including the 31st day of March 1931. This order was likewise based upon the written stipulation of the attorneys for the plaintiff and defendant that the same was a reasonable amount to be charged. We will introduce this stipulation in evidence, showing that the court in both instances acted not alone in the exercise of his own judgment but also upon the judgment and consent of the parties to the action. It will appear that no objection was made by anyone to the allowance of the fees to the receiver and his attorney until the hearing of the fourth and final account of the receiver, which was settled on the 15th day of December 1931.

Respondent never, at any time or at all, intended to, or did, in his opinion, grant excessive, exorbitant, and unreasonable allowances as disbursements to the attorney for the receiver or to the receiver in said matter. It is true that after the fourth and final account of receiver was settled, another appeal was taken to the circuit court of appeals for the ninth district from the order settling the fourth and final account and approving the fees heretofore allowed, as well as the disbursements of the receiver and his attorney. We shall show that the order of December 15, 1931, was made under the conditions set forth in our answer, and not otherwise.

We will show that it is not true that respondent improperly used his office as a district judge to favor and enrich his personal and political friends and associates to the detriment and loss of litigants in respondent's court; and, further, it is not true that he was forcing the insurance commissioners of California and the parties in interest to unnecessary delay, labor, and expense in the action. It is not true that all this was done in an arbitrary, improper, and in an unlawful manner. The evidence will show that when the order of December 15, 1931, was prepared by Marshall B. Woodworth, who presented the same to Frank L. Guereña, the attorney for the insurance commissioner for the State of California, the attorneys discussed said proposed order and also the meaning of the proviso therein. By the way, Marshall B. Woodworth was a candidate for district judge at one time, secretary to the late Judge Morrow, who was for many years a Member of Congress, for many years a district judge, and many years on the court of appeals. Marshall Woodworth was a candidate for office against Judge Louderback at the time the judge was appointed. He was attorney in this particular case, a man of standing in our community, former United States district attorney, stepping up the ladder rung by rung until he reached some eminence in his profession.

As explained by Mr. Woodworth to Mr. Guereña, the purpose of the proviso was to obtain a bond to insure the receiver that no liability would be incurred by him in surrendering assets to the insurance commissioner. A discussion was had between the attorneys as to the amount of the bond. They could not agree upon the amount and, therefore, the proviso was left in the order and presented to the respondent for signature. When the order was presented to the respondent by Marshall B. Woodworth, respondent inquired of said Woodworth what he understood to be the meaning of said proviso. Mr. Woodworth explained to the court the discussion and talk he had had with Attorney Guereña with relation thereto. Respondent then signed said order, knowing at the time that he had a right under the terms of the order to modify the same.

Respondent within a few days after he signed the order sent for Marshall B. Woodworth, the attorney for the receiver, and stated to him, in substance, that, on mature reflection, he was satisfied that the proviso in the order of December 15 was erroneous, and that he desired to modify said order by striking out the proviso provision and that, inasmuch as an appeal had been taken, a question might arise as to whether or not he had a right to so modify the order, and therefore suggested to him that he prepare a stipulation to that effect and have it signed by all the parties; whereupon he would then make an order based on the stipulation striking out the proviso from said order.

We will show that respondent did, on the presentation of said stipulation to him on the 11th day of January 1932, make an order modifying his order of December 15, settling the fourth and final account in accordance with the stipulation signed by the parties to the action. The modification made contained a clause that the stipulation signed was made without prejudice to the rights of any party thereto with respect to an appeal therein pending. We will demonstrate that respondent in settling the fourth and final account of the receiver never had in mind to enrich or to favor any friend, political or otherwise, or was said order made to the detriment of any litigant or litigants, or was said order made with the intention of forcing, or causing to force, the insurance commissioner of California, or any party of interest, unnecessary delay and expense in protecting the rights of all or any of the parties in said action.

We will demonstrate further that respondent did not improperly, unlawfully or at all seek to coerce the said insurance commissioner or any parties in interest in the action to accept or to acquiesce in any fees and disbursements granted by respondent to the said receiver and to his said attorney.

Respondent will show that in making the respective orders set out in article II of the impeachment articles allowing

the compensation to the receiver and his attorney and allowance of expenses and disbursements, respondent acted honestly and conscientiously, believing at that time that the disbursements and that the fees allowed by him were reasonable and proper fees. Respondent will show that his judgment in this respect was influenced to some extent by the advice given him by the attorneys for plaintiff and defendant, in their written stipulation certifying that the services rendered by the receiver and his attorney were reasonably worth the amount requested and finally allowed by respondent.

Respondent will demonstrate that if there was any mistake made by him in the granting of the fees or in the allowing of the disbursements, the same was not brought about because or as the result of friendship for the parties or prejudice against anyone. If a mistake was made, it was made in good faith and without any thought or purpose or desire on part of respondent to be partial, oppressive, excessive, or unreasonable. There are many other matters that respondent will show in this connection, but time will not permit going into detail. All of this will be brought out in the evidence by witnesses that will testify.

The fact that the United States Circuit Court of Appeals reversed Judge Louderback in this case in no way reflects upon his ability or integrity as a judge.

It cannot be held that a judge, using his best judgment and giving his decisions on questions of law and questions of discretion in good faith, although a higher court may disagree with him, is subject to impeachment for that reason. If a reversal by a higher court is ground for impeachment, then there would be no judges remaining on the Federal bench of the United States. All judges sitting in courts of first instance are at some time in their careers reversed by higher courts. The Supreme Court justices of the United States differ with each other and have numerous dissenting opinions rendered by their members. To announce or to hold the doctrine that the mere fact of a reversal of a judge by a higher court is ground for impeachment would be monstrous.

Respondent will show that article II, in the light of the evidence to be introduced, will fall of its own weight.

Mr. LONG. Mr. President, I should like to ask the President if he will propound to counsel a question. What does the counsel allege to have happened? As I understand, when these fees were allowed to the attorneys for the receiver, provided they did not take an appeal, the House managers allege—

Mr. ASHURST. Mr. President, a point of order. All questions propounded by a Senator must be in writing.

The PRESIDING OFFICER. The Chair sustains the point of order.

Mr. LONG. That is too much trouble.

Mr. HANLEY. I have finished article II; but I should have been very anxious to answer, although it was not in writing, the question of the Senator from Louisiana.

Article III is the so-called "Fageol Motor Co. case."

It is alleged in article III that respondent was guilty of misbehavior in office, resulting in expense, disadvantage, annoyance, and hindrance to litigants in respondent's court in the Fageol Motor Co. case, in that respondent knew that G. H. Gilbert, whom he appointed receiver, was incompetent, unqualified, and inexperienced to act as such receiver. It is further alleged in article III that respondent oppressively, and in disregard of the rights of litigants in his court, did appoint Gilbert, knowing that he was incompetent, unfit, and inexperienced for such duties. It is further alleged that he further refused to grant a hearing to plaintiff, defendant, creditors, and parties in interest at the time of the appointment of said receiver. It is further alleged in article III that he did cause the litigants and parties in interest to be misinformed of his action in appointing G. H. Gilbert receiver, while he took necessary steps to qualify as such receiver. It further alleges that this deprived litigants and parties in interest of the opportunity of presenting the facts and circumstances and condition of the receivership, the nature of the business, and the type of person necessary to

operate the business in order to protect creditors, litigants, and all parties in interest. It further alleges that this deprived the parties of the opportunity of protesting the appointment of an incompetent receiver. It then states that by reason of these acts the respondent was guilty of a course of conduct constituting misbehavior as a judge, and that he was and is guilty of misdemeanor in office.

Having told you what we expect to prove, if at the end of the trial my statement is shown to be true, you will find that this article, like the others to which I have referred, will fall of its own weight. But what are we going to show you in this regard in reference to the Fageol Motor Co. case?

We answered in our formal answer very fully the allegations set out in article III with reference to the Fageol Motor Co. case. In support of our answer we will show you by the pleadings, exhibits, documents, letters, and witnesses that there are no grounds for the allegations set forth in article III. Respondent will show you that on the 17th of February 1932 an order was made by him as district judge, appointing G. H. Gilbert as receiver of the Fageol Motor Co. upon the complaint of the Waukesha Motor Co. There was an answer filed by the defendant through its attorneys, Bronson, Bronson & Slaven. Upon the filing of the complaint, the application for the appointment was made. In the answer filed, the defendants asked that the relief prayed for in the bill be granted.

Respondent was holding court when the attorneys for the plaintiff and defendant went to the judge's chambers and left an order appointing the receiver, with the name of the receiver left blank, and requested respondent's secretary to call respondent's attention to the name of a party they desired appointed receiver. At this time respondent does not recall the name of the party suggested. Respondent having no information with reference to the party the attorneys suggested to be appointed receiver, respondent appointed G. H. Gilbert receiver by filling in the blank space in the order, and signing the order.

The order signed by respondent appointing Gilbert—now, mark this well, Senators—contained the following. I do not want to bore you, but listen to it:

Decreed that the receiver be, and hereby is, directed within 30 days from the date of this decree to cause to be mailed to each and every creditor of the defendant known to such receiver a copy of this order and a notice of a motion to make the receivership herein permanent, such mailing to be in a securely sealed envelope, postage prepaid, and to be addressed to said creditor at the last post-office address known to said receiver, and such service by mail is hereby decreed to be due, timely, sufficient, and complete service of notice of this decree and this suit, and of such notice and all proceedings had or to be had herein, and upon all such creditors, for all purposes.

That is the order appointing temporarily, for a period of 30 days, Gilbert as the receiver.

Now, what took place?

Upon the signing of the order appointing G. H. Gilbert receiver he qualified as such, and thereafter filed petition for authority to employ counsel. Dinkelspiel & Dinkelspiel were appointed attorneys for the receiver. After said receiver and his said attorneys had acted for a period of 30 days, and after they had caused the notices to be mailed to the creditors, as provided for in the order appointing G. H. Gilbert, this one who forced the receivership upon the Fageol Motor Co., as stated by Mr. Manager SUMNERS, never came into court, never opposed the continuance of the receiver, and we will show you that upon a hearing had, no one appeared to protest the continuance and permanency of the receivership of G. H. Gilbert; and this is the one that you are told we forced upon them!

Respondent will show that written admissions of service were given by the attorneys for the parties upon the papers now on file in said matter; that the matter came on in open court on the 17th day of March 1932 and was continued until the 21st day of March 1932. No opposition to making the temporary order permanent was offered by anyone. No objection was made by anyone in any written filing in said court to the appointment of G. H. Gilbert as either temporary or permanent receiver. Respondent did not know and never had any reason to believe said G. H. Gilbert was

incompetent, unfit, and inexperienced for his duties as such receiver, and in fact he was not incompetent. Respondent will show, by witnesses to be produced, that the services rendered by G. H. Gilbert as receiver redounded to the benefit of the estate. Respondent will show that one of the largest creditors, namely, the Central National Bank of Oakland, through its vice president, stated that the work done by Mr. Gilbert as receiver, and Dinkelspiel & Dinkelspiel, was in every way satisfactory, and that the creditors found no trouble in working with the attorneys and receiver for the benefit of the Fageol Motor Co.; that they gave their cooperation in every way for the benefit of the corporation. The vice president of said creditor stated—mark you this, Senators—that if the receiver were one of his own choice, and had been selected by him, he could not have had better cooperation for the estate than was given in the matter by the receiver, Mr. Gilbert, and his attorneys, Dinkelspiel & Dinkelspiel.

I am coming to an end very shortly.

We will introduce evidence that G. H. Gilbert competently and carefully handled the affairs of the Fageol Motor Co. while receiver.

Respondent will show you that he never refused to grant a hearing to the plaintiff and defendant, or any creditor or creditors, or any party or parties in interest in the Fageol Motor Co. matter. Respondent will show that he was never requested to grant a hearing to plaintiff and defendant, or any creditor or creditors, or anyone interested in the proceeding in regard to the appointment of G. H. Gilbert as such receiver. Respondent will further show that he did not suppress the fact that he had appointed G. H. Gilbert as receiver to enable said Gilbert to take the necessary steps to qualify as such receiver. Respondent will show you in this regard that he simply signed the order that was left with him, filled in the name of G. H. Gilbert as receiver, and advised his secretary to notify the interested parties that Mr. Gilbert had been appointed receiver.

Respondent will demonstrate to the Senate that all of his conduct and actions in relation to the appointment of G. H. Gilbert as receiver in the Fageol Motor Co. case were open and aboveboard, and were done by respondent for the purpose and with the thought in mind of having a receiver appointed in the matter in whom he had confidence and trust. Respondent will show by witnesses that the conduct and actions of G. H. Gilbert in the Fageol Motor Co. case, the subject of article III of the articles of impeachment, redounded to the credit and benefit of said estate. When we show you these facts and circumstances the allegations set forth in article III must fall of their own weight.

I now come, Senators, to another article—article IV. There are five articles, and this is article IV.

Article IV of the articles of impeachment charges "misbehavior in office, filled with partiality and favoritism, in improperly, willfully, and unlawfully granting, upon insufficient and improper papers, an application for the appointment of a receiver in the Prudential Holding Co. case for the sole purpose of benefiting respondent's personal friends and associates."

Article IV then sets forth the alleged manner in which these acts were committed.

Respondent will show that on the 15th day of August 1931, upon the application of the Character Finance Co., of Santa Monica, Calif., in the matter of Prudential Holding Co., a Nevada corporation, respondent made an order appointing G. H. Gilbert receiver, and thereafter made an order appointing Dinkelspiel & Dinkelspiel attorneys for receiver. The facts and circumstances surrounding the appointment of Mr. Gilbert as receiver are as follows:

On the 15th day of August 1931 a complaint was filed asking for a receiver. The attorneys for the plaintiff were Gold, Quittner & Kearsley. Mr. Brice Kearsley, Jr., a member of said firm of attorneys, appeared for the plaintiff; and Mr. J. H. Stephens, vice president and director of the defendant, was present and represented the defendant. Mr. Stephens joined in the request of the attorney for the plaintiff for the order appointing a receiver.

A great many allegations of fact were made in the complaint for the purpose of establishing diversity of citizenship, and ownership of property by the defendant within the jurisdiction of the court presided over by the respondent, as the grounds of jurisdiction of said court.

On August 20, 1931, a motion to dismiss said action was filed, the defendant appearing specially for the making of said motion. The grounds upon which the said motion was based were that said bill of complaint was not properly verified, and that plaintiff was a resident of the Southern District of California and the defendant a resident of the State of Nevada. A hearing was had on said motion on the 29th of August 1931. On that date plaintiff was granted permission to file a memorandum of authorities. The motion to dismiss was finally submitted on the 19th day of September 1931, and was granted by respondent on the 2d day of October 1931.

Respondent will show that on the 5th day of September 1931, a petition in bankruptcy was filed against the Prudential Holding Co.; that the matter was assigned to Judge St. Sure's department; that during the absence of Judge St. Sure respondent acted for him; that on the 30th day of September 1931, respondent, acting for Judge St. Sure, appointed G. H. Gilbert receiver in bankruptcy, and thereafter approved the appointment of Dinkelspiel & Dinkelspiel and a number of other attorneys as attorneys for the receiver in bankruptcy.

Respondent will show that he did not willfully, improperly, and/or unlawfully take the jurisdiction of the cause in bankruptcy, but the matter came to him in the regular course of business while he was acting for Judge St. Sure, during the temporary absence of Judge St. Sure. Instead of bringing Judge St. Sure before this court as a witness, respondent, by his attorneys has secured the consent of the managers to introduce in evidence a letter from Judge St. Sure which sets forth the reason why respondent acted for him during his absence. This letter also contains other matters that are relevant to the proceedings, and at the proper time it will be read to the Senate. This letter will conclusively prove that Judge Louderback, the respondent, is not guilty of "willfully, improperly, or unlawfully sitting in a part of the court to which he was not assigned, at the time, took jurisdiction of the case in bankruptcy, and though knowing the facts in the case and the application before him, for the dismissal of the petition and discharge of the equity receiver", as charged in article IV.

Judge Louderback did grant a motion to dismiss the case that was pending before him on the 2d day of October 1931. Respondent will show that the authorities as to the jurisdictional matter are conflicting, but that the judge exercised his judgment and dismissed the action pending before him. During the trial, these matters will be brought to the attention of the Senate. In this connection, respondent will show that the bankruptcy matter pending before Judge St. Sure was ultimately dismissed by Judge St. Sure; that this company afterward went into bankruptcy; that at the time the petition was filed, the Prudential Holding Co. was hopelessly insolvent; and that although it had a large capitalization, it had practically no assets, this million-and-a-half-dollar corporation spoken of by Mr. Sumners. Respondent will show that the application for the appointment of a receiver, and the order appointing receiver was made in good faith upon the representations of the plaintiff and the defendant also. It is true that the first petition for the appointment of a receiver in this matter was verified by Brice Kearsley, Jr., attorney for plaintiff. It further appears in the verification that the attorney was duly authorized by the plaintiff to verify the petition, and respondent maintains that said verification was good in law. It is true that an amended petition was filed, and one of the officers of the plaintiff verified the same. Respondent will show that respondent did not in any manner or form attempt to benefit and enrich the receiver or his said attorneys, that he did give his fair, impartial consideration to the application of the Prudential Holding Co. for a dismissal of the complaint, and that he did dismiss said complaint. We will show that

none of the matters alleged in article IV reflecting upon respondent's conduct are true. In the Prudential Holding case, no fees were allowed either for the receiver or the attorneys for the receiver.

When we have shown you these facts and circumstances, you Senators, as jurors, will see that the allegations of misconduct and wrongdoing contained in article IV are not true and must fall of their own weight.

I now come to the last article, and you will be pleased when I tell you that. This is known as "article V" as amended."

This article deals with three new matters:

SONORA PHONOGRAPH CASE, GOLDEN STATE ASPARAGUS CASE, AND
STEMPEL-COOLEY CASE

Article V, as amended, was filed in the Senate on the 18th day of April 1933. The record will show that the managers agreed that the reference in paragraph 1 of the amended article is only to the matters set out in articles I, II, III, and IV, and that the balance of amended article V sets out new matter. The new matter involves the Sonora Phonograph Co., Golden State Asparagus Co., and the Stempel-Cooley cases, and also an order made by respondent when he was a judge of the Superior Court of the State of California.

In our formal answer to amended article V, we answered with some detail the matters charged in amended article V, and we have also fully set forth affirmatively our position in regard thereto before the Senate.

With reference to the new and additional matters set up in article V, as amended, we expect to prove as follows:

RUSSELL-COLVIN CASE

Respondent did not know and never had heard, prior to the inception of these proceedings, that on March 25, 1931, or at any other time, John Douglas Short had given to his father-in-law, W. L. Hathaway, the sum of \$5,000 or any sum in any amount from the compensation he had received as one of the attorneys for the receiver in the Russell-Colvin case. Respondent did not know at any time prior to the inception of these proceedings that W. L. Hathaway had advanced a loan to W. S. Leake in the sum of \$1,000, or any other sum, or any amount. Respondent will introduce evidence, as heretofore stated, that the thousand dollars given by Hathaway to Leake was a loan, and a promissory note was taken therefor, and that said money loaned to said Leake came from a loan that Hathaway had negotiated with the Mutual Life Insurance Co. of New York upon an insurance policy on his life, and that the check made payable to W. L. Hathaway and wife was cashed and turned over to W. S. Leake as and for a loan. Respondent will show that the payment of the \$5,000 by John Douglas Short to his father-in-law, W. L. Hathaway, had no relation whatever to any loan that Hathaway had made to Leake. We will prove that this \$5,000 was paid by Mr. Short to his father-in-law in part of moneys advanced to Mr. Short by said Hathaway, and that the remainder of the \$5,000 paid by Short to Hathaway was on account of the purchase price of certain real property heretofore conveyed by the said Hathaway to said Short and his wife, the daughter of W. L. Hathaway. We will show that the matters pertaining to this loan from the Hathaways to Leake were unknown to anyone other than the parties thereto until they were disclosed by the special committee of the House of Representatives at the hearing held in San Francisco between the 6th and 12th days of September 1932, and that said loan from Hathaway to Leake never did or could have the effect of bringing the court over which respondent presides into disrepute as alleged in article V, as amended.

Respondent will show that his relations with W. S. Leake at no time placed him under any obligations to, made him dependent upon, or put him under the influence of the said W. S. Leake in any manner and to any degree or at all.

Respondent has answered article III fully in his formal answer, and in his answer to amended article V particularly with respect to what is known as the Fageol Motor case. We have heretofore stated to you what we will prove in this matter with reference to the fact that G. H. Gilbert was not without qualifications to discharge the duties of receivership. We will show you that the appointment of Mr. Gil-

bert as receiver and of Dinkelspiel & Dinkelspiel as his attorneys was not made in "tyrannical and oppressive disregard of the rights and interests of the parties in interest" as alleged in amended article V. We will show that there is no justification for the language used or the insinuations contained in amended article V, wherein reference is made to the Fageol Motor Co. case.

Respondent will introduce evidence in regard to this matter that will clearly establish that his conduct in relation to this case was unimpeachable, and that no criticism can justly be made, or could have been made, in relation to the appointment of G. H. Gilbert as receiver and Dinkelspiel & Dinkelspiel as his attorneys.

SONORA PHONOGRAPH CASE

This case is treated for the first time in amended article V. The Sonora Phonograph case originated in New York, and the proceedings before Judge Louderback involved an ancillary receivership. Judge Louderback appointed G. H. Gilbert as a receiver in bankruptcy. A petition was filed on December 19, 1929, and on December 20, 1929, Judge Louderback appointed G. H. Gilbert and the Irving Trust Co. as coancillary receivers. It will be shown that subsequently the Irving Trust Co. on motion was released as coreceiver. The firm of Dinkelspiel & Dinkelspiel was appointed attorneys for the receiver after a petition filed. The fees for the Receiver Gilbert were statutory and were allowed in the bankruptcy proceedings.

Our formal answer to the allegations referring to the Sonora Phonograph Co. case denies specifically the alleged wrongdoing in this case as expressed in amended article V. We will show to the Senate, in line with the allegations of our answer, that that which is set forth in said amended article V about G. H. Gilbert being a personal and political friend of Harold Louderback is not true.

The evidence will show that respondent had been acquainted with Mr. Gilbert for a number of years and had confidence and trust in his integrity and ability. We will show that G. H. Gilbert had qualifications to discharge the duties of receivership, and that he was a man of good executive ability and had for years many people under him in the position occupied by him with the Western Union Co. We will show you that his services with the Western Union Co. were valuable services, that he was with this company consecutively for a period of 34 years, that he raised himself in said company by his diligence and intelligence from a clerk to traffic manager, and that he left this position with the company some time ago voluntarily. We will show you that the Sonora Phonograph Co. ran as a going business for a period of time under the direction of Mr. G. H. Gilbert, the receiver, and that he successfully handled said business, and collected large amounts of money in said receivership. When we have explained to you, as we will, all the facts and circumstances in relation to this Sonora Phonograph Co., we say to you Senators, judges and jurors, that the allegations in relation to this case will fall of their own weight. So far as the fees to Dinkelspiel & Dinkelspiel are concerned—the \$20,000 allowed—we will show were not unreasonable and the parties interested were willing to and did consent to an allowance of \$17,500.

GOLDEN STATE ASPARAGUS CASE

This case is alleged, for the first time, in amended article V. The American Can Co., through its attorneys, caused an action for the appointment of a receiver in equity against the Golden State Asparagus Co., to be filed on September 5, 1930. At the request of the attorneys for the plaintiff and defendant, Mr. George M. Edwards was appointed equity receiver. After Mr. Edwards qualified, he had a talk with Judge Louderback, the respondent herein, and after said talk filed a petition for the appointment of Dinkelspiel & Dinkelspiel as his attorneys. We will show you that the work accomplished by Mr. Edwards, the receiver, and Dinkelspiel & Dinkelspiel was commended by the parties to the action.

Respondent will show that he suggested to George M. Edwards the appointment of Dinkelspiel & Dinkelspiel in said receivership matter, that the suggestion was acceptable

to said George M. Edwards, the receiver. We will show that respondent stated to Mr. Edwards that if the attorneys respondent suggested were not satisfactory to him respondent would suggest others. We will show that the attorneys suggested by respondent were agreeable to Mr. Edwards, that he petitioned to have them appointed, and that his selection of attorneys was confirmed by order of court. We will show that the legal work in connection with the receivership required the time and attention of the attorneys selected by the receiver, that it materially aided the proper administration of said receivership, and that there was allowed by respondent to said attorneys the sum of \$14,000 on account.

Respondent will show that he has not denied \$1,500 each to the attorneys for the plaintiff and defendants, but that that matter is still pending and undetermined. Respondent states and will show that there was very substantial legal services rendered in the matter. We will show to the Senate that the sum of \$14,000 allowed on account for the services rendered to the receiver was a reasonable and proper amount to be allowed, at the time it was allowed, on account of services heretofore rendered by said attorneys in the matter of said estate, that respondent allowed George M. Edwards, the receiver, the sum of \$14,000 and the same amount to his attorneys. All parties had agreed upon \$14,000 to Receiver Edwards.

We will show that his conduct in the action in ratifying the appointment of the attorneys in the said matter did not add to or cause any "disrespect, apprehension, and public contempt of said respondent to the public in the northern district of California", or anywhere else. That the fees of the attorneys for the receiver were fixed after a hearing had in open court with reference to the amount that should be allowed. And upon a full hearing of said matter, respondent fixed the fee in said case, which due to the value of the services rendered, were and are reasonable for the work performed by said attorneys. Nothing occurred in the Golden State Asparagus case which called for any censure of respondent. Nothing occurred which would tend to show that the discretion exercised and the judgment arrived at by respondent were not sound. We will show that none of the acts and conduct of respondent in this case, by any stretch of the imagination, could be construed as high crimes or misdemeanors spoken of in the Constitution of the United States. We expect to show these matters, and when we do, we state that the allegations in relation to this matter, as expressed in article V, as amended, will fall of their own weight.

STEMPEL-COOLEY CASE

In article V, as amended, references were made to what is known as "the Stempel-Cooley case." This was a bankruptcy matter. The firm of Stempel-Cooley were the owners of some 5 apartment houses and 1 incomplete building at the time the bankruptcy petition was filed. Mr. G. H. Gilbert was appointed receiver, and on a petition filed, Keyes & Erskine were appointed the attorneys. Respondent will show that said receiver was allowed the sum of \$500 for his services and that said sum was and is a fair and reasonable sum for the services so rendered by the receiver in said matter, and that no appeal was ever taken from the amount of said sum of \$500 to said Keyes & Erskine. That respondent did not fix the fee of said receiver in said matter. That the same was fixed and allowed by the referee in bankruptcy.

Respondent will show you that there were no acts or conduct on his behalf that could call for any censure, or any lack of discretion on his part. His conduct in this case was free from any alleged commission of "high crimes or misdemeanors" as this term is used in the Constitution of the United States. When this case is explained to the Senate, we feel sure that the allegations of his conduct in relation thereto as expressed in article V, as amended, of the impeachment articles will fall of their own weight.

APPOINTMENT OF G. H. GILBERT AS AN APPRAISER WHILE RESPONDENT WAS JUDGE OF THE SUPERIOR COURT OF THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA

We respectfully urge that we should not be called upon to explain anything in relation to this case because it was heard

prior to the time Judge Louderback, the respondent herein, was a Federal judge.

However, respondent states that he will show that, although he did appoint G. H. Gilbert as appraiser while he was a State judge, he had no knowledge as to what work was performed by said G. H. Gilbert. And he states that whatever fees he may have allowed while a State judge in this case were reasonable fees that should have been allowed appraisers in such a matter. That if respondent is called upon to explain said matter, he will satisfy the Senate that whatever acts were done by him, and whatever appointments were made by him, were made in good faith. That three appraisers were appointed in an estate. G. H. Gilbert was 1 of the 3. Respondent had no means of knowing the amount of services rendered by each. The fees charged were reasonable and paid by the executor. The respondent only had knowledge of these when the account in the estate was approved.

We have outlined to the Senators, sitting as judges and jurors, what we expect to prove on behalf of the respondent herein. We know that we can establish and will establish the absolute innocence of wrongdoing of any kind or character on behalf of Judge Harold Louderback, the respondent herein. And we confidently expect when the testimony is in, and the case is closed that the Senate will render a verdict acquitting Judge Harold Louderback, respondent herein, of each and every, all and singular, the alleged charges made against him. We confidently expect this. On behalf of Judge Louderback, we thank you for your attention, your kindness, and your patience.

Mr. ASHURST. Mr. President, although under the rules all orders must be submitted in writing, I ask the court to indulge me for a moment on a matter relating purely to the time when the Senate shall sit as a court. Before presenting an order, I want to sound out the sentiment and see what members of the court may have to say or think about the time for convening. If I may have the attention of the Senator from Oregon [Mr. McNARY] I suggest that the Senate sitting as a Court of Impeachment convene hereafter at 10 o'clock in the forenoon; but before offering an order to that effect I should like to have some expression from members of the court.

Mr. McNARY. Mr. President, I thank the Senator for his courtesy, which is habitual. I had intended to call a conference of the Republican minority for tomorrow to consider this very suggestion, as well as some pending legislation. I would rather not at this time consent to an order being made for a meeting at 10 o'clock until after a conference is had tomorrow. I want to cooperate with the Senator, as he knows. We are anxious to get through. There is a question in my mind, however, whether we should convene at 10 o'clock and continue the trial until 1 o'clock, and then proceed with the consideration of legislative business. That would be one way to handle the matter. Another way would be to meet at 10 or 11 o'clock in the morning and go through the day, completing the trial at the earliest possible date, without the intervention of legislative business. I am not sure which is the wiser course. I would prefer that when we conclude today we adjourn until 11 or 12 o'clock tomorrow, at which time I shall be glad to discuss the subject further with the Senator.

Mr. ASHURST. Mr. President, then I move that when the court concludes its business today it stand in recess until 11 o'clock tomorrow forenoon.

The PRESIDING OFFICER. The question is on the motion of the Senator from Arizona.

The motion was agreed to.

Mr. ASHURST. Now, Mr. President, the witnesses are on hand, we have 2 more hours of the day, and I send the following order to the desk and ask for its consideration.

The PRESIDING OFFICER. The Senator from Arizona proposes an order, which the clerk will read.

The legislative clerk read as follows:

Ordered, That the witnesses shall stand while giving their testimony.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the order will be entered.

The managers on the part of the House may call the first witness.

Mr. Manager SUMNERS. Mr. President, I inquire of the Chair whether we shall call the first witness and have him sworn, or call all the witnesses available and have them all sworn at once?

The PRESIDING OFFICER. The Chair thinks that the business of the court would be expedited by swearing each witness as he enters the Chamber. The oath can be administered quickly.

Mr. Manager SUMNERS. May we inquire where the witness will stand?

The PRESIDING OFFICER. The Chair suggests that the witness stand in the center, at the desk, near the reporter, and equidistant from counsel.

Mr. Manager SUMNERS. I should like to propound another inquiry, if it is not asking too much. Would the Chair prefer that counsel sit or stand while examining the witness?

The PRESIDING OFFICER. It is the judgment of the present occupant of the Chair that counsel may sit or stand, according to their convenience.

EXAMINATION OF FRANCIS C. BROWN

Mr. Manager BROWNING. Call Mr. Francis C. Brown. FRANCIS C. BROWN, having been duly sworn, was examined and testified as follows:

By Mr. Manager BROWNING:

Q. What is your name?—A. Francis C. Brown.

Q. Where do you live, Mr. Brown?—A. I reside in San Francisco, Calif.

Q. What is your occupation?—A. I am an attorney.

Q. For how long have you been an attorney?

Mr. HEBERT. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. HEBERT. Would it be in order to call a quorum at this time? A number of Senators are absent from the Chamber, and it seems to me that it would be in order to call a quorum at this time, since the first witness is just starting to give his testimony.

The PRESIDING OFFICER. It would be in order.

Mr. HEBERT. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Coolidge	Hebert	Robinson, Ark.
Ashurst	Copeland	Kendrick	Robinson, Ind.
Austin	Costigan	Keyes	Russell
Bachman	Couzens	King	Schall
Bailey	Cutting	La Follette	Sheppard
Bankhead	Dickinson	Lewis	Shipstead
Barbour	Dill	Logan	Smith
Barkley	Duffy	Long	Steiwer
Black	Erickson	McAdoo	Stephens
Bone	Fess	McCarran	Thomas, Okla.
Bratton	Fletcher	McKellar	Thomas, Utah
Brown	Frazier	McNary	Townsend
Bulkeley	George	Metcalf	Trammell
Bulow	Glass	Murphy	Tydings
Byrd	Goldsborough	Neely	Vandenberg
Byrnes	Gore	Norris	Van Nuys
Capper	Hale	Nye	Wagner
Caraway	Harrison	Patterson	Walsh
Carey	Hastings	Pope	Wheeler
Clark	Hatfield	Reed	White
Connally	Hayden	Reynolds	

The PRESIDING OFFICER. Eighty-three Senators having answered to their names, a quorum is present. The managers on the part of the House will proceed.

By Mr. Manager BROWNING:

Q. How long have you practiced law in San Francisco?—A. Since 1924.

Q. With whom were you associated in March 1930 in the practice of the law?—A. With De Lancey C. Smith.

Q. As such were you counsel for the Russell-Colvin Co. at that time?—A. We were.

Q. What is the Russell-Colvin Co.?—A. The Russell-Colvin Co. was a copartnership which was then engaged in the business of stock brokerage—a general stock-brokerage business.

Q. What was their financial condition at that time?—A. Their financial condition became very unliquid in March 1930.

Q. What steps were determined on by counsel to try to get them out of their difficulties?—A. Early in March or late in February 1930, an effort was made to liquidate some of the company's frozen assets, consisting of real estate and stocks and bonds and other securities which they had underwritten. These efforts were partially successful and partially unsuccessful. The San Francisco Stock Exchange notified the company that unless they raised a certain amount of money, \$200,000, by Monday, March 9 or 10, 1930, a suspension would take place. The company was suspended from the stock exchange on March 9, 1930. We then directed our attention to placing the company in receivership in the Federal court.

Q. What steps did you take?—A. We conferred with the firm of Thelen & Marrin, composed of Max Thelen and Paul S. Marrin, who are likewise attorneys, who represented a plaintiff known as Gardner M. Olmstead in an equity receivership proceeding. The proceeding was initiated in the northern district of California by Messrs. Thelen and Marrin by filing a petition, to which we filed an answer admitting the allegation, and then proceeded before Judge Louderback, to whom one of these matters was assigned for the appointment of a receiver.

Q. When was the first time you went to the district court clerk's office in connection with this matter?—A. It was on Monday, March 10, 1930. I think that was the date.

Q. What was done about it on that date?—A. On that date we took out a petition and a verified answer and tendered it for filing. We were informed by the clerk that a number had been drawn which was assigned to the department of Judge A. F. St. Sure. We were further informed that Judge A. F. St. Sure was sitting in Sacramento, Calif., which is north of San Francisco, and that he would not preside at the appointment of a receiver unless we went to Sacramento. We were then informed that no other judge of the three judges sitting there would preside on the matter in the absence of Judge St. Sure, and Mr. Marrin, of the firm of Thelen & Marrin, then decided not to file the petition. It was the next day that the petition was finally filed.

Q. The next day did you take one or two petitions to the district court clerk's office?—A. I personally did not take any, but Mr. Marrin, representing the plaintiff, did.

Q. Were you with him?—A. I was with him; yes.

Q. Were both of those petitions filed?—A. My recollection is that both the petitions were filed approximately at the same time, or one shortly after the other.

Q. And the names of the judges were drawn to consider these petitions?—A. The first petition was again assigned to Judge A. F. St. Sure, who was still absent in Sacramento. The next petition was assigned to Judge Louderback.

Q. Will you explain why the two petitions were filed on that second day, on March 11?—A. The two petitions were filed, according to my understanding, primarily because of the absence of Judge St. Sure in Sacramento, and, secondarily, because it was considered advisable to have two petitions.

Q. After the petitions were filed, and you drew the names of Judge St. Sure and Judge Louderback, what further was done?—A. Mr. Marrin and Mr. Thelen and Mr. Addison G. Strong, who is the one we were proposing for receiver, Mr. Lloyd Dinkelspiel, representing the firm of Heller, Ehrmann, White & McAuliffe, attorneys for the San Francisco Stock Exchange, went into Judge Louderback's secretary's office and made an appointment to see the judge. He was holding a short session of court in the forenoon. The appointment resulted in our seeing the judge about 11 or 11:30 o'clock—some time in the forenoon shortly before 12 o'clock on that day, which was Tuesday.

Q. Who was Mr. Strong?—A. Mr. Addison G. Strong was a member of an accounting firm of San Francisco, certified public accountants, known as Hood & Strong. They were the auditors for the San Francisco Stock Exchange, and they were likewise the accountants who had had charge of audit-

ing the books of the Russell-Colvin Co., the stock-brokerage firm. Furthermore, Mr. Strong had been for some months prior to March 1930 in immediate supervision of the affairs of the Russell-Colvin Co., which, as I have stated, were in a somewhat muddled condition.

Q. Who sent him to supervise this concern?—A. He was sent by the stock exchange, and with the consent of the copartners constituting the partnership.

Q. What right did he have there? Why was he sent there? What right did the stock exchange have to send him?

Mr. LINFORTH. One minute. I object to that question as calling for the opinion or conclusion of the witness, Mr. President.

Mr. ASHURST. Mr. President, I did not hear the counsel.

The PRESIDING OFFICER. Will counsel please repeat his suggestion?

Mr. LINFORTH. That question is objected to as calling for the opinion and conclusion of the witness and not binding at all upon the respondent.

Mr. ASHURST. That is to be decided by the Presiding Officer without debate.

The PRESIDING OFFICER. The present occupant of the chair is of the opinion that at this time the witness has not shown himself to be qualified to answer that question.

By Mr. Manager BROWNING:

Q. Who were Thelen & Marrin?—A. Thelen & Marrin were a firm of attorneys in San Francisco consisting of Max Thelen and Paul S. Marrin.

Q. As attorneys for the Russell-Colvin Co., did you know their relationship to the San Francisco Stock Exchange?—A. I do not understand your question—the relationship of whom to the San Francisco Stock Exchange?

Q. The Russell Colvin Co.—A. Oh, yes; they were members of the San Francisco Stock Exchange and owned a seat on the exchange. They had, periodically, I think semiannually, or possibly quarterly, to submit to the stock exchange a balance sheet and a financial statement which the auditors for the stock exchange reviewed, and on the basis of the showing in the balance sheet and the financial statement they were either permitted to continue to do business or were notified to improve their condition or were suspended, depending upon what conditions were shown by the balance sheet.

Q. Was it in pursuance of their policy to try to find out the condition that Mr. Strong was in the firm that you represented as an auditor or as a supervisor?

Mr. LINFORTH. Just a minute. We object to that question as calling for the opinion or conclusion of the witness, and on a matter which is not binding upon the respondent.

The PRESIDING OFFICER. The Chair overrules the objection.

The WITNESS. Will you repeat the question, please?

The PRESIDING OFFICER. The question will be read to the witness.

The question was read by the Official Reporter, as follows:

Was it in pursuance of their policy to try to find out the condition that Mr. Strong was in the firm that you represented as an auditor or as a supervisor?

A. Yes. If I may explain my answer, some time in October—I believe it was in 1929—

Mr. LONG. Mr. President, I cannot hear the witness.

The PRESIDING OFFICER. The witness will please speak louder.

A. Some time in the fall of 1929 one of these financial statements had been submitted to the stock exchange which showed that the company was in a very weak condition from the standpoint of liquidity. From that date on, as I recall it, the stock exchange insisted that all further business transacted by the firm be reviewed by their representative, so that whatever action the firm desired to take might be vetoed, if necessary, by a representative of the exchange, and Mr. Strong was the designated man acting in that capacity.

Q. Who consented to Mr. Strong or recommended him to the court as a proper person for receiver in this case?—

A. Mr. Marrin and I conferred concerning the man whom we would recommend to the court and agreed, in conjunction with the attorneys for the stock exchange, the attorneys for several of the larger creditors, or several large creditors, I should say, to recommend Mr. Strong, and we were the ones who did recommend Mr. Strong to the court.

Q. Please state what occurred when you and the other parties whom you mentioned a few moments ago went into the chambers of Judge Louderback to confer with him about the appointment of Mr. Strong as receiver.—A. When we arrived in the chambers of Judge Louderback he was there, and Mr. Marrin, representing the plaintiff, summarized to the judge the contents of the petition, stating the financial condition of the company, the fact that they had been suspended on the preceding day from doing any further business on the San Francisco Stock Exchange, and the further fact that attachments had been threatened and other legal proceedings were imminent. He further outlined the nature of the company's business and the need for the appointment of a receiver, either to tide it over the period during which it was lacking money or to liquidate; and he outlined Mr. Strong's qualifications at some length, pointing out that he had been acting in the supervisory capacity which I have mentioned over the firm's affairs. I then supplemented this statement by Mr. Marrin by further stating my opinion as to the qualifications of Mr. Strong.

Q. Did you state to the judge at that time what parties had agreed to Mr. Strong or were asking his appointment?—A. I believe I made the statement directly. In any event, during the course of the interview with the judge he inquired as to what the attitude of certain other creditors or other creditors were, and we pointed out that the receivership proceedings met with the approval of a number of other creditors.

Q. Were they the ones he had asked about that you assured him had agreed to it?—A. I do not recall that any names were mentioned. We did mention the name of another law firm who represented two very large creditors, stating they were agreeable to the selection and were also agreeable to the proceeding, as I remember.

Q. You mean the selection of Mr. Strong?—A. Yes.

Q. Then state what occurred next.—A. The judge interrogated Mr. Marrin and me as to whether or not a bankruptcy was apt to overthrow or supersede the equity-receivership proceeding. I believe we both made comment upon that, the substance of the comment being that the firm had an adequate defense by showing that it was solvent in fact even though it was in an unliquid condition. He then said that it would be necessary to dismiss the first petition which had been assigned to the department of Judge St. Sure before he would act upon the petition which had been assigned to him. He said he would exact a bond of the receiver of \$50,000 and would also exact of the plaintiff a bond of \$50,000 conditioned to indemnify every other creditor than the party to the proceeding who might be injured by the appointment of a receiver in the event it subsequently appeared that the appointment of a receiver was improvident.

Q. What kind of a bond is that, Mr. Brown?—A. I never heard of a bond of that kind before. I was informed by the clerk, Mr. Naling, that he had never heard of one, and we had great difficulty in getting it written.

Q. Did you actually give the \$50,000 indemnity bond by the petitioner?—A. If I may interrupt, it just occurs to me that something else took place when we were in the judge's chambers that I did not refer to. The judge asked Mr. Strong whether any of the attorneys present were his attorney. He mentioned them by name. Mr. Strong said they were not his attorney. He then asked Mr. Strong who his attorneys were and Mr. Strong said he had no regular counsel.

Then we retired from the judge's chambers, and had taken out to the clerk's office a representative of the Hartford Accident & Indemnity Co., to write the receiver's bond. We questioned him concerning the bond which the judge said he would exact of the plaintiff and he informed us

that the company would not write a bond in the sum of \$50,000 unless it had complete collateral, which the plaintiff was not in position to offer.

We then went back into the judge's chambers, as I remember it, also in the forenoon, and told him that the bonding company would not write a \$50,000 bond and suggested that a bond in that amount was excessive and asked him to reduce it. He then agreed to reduce it to \$10,000. I believe this second interview which I have mentioned took place shortly after the 1st on the forenoon of Tuesday.

Q. Then after that what steps did you take?—A. I went back to my office and Mr. Thelen and Mr. Marrin went back to their office, and we arranged for the dismissal of Mr. Marrin arranged for the dismissal of the petition which had been assigned to Judge St. Sure, and we both collaborated on securing a bond of \$10,000 for the plaintiff and later in the afternoon went out again to the judge's chambers—as I remember it, it was rather late, around 4 or 4:30—having with us the dismissal which Mr. Marrin filed and the necessary papers, the receiver's bond and so on, and the order for the appointment of a receiver in the proceeding which had been assigned to Judge Louderback.

Q. Did you see the judge at that time?—A. We did.

Q. Who was present when you saw him on that occasion?—A. Mr. Thelen, Mr. Martin, Mr. Strong, and, I believe, Mr. Dinkelspiel was present, but I am not sure—yes, Mr. Dinkelspiel was present—and I.

Q. Which Dinkelspiel?—A. Mr. Lloyd Dinkelspiel.

Q. With what firm is he connected?—A. He is connected with the firm of Heller, Ehrmann, White & McAuliffe.

Q. When you went out this time, as I understand it, you had completed the bond?—A. We had not completed the plaintiff's bond because the condition which the bond should contain was not clear in our minds. The judge had not made it clear or had merely made a general statement that he wanted a bond of \$10,000 of the plaintiff in case the receivership proceeding was improvident, so we again took out a representative of the Hartford Co., together with a completed receiver's bond and a partially completed plaintiff's bond. I believe at that time the answer of the company admitting the allegations of the complaint was filed, after the judge dictated an addition to be contained in that.

Q. What occurred in this conference with the judge?—A. In this conference the judge looked over the order appointing the receiver and filled in the amount of the bond. He also, as I remember it, dictated the exact wording which he would require in the plaintiff's bond and dictated to me an addition which was to be inserted in the answer and which I specifically, on behalf of the defendant company, consented to the appointment of Mr. Strong as receiver.

The order was signed appointing Mr. Strong receiver. The plaintiff's bond was completed and was given to the judge, who approved it and approved the receiver's bond. The judge told Mr. Strong that after he had qualified or after the qualification matters were attended to that he wanted to see him. After leaving the judge's chambers we went into the clerk's office where Mr. Strong signed the receiver's oath and took the oath, and then bonds and orders were filed and the receiver qualified. Then we left.

Q. What time of day was that?—A. I could not give you the exact time. It was quite late. It was probably between 5 and 6, or around 5:30, I would say, because the clerk had held the office open for several hours to accommodate us on account of the fact that it was so urgent to have the receiver appointed.

Q. At the time you left the judge's chambers and he told Mr. Strong to come back after qualification was over, state whether or not he told him to come back that day.—A. He did not, to my recollection.

Q. Do you recall what occurred there?—A. I recall what occurred perfectly; yes.

Q. At the time Mr. Strong had qualified and you left the clerk's office, to your knowledge had anything up to that time been said with regard to who would be his attorney or his counsel in this case?—A. By whom?

Q. By anyone to your knowledge.—A. No; there was no discussion of any kind at that time.

Q. Had you been in all the negotiations up to that time so far as you know?—A. I had been present on both of the two occasions on which the parties I have mentioned interviewed the judge, and no mention was made at that time other than I have stated.

Q. The first information you had about his seeking counsel or his consideration of who would be counsel occurred at what time?—A. Mr. Strong and Mr. Marrin and Mr. Thelen and I rode down on the street car from the courthouse or the Federal Building to Montgomery Street, which is some 6 or 7 blocks below. On the way down Mr. Strong and I, and, I believe, Mr. Thelen, were sitting on one of the side seats and also participated in the discussion. Mr. Strong asked me what I thought of Mr. McAuliffe.—Mr. F. M. McAuliffe—

Mr. LINFORTH. Mr. President, we submit the witness is not answering the question, but the statement he is making is purely hearsay and not binding on the respondent. We object to it for those reasons.

The PRESIDING OFFICER. The objection is overruled.

A. (Continuing.) Mr. Strong asked my opinion of Mr. F. M. McAuliffe, of the firm of Heller, Ehrmann, White & McAuliffe, as possibly counsel or attorney for the receiver. I told him I thought Mr. McAuliffe was preeminently qualified in every respect. He also asked me my opinion of another attorney in San Francisco, Lloyd Ackerman, and I told him I considered Mr. Ackerman was well qualified also. I may state that both of those attorneys are attorneys for either the stock exchange in the case of Heller, Ehrmann, White & McAuliffe, or, as to Ackerman, attorney for the eastern members of the San Francisco Stock Exchange—I should say members of the San Francisco Stock Exchange who are also members of the New York Stock Exchange.

By Mr. Manager BROWNING:

Q. As such, do they specialize in that kind of work?—A. I considered that they were both well qualified in handling the duties of the attorneys for the receiver of this concern.

Q. What was the next that you heard of the relationship between Mr. Strong and the judge after that time?—A. The following day I received a telephone call from Mr. Strong which came to my office in my absence. I called back on the telephone in response to that and made an appointment with Mr. Strong to go to his office and see him. He then informed me of—

Mr. LINFORTH. We submit, Mr. President, that the testimony about to be given by the witness is hearsay, self-serving, not taking place in the presence of the respondent, and not binding upon him.

The PRESIDING OFFICER. The present occupant of the chair thinks the objection is well taken.

Mr. Manager BROWNING. Mr. President, if you will pardon me, I do not see how we can prove a conspiracy unless we are permitted to prove the attitude and the effect that this had on the parties directly concerned in this matter.

The PRESIDING OFFICER. The Chair does not intend to proscribe counsel unduly, but he thinks the ruling just made is correct.

By Mr. Manager BROWNING:

Q. Then, in response to this telephone call, you went to see Mr. Strong?—A. And I conferred with him; yes.

Q. Did you ascertain from him then what had occurred between him and the court that morning?—A. Well, he outlined to me at great length—

Mr. HANLEY. Just a moment. We object to what Strong said to this witness as not binding on Judge Louderback, the respondent herein. It calls for hearsay testimony which he had no opportunity to contradict or to make any statement about.

The PRESIDING OFFICER. Does the manager desire to have this witness testify what Mr. Strong told him had been said between Mr. Strong and the judge that morning?

Mr. Manager BROWNING. No. The question was only as to whether he had obtained from Mr. Strong at that time

Mr. Strong's version of what had occurred between him and the judge, but not as to what it was.

Mr. LINFORTH. Mr. President, the witness had started to give the conversation which he was about to relate.

The PRESIDING OFFICER. The Chair will sustain the objection.

By Mr. Manager BROWNING:

Q. After you visited Mr. Strong, what was the next thing you learned about the matter?—A. I had, as I recall it, one other conference with Mr. Strong after this; and on March 13, 1930, I received a telephone call from the secretary to Judge Louderback, asking me to come to his chambers; that is, the next contact that I had with the judge or his secretary was a telephone call which came in on Thursday, I believe it was.

Q. In response to that, did you go to the judge's chambers?—A. I did.

Q. Whom did you find there?—A. I went there in the company of Mr. Marrin and Mr. Thelen, and when we arrived there we were taken into the judge's chambers, and we there saw the judge.

Q. What transpired in that conference?—A. The judge stated that it had not been his custom to appoint receivers with whom he was not personally acquainted; that he had deviated in the instance of Mr. Strong because he had been so strongly urged and highly recommended by us for the appointment. He stated further that he did not understand Mr. Strong; that he had told him the first day to come back and see him, and he waited in his chambers until 6:30, I believe he said, and that Mr. Strong did not come back; that he came back the following day and had seen him the following morning, which would be Wednesday morning, and he had then and there conferred with the judge, and everything had been very pleasant between them in their conversation until it came down to the selection of a lawyer or attorney for the receiver, and that Mr. Strong would not take counsel or accept the judge's suggestion as to who should be the attorney for the receiver. He said furthermore that he had violated the judge's instructions in that on the previous day, or the day before, I forget which, the judge had definitely instructed Mr. Strong not to go near Mr. McAuliffe, and that Mr. Strong had violated his instructions and had signed a petition for the appointment of Mr. McAuliffe's firm as attorneys for the receiver, and that he had further violated the judge's instructions by taking possession of the assets or securities which this stock brokerage firm had in its box, contrary to the judge's instructions, which were to the effect that he should do nothing until his attorney had been finally approved by the court. Then I replied to the judge, and I think Mr. Marrin likewise talked to him.

Q. What was the purport of the conversation you had with him?—A. Well, the general purport of it was that I considered—if I may go back just a moment, the judge also said that he felt that Mr. Strong was not as well qualified as we had said he was, on account of the fact that he had broken faith with the judge.

I pointed out that we had known Mr. Strong for many years, and that his firm enjoyed an enviable reputation in San Francisco; that he was attorney for the Stock Exchange, and that I felt that any misunderstanding between them was entirely a misunderstanding, and was not due to any lack of good faith on Mr. Strong's part. I also said that, in my opinion, it was probably due to a misunderstanding as to what was said in case Mr. Strong had not abided by the judge's instructions; and I believe—yes; the judge also said that he had made up his mind to remove Mr. Strong as receiver unless he would sign a written resignation which the judge had prepared. He said, "I have in my desk a signed order, or an order which I will sign, and which I intend to serve on Mr. Strong unless he resigns." He said, "I suggested that he select as his counsel some of the leading firms in the city"; and he named the firm of Pillsbury, Madison & Sutro, who were a well-known law firm there, and the firm of Sullivan, Sullivan & Roche, or Cush-

ing & Cushing; and he said that Mr. Strong would not accept any of these firms as attorneys, but insisted upon Mr. McAuliffe.

Q. Did he state at that time that he had also named John Douglas Short, or Keyes & Erskine, or Erskine & Erskine?—A. He never mentioned the name of Mr. Short, or Mr. Erskine, or either of the Messrs. Erskine. Mr. Keyes is dead.

Q. Then what occurred next in the conversation?—A. There was quite a lengthy conversation.

I stated my position very strongly—that I considered that the removal of Mr. Strong was unjustified, and attempted to dissuade the judge from following through the program. He said that he had summoned Mr. Strong to his office, and that he would be there shortly, as I remember, and that unless Mr. Strong resigned he intended to remove him. In other words, he was adamant in his position.

He said that he had in mind to name as the successor of Mr. Strong a man by the name of Hunter—H. B. Hunter—who, he stated, had been recommended to him by Mr. Sidney Schwartz, the former vice president or president of the San Francisco Stock Exchange; I do not know which. He said that Mr. Hunter had served on a jury in his court, and that he had also acted as receiver in the case of the Security Bond & Finance Co., of Berkeley, Calif.; that he considered that Mr. Hunter was well qualified, and that he would give us until 4 o'clock that afternoon to make inquiry concerning Mr. Hunter's qualifications; that if, during that period of time—in other words, between 12 o'clock and 4 o'clock—we notified him of any legitimate reason why Mr. Hunter should not be appointed, he would consider the objection, but that he was not giving us the opportunity of saying "yes" or "no." He also stated to us that if any of us talked to Mr. Hunter, or communicated with him in any way, he would not appoint him.

Q. Was that the end of the conference? Did he say anything to you at that time about who would represent Mr. Hunter as attorney?—A. Well, he said this: He said that he was determined, in view of the fact that a dispute had arisen between him and Mr. Strong, to appoint someone who was so highly qualified that there could be no question concerning his appointment; and at some time during the course of that conference he said that he had been approached by a man who was high up in the local Masonic circles as a candidate for appointment as receiver in that case, but that he declined to consider his name on account of the fact that he had as his attorneys Shortridge & McInerney; Shortridge & McInerney being a firm of lawyers consisting of Samuel Shortridge, Jr., and, I believe, Joseph McInerney.

I think that is the general substance of that conference.

Q. As you left the judge's chambers, was Mr. Strong there?—A. Mr. Strong was in the judge's anteroom as we went out, and he was ushered in as we left.

Q. How long did you stay after that?—A. As I remember it, we waited outside of the judge's anteroom—in other words, in the corridor—until Mr. Strong came out, and then rode down on the street car with him.

Q. What did you learn at that time had been the judge's action?—A. I believe Mr. Strong showed us a copy of an order removing him. In any event, he informed us that he had been removed.

Q. After Hunter entered upon his duties, or was qualified as receiver, whom did he employ as his attorney?—A. I believe he nominated John Douglas Short as his attorney, and the latter subsequently associated with him the firm with which he was associated, namely, Keyes & Erskine, consisting of Herbert Erskine and Morse Erskine.

Q. Do you know whether he was a partner in that firm?—A. It is my understanding that he was not a partner.

Q. What contract, if any, did you have with the conduct of the receivership under Mr. Hunter?—A. After Mr. Hunter had been appointed, and Mr. Morse Erskine and Mr. Short had assumed the duties of attorneys for the receiver, a conference was called, at which Mr. Marrin and I and the

receiver and his attorneys were present. We were then informed that the judge had desired us to supervise or approve, rather, every step that was taken in the receivership; and thereafter periodically during the course of the receivership a great number of petitions were filed for instructions concerning virtually every liquidation, and they were submitted to us, and we perused them, and either approved them or did not approve them, accordingly as they seemed to be satisfactory or objectionable.

Q. What, if any, appreciable amount of work connected with the receivership did you and your firm do?—A. A very substantial amount of work.

Q. What was the nature of it?—A. Well, we had been so intimately connected with the firm's affairs before it went into receivership that there were a great number of matters which were pending, of which we had knowledge—I do not say a great number, but a number of matters of which we had knowledge, and we consulted with the attorneys for the receiver and endeavored to acquaint them with the facts as we knew them; and we were also attorneys for a corporation known as the Consolidated Paper Box Co., the securities of which had been underwritten by Russell-Colvin & Co. There were a great number of transactions concerning the liquidation of Russell-Colvin & Co.'s holdings of the Consolidated Box Securities which were handled almost entirely by us in the negotiating stages and turned over to the receiver and his attorneys, and there were a great number of other matters where we were consulted, and a great many conferences.

Q. Do you recall the time when the fees in this case were allowed to Mr. Short and to Mr. Hunter?—A. Yes, sir.

Q. Before that allowance did you have any conferences with them with regard to it?—A. We had a conference with Morse Erskine, one of the receiver's attorneys, and with the receiver, at which Mr. DeLancey Smith and Mr. Marrin and I were all present.

Q. Whom did they all represent in this conference?—A. Mr. Smith and I represented the defunct firm and Mr. Marrin represented the plaintiff. I may add that the receiver also informed Mr. Marrin in my presence that the judge desired to have him or his firm exercise the same degree of supervision that we exercised over the conduct of the receivership.

Q. In this conference over fees, what amounts did they suggest to you as their fees in the case?—A. We had been requested to attend the conference for two reasons. One was—

Mr. LINFORTH. One moment. We submit that that is not at all responsive to the question. I will ask the reporter to read the question.

The Official Reporter read as follows:

Q. In this conference over fees, what amounts did they suggest to you as their fees in the case?—A. We had been requested to attend the conference for two reasons. One was—

The PRESIDING OFFICER. The Chair thinks the answer thus far is not responsive.

A. The amount of fees which were suggested were \$75,000 compensation for the attorneys for the receiver for services performed up to that date, and it is my recollection that that conference took place in the latter part of December or the first week in January of 1931.

By Mr. Manager BROWNING.

Q. Who suggested that amount?—A. Morse Erskine.

Q. What was suggested for the receiver up to that time?—A. A fee of \$50,000, against which was to be credited the sum of \$1,000 which the receiver had been drawing monthly from the date of his appointment.

Q. Did those of you who had been called into this conference with them at that time agree to those fees?—A. We did not.

Q. What countersuggestion did you make?—A. Mr. Smith—

Mr. LINFORTH. Just a moment. We submit, Mr. President, that the answer that was given cannot in any way, shape, or form be binding on the respondent unless that

matter was called to his attention at the time of the hearing on the application and the making of the order allowing the fees.

The PRESIDING OFFICER. The objection is overruled. By Mr. Manager BROWNING.

Q. What counterproposal was made by you, if any?—A. I forgot the exact figure. I think Mr. Smith and Mr. Marrin and I had agreed upon a figure which Mr. Smith then suggested at the conference. I believe that was \$20,000 for the receiver, and either \$25,000 or \$30,000 for his counsel.

Q. Do you know on what you based those figures?—A. I based it on our personal knowledge of the services which had been rendered, all of which we had had personal knowledge of. I believe we had been over or had reviewed—no; I withdraw that. Also upon what we understood to be the reasonable value of such services.

Q. For what other purpose were you called into this conference except on this fee proposition?—A. For the purpose of suggesting fees which the attorneys for the plaintiff and the attorneys for the defendant intended to apply for.

Q. Was there any discussion of that at that time?—A. Yes. Mr. Erskine asked Mr. Marrin what fee—or asked Mr. Smith, I believe, what fee they intended to apply for, and Mr. Smith replied that the attorneys for the plaintiff and ourselves had agreed upon a joint application in the sum of \$15,000 total compensation for all.

Mr. LONG. I did not understand that. Did you say \$15,000 or \$58,000?

A. Fifteen thousand. Mr. Erskine declined to commit himself when Mr. Smith refused—when we refused to accept the \$75,000 suggestion of his fee.

By Mr. Manager BROWNING.

Q. Did you get any closer together in your agreement than the \$30,000 on your part and the \$75,000 on their part?—A. No, sir.

Q. There was not any further discussion, as I understand, of the proposition of you and the attorneys for the petitioner making joint application for \$15,000?—A. Well, the original understanding which we had had with the attorneys for the receiver at the time they informed us that the judge desired to have us do this work was that we were to be compensated out of the estate, and at various times Mr. Erskine had reiterated that understanding. This conference more or less broke up in a strained condition on account of the fact that we were at loggerheads on the fees which they suggested.

Q. How much was actually allowed at the hearing on these fees?

Mr. LINFORTH. Just a moment. Do you mean allowed to the attorneys for the receiver or to the witness?

Mr. Manager BROWNING. Answer the question.

Mr. LINFORTH. May I have the question read?

The PRESIDING OFFICER. The reporter will read the question.

The Official Reporter read as follows:

Q. How much was actually allowed at the hearing on these fees?

Mr. LINFORTH. Just a moment. Do you mean allowed to the attorneys for the receiver or to the witness?

The PRESIDING OFFICER. The Chair thinks counsel may cross-examine the witness on that phase of it when the proper time arrives. The witness may answer the question.

A. The attorneys for the receiver were allowed \$46,250, and the attorneys for the plaintiff and the defendant combined were allowed \$8,750. I forget the exact amount that was allowed the receiver.

By Mr. Manager BROWNING.

Q. Was this on account, or for the entire service in the case?—A. It was on account.

Q. After that, how much more, if anything, was allowed the attorneys for the receiver?—A. \$5,000.

Q. Do you know the total amount that was allowed the receiver in this case?—A. I have not that exact figure in mind, Mr. Browning.

Q. Over what period of time did this receivership run as an active receivership?—A. This application for fees, as I

recall it, was heard in April 1931, and the receivership had commenced on March 13—the work of Mr. Hunter had commenced on March 13, 1930. At that time, at the time the fees were allowed, no dividends had been paid, and no securities had been delivered, except safe-keeping securities; in other words, securities which were not subject to any marginal requirements.

Q. Has the receivership been closed yet?—A. No, sir.

Q. Over what period of time was the bulk of the work to be done? How long did it require to do the principal part of the work in this case?

Mr. LINFORTH. Just a moment. We object to that question as calling for the opinion or conclusion of the witness.

Mr. Manager BROWNING. I asked him to state a fact as to what it was.

The PRESIDING OFFICER. The witness may answer.

A. The bulk of the work was accounting work, which was done by a staff of employees whom Mr. Hunter hired for that work. It consisted largely of tracing the securities into the individual pools and determining the respective equities of the various margin customers. That was due to the fact that the firm of Russell-Colvin & Co. had a brokerage account with E. A. Pierce & Co., and also with several other members of the New York Stock Exchange, each of which had been liquidated at or about the time the receiver was appointed, and, according to the system followed by Mr. Hunter and his attorneys, that required tracing, according to their system.

By Mr. Manager BROWNING.

Q. What was the size of this estate? What were the assets of the concern?—A. The assets of the general estate, as I recall it, were approximately \$500,000. I would have to refresh my recollection on that. I have not those figures in mind.

Q. Do you have the figures before you?—A. I have not them before me, but I can refresh my recollection and give them to you.

Q. Are they available?—A. They are available. The bulk of the estate consisted of securities which were held in marginal accounts.

Q. What disposition did the receiver make of them?—A. They were ultimately delivered—such securities as remained were prorated against the accounts participating in the various pools, and the securities were delivered back to the persons who were entitled to them upon payment of their proportionate contributions.

Q. What do you mean they were charged for, when you say upon the payment of their proportionate contributions?—A. They were charged for contributions to the losses which had been sustained by other margin customers whose securities had been sold in the process of liquidation by the other stock brokerage firms with which Russell-Colvin & Co. had brokerage accounts, and also were charged with an overriding charge to compensate the receiver and his attorney for work which was estimated to be allocated to that part of the liquidation. In other words, there was a percentage charge fixed against all margin customers which they had to pay, or which their securities had to bear before they could get delivery.

Q. How much cash was realized by the receiver, if you know, in this liquidation for distribution to the creditors?—A. I am sorry, Mr. Browning; I did not understand you would want me to have that information offhand. I did not refresh my recollection.

Q. Is that available?—A. That is available, yes.

Q. Could you bring it tomorrow?—A. Yes, sir.

Mr. Manager BROWNING. Mr. President, I really think it is important for us to have those facts which are available, and we could have them in the morning, if the court saw fit to adjourn over until tomorrow.

Mr. KING. Mr. President, may I be permitted, through the President, to inquire of the honorable counsel whether or not they have some other witness with whom they could proceed this afternoon?

Mr. Manager BROWNING. Yes; we have.

The PRESIDING OFFICER. Is it the desire of the managers on the part of the House to let this witness stand aside temporarily, and proceed with another witness?

Mr. Manager SUMNERS. Mr. President, may we inquire how long the court anticipates sitting this afternoon?

The PRESIDING OFFICER. That is entirely in the control of the members of the court.

Mr. KING. Mr. President, may I take the liberty of suggesting that we continue until 6 o'clock?

Mr. NORRIS. Mr. President, under the rules, I believe, any Member of the Senate has a right to ask a question if he submits it in writing.

The PRESIDING OFFICER. That is the understanding of the Chair.

Mr. NORRIS. I have a question in writing which I should like to have propounded to the witness.

The PRESIDING OFFICER. The Senator will send the question to the desk, and the clerk will read it.

The Chief Clerk read as follows:

Did the receiver get a salary as receiver in addition to the lump sum you have named?

A. The receiver drew a monthly allowance or salary or drawing account of \$1,000 a month. The understanding was that the fee suggested at this conference between the attorneys for the receiver and ourselves, namely, \$50,000, was to be credited with the amount which had theretofore been paid to the receiver. Subsequently, when the allowance was made, it is my recollection that the order of allowance provided for the payment of a lump sum which did not include the money theretofore paid to the receiver. I am not entirely certain of that, however.

Mr. KING. Mr. President, I submit the following interrogatory.

The PRESIDING OFFICER. The Senator from Utah submits an interrogatory, which the clerk will read to the witness.

The Chief Clerk read as follows:

Did the respondent say that his objection to McAuliffe was that he was the attorney of the stock exchange?

A. He did not.

Mr. McKELLAR. I desire to propound an interrogatory.

The PRESIDING OFFICER. The Senator from Tennessee sends forward the following interrogatory, which the clerk will read to the witness.

The Chief Clerk read as follows:

How much money was realized from the estate and what was the total amount paid to the receiver and what amount to the receiver's attorneys?

A. The receiver's attorneys received an allowance, as I recall it, in April 1931, of \$46,250, which was compensation to the date of their application. Subsequently, the following year, they received a further allowance of \$5,000 as a fee, which the receiver himself received. There was so much that took place concerning that, that I really do not remember the exact figures at this moment. I might explain it more fully if you desire to have it explained.

Mr. McKELLAR. If the figures are available, you can get them.

A. I can procure them, but I do not have them at hand.

Mr. KING. I desire to submit two further interrogatories.

The PRESIDING OFFICER. The Senator from Utah submits the following additional interrogatories, which the clerk will read.

The Chief Clerk read as follows:

Was it not a proper requirement to have the second application for receiver dismissed?

A. Answering the question, the first petition was the one which was dismissed. That was the one which had been assigned to Judge St. Sure; and the second petition was assigned to Judge Louderback. I do not consider there was anything improper, in my opinion, concerning the dismissal of the first petition. It was merely a circumstance which the judge insisted upon before allowing the appointment on the second petition.

Mr. KING. Mr. President, I modify the first interrogatory, as read, in view of the answer of the witness and submit the following.

The PRESIDING OFFICER. The Senator from Utah submits the following interrogatory, which will be read to the witness by the clerk.

The Chief Clerk read as follows:

Was it not a proper requirement to have the first application for receiver dismissed?

A. In my opinion, it was.

Mr. KING. Mr. President, I submit a further interrogatory.

The PRESIDING OFFICER. The clerk will read to the witness the interrogatory propounded by the Senator from Utah.

The Chief Clerk read as follows:

What reason did the respondent give for not agreeing to the appointment of McAuliffe or his firm as attorneys for the receiver?

A. I do not recall that he assigned any reason. The objection or the comment which he made was that the receiver had broken faith with him and that he did not understand him and that he did not consider that he was as well qualified as we had outlined to him in our first statement.

Mr. KING. I desire to submit another interrogatory, if I may.

The PRESIDING OFFICER. The Senator from Utah submits another interrogatory, which the clerk will propound to the witness.

The Chief Clerk read as follows:

Was not McAuliffe attorney for the stock exchange?

A. Mr. McAuliffe was a member of the firm of Heller, Ehrmann, White & McAuliffe, which firm was acting at that time as attorneys for the San Francisco Stock Exchange.

Mr. LONG. I had two questions I desired to ask. The Senator from Utah has asked one of them, and I send the second to the desk.

The PRESIDING OFFICER. The Senator from Louisiana propounds an interrogatory, which the clerk will read.

The chief clerk read as follows:

Were the receiver and attorney appointed men of good character and standing?

A. I do not know anything about the character or standing of Mr. Hunter. In our inquiry we found nothing which we could advance as a legitimate reason why he should not be appointed. I think that Mr. John Douglas Short is a man of good character. I do not consider that Mr. Herbert Erskine is a man of good character or good reputation.

By Mr. Manager BROWNING:

Q. Did you at that time know Mr. John Douglas Short?—A. I had known Mr. Short for some time; yes.

Q. Now, with regard to the stock exchange, will you state what interest they had in the receivership?—A. Well, the firm of Russell-Colvin Co. was the first member firm which went into open liquidation; in other words, which failed; and Mr. Dinkelspiel, representing the governing board of the stock exchange, and the governing board informed us that they desired to see an orderly liquidation so as to prevent any feeling of panic on the part of other customers doing business with other firms. Furthermore, under the rules of the San Francisco Stock Exchange, the members of the exchange have a prior right to resort to the seats in settlement of any obligation to those members. The primary reason that he assigned was that they wanted to see an orderly liquidation and an economical liquidation.

Q. Soon after the receivership was established, or soon after a receiver was appointed and was operating, was there an effort to put the concern into bankruptcy?—A. There was.

Q. What was done about that on the part of the receiver and his attorneys?—A. I think, within a week or within 10 days, in any event, after the equity proceedings

had been initiated, a bankruptcy proceeding was commenced by a single creditor, which was subsequently supported by two intervening petitions. They were served upon the firm, and Mr. Erskine—Mr. Morse Erskine—suggested that we appoint or employ or agree to the employment of an attorney in San Francisco who is a known specialist in bankruptcy matters—or was a known specialist in bankruptcy matters—Milton Newmark—and Mr. Erskine stated that Mr. Hunter was very friendly with Mr. Newmark and would like to throw something his way. We agreed to the association of Mr. Newmark with ourselves, and an answer was filed denying insolvency but admitting the other allegations of the petition in bankruptcy with the exception of the statement as to one indebtedness.

Q. Was that petition in bankruptcy sustained?—A. It was subsequently dismissed. One of the asserted claims set forth in the first petition in bankruptcy was, in our opinion, a very weak claim and could not be substantiated at the trial. Later that was compromised by the receiver and his counsel, and, as a condition of settlement, the proceeding was dismissed.

Q. About the middle of last July or last summer, previous to the visit of the committee from the House to San Francisco, did you have any conference with Judge Louderback with regard to this case?—A. I did.

Q. Please state what it was.—A. I received a telephone call from the judge's secretary asking me to come to his chambers, and I went there in response to the call. He then interrogated me as to whether or not Mr. Addison G. Strong, the receiver, had been present on both occasions when the attorneys had been before him concerning the appointment of Mr. Strong as receiver. He also said that he did not understand who was instigating the publicity which had previously been running in the San Francisco newspapers for the attempted impeachment proceedings at that time, and he stated that he did not know whether or not Mr. Thelen had been instrumental in it. He said that he thought he might have been instrumental in it for the reason that Mr. Thelen's younger associate, Mr. Gordon Johnson, was president of the Barristers' Club in San Francisco.

Then he also asked what I thought about the matter in which the receiver had conducted the liquidation, in the first place, and whether it was entirely satisfactory to us; and, in the second place, whether or not the amount of the fees which had been allowed were agreeable to us. I told him that all the proceedings which the receiver had taken were not satisfactory to us. He said, "You should have taken it up with me." I said that I did not know that I enjoyed the privilege of taking the matter up with him. He said that that was the reason that he had requested the receiver and his attorney to submit all petitions to us. That, however, was the first information we had then about the fees. I told him that I considered the fees were quite excessive, and I thought the liquidation might have been made much more economically.

Mr. Manager BROWNING (to counsel for the respondent). You may take the witness.

The PRESIDING OFFICER. Do counsel for the respondent desire to cross-examine this witness?

Mr. LINFORTH. Yes; but we prefer to wait until the record is concluded with the witness. I will inquire of Mr. Manager BROWNING if he is through with the witness?

Mr. Manager SUMNERS. Mr. President, tomorrow we should like to have the witness testify merely to the figures with regard to which the witness has been interrogated.

The PRESIDING OFFICER. Counsel for the respondent will proceed with the cross-examination.

Mr. LONG. Mr. President, I should like to ask the witness two more questions. I send them to the desk.

The PRESIDING OFFICER. The Senator from Louisiana propounds two more questions, which the clerk will read.

The Chief Clerk read as follows:

Q. Why did you not take matters up with the judge if, as you testified, you were required to look over all matters?

A. The matters which I had in mind at the time I discussed it with the judge were matters of general policy,

which were not made the subject of petition. If I may explain, the petitions were submitted from time to time asking permission to deliver for safekeeping securities or asking for approval of a compromise of this claim or the other claim, and so on—matters of general policy that had not been taken up in that form. The reason, however, that I did not take it up was that I did not understand and neither my associate nor I was ever informed by the judge directly that he desired to have us consult with him concerning any of his statements rather than to consult with the attorneys; and it was only in a very few instances when matters were submitted to us that we did not give our approval because the petitions were carrying out the general program which the receiver had initiated for liquidating the concern. I believe that the general program might have been different, but the detail of the program which he selected was apparently proper.

The PRESIDING OFFICER. The clerk will read the second question propounded by the Senator from Louisiana.

The Chief Clerk read as follows:

Q. Why did you not object to or appeal the fee order if you thought it improper?

A. For two reasons. One was that insofar as our own compensation was concerned we felt that the finding by the court would undoubtedly be the amount which we were informed by the attorneys the court was prepared to allow us, and that the finding of fact would preclude an appeal on the facts. Secondly, for the reason that insofar as the fees allowed to the receiver and his counsel are concerned, at that time it definitely appeared that the partners in this concern whom we represented had no residuary interest left after settlement, and consequently there was no interest which they had to be saved by an appeal, and we had not been employed by them and were not employed by them or paid by them to prosecute any such objections on appeal.

Mr. KING. Mr. President, I submit the following interrogatory.

The PRESIDING OFFICER. The Senator from Utah submits the following interrogatory, which the clerk will read to the witness.

The Chief Clerk read as follows:

Q. Did you not state that the judge requested you or your firm to supervise the work of the receiver or his attorney?

A. That is what the receiver and his attorneys informed us, that he desired to have us give our approval to the various petitions which were filed from time to time and to consult with them. We did consult with them from time to time—not to consult with the judge but to consult with the attorneys for the receiver.

The PRESIDING OFFICER. Counsel for the respondent may cross-examine.

Cross-examination by Mr. LINFORTH:

Q. Mr. Brown, you had two interviews with the judge on Tuesday, the 11th of March 1930?—A. Yes, sir.

Q. One in the morning?—A. One shortly before noon.

Q. And the other toward evening?—A. That is correct.

Q. In the interview toward the noon hour who was present, do you say, at that time?—A. Mr. Thelen, Mr. Marrin, Mr. Strong, Mr. Dinkelspiel, and I.

Q. Mr. Dinkelspiel was the representative of the Heller, Ehrmann, White & McAuliffe firm, was he not?—A. Yes, sir.

Q. And Mr. Strong appeared in person at that time?—A. We had him there so that the judge could see him and interrogate him if he desired.

Q. In the talk that was had on the first occasion, was the judge told of the connection of Mr. Strong with the San Francisco Stock Exchange?—A. It was outlined at some length to him; yes.

Q. He was told that he was the auditor of the San Francisco Stock Exchange? Is that right?—A. I believe he told us, and also told of his connection with the firm of Russell-Colvin Co.

Mr. HEBERT. Mr. President, we cannot hear the witness over here. If the witness will face the center of the Chamber I think perhaps we can hear him better.

The PRESIDING OFFICER. The witness will speak a little louder so that members of the court may hear.

A. (Continuing.) He was told of Mr. Strong's connection with the stock exchange as auditor and also of his connection with the firm of Russell-Colvin & Co. as a member of the firm of Reed & Strong, who had supervised the audit of their books, and also had supervised for the stock exchange some of the company's activities for the previous month.

By Mr. LINFORTH:

Q. Do you recall, Mr. Brown, if he was also informed that the Russell-Colvin people were members of the San Francisco Stock Exchange?—A. I believe he was; yes. He was informed that the firm was a member of the exchange. I do not remember that the San Francisco Stock Exchange was specifically mentioned, but I may say this, Mr. Linforth, that the fact that Mr. Dinkelspiel represented the San Francisco Stock Exchange and was there in its interest was made known to the judge.

Q. Did the judge, on the first visit on the 11th, indicate that he was going to appoint Mr. Strong?—A. Yes.

Q. On that occasion was the question of the amount of the bond discussed?—A. Yes.

Q. On that occasion did the judge say anything on the subject of reserving the right to select the attorney for the receiver?—A. The only thing he said which might even carry that inference was questioning Mr. Strong as to who was his attorney and whether any of the persons present were his attorneys.

Q. He did ask Mr. Strong at the time—that is, on the first visit on the morning of the 11th—whether or not he had already employed counsel?—A. That is not what he asked him; no.

Q. Did he ask him on the first visit on the morning of the 11th whether or not he had already employed counsel?—A. He did not.

Q. Did he ask him on the morning of the 11th whether he had already consulted counsel?—A. He did not.

Q. What did he say to him on that subject on the first visit on the morning of the 11th?—A. He asked him whether—he said to Mr. Strong, "Are any of the lawyers present—Mr. Thelen, Mr. Marrin, Mr. Dinkelspiel, or Mr. Brown—your attorneys?" taking them up one by one. Mr. Strong answered "No." He said, "Who are your attorneys?" Mr. Strong said that he had no regular counsel, as I recall it.

Q. Was that the full extent of the talk that morning on the subject of attorneys?—A. To the best of my recollection that is all that was said.

Q. The fact is that on that morning in answer to what the judge did ask, Mr. Strong did not reply that he had already consulted Mr. Lloyd Ackerman, did he?—A. I do not think that is a fact.

Q. Did Mr. Strong reply that he had already at that time consulted Mr. Ackerman?—A. He did not.

Q. When you returned on Tuesday, the 11th day of March, 1930, was anything said at that time about his employment of attorneys?—A. I believe the entire comment or conversation which I have just related took place in the forenoon and that there was nothing further said on that subject whatever at the afternoon conference.

Q. In the morning conference or the afternoon conference did the judge emphasize the proposition that Mr. Strong, if appointed, would be an officer of the court?—A. I do not think he did; no.

Q. Is your recollection clear on that subject, Mr. Brown?—A. My recollection is as clear on that subject as it is on everything else, Mr. Linforth.

Q. Did the judge at either the first or the second interview on Tuesday, the 11th day of March, tell Mr. Strong that if appointed he would be an officer of the court and that he must confer with the judge in the matter of the selection of his attorneys?—A. I have no recollection of it.

Q. Is that as far as you can go?—A. What do you mean by that?

Q. You have no recollection on the subject whatever?—A. I do not recall any such statement having been made.

Q. Are you in a position to say, and will you say, that that did not take place?—A. I would not be prepared to say that something of that kind might not have been said. It is my recollection that it was not said, however.

Q. You were taking part in the conversation, were you not?—A. I took part in the conversation which I myself engaged in, and I listened to the rest of it.

Q. Is it your present frame of mind that while you do not want to go on record as denying that such took place, yet it is your recollection that it did not?—A. My position is that it may have been said, but I have no recollection of having heard it.

Q. Is it not the fact that after the judge had made the statement referred to in the preceding question, the judge then turned to Mr. Strong and asked him had he selected any attorney?—A. May I have the question read to me?

The PRESIDING OFFICER. The reporter will read the question to the witness.

The Official Reporter read as follows:

Q. Is it not the fact that after the judge had made the statement referred to in the preceding question, the judge then turned to Mr. Strong and asked him had he selected any attorney?

A. As I stated, I do not recall the judge's having made the statement which your question implies you believe he did make, and I do not recall any such other connection. I do recall the fact that he asked him whether any of the persons present were his attorneys, and I recall Mr. Strong's reply, and that is all.

Q. Did he according to your recollection ask him at that time whether or not he had selected any attorney?—A. By that do you mean selected an attorney in the proceeding or for the proceeding?

Q. In the receivership matter in the event of his being appointed as receiver?—A. Not to my recollection; no.

Q. Is it your recollection that Mr. Short did not answer he had not?—A. You mean Mr. Strong?

Q. Mr. Strong, yes; pardon me.—A. I do not recall the question having been asked, and, therefore, I certainly do not recall any such answer as that.

Question. Will you deny that the judge made such a statement to Mr. Strong?

Mr. Manager SUMNERS. Mr. President, are we permitted to object on the ground that questions have already been answered?

The PRESIDING OFFICER. Such an objection is permissible.

Mr. Manager SUMNERS. We offer that objection to repetition of the question.

The PRESIDING OFFICER. The Chair thinks the witness has answered the question.

Mr. LINFORTH. If the Presiding Officer thinks so, we shall not repeat it.

By Mr. LINFORTH:

Q. On Thursday—I believe you have stated that was the 13th, Mr. Brown?—A. Monday was the 10th, Tuesday the 11th, Wednesday the 12th, and Thursday the 13th. That is my recollection.

Q. That is correct, is it not?—A. That is my recollection.

Q. Who was with you at the time you called at the chambers of the judge in answer to the telephone message from the secretary?—A. Mr. Thelen, Mr. Marrin, and I.

Mr. ASHURST. Mr. President, I respectfully suggest to the honorable managers and the honorable attorneys on the part of the respondent that we would be willing to take a recess of the court at this time.

The PRESIDING OFFICER. Does the Senator from Arizona so move?

Mr. ASHURST. I move that the Senate sitting as a Court of Impeachment take a recess until 11 o'clock tomorrow morning, and that the Senate proceed to the consideration of legislative business.

The PRESIDING OFFICER. The Senator from Arizona moves that the Senate sitting as a Court of Impeachment take a recess until 11 o'clock tomorrow morning and that the Senate proceed to the consideration of legislative business.

The motion was agreed to; and (at 5 o'clock and 30 minutes p.m.) the Senate sitting as a Court of Impeachment took a recess until 11 o'clock a.m. Tuesday, May 16, 1933.

EXECUTIVE SESSION

Mr. ROBINSON of Arkansas. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The VICE PRESIDENT laid before the Senate several messages from the President of the United States submitting nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

REPORTS OF COMMITTEES

The VICE PRESIDENT. Reports of committees are in order.

Mr. STEPHENS, from the Committee on the Judiciary, reported back favorably the nomination of Francis A. Garrecht, of Washington, to be United States circuit judge, 9th circuit, to succeed Frank H. Rudkin, deceased.

Mr. TRAMMELL, from the Committee on Naval Affairs, reported back favorably sundry nominations for promotion in the Navy.

The VICE PRESIDENT. The nominations will be placed on the calendar.

Are there further reports of committees? If not, the calendar is in order.

THE CALENDAR—UNDER SECRETARY OF THE TREASURY

The Chief Clerk read the nomination of Dean G. Acheson, of Maryland, to be Under Secretary of the Treasury.

Mr. McNARY. Mr. President, when the Senate adjourned on Friday the Senator from Michigan [Mr. COUZENS] was in the middle of a speech in connection with this nomination. I should not want to proceed with it in his absence.

Mr. HARRISON. Mr. President, may I say to the Senator from Oregon that I have talked with the Senator from Michigan, and I told him I did not think this matter would come up this afternoon. He has left the Chamber; so let the nomination be passed over for the present, with the hope that tomorrow we can have an executive session and take up the matter and dispose of it.

Mr. ROBINSON of Arkansas. I ask that the nomination be passed over, and that the clerk proceed with the call of the calendar.

The VICE PRESIDENT. Without objection, that order will be made.

FOREIGN AND DIPLOMATIC SERVICE

The Chief Clerk read the nomination of Dave Hennen Morris, of New York, to be Ambassador Extraordinary and Plenipotentiary to Belgium, also Envoy Extraordinary and Minister Plenipotentiary to Luxembourg.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

The Chief Clerk read the nomination of George Bliss Lane to be secretary, Diplomatic Service.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

GOVERNOR OF PUERTO RICO

The Chief Clerk read the nomination of Robert Hayes Gore, of Florida, to be Governor of Puerto Rico.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

MARINE CORPS

The Chief Clerk read the nomination of Edgar G. Kirkpatrick to be captain in the Marine Corps.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

The Chief Clerk read the nomination of Bernard H. Kirk to be first lieutenant in the Marine Corps.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

FEDERAL RESERVE BOARD

The Chief Clerk read the nomination of Eugene R. Black, of Georgia, to be a member of the Federal Reserve Board for the unexpired portion of the term of 10 years from August 10, 1928.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

THE ARMY

The Chief Clerk proceeded to read sundry nominations in the Army.

Mr. LA FOLLETTE. I ask unanimous consent that these routine Army nominations may be confirmed en bloc.

The VICE PRESIDENT. Without objection, the nominations are confirmed en bloc.

There being no objection, the nominations were confirmed en bloc.

Mr. REED. There are two nominations of general officers that are not routine matters.

REAPPOINTMENT IN THE OFFICERS' RESERVE CORPS

The Chief Clerk read the nomination of John Ross Delafield to be brigadier general, Ordnance Department Reserve.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

APPOINTMENT IN THE OFFICERS' RESERVE CORPS

The Chief Clerk read the nomination of Edward Caswell Shannon to be major general, Reserves.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

GREAT LAKES-ST. LAWRENCE WATERWAY TREATY

Mr. LONG. Mr. President, while we are in executive session, I wonder if we cannot get the St. Lawrence Waterway Treaty taken off the calendar, so that we will not have to watch it every day. Nearly everybody in the Senate is against it, but there is danger of its going over some day because of all of us not being here. Would there be any objection to its being eliminated from the calendar for the time being, so that we will not have to worry around here and watch it all the time? I should like to move that it be eliminated from the calendar until it is restored by motion.

Mr. VANDENBERG. There would be rather violent objection, I fear.

Mr. President, while we are on the subject, and pursuant to a rather familiar Senate custom, I should like to announce that at the first legislative or executive session when there is time I shall ask to be recognized for the purpose of laying before the Senate the argument in behalf of the St. Lawrence Treaty; and I hope that may be done at an early day this week.

NOTIFICATION TO THE PRESIDENT

Mr. GEORGE. Mr. President, I ask unanimous consent that the President be notified of the confirmations this day made, especially of Mr. Eugene R. Black, of Georgia, as a member of the Federal Reserve Board.

Mr. McNARY. Mr. President—

Mr. GEORGE. May I explain to the Senator from Oregon that the reason why the request is made is that I am advised that there is not at present in office a necessary quorum of the Federal Reserve Board. For that reason it is highly desirable that the President be notified of Mr. Black's confirmation, so that there may be a quorum actually in office and ready to function.

Mr. McNARY. Mr. President, I always like to accommodate the able Senator from Georgia; but many Members of the Senate have requested that procedure of this kind not be had, and that we follow the usual rule. Therefore,

while I know this is a very important matter, I should like to have it go over until tomorrow.

The VICE PRESIDENT. Objection is made.

The Senate resumed legislative session.

EXTENSION OF GASOLINE TAX

The VICE PRESIDENT laid before the Senate the action of the House of Representatives disagreeing to the amendments of the Senate to the bill (H.R. 5040) to extend the gasoline tax for 1 year, to modify postage rates on mail matter, and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. HARRISON. I move that the Senate insist on its amendments, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Vice President appointed Mr. HARRISON, Mr. KING, Mr. GEORGE, Mr. REED, and Mr. COUZENS conferees on the part of the Senate.

REGULATION OF BANKING

Mr. GLASS. Mr. President, I move that the Senate proceed to the consideration of Senate bill 1631.

Mr. LA FOLLETTE. Mr. President, what is the motion?

Mr. GLASS. That the Senate proceed to the consideration of the bank bill.

The VICE PRESIDENT. The clerk will state the title of the bill for the information of the Senate.

The CHIEF CLERK. A bill (S. 1631) to provide for the safer and more effective use of the assets of Federal Reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

The VICE PRESIDENT. The question is on the motion of the Senator from Virginia.

Mr. McNARY. Mr. President, I assume that a motion to take up this bill will be made tomorrow. To be very frank, indeed, with the Senator from Virginia, I have called a conference of Republican Members for tomorrow to discuss the bill, and I should not want it made the unfinished business this afternoon. The Senator will have a perfect right, in due course tomorrow, to move to take it up. At this time I shall have to object.

Mr. GLASS. I am not disposed to press the motion, in view of the statement of the Senator from Oregon.

RECESS

Mr. ROBINSON of Arkansas. Mr. President, I move that the Senate take a recess until the conclusion of the sitting of the Court of Impeachment on tomorrow.

The VICE PRESIDENT. The question is on the motion of the Senator from Arkansas.

The motion was agreed to; and (at 5 o'clock and 38 minutes p.m.) the Senate took a recess until the conclusion of the proceedings of the Senate sitting as a Court of Impeachment on tomorrow, Tuesday, May 16, 1933, the hour of meeting of the Senate sitting as a Court of Impeachment being 11 o'clock a.m.

NOMINATIONS

Executive nominations received by the Senate May 15, 1933

COMMISSIONER OF THE GENERAL LAND OFFICE

Fred W. Johnson, of Wyoming, to be Commissioner of the General Land Office.

COMMISSIONER OF PATENTS

Conway P. Coe, of Maryland, to be Commissioner of Patents, vice Thomas E. Robertson.

UNITED STATES MARSHAL

Al W. Hosinski, of Indiana, to be United States marshal, northern district of Indiana, to succeed Emmett O. Hall, term expired.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 15, 1933

AMBASSADOR EXTRAORDINARY AND Plenipotentiary and Envoy Extraordinary and Minister Plenipotentiary

Dave Hennen Morris to be Ambassador Extraordinary and Plenipotentiary to Belgium, also Envoy Extraordinary and Minister Plenipotentiary to Luxembourg.

SECRETARY IN THE DIPLOMATIC SERVICE

George Bliss Lane to be secretary in the Diplomatic Service.

MEMBER OF THE FEDERAL RESERVE BOARD

Eugene R. Black to be a member of the Federal Reserve Board.

GOVERNOR OF PUERTO RICO

Robert Hayes Gore to be Governor of Puerto Rico.

APPOINTMENT, BY TRANSFER, IN THE REGULAR ARMY

Capt. Desmond O'Keefe to Judge Advocate General's Department.

Second Lt. Christian Gotthard Nelson to Field Artillery.

First Lt. William Frank Steer to Infantry.

Capt. Thomas Jefferson Davis to Adjutant General's Department.

Capt. John Alexander Klein to Adjutant General's Department.

Second Lt. Daniel Fulbright Walker to Field Artillery.

Capt. John Sutherland Claussen to Quartermaster Corps.

Capt. James Brian Edmunds to Quartermaster Corps.

PROMOTIONS IN THE REGULAR ARMY

Orrin Leigh Grover to be first lieutenant, Air Corps.

Frederick Almyron Prince to be lieutenant colonel, Field Artillery.

Russell Gilbert Barkalow to be major, Field Artillery.

Arthur Lee Shreve to be captain, Field Artillery.

George Raymond Connor to be captain, Infantry.

Harry Forrest Townsend to be first lieutenant, Coast Artillery Corps.

Francis Scoon Gardner to be first lieutenant, Field Artillery.

William Arden Alfonte to be colonel, Infantry.

John Mather to be lieutenant colonel, Ordnance Department.

Gerald Howe Totten to be major, Quartermaster Corps.

Ralph William Mohri to be first lieutenant, Veterinary Corps.

Daniel Andrew Nolan to be colonel, Infantry.

George William Carlyle Whiting to be lieutenant colonel, Infantry.

William Fred Riter to be major, Quartermaster Corps.

Herbert Warren Hardman to be major, Quartermaster Corps.

John Dillard Goodrich to be major, Quartermaster Corps.

Laurence Daly Talbot to be captain, Quartermaster Corps.

Newman Raiford Laughinghouse to be captain, Air Corps.

John Paul Dean to be captain, Corps of Engineers.

Patrick Henry Timothy, Jr., to be captain, Corps of Engineers.

Hugh John Casey to be captain, Corps of Engineers.

Patrick Henry Tansey to be captain, Corps of Engineers.

Hans Kramer to be captain, Corps of Engineers.

Albert Gordon Matthews to be captain, Corps of Engineers.

Amos Blanchard Shattuck to be captain, Corps of Engineers.

Leland Hazelton Hewitt to be captain, Corps of Engineers.

Forester Hampton Sinclair to be first lieutenant, Field Artillery.

Walter Morris Johnson to be first lieutenant, Infantry.

Harold Stanley Isaacson to be first lieutenant, Field Artillery.

Willis Webb Whelchel to be first lieutenant, Field Artillery.

Albert Harvey Dickerson to be first lieutenant, Infantry.
 Leander LaChance Doan to be first lieutenant, Cavalry.
 Arthur Edwin Solem to be first lieutenant, Field Artillery.
 Theodore Kalakuka to be first lieutenant, Cavalry.
 Charlie Wesner to be first lieutenant, Field Artillery.
 Henry Magruder Zeller, Jr., to be first lieutenant, Cavalry.
 Orville Melvin Hewitt to be first lieutenant, Infantry.
 Harry Rex MacKellar to be lieutenant colonel, Medical Corps.

William Richard Arnold to be chaplain with the rank of lieutenant colonel.

REAPPOINTMENT IN THE OFFICERS' RESERVE CORPS

John Ross Delafield to be brigadier general, Ordnance Department Reserve.

APPOINTMENT IN THE OFFICERS' RESERVE CORPS

Edward Caswell Shannon to be major general, Reserve.

PROMOTIONS IN THE NAVY

MARINE CORPS

Edgar G. Kirkpatrick to be captain.

Bernard H. Kirk to be first lieutenant.

HOUSE OF REPRESENTATIVES

MONDAY, MAY 15, 1933

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

We thank Thee, merciful Father, that with the birth of each day there comes the breath of freshness and life, full of wonder and growth to be revealed, and thus we know that all is well. By our fellowship in this Chamber may our ministries be helpful and our characters made stronger and nobler and purer. With all this world about us with its ebbs and tides, may we learn to know Thee in the hidden places of our breasts. Give us the heart, O God, to lift all labor above drudgery into a blessed, patient service. Bless us all with rejoicing and with the assurance of this day. At evening time, when its veil has begun to thicken, may we be conscious that we have put no cloud upon it and that our shadow has been love, our speech music, and our step a benediction. Through Jesus our Savior. Amen.

The Journal of the proceedings of Friday, May 12, 1933, was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate had passed with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 5040. An act to extend the gasoline tax for 1 year, to modify postage rates on mail matter, and for other purposes.

The message also announced that the Senate had ordered that Mr. TOWNSEND be appointed a member of the committee of conference on the part of the Senate on the disagreeing votes of the two Houses on the amendments of the Senate to the bill of the House (H.R. 5480) entitled "An act to provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof, and for other purposes."

The message also announced that the Senate insists upon its amendment to the bill (H.R. 5390) entitled "An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes", disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. BRATTON, Mr. GLASS, Mr. McKELLAR, Mr. HALE, and Mr. KEYES to be the conferees on the part of the Senate.

The message also announced that the Senate had passed a joint resolution of the following title, in which the concurrence of the House is requested:

S.J.Res. 50. Joint resolution designating May 22 as National Maritime Day.

MUSCLE SHOALS

Mr. McSWAIN. Mr. Speaker, by direction of a majority of the conferees on the part of the House, I present a conference report upon the bill (H.R. 5081) to provide for the common defense; to aid interstate commerce by navigation; to provide flood control; to promote the general welfare by creating the Tennessee Valley Authority; to operate the Muscle Shoals properties; and to encourage agricultural, industrial, and economic development, for printing under the rule.

SUSPENSIONS

The SPEAKER. This is suspension day.

CONFERRING DEGREE OF BACHELOR OF SCIENCE UPON GRADUATES OF NAVAL ACADEMY

Mr. VINSON of Georgia. Mr. Speaker, I move to suspend the rules and pass the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval Academy, which I send to the desk and ask to have read.

The Clerk read as follows:

Be it enacted, etc., That the Superintendents of the United States Naval Academy, the United States Military Academy, and the United States Coast Guard Academy may, under such rules and regulations as the Secretary of the Navy, the Secretary of War, and the Secretary of the Treasury may prescribe, confer the degree of bachelor of science upon all graduates of their respective academies.

The SPEAKER. Is a second demanded?

Mr. BLANTON. Mr. Speaker, I demand a second.

Mr. VINSON of Georgia. Mr. Speaker, I ask unanimous consent that a second be considered as ordered.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. The gentleman from Georgia is entitled to 20 minutes and the gentleman from Texas to 20 minutes.

Mr. BLANTON. Mr. Speaker, this is a most important matter, while it looks trivial. I think the Membership of the House ought to be here during the discussion. I make the point of order that there is no quorum present.

The SPEAKER. The Chair will count. [After counting.] One hundred and twenty-six Members present, not a quorum.

Mr. BYRNS. Mr. Speaker, I move a call of the House.

The motion was agreed to.

The doors were closed.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 41]

Almon	Darrow	Kennedy, N.Y.	Rudd
Andrew, Mass.	Ditter	Kenney	Seger
Andrews, N.Y.	Dondero	Kerr	Shannon
Auf der Heide	Driver	Lea, Calif.	Sirovich
Bakewell	Eaton	Lee, Mo.	Snell
Bierman	Edmonds	Lehlbach	Somers, N.Y.
Boehne	Evans	Lewis, Colo.	Stokes
Boland	Fitzgibbons	Lindsay	Stubbs
Boylan	Focht	McDuffie	Studley
Brand	Fulmer	McGugin	Sullivan
Brooks	Gavagan	McLean	Summers, Tex.
Brunner	Gifford	McLeod	Sutphin
Buckbee	Goldsborough	Maloney, Conn.	Tinkham
Cannon, Wis.	Granfield	Marshall	Turpin
Celler	Hancock, N.Y.	Mead	Underwood
Claborne	Harlan	Montague	Waldron
Clark, N.C.	Hart	Moynihan	Weldman
Connery	Hildebrandt	Muldowney	Wigglesworth
Cooper, Ohio	Hollister	Oliver, N.Y.	Williams
Corning	Hornor	Palmisano	Withrow
Cox	Johnson, Okla.	Parker, Ga.	Wolfenden
Culkin	Kee	Reed, N.Y.	Wood, Mo.
Cullen	Kennedy, Md.	Reid, Ill.	Young

The SPEAKER. Three hundred and thirty-nine Members have answered to their names, a quorum.

Mr. BYRNS. Mr. Speaker, I move to dispense with further proceedings under the call.

The motion was agreed to.

The doors were opened.

Mr. VINSON of Georgia. Mr. Speaker, for the benefit of the Members who came in after this motion to suspend the rules was made, I think it is important to call attention to the nature of the measure now before us for consideration. I have moved to suspend the rules and pass a bill which will confer upon the boys who graduate at West Point, at the Naval Academy, and at the Coast Guard Academy the degree of bachelor of science. This does not entail any cost whatever to the Government. When a boy graduates at either one of these academies today he receives nothing but a diploma. The purpose of this measure is to give to each one of them who passes his examination the degree of bachelor of science. That is all the bill does, nothing more and nothing less.

I yield 5 minutes to the gentleman from South Carolina [Mr. McSWAIN], the chairman of the Committee on Military Affairs.

Mr. McSWAIN. Mr. Speaker, the proposal here is to amend the bill reported by the Committee on Naval Affairs by substituting for it the language of a bill introduced by the gentleman from Minnesota [Mr. KNUTSON] and referred to the Committee on Military Affairs, seeking to confer the degree of bachelor of science upon the graduates of all three of the academies, the Military Academy, the Naval Academy, and the Coast Guard Academy. The advantage to the graduates of these academies, if that be done, is that those who will not be commissioned in the service for which they are being trained—and there will be many in that group because of the necessity for economy—will find, when they go into private life to seek perhaps to continue their professional studies, in universities and colleges, it will be an advantage to have actually a legally conferred degree of bachelor of science.

In my humble judgment the conferring of this degree upon these graduates is amply justified by the course of instruction given in these institutions. I happen to know from long contact something about the course of study required in private, denominational, and State institutions for the degree of bachelor of science. I know something, also, about the courses of study relating to scientific subjects prescribed by these three academies in question. I say with complete confidence, with the course of study, thoroughness of instruction, and the comprehension of scientific subjects involved, that the graduates of these academies are undoubtedly entitled to academic honors equal to the graduates of most of the private, denominational, and State institutions now conferring that degree. Therefore it is no entrenchment upon academic circles, it is no invasion of academic honors to give this. It will be of convenience to the graduates, and it will not involve one dollar of expenditure from the Treasury. I cannot see any just reason why this should not be done.

Mr. HASTINGS. Mr. Speaker, will the gentleman yield?

Mr. McSWAIN. Yes.

Mr. HASTINGS. How does the course of study at the Coast Guard Academy compare with the course of study at West Point and Annapolis?

Mr. McSWAIN. While it is true that perhaps the course of study at the Coast Guard Academy is not as far advanced in certain subjects, particularly what we might term the liberal arts, and perhaps not quite so thorough, yet even the course at the Coast Guard Academy and its thoroughness is, in my judgment, equal to the course of study prescribed in some of the institutions in the gentleman's State and in my State which do now confer the degree of bachelor of science.

Mr. HASTINGS. Is it a 4-year course at the Coast Guard Academy?

Mr. McSWAIN. Oh, yes.

Mr. HASTINGS. And do they require an examination to enter, like Annapolis and West Point?

Mr. McSWAIN. Exactly. They have certain minimum standards of education for entrance, and of course after they come in the course is very thorough.

Mr. KNUTSON. Will the gentleman yield?

Mr. McSWAIN. I yield.

Mr. KNUTSON. The question has been raised with reference to the Coast Guard course of study. The only difference between the curriculum in the Coast Guard and the Naval Academy is that the Naval Academy gives higher gunnery. It would seem that at this particular time, when perhaps half the graduates of these academies will go out into private life, it would assist them materially. For instance some of them would engage in teaching if they would give them a degree. It would not cost the Government a cent if this bill is passed.

Mr. BLANTON. Mr. Speaker, where did Professor KNUTSON get all that information?

Mr. McSWAIN. The gentleman from Minnesota has been in contact evidently with some other gentleman of great intelligence like himself.

I think this legislation is entirely justified. It costs nothing. It will be a great convenience to these graduates who do not go into the services, and I favor the legislation.

The SPEAKER. The time of the gentleman from South Carolina [Mr. McSWAIN] has expired.

Mr. VINSON of Georgia. Mr. Speaker, I ask the gentleman from Texas [Mr. BLANTON] to use some of his time.

Mr. BLANTON. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, probably I shall be the only Member here who will vote against this bill. Nevertheless, I shall vote against it, even if I stand up alone, because I am convinced that it is not a wise governmental policy. I am as good a friend of the midshipmen at Annapolis and of the cadets at West Point and of the Coast Guard, as is any other Member of this House. I have been just as active for them and just as sympathetic with their work and their problems as any other colleague. It so happens that one of my appointees at Annapolis came from one of the poorest families in the United States, and yet he was the first honor man in his graduation class at Annapolis.

I am not seeking to do an injustice to any of those men. I want to do them absolute justice, but at the same time I want to do justice to all the other thousands of thousands of young men all over the United States. And I want to do justice to all of the institutions of learning in the United States.

The trouble with this Nation today is due, more than anything else, to the fact that Congress has been voting "yes" to too many bills of this kind. Congress has been passing measures without giving them serious thought. Things are continually brought up here and passed by unanimous consent. Members cannot see "where they will do any harm" and they vote "yes", and the bill is passed, and the country suffers on account of it. I think at this time, more than at any other period in our history, we ought to hesitate before passing these pet schemes that are continually brought up here to favor particular classes.

The boys who get to go to the United States Naval Academy at Annapolis and to the Coast Guard Academy and to the United States Military Academy at West Point are favored over all of the other boys in the United States. They get their appointments and their examinations free. Other boys going to other colleges have to pay to be examined. Our cadets are paid their expenses up to these academies. It does not cost them one penny. Other boys have to pay their way to their schools. Our cadets are granted hospital service, free nurses, free doctors, and free medicine. All other boys going to other schools must pay for these services. Our cadets are given a full course of study at these Government academies, with splendid training, a course that other boys must work hard at night for and pay for themselves. In addition, our cadets are allowed at Annapolis \$780 a year allowance and, in addition to that, 75 cents commuted ration allowance per day. At West Point they are given \$800 a year allowance and also commuted ration allowance of 75 cents a day. In the Coast Guard they are given \$780 a year allowance and also commuted ration allowance of 75 cents a day. And when they graduate they have usually about \$1,000 to their credit, besides 4 full years of training and education. Other American boys have nothing left but to start life flat broke. When

our cadets graduate they get a diploma from Annapolis, they get a diploma from West Point, and they get a diploma from the Coast Guard. Is that not sufficient? Why should they want something else? It is because they will need it in the commercial world. It is not fair to the thousands of boys in every State who have to work their way through universities, who have to study hard at night, who often even have to wait on the table in a menial position in dining rooms to pay their way through college and get their degree.

It is not fair to them if you give our cadets this diploma from these institutions and then confer upon them the degree of bachelor of science. It is not treating the other boys fair. It gives our cadets an advantage over all of the other boys of this country. They can say, "I have a bachelor of science degree and I also have a diploma from the military establishment at West Point", or they can say, "I have a diploma from the Naval Academy at Annapolis and a degree of bachelor of science. You should prefer me over these other boys from Columbia, from Michigan University, from Chicago University, from Leland Stanford, from Princeton, Yale, and Harvard. You should prefer me, forsooth, because I have two degrees. I have a diploma from the academy and I have the degree of bachelor of science." Why should we do that for our cadets?

Mr. BRITTEN. Will the gentleman yield?

Mr. BLANTON. As my time is so very limited, I want my friend to get his time from the gentleman from Georgia [Mr. VINSON].

Mr. BRITTEN. I do not want time, but we cannot hear what the gentleman is saying. Will the gentleman yield for a question?

Mr. BLANTON. Certainly.

Mr. BRITTEN. I may say to the gentleman from Texas that because his face has been turned that way most of the time we on this side of the Chamber do not know whether he is for or against this resolution.

Mr. BLANTON. I did not think the few votes left on the Republican side mattered. So I was talking over here to our numerous Democrats. [Laughter.] I am going to come over to the gentleman's side of the Chamber and talk in a minute.

Mr. BRITTEN. Will the gentleman tell this side of the House whether he is for or against this resolution?

Mr. BLANTON. I will do that in a minute, and I will not take it out of the gentleman's time but will use my own. It is quite likely that I may be the only Member here who votes against this bill. But I am against it, and am going to vote against it. It is popular because all the cadets want it and their professors want it. But I am thinking of all of the rest of the American boys back home.

[Here the gavel fell.]

Mr. BLANTON. Mr. Speaker, I yield myself 2 more minutes.

Mr. Speaker, the great trouble with all these admirals, Admiral BRITTEN, Admiral VINSON, and the various generals, General McSWAIN and General HILL, is that they have been associating with admirals and generals so long they now think and speak their language. The retired admirals and generals have taken over the great commercial positions of life. Of these retired admirals and generals, drawing for life their retired pay as admirals and generals, many are holding positions with big corporations paying as high as \$50,000 a year in the commercial enterprises of the United States. It is because of their prestige, if you please, they have gotten free from the Government. It is not fair to the other men and the other boys of the United States who have not been so favored by the Government.

If you get an Army pay bill or a Navy pay bill and read it, you cannot tell what it means as to the emoluments they receive, but have to employ the services of an auditing expert to find out. Why, even CARL VINSON, our present great chairman of our great Naval Affairs Committee, a few minutes ago could not even tell me what allowances these boys got, did not even know they got a commuted ration allowance. These Army and Navy pay bills are written in technical language so no one outside the service can understand

them. The great trouble is they do not want to let Congressmen know what these bills mean; they do not want the public to know what they draw.

I think we have done enough for these boys, and I do not think we ought to pass these bills.

[Here the gavel fell.]

Mr. BLANTON. Mr. Speaker, I reserve the balance of my time.

Mr. VINSON of Georgia. Mr. Speaker, I yield 3 minutes to the gentleman from Arkansas [Mr. GLOVER].

Mr. GLOVER. Mr. Speaker, not more than 2 weeks ago I had the privilege of serving on a committee appointed by the President of the United States, by the Vice President, and by the Speaker of the House to visit Annapolis and make an inspection of that institution.

I may say as one who has had some experience in teaching—I was a teacher myself for 10 years—that the Academy at Annapolis is one of the finest institutions of learning in the United States. It is thorough and is doing its work well.

To my surprise when I went there I found a sad expression on the faces of a number of the pupils. Having studied there 4 years, and expecting to graduate this year, not knowing that Congress would pass the statute we recently did, they are naturally disappointed for they expected to be commissioned. We are responsible for the fact that we must pass this legislation. We passed an act which provided that not more than half of those graduating could be commissioned. Half the class are now deprived of the opportunity of being commissioned and they will not receive a penny. More than that they will be turned out of the institution without any showing of the achievement they have made in the 4-year course of study.

They are very anxious that at least this little courtesy be shown them by Congress. They want at least to have something to show for what they have accomplished in point of education.

If my good friend the gentleman from Texas [Mr. BLANTON] should go over to Annapolis and associate with the 1,700 or more boys now there studying and marching to the tap of discipline, I do not think he would stand on this floor and oppose this measure of simple justice.

Mr. BLANTON. I was over there the other day. I saw everything there that my friend from Arkansas witnessed. I conferred with all of my appointees there, and also had a pleasant visit with several officers.

Mr. GLOVER. I do not believe the gentleman was there long enough to learn anything. [Laughter.]

I imagine the gentleman from Texas went over there in order to be prepared to criticize this bill, because it would have been the law now but for the gentleman from Texas. It passed the other body and came here last session of Congress. Unanimous consent was asked for its consideration, and the gentleman from Texas is the man who stopped its speedy passage.

Mr. BLANTON. I stopped it because I thought it was unwise. Mr. Speaker, will the gentleman yield for a question?

Mr. GLOVER. Yes.

Mr. BLANTON. When the gentleman went to Annapolis did he pay his way? I paid all of my own expenses, when I went to Annapolis, just as I pay my own expenses when I check up other Government institutions.

Mr. GLOVER. I may say to the gentleman that I paid my own hotel bills, \$4 a day. [Applause.]

I may further say to the gentleman that if he thinks he can make any money out of a 3-day trip over there to try it, then come back and count his money. [Laughter.]

[Here the gavel fell.]

Mr. VINSON of Georgia. Mr. Speaker, I yield 2 additional minutes to the gentleman from Arkansas.

Mr. GLOVER. Mr. Speaker, I certainly hope no man in this House will follow the leadership of the gentleman from Texas and vote against this bill. I do not believe there ought to be a vote against it in this House. I do not believe any man who would go to Annapolis and study the situation,

and realize what an efficient institution it is, would vote against this bill.

This does not cost the Government 1 penny, not 1 penny. On the other hand it saves the Government money.

If these men were commissioned they would go out and draw their pay as ensigns, but in this way they do not draw such pay. They are just as capable and just as ready for service as if they had been given a commission and they can be called out at any time the Government wants them.

I say this is a fine solution of the question, because the time may come when we will need to call out every one of these boys, and the degree which they are to get, bachelor of science, is no greater degree than they are entitled to. It is not a higher degree than that given by some of our universities or some of our colleges that are issuing such degrees now. I say this because I know what I am talking about.

I do not know so much about the Coast Guard school, but I do know that the schools at Annapolis and West Point certainly reach the standard of bachelor of science in their teaching, and go much further than that. I certainly hope that this House will not slap these boys, who have stayed there and toiled and studied for 4 long years, in the face, when they thought they were to be given a commission. Let us at least say to these boys that they are entitled to the standard of efficiency and education that they have actually attained by hard study. [Applause.]

Mr. BLANTON. Mr. Speaker, I yield 5 minutes to the gentleman from Oklahoma [Mr. McCLINTIC], who is a former chairman or ranking member of the Naval Affairs Committee.

Mr. McCLINTIC. Mr. Speaker, I hope I may have the attention of the House for just a few minutes. I served long enough on the Naval Affairs Committee to learn that whenever they brought in a bill and said it did not cost the Government anything to immediately begin to hunt for the joker.

On occasions prior to this I have called attention to the enormous cost of maintaining the Annapolis Academy in comparison with West Point. I venture to assert that we use over there three times as many employees as any other educational institution in the United States that has the same number of pupils.

I do not say that I particularly object to this provision, but I want to tell you why it is being done. They know and you know that unless you can hold out some inducement to the boys who graduate that it will mean a decreased enrollment, and a decreased enrollment means a curtailment of expenditures. You may not know it, but I do, that the cost of the maintenance of this institution is practically as high as it was during the World War; and you know as well as I that we have so many Army and Navy officers in Washington that in order to keep them from wearing out their right arms saluting each other there is an order to keep them from wearing uniforms; and you know further that prior to the World War we housed all of these officers in the State, War, and Navy Building, but now it takes about 10 acres of room to take care of the set-up. We have another set-up now, and if I could have my way I would send these officers out to the posts where they belong rather than have them congregate here in Washington.

I believe in economy at a time when the country is in a bad condition. I have no particular objection to giving these boys this kind of a degree; but as sure as you do this it means we have got to maintain these expensive set-ups in the future. So I feel it is my duty to bring these facts to the attention of the House and then let you do as you please.

Mr. BLANTON. Mr. Speaker, I yield 2 minutes to the gentleman from Alabama [Mr. ALLGOOD].

Mr. ALLGOOD. Mr. Speaker, I think we are really doing the graduates of Annapolis and West Point an injustice by merely holding out to them the opportunity to get a little B.S. degree, when we promised them a commission, which means to them a job. That is what we promised them and this promise is wrong and we ought to correct it by reducing the scholarships.

This wrong should have been corrected in the bills as they came up this year. I had an amendment written out to be offered to the West Point provision of the bill when that appropriation bill was up for passage, but I was invited by President Roosevelt to go on the inspection trip to Muscle Shoals, Ala., and the bill was passed while I was away.

We are graduating more men from these institutions than can be commissioned. What we need to do is to cut down on the number of men who can go there and thereby reduce the expenditures for these institutions. It is, to a certain degree, political favoritism. If we Members of Congress had to pay for these scholarships at Annapolis and West Point we would not do it, and yet we take credit for it back home by saying that we sent so-and-so to Annapolis or to West Point.

I think that in view of the fact that Congress has cut down on Government wages and on soldiers pensions, we ought to come along and economize in every possible way.

I am bringing this point to your attention and to those who will be in charge of the bills for the Army and Navy at the next session of Congress, that if the number of cadets and midshipmen who are permitted to enter West Point and Annapolis are limited to the number that can be given commissions, it will cause a saving of approximately a million dollars a year at these institutions.

Mr. BLANTON. Mr. Speaker, I yield 2 minutes to the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. Mr. Speaker, there seems to be some misapprehension on the part of the House as to the relative standings of these institutions. Several Members with whom I have spoken were under the impression that the Coast Guard Academy has a 3-year course. Let me say that it was changed to a 4-year course 2 years ago, and the curriculum at the Coast Guard Academy is on all fours with the Naval Academy at Annapolis, save in this one particular. At the Coast Guard Academy the students get more maritime and customs law than they do at the Naval Academy. They get more navigation and maritime law, while at the Naval Academy they get more instruction in higher gunnery. That is the only difference between the two. As far as the other qualifications are concerned they are practically identical to all intents and purposes.

The reason for this legislation is this. Two years ago a young man graduated from the Naval Academy. He was not commissioned because of physical disability incurred in athletics at that institution. He applied for position as instructor in mathematics at a high school in the Middle West.

The faculty wanted to employ him as he was in every way competent, but found that they could not do so because he did not have a degree.

Is there anyone here who will deny that a graduate of any of these academies is not fully qualified to teach mathematics in any form in any school? We are simply helping these boys who are not going to be commissioned. It is not going to help those who are commissioned, but it is going to help the boys who are not commissioned, because it will enable them to get positions in those institutions of learning where they cannot now be employed without a degree.

I fail to agree with the logic of the gentleman from Oklahoma. We are simply proposing to grant this degree to those boys who are not commissioned in order to help them make a living and be self-sustaining. [Applause.]

[Here the gavel fell.]

Mr. BLANTON. Mr. Speaker, I yield 2 minutes to the gentleman from Connecticut, Colonel Goss.

Mr. GOSS. Mr. Speaker, I am not going to vote for H.R. 2834 this morning because of the Coast Guard.

The gentleman from Minnesota said that 3 years ago they had a 3-year course. Within the last few years they have built a new Coast Guard station in my State. I do not think it is fair to give these boys a degree in the Coast Guard at the present time. I am for it for the Military Academy and the Naval Academy, but I am not for it for the Coast Guard.

Mr. VINSON of Georgia. Will the gentleman yield?

Mr. GOSS. Yes.

Mr. VINSON of Georgia. Does not my friend think that this is in the interest of economy and would be a wise thing to do, and not in the interest of the curriculum at all?

Mr. GOSS. What is the reason for doing that?

Mr. VINSON of Georgia. It is in the interest of economy.

Mr. GOSS. If this bill included the Military Academy at West Point and the Naval Academy at Annapolis, only, I think the situation would be far different from what it is right here today. Until the Coast Guard matter is taken out, I hope the bill will be defeated.

Mr. BLANTON. Mr. Speaker, I realize that this bill will pass. But if I am the only one to stand up, I shall vote against it. It is a most unwise measure. It is a bad governmental policy. It is unsound economically.

I have done my duty in trying to stop it. The responsibility is upon the shoulders of those who vote for it.

For my last appointment, last December, I had the Civil Service Commission hold a competitive examination in Texas in 12 cities in my district. Fifty-six high-school graduates were applicants for that appointment. That shows the great desire of the American youth to go to one of these free Government academies, where everything is furnished plus a handsome yearly allowance.

Mr. LOZIER. Mr. Speaker, will the gentleman yield?

Mr. BLANTON. I regret that I cannot just now, as my time is limited. When I conclude I will gladly yield. I ask gentlemen who intend to vote for this popular bill whether they are treating the other boys of the United States fairly when they do so. You are not carrying on any free Government university of the first class for the other boys down at Graham, in Young County, or over in Benton County or in Wise County or in Throckmorton County, in my friend's district—and I believe he asked for time to speak for this bill. What are you going to say to those other boys down in Texas who cannot go to Annapolis or to West Point?

Mr. McFARLANE. I will tell the gentleman in a minute.

Mr. BLANTON. How is the gentleman going to explain to them that when they go to a university to get a bachelor of science degree they have to pay everything—their own way—they have to pay to be examined, and they have to buy their own food and clothing and their own instruction and books, and they have to pay for their own doctors and nurses and medicines and hospitals; and then, if they can worry through the 4 years, they may get a degree.

In this matter we are furnishing our cadets with their examinations free, with their traveling expenses to go to the academy from their homes, with their food and lodging, and clothing and instruction and hospital treatment, doctors' bills, nurses, medicines, and special training in social arts—everything free, and allowing them \$780 a year for Annapolis and the Coast Guard and \$800 for the Military Academy at West Point. When they graduate, all of them have about \$1,000, more or less, to their credit. They are taught how to dance, just how they should put their arms around the girls, and are given a full course in social etiquette. But other American boys are denied all these privileges. Is that treating the other boys of the country fairly? I am not for giving them more than their diploma.

The Naval Academy was created for one purpose only, and that was to prepare and train naval officers for naval defense. The United States Military Academy at West Point was created to prepare Army officers for military defense, and the Coast Guard Academy is to prepare them for Coast Guard service. They are not academic institutions; they are military institutions, pure and simple. This whole idea of granting degrees was gotten up by a bunch of professors over here, not by the boys. These professors want to keep their personnel intact, and want to have their salaries raised; they want to have their teaching force increased; they want to retain the ones they already have there. As the gentleman from Oklahoma said, they are top heavy now in the teaching staff. They will say if you are going to confer bachelor of science degrees, you will have to give us the

necessary equipment so that our bachelor of science degree may be recognized by the colleges and universities of the country.

Mr. LOZIER. Mr. Speaker, will the gentleman yield?

Mr. BLANTON. Yes.

Mr. LOZIER. Mr. Speaker, the gentleman speaks about the great number of applicants for these positions. Is that not because of economic conditions, because these boys have not the money to go to ordinary colleges and universities?

Mr. BLANTON. No; not altogether. I had applications from them in war time, from boys 16 and 17 years old, who knew that they were going to be equipped for war purposes. I have had many applications every year. While I realize full well that there is no chance whatever to defeat this bill, I have done all within my power to stop it. I have done my full duty according to my judgment and conscience.

Mr. VINSON of Georgia. Mr. Speaker, I yield the remainder of my time to the gentleman from Texas [Mr. McFARLANE].

Mr. McFARLANE. Mr. Speaker, I was amused at the statement of my colleague from Texas [Mr. BLANTON], who seems to be so worried about the great cost involved in this measure and the degree that we are going to give to these boys who spend 4 years there making the fight of their life to finish at these wonderful schools. I know and you know that these schools are second to none in the world, and when a man has finished his work and completed his course at any one of these schools, he is on a parity, so far as education is concerned, with that received at any school in the world, especially from a scientific standpoint. My friend and colleague from Texas would have you believe that we should not grant them this degree. Let us examine that thought for a minute. A boy goes to the trade school. Do they turn him out without a degree? Certainly not. They give him a degree. The trade schools are all Nation-wide, mostly supported by taxpayers of the country. The same is true of our State colleges and universities. Do they turn boys out without a degree? Certainly, they do not. Why should we be unfair to the boys who fight the battle and attend our academies of the Army and the Navy schools?

The gentleman would have you believe that we are doing too much for these boys in granting them the degree of bachelor of science, which they richly deserve. These schools are members of the American Association of Universities and Colleges. They are on a parity with any school in the country. They do the work. There is no question about that. Then why should they not receive their proper recognition? This Congress is very largely responsible for this condition existing at this time.

Mr. ZIONCHECK. Will the gentleman yield?

Mr. McFARLANE. In just a moment. My time is very limited. If I have time after I finish, I will be glad to yield.

This situation is due to a measure put through in the last Congress, and I understand my colleague was in a large way responsible for the 50-percent cut, and I understand 50 percent or thereabouts of these boys will go out into the world without receiving a commission. What do we find the situation to be?

If the business world knew what this Congress knows and what those familiar with the work of the academies know, this bill would not be necessary, but when one of the graduates of those schools goes out into the business world to apply for a position they ask him, "What degree do you hold?" Or if he applies for a teaching position, they ask him, "What degree do you hold?" He is forced to tell them, "I do not have a degree. I have a diploma that shows I am a graduate of this school." In all fairness to the graduates of these schools I believe you will agree with me that we should support this bill. We ought to vote for it unanimously, to keep faith with these boys. These boys are working their way through school, working every minute of the day from dawn until dark, just as the boys are working their way through other schools. They work for every thing they get. Let us not break faith with those boys. In time of trouble we look to these boys to defend our country; certainly they are entitled to this little degree of consideration. Let

us vote for this bill and give them the degree they so richly deserve.

Mr. HILL of Alabama. Will the gentleman yield?

Mr. McFARLANE. I yield.

Mr. HILL of Alabama. The truth is this bill has passed the Senate, and it has been favorably reported by the House Committee on Military Affairs, and the Naval Committee as well.

Mr. McFARLANE. Unanimously.

Mr. HILL of Alabama. If this Congress would vote down this bill today, it would be a reflection on the fine work of those young men in the academies.

Mr. McFARLANE. That is exactly right. The gentleman is correct.

Mr. COCHRAN of Missouri. Will the gentleman yield?

Mr. McFARLANE. I yield.

Mr. COCHRAN of Missouri. I agree with the purpose of the bill, but I think the gentleman has misstated a fact. The gentleman said these boys work their way through. They work to get through school, but the gentleman knows the United States Government, once he enters the school, takes care of that boy until he is discharged, and it does not cost him a 5-cent piece.

Mr. McFARLANE. Perhaps the gentleman did not understand my view of the situation. I say they worked every minute of the day during the curriculum, better qualifying themselves to carry on the work of the United States when they become officers and enter into the kind and character of work they are called upon to do.

Mr. BRITTEN. Will the gentleman yield?

Mr. McFARLANE. I yield.

Mr. BRITTEN. There is being scattered about the House a copy of the bill, S. 753, and most of the Members are of the opinion that that is the bill to be voted upon. The fact of the matter is that it has been very materially amended, so as to include the Military Academy at West Point and the Coast Guard Academy. If most of us had an opportunity to do so, we would vote against including the Coast Guard Academy, because the Coast Guard Academy is no school, never has been a school, comparable to the Military Academy or the Naval Academy. It is a 3-year course.

Mr. McFARLANE. I only yielded for a short question.

Mr. BRITTEN. I wanted the gentleman to make clear to the House that this bill, S. 753, is not being voted upon at all, but a substitute, where everything was stricken out but the enacting clause.

Mr. McFARLANE. In answer to the gentleman, I think it is understood that the chairman of the committee, Mr. VINSON, has offered an amended bill, which provides that the graduates of these three schools, each of which has 4-year courses to do the work, are to receive this degree. They are doing the scientific work involved which qualifies them for the bachelor of science degree which they will receive, and they would receive that same degree if they did the same kind and character of work in any school of the United States. The requirements of these academies, I believe, meet the requirements of any school in the United States granting this degree.

This bill if enacted into law will not cost the Government a penny. It merits your unanimous support. [Applause.]

Under the amendment offered by Mr. VINSON, Chairman of the Naval Affairs Committee, all graduates of the United States Naval Academy, the United States Military Academy, and the Coast Guard Academy are to be entitled to receive the degree of bachelor of science. Under the present law graduates of these schools receive nothing but a diploma other than those fortunate graduates who are selected to the rank of ensign in the Navy or second lieutenant in the Army or ensign in the Coast Guard, which in 1933 and for several years in the future will likely not be more than 50 percent of the graduating class of each school.

The curriculums of the schools are on a parity with those of the leading engineering and technological schools of the country and are amply high and sufficient to warrant the granting of the bachelor of science degree to its graduates.

The act of May 6, 1932 (Public, No. 122, 72d Cong.) authorizes the President to commission at least 50 percent of the graduates of these schools. It is anticipated that in June 1933, one half of the graduating class will receive commissions and the other one half will have to go into civilian life. It is estimated that in future years about the same ratio of the graduating class will be unable to get a commission. In addition to these there are each year several graduates who are required to resign on graduation by reason of physical defects or injuries received while in school, such as defective vision, broken teeth, etc.

The degree of bachelor of science will be of great benefit to these graduates in civil life. Considering the entrance requirements and the curriculums in the different schools, these institutions as technical schools are comparable with our leading engineering schools which confer such degrees upon their graduates. Their courses are equal to 4-year college courses and are so considered by the universities and colleges to which their postgraduate students are sent.

The diploma alone from these academies is assurance of ability and worth along lines of mental, physical, and character development to those acquainted with the activities of the academies; but those graduates who leave the service will come in contact with many people unacquainted with these institutions and who will not place the value upon the diploma that it justly deserves. A degree of bachelor of science will materially assist such graduates in seeking employment as well as their admission into schools of higher education. Such a degree will give graduates something to strive for when a commission is unlikely, and will without question raise the efficiency of these schools.

The enactment of this legislation will result in no cost to the Government.

Similar legislation was proposed by the Navy Department in the Seventy-second Congress.

The following letters addressed to the Speaker of the House and the chairman of the committee from the Secretary of the Navy set forth the Navy Department's views and favorable recommendation of this bill:

NAVY DEPARTMENT,
Washington, November 26, 1932.

THE CHAIRMAN COMMITTEE ON NAVAL AFFAIRS,
House of Representatives, Washington, D.C.

MY DEAR MR. CHAIRMAN: There is enclosed herewith a copy of a letter, together with a copy of a proposed bill to confer the degree of bachelor of science upon graduates of the Naval Academy, this day forwarded to the Speaker of the House of Representatives.

Sincerely yours,

C. F. ADAMS,
Secretary of the Navy.

NAVY DEPARTMENT,
Washington, November 26, 1932.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES,
Washington, D.C.

MY DEAR MR. SPEAKER: I have the honor to transmit herewith a draft of bill to confer the degree of bachelor of science upon graduates of the Naval Academy.

The act of May 6, 1932 (Public, No. 122, 72d Cong.), authorizes the President to commission as ensigns at least 50 percent of all future graduates of the Naval Academy. It is anticipated that in June 1933 one half of the graduating class only will receive their commissions, the remainder will have to go into civilian life. In future years it is probable that a number of each graduating class will be unable to get commissions as ensigns. In addition to these there are each year several graduates who are required to resign on graduation by reason of physical defects, such as defective vision.

The degree of bachelor of science will be a great aid to these graduates in civil life.

Considering the entrance requirements and the curriculum at the Naval Academy, that institution as a technical school is comparable with our leading engineering schools which confer such degrees upon their graduates. Its course is equal to a 4-year college course and is so considered by the universities and colleges to which its postgraduate students are sent.

The Naval Academy diploma alone is assurance of ability and worth along lines of mental, physical, and character development to those acquainted with the activities of the academy, but those graduates who leave the service will come in contact with many people unacquainted with that institution and who will not place the value upon the diploma that it justly deserves. A degree of bachelor of science will materially assist such graduates in seeking employment as well as their admission into schools of higher education. Such a degree will give these graduates something to

strive for when a commission is unlikely and will without question raise the efficiency of the Naval Academy.

The enactment of this legislation will result in no cost to the Government.

For the reasons stated, it is recommended that the proposed legislation be enacted.

Sincerely yours,

C. F. ADAMS, *Secretary of the Navy.*

The SPEAKER. The time of the gentleman from Texas [Mr. McFARLANE] has expired.

All time has expired.

The question is on the motion of the gentleman from Georgia [Mr. VINSON] to suspend the rules and pass the bill, as amended.

The question was taken; and on a division (demanded by Mr. BLANTON) there were—yeas 211, noes 4.

So, two thirds having voted in favor thereof, the rules were suspended and the bill, as amended, was passed.

CHAMBER OF COMMERCE, COLUMBUS, OHIO

Mr. LAMNECK. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by inserting a set of resolutions passed by the Columbus (Ohio) Chamber of Commerce with reference to the work of Congress.

The SPEAKER. Is there objection to the request of the gentleman from Ohio [Mr. LAMNECK].

There was no objection.

Mr. LAMNECK. Mr. Speaker, under the leave to extend my remarks in the RECORD I include the following resolutions adopted by the Columbus (Ohio) Chamber of Commerce expressing confidence in President Roosevelt and pledging itself to help business and industry:

COLUMBUS, OHIO, May 12, 1933.

The Columbus Chamber of Commerce, by action of its board of directors, expresses complete confidence in President Roosevelt, appreciates fully the conditions which exist at this time in this country, appreciates the tremendous efforts on the part of the Government in this emergency, and reaffirms its desire to cooperate.

The Columbus Chamber of Commerce fully recognizes the seriousness of unemployment in industry generally, and realizes also that industry should cure itself of the evils of unfair competition.

The Columbus Chamber of Commerce heartily approves of President Roosevelt's plan of correcting these evils through industry itself, and by trade associations, without projecting Government into business further than it is necessary.

The Columbus Chamber of Commerce, representing the business interests of this community, pledges itself to help industry and business in this area, to organize its trade associations for the purpose of correcting these evils and instituting these reforms, and for that purpose we stand ready and willing to assist the President in every possible way in his program to restore industry and relieve unemployment.

Respectfully submitted.

THE COLUMBUS CHAMBER OF COMMERCE,
CHARLES E. NIXON, *President.*
FRED D. CONNOLLEY, *Executive Director.*

AMENDMENT OF BANK CONSERVATION ACT

Mr. STEAGALL. Mr. Speaker, I call up Senate bill 1410, to amend section 207 of the Bank Conservation Act with respect to bank reorganizations, and ask for its immediate consideration.

The Clerk read the title of the bill.

Mr. STEAGALL. Mr. Speaker, I have submitted this unanimous-consent request purely in the interest of time, and the comfort and convenience of the House.

I am going to explain what the bill does.

In the emergency bank bill passed on the 9th day of March, I believe it was, provision was made setting up methods for the reorganization of closed banks. In that legislation the phrase "National Banking Association" was used. It is found that some of the banks in the District of Columbia that were chartered under State laws do not come within the provisions of that legislation as embodied in section 207, in which the phrase "National Banking Association" was used. The bill before us changes this language so as to substitute the word "banks" for the phrase "National Banking Associations."

It will facilitate the reorganization of banks in Washington that embrace banks that were chartered under State laws.

Mr. BRITTEN. Mr. Speaker, will the gentleman yield for a question?

Mr. STEAGALL. I yield.

Mr. BRITTEN. Of course, the bill, S. 1410, has not been printed. Therefore it is impossible to get a copy of the matter the gentleman desires to take up.

Does it involve simply the change in language the gentleman has indicated?

Mr. STEAGALL. That is all.

Mr. BRITTEN. So as to take care of certain banks in the District of Columbia.

Mr. STEAGALL. That is the only thing there is in it, and that is the purpose of it. It was unanimously reported by the Senate Committee on Banking and Currency. It has been passed by the Senate. It was reported unanimously by the House Committee on Banking and Currency, and I am asking for consent to its consideration at the present time in the interest of saving time.

Mr. MARTIN of Massachusetts. Have hearings been held on it by the Committee on Banking and Currency?

Mr. STEAGALL. No hearings were thought necessary.

Mr. MARTIN of Massachusetts. Has that committee acted upon it?

Mr. STEAGALL. Yes. It was unanimously reported by the committee. It had passed the Senate.

Mr. JENKINS. Mr. Speaker, will the gentleman yield for a question?

Mr. STEAGALL. I yield.

Mr. JENKINS. Inasmuch as the gentleman has another bill to come up under suspension of the rules from the same committee, would it inconvenience him if he deferred consideration of this bill until the gentleman from Massachusetts [Mr. LUCE], the ranking minority member of the committee, can be present?

Mr. MARTIN of Massachusetts. Mr. Speaker, I feel constrained to object at this time because the minority representative is not here. I do not want to take upon my shoulders to permit the bill to go through without his seeing the bill at least.

Mr. STEAGALL. I can assure the gentleman that the gentleman from Massachusetts [Mr. LUCE] will not object to the passage of this bill.

Mr. MARTIN of Massachusetts. Why not delay it a little? Why not call up the other bill and come back to this one later?

Mr. STEAGALL. The bill was unanimously reported from the committee. Of course, we can take it up later.

Mr. MARTIN of Massachusetts. Why not take up the bill H.R. 1415 and then come back to this one? By that time we will have had an opportunity to communicate with the gentleman from Massachusetts [Mr. LUCE].

Mr. Speaker, I object.

Mr. STEAGALL. Mr. Speaker, I move to suspend the rules and pass the bill, S. 1410, to amend section 207 of the Bank Conservation Act with respect to bank reorganization.

The SPEAKER. Will the gentleman withhold his motion a moment?

Mr. STEAGALL. Mr. Speaker, I withhold it.

EXTENSION OF GASOLINE TAX AND MODIFICATION OF POSTAGE RATES

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 5040) to extend the gasoline tax 1 year, modify postage rates on mail matter, and for other purposes, disagree to the Senate amendments, and ask for a conference.

Mr. COLLINS. Mr. Speaker, reserving the right to object, the so-called "Whittington amendment", requiring power companies to pay the Federal tax on power used by consumers, was changed and rewritten in the Senate. Before the House conferees yield from the position of the House on that amendment will the gentleman from North Carolina agree to bring this amendment back to the House for a separate vote?

Mr. DOUGHTON. As far as I am concerned personally, I am always pleased to have the House express itself upon any matter in which it is interested. I am perfectly willing to do this if it is agreeable to the other members of the

conference committee. As far as I am concerned, I have no objection.

Mr. COLLINS. Will the gentleman assure the House of a vote on the Whittington amendment before the House conferees recede from the position of the House on that amendment?

Mr. DOUGHTON. I do not know that I can go that far. A majority of the conference committee might not agree with me, but I will favor it, I may say to the gentleman from Mississippi.

Mr. COLLINS. With the assurance that the gentleman will insist upon the House amendment, I withdraw my reservation of objection.

Mr. MAPES. Mr. Speaker, reserving the right to object, it is utterly impossible for anyone 10 feet away from the gentleman from North Carolina to hear what he is saying. I think we ought to know a little about what is going on before we give unanimous consent to proceed.

The SPEAKER. The gentleman from North Carolina asks unanimous consent to take from the Speaker's table the bill (H.R. 5040) to extend the gasoline tax for 1 year, to modify postage rates on mail matter, and for other purposes, disagree to the Senate amendments, and ask for a conference.

Is there objection? [After a pause.] The Chair hears none and appoints the following conferees:

Messrs. DOUGHTON, RAGON, SAMUEL B. HILL, TREADWAY, and BACHARACH.

Mr. MARTIN of Massachusetts. Mr. Speaker, I find that the minority membership of the Banking and Currency Committee is in favor of the bill S. 1410 and I therefore withdraw my objection.

Mr. STEAGALL. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (S. 1410) to amend section 207 of the Bank Conservation Act with respect to bank reorganizations.

Mr. BRITTEN. Mr. Speaker, I reserve the right to object for the purpose of asking a question. The Chairman of the Banking and Currency Committee a few moments ago was understood, at least by me, to say that this slight change in the banking act is being presented in the interest of the banks of the District of Columbia.

Mr. STEAGALL. Yes.

Mr. BRITTEN. I have been told by a member of the gentleman's committee that it applies to the banks throughout the United States.

Mr. STEAGALL. Yes, it does; but it uses the word "bank" as a substitute for "National Banking Association" in section 207 of the Emergency Act, which will make possible the reorganization of banks in the District of Columbia, where they are ready to act today if this legislation is passed. I have no such information at the moment, but probably there will be other instances where such situations may develop; but in any event the word "bank" will embrace every purpose of the original legislation and will make possible the action that is so much desired in the District of Columbia now.

Mr. BRITTEN. I am told that this legislation is also desired for the Cleveland, Ohio, banks.

Mr. STEAGALL. That is probably true.

Mr. BRITTEN. And will changing the words "national banking association" to "bank" take in State banks?

Mr. STEAGALL. Yes; that is the purpose of it—banks and trust companies everywhere and of all kinds.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

The Clerk read the Senate bill, as follows:

Be it enacted, etc., That section 207 of the Bank Conservation Act is amended by striking out "national banking association" wherever it appears therein and inserting in lieu thereof the word "bank."

The bill was ordered to be read a third time, was read the third time, and passed.

On motion of Mr. STEAGALL, a motion to reconsider the vote by which the bill was passed was laid on the table.

REMOVAL OF CERTAIN LIMITATIONS ON NATIONAL BANKS

Mr. STEAGALL. Mr. Speaker, in the interest of time, I am going to submit another unanimous-consent request.

Mr. Speaker, I ask unanimous consent for the present consideration of the bill (S. 1415) to amend sections 5200 and 5202 of the Revised Statutes, as amended, to remove the limitations on national banks in certain cases.

The Clerk read the title of the bill.

Mr. GOSS. Mr. Speaker, may we have the bill read?

The Clerk read the Senate bill, as follows:

Be it enacted, etc., That section 5200 of the Revised Statutes, as amended, is amended by adding at the end thereof the following new paragraph:

"(9) Obligations representing loans to any national banking association or to any banking institution organized under the laws of any State, or to any receiver, conservator, or superintendent of banks, or to any other agent, in charge of the business and property of such association or banking institution, when such loans are approved by the Comptroller of the Currency, shall not be subject under this section to any limitation based upon such capital and surplus."

Sec. 2. Section 5202 of the Revised Statutes, as amended, is amended by adding at the end thereof the following new paragraph:

"Ninth. Liabilities incurred on account of loans made with the express approval of the Comptroller of the Currency under paragraph (9) of section 5200 of the Revised Statutes, as amended."

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

Mr. JENKINS. Mr. Speaker, I reserve the right to object, so I may ask the chairman of the committee or the ranking member on the Republican side to explain this bill.

Mr. STEAGALL. Mr. Speaker, let me say that this bill removes the limitation of the national banking law which restricts loans in certain cases to 10 percent of the amount of capital and 10 percent surplus of the lending bank. The limitation is removed as to—

loans to any national banking association or to any banking institution organized under the laws of any State, or to any receiver, conservator, or superintendent of banks, or to any other agent in charge of the business and property of any such association or banking institution—

With the approval of the Comptroller of the Currency.

The purpose of the legislation is to liberalize the lending facilities of banks, based upon assets of closed banks. It is designed to make practicable the unfreezing of assets in banks that are closed or in the hands of conservators or liquidating agents by new banks that are being organized.

That is the purpose of the legislation. I may say that the bill has passed the Senate, is unanimously reported by the Banking and Currency Committee, and it is thought that helpful work could be accomplished by liberalizing the national banking law so as to remove the limitation in the manner to which I have referred.

Mr. WATSON. Will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. WATSON. Then would it be possible for a borrower to obtain 15 or even 20 percent of the surplus and capital of a bank, if it were agreed to by the Comptroller?

Mr. STEAGALL. It would be.

Mr. WATSON. I thought we were endeavoring to limit loans.

Mr. STEAGALL. It is the desire to limit them in a general way, but it is very desirable in the work of reorganizing closed banks that a new bank may be able to use a part of its assets and its new capital in undertaking to unfreeze a portion of the assets of banks that have been closed.

Mr. WATSON. I thought one of the troubles has been with the banks' lending too much money, and for this reason we had a financial break-down.

Mr. STEAGALL. There is quite a number of exceptions to the limitations in section 5200, which limits loans to 10 percent of the capital and 10 percent of the surplus of a lending bank. I may say to my friend that the business of the country would be seriously hampered if the 10-percent limitation were universally applied.

Mr. LOZIER. Will the gentleman yield?

Mr. STEAGALL. Yes.

Mr. LOZIER. Did I understand the gentleman to say that this law will amend the present law which prohibits loans to one individual or corporation in excess of 10 percent of the capital and surplus of any going concern?

Mr. STEAGALL. Yes.

Mr. LOZIER. Does the gentleman think it is a wise provision to repeal the present limitation and make it easy for a comparatively few favored customers of a bank to monopolize the credit and obtain practically all the money the bank has to lend?

Mr. STEAGALL. This is an unusual situation that we are undertaking to meet. Many banks are closed, and efforts are under way to reopen them. Exceptions to the general limitations are necessary in supporting commerce and to aid in moving the agricultural crops of the country. It is important that the general limitation be liberalized, and it has been done in numerous cases. In this measure we are liberalizing it for loans to conservators and liquidating agents for closed banks in the hope of being able to unfreeze some of the assets of these institutions. It also affords an opportunity for the employment of some portion of the new capital of newly organized banks, a thing helpful to a bank in its initial stages. So it serves a dual purpose.

Mr. LOZIER. May I suggest that you are not confining this liberalization to reorganized banks or banks that take over the assets of failed banks. But under the cover of affording relief to banks that are in liquidation, or to banks helping banks that are being reorganized, you are increasing the amount of loans that a bank may make to one individual, firm, or corporation. No bank should be allowed to loan to one person in excess of 10 percent of the capital and surplus. I want to say to you that a violation of the 10-percent limitation and a manipulation of loans to favor a few customers are responsible for many of the bank failures and for the deplorable condition of the banks in the United States. I think the bill ought not to be enacted. It is bad legislation. The 10-percent limitation should be kept in the law.

Mr. WATSON. Will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. WATSON. The gentleman made the statement that it would be necessary to increase from 10 to 20 percent the borrowing power when a citizen applied to make a loan.

Mr. STEAGALL. I did not intend to so state.

Mr. WATSON. Within a very few years national banks have joined together for that purpose. They have increased their capital stock and surplus in order to make increased loans. In Philadelphia we had not enough money to meet the demand, and borrowers had to go to New York. Therefore, two banks joined so that they might have a greater capital and surplus in order to make these loans. I think it is a great error to pass this bill.

Mr. McFADDEN. Will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. McFADDEN. I think there is some confusion in the minds of Members on the floor as to the purpose of the bill. As I interpret it, it gives the banks the right to borrow from the Reconstruction Finance Corporation to facilitate reorganization and gives to the receivers and conservators the right to borrow. This does not affect the borrower from a bank in any sense, but it enlarges the right of the bank to borrow from the Reconstruction Finance Corporation to facilitate the reorganization and consolidation of other banks. Am I right or wrong?

Mr. STEAGALL. It amends section 5200.

Mr. McFADDEN. That limits to 10 percent the amount that it may borrow. This amends it and gives the bank, with the consent of the Comptroller, the right to borrow in order to consolidate with other banks.

Mr. STEAGALL. That is a different way of stating the same thing—that is what we are trying to do. It applies both to borrowing banks and loaning banks.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

Mr. HOEPEL. Under the statement of the chairman, I object.

Mr. STEAGALL. Mr. Speaker, I move to suspend the rules and pass the bill (S. 1415) to amend sections 5200 and 5202 of the Revised Statutes, as amended, to remove the limitations on national banks in certain cases.

The Clerk read the bill, as follows:

S. 1415 (Rept. No. 122)

An act to amend sections 5200 and 5202 of the Revised Statutes, as amended, to remove the limitations on national banks in certain cases

Be it enacted, etc., That section 5200 of the Revised Statutes, as amended, is amended by adding at the end thereof the following new paragraph:

"(9) Obligations representing loans to any national banking association or to any banking institution organized under the laws of any State, or to any receiver, conservator, or superintendent of banks, or to any other agent, in charge of the business and property of any such association or banking institution, when such loans are approved by the Comptroller of the Currency, shall not be subject under this section to any limitation based upon such capital and surplus."

Sec. 2. Section 5202 of the Revised Statutes, as amended, is amended by adding at the end thereof the following new paragraph:

"Ninth. Liabilities incurred on account of loans made with the express approval of the Comptroller of the Currency under paragraph (9) of section 5200 of the Revised Statutes, as amended."

The SPEAKER. Is a second demanded?

Mr. COCHRAN of Missouri. Mr. Speaker, I demand a second.

Mr. STEAGALL. Mr. Speaker, I ask unanimous consent that a second be considered as ordered.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. The gentleman from Alabama is entitled to 20 minutes and the gentleman from Missouri to 20 minutes.

Mr. STEAGALL. Mr. Speaker, I have spoken in brief of the purpose of this legislation. For the moment I do not care to say any more. I reserve the remainder of my time.

Mr. COCHRAN of Missouri. Mr. Speaker, I yield 10 minutes to the gentleman from Massachusetts [Mr. LUCE].

Mr. LUCE. Mr. Speaker, I do not want one tenth of 10 minutes. The whole story can be told in half a dozen sentences. This is a measure to make it possible for the Comptroller of the Currency, when in his judgment he thinks it wise, to permit a relaxation of the law about loans in order to help out closed banks. That is the sole purpose of the bill. It is the desire of the Comptroller of the Currency, and opens the door to no serious danger. The matter does not demand long discussion. With that explanation I hope that my friend the gentleman from Missouri [Mr. COCHRAN] will understand the situation.

Mr. COCHRAN of Missouri. Mr. Speaker, I demanded a second in order to get some information. What benefit will this be to a bank in course of reorganization?

Mr. LUCE. It will permit it to get more money from the Reconstruction Finance Corporation.

Mr. COCHRAN of Missouri. That is exactly what I want the RECORD to show. That is the sole reason I demanded a second.

Let me cite section 304, title III, of the act of March 9, 1933:

SEC. 304. If in the opinion of the Secretary of the Treasury any national banking association or any State bank or trust company is in need of funds for capital purposes either in connection with the organization or reorganization of such association, State bank or trust company or otherwise, he may, with the approval of the President, request the Reconstruction Finance Corporation to subscribe for preferred stock in such association, State bank or trust company, or to make loans secured by such stock as collateral, and the Reconstruction Finance Corporation may comply with such request. The Reconstruction Finance Corporation may, with the approval of the Secretary of the Treasury, and under such rules and regulations as he may prescribe, sell in the open market or otherwise the whole or any part of the preferred stock of any national banking association, State bank or trust company acquired by the Corporation pursuant to this section. The amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized and empowered to issue and to have outstanding at any one time under existing law is hereby increased by an amount sufficient to carry out the provisions of this section.

This section was enacted, I am sure, for one purpose, and that is to assist banks in course of reorganization. It is not so easy to get the Reconstruction Finance Corporation to purchase preferred stock under this section. I have interviewed members of the Committee on Banking and Currency and they tell me that it was their understanding that the enactment of this section was demanded to meet the emergency and to help closed banking institutions to reorganize. They further tell me that such was the intent of the Congress in agreeing to the section. We all know that this section was included in the law passed to provide relief in the national emergency in banking that confronted President Roosevelt when he took office. I have heard of several cases where the Reconstruction Finance Corporation has not acted in accord with the intent of Congress, if I understand the intent of Congress correctly.

The Reconstruction Finance Corporation has been liberal in dealing with corporations. I do not blame them as the law was passed for that purpose. It should be remembered, however, that in dealing with banks the corporation is not only dealing with the officials but when it grants relief it is extending relief to thousands of depositors. Frankly, it seems to me that preferred stock in a solvent banking institution is equal to any collateral that the Corporation has received for loans. A liberal interpretation of this section will help many banks now closed. I would not ask that any assistance be rendered a bank until the new set-up had been passed upon by the Comptroller or his representatives, but when the national-bank examiners are willing to place their O.K. on the new set-up, that surely should justify the Corporation to extend aid. Nothing is delaying a return to normal more than the failure of hundreds of banks to resume operations. Many banks will be able to resume business, in my opinion, if as I stated before a liberal interpretation will be placed upon section 304 of the act of March 9.

In conclusion, I want to repeat I am pleased to receive the assurance of the chairman of the committee, the gentleman from Alabama [Mr. STEAGALL], and the ranking member of the committee, the gentleman from Massachusetts [Mr. LUCE], that this legislation is designed to help the situation that I refer to.

If the Reconstruction Finance Corporation will accept the verdict of the Comptroller of the Currency, I think the corporation will be able to come to the rescue of many banks anxious to open, and in so doing will be coming to the rescue of hundreds of thousands of our citizens, business men, whose funds are still tied up in these banks. A bank that is insolvent has no business resuming business, but a bank that presents a new set-up approved by the national-bank examiners should receive assistance. [Applause.]

That is all I have to say, Mr. Speaker. I propose to support the bill in view of the assurance I have received that the legislation will be beneficial to such banking institutions as I have referred to. I yield back the balance of my time and suggest to the chairman of the committee that he move the previous question. [Applause.]

Mr. STEAGALL. Mr. Speaker, I yield 3 minutes to the gentleman from Illinois [Mr. SABATH].

Mr. SABATH. As I understand this bill, it will remove in some instances the limitations on bankers with respect to loans they can make to large corporations.

Just now I secured a Washington paper showing that the report of the Federal Trade Commission, as ordered by this House, on the so-called "chain stores" has been made. The paper gives the chain stores a boost by showing that they are selling at a lower figure than independent stores. The advantages that those chain stores have over independents naturally make it possible for them to sell a little cheaper, but the paper does not say to what extent the chain stores are responsible for lowering the prices of all commodities, whether they are manufactured or agricultural commodities.

I have maintained for years that the tremendous purchasing power of the chain stores makes it possible for them to control and dictate prices of commodities which they are purchasing, and consequently they can at times undersell the small man, whom they are gradually putting out of

business and ruining in every section of the country. I do not think we should make possible still greater credits to those large institutions at the expense of the small dealers, the small manufacturers, and the general public of America. I think the large institutions have received in years gone by altogether too much from our Government. Instead of granting them additional aid the Government ought to curtail their activities. As it is, chain stores are financed and controlled, as is practically everything else, by the Wall Street manipulators who brought about the destruction of our Nation. [Applause.] I, for one, feel that we should not extend further and greater credit to those destructive forces than that which we have already granted them heretofore.

I am just bringing this to the attention of the House because from this time on people will try to show that the chain stores are underselling the independents. This may apply to a few leading commodities but not to all. Personally I do not believe that they undersell the independents, because the things they sell are inferior to those handled by the independents. I think it would be well for the women of this country, the consumers, to patronize their neighborhood stores, and thereby aid and give protection to their own sections of the country.

The SPEAKER. The time of the gentleman from Illinois [Mr. SABATH] has expired.

Mr. PIERCE. Will the gentleman yield?

Mr. SABATH. My time has expired.

The SPEAKER. The question is on the motion of the gentleman from Alabama [Mr. STEAGALL].

Mr. PIERCE. Mr. Speaker, I think we are entitled to know just what this bill does provide. We had one statement by the gentleman from Pennsylvania—

The regular order was demanded.

Mr. STEAGALL. I will say to the gentleman that this bill is designed, and all that can be accomplished by its provisions, is to aid in the reorganization of banks and communities that are left without banking facilities and help the depositors to realize on assets that are now tied up in closed banks. That is all there is to this bill.

Mr. PIERCE. Does it raise the loaning limit?

Mr. STEAGALL. Yes; it removes the limit as to loans that may be made and applies to both a borrowing and a loaning bank.

Mr. Speaker, I ask for a vote on the bill.

The SPEAKER. The question is on the motion of the gentleman from Alabama to suspend the rules and pass the bill.

The question was taken; and two thirds having voted in favor thereof, the rules were suspended and the bill was passed.

Mr. HOEPEL. Mr. Speaker, I make a point of no quorum.

The SPEAKER. The Chair will count.

Mr. HOEPEL. Mr. Speaker, I withdraw the point of order.

PAYMENT OF CLAIMS TO INDIAN PUEBLOS

Mr. HOWARD. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (H.R. 4014) to authorize appropriations to pay in part the liability of the United States to the Indian pueblos herein named, under the terms of the act of June 7, 1924, and the liability of the United States to non-Indian claimants on Indian pueblo grants whose claims, extinguished under the act of June 7, 1924, have been found by the Pueblo Lands Board to have been claims in good faith; to authorize the expenditure by the Secretary of the Interior of the sums herein authorized and of sums heretofore appropriated, in conformity with the act of June 7, 1924, for the purchase of needed lands and water rights and the creation of other permanent economic improvements as contemplated by said act; to provide for the protection of the watershed within the Carson National Forest for the Pueblo de Taos Indians of New Mexico and others interested, and to authorize the Secretary of Agriculture to contract relating thereto, and to amend the act approved June 7, 1924, in certain respects.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. JENKINS. Reserving the right to object, I think I shall object, Mr. Speaker, because this is a very important bill. This bill calls for the expenditure of a million dollars and I should much prefer to have the distinguished gentleman from Nebraska [Mr. Howard] bring this bill up under suspension so that we may have time to discuss it. I do not know that there is very much opposition on this side, but I know there is considerable opposition to taking up a bill of this magnitude under unanimous consent, and if I am pressed I shall object.

The SPEAKER. Is there objection to the request of the gentleman from Nebraska [Mr. Howard]?

Mr. JENKINS. I object.

Mr. HOWARD. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4014) to authorize appropriations to pay in part the liability of the United States to the Indian pueblos herein named, under the terms of the act of June 7, 1924, and the liability of the United States to non-Indian claimants on Indian pueblo grants whose claims, extinguished under the act of June 7, 1924, have been found by the Pueblo Lands Board to have been claims in good faith; to authorize the expenditure by the Secretary of the Interior of the sums herein authorized and of sums heretofore appropriated, in conformity with the act of June 7, 1924, for the purchase of needed lands and water rights and the creation of other permanent economic improvements as contemplated by said act; to provide for the protection of the watershed within the Carson National Forest for the Pueblo de Taos Indians of New Mexico and others interested, and to authorize the Secretary of Agriculture to contract relating thereto and to amend the act approved June 7, 1924, in certain respects.

The Clerk read the bill, as follows:

Be it enacted, etc., That in fulfillment of the act of June 7, 1924 (43 Stat. 636), there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sums hereinafter set forth, in compensation to the several Indian pueblos hereinafter named, in payment of the liability of the United States to the said pueblos as declared by the act of June 7, 1924, which appropriations shall be made in equal annual installments as hereinafter specified, and shall be deposited in the Treasury of the United States and shall be expended by the Secretary of the Interior, subject to approval of the governing authorities of each pueblo in question, at such times and in such amounts as he may deem wise and proper; for the purchase of lands and water rights to replace those which have been divested from said pueblo under the act of June 7, 1924, or for the purchase or construction of reservoirs, irrigation works, or other permanent improvements upon or for the benefit of the lands of said pueblos.

SEC. 2. In addition to the awards made by the Pueblo Lands Board, the following sums, to be used as directed in section 1 of this act, and in conformity with the act of June 7, 1924, be, and hereby are, authorized to be appropriated:

Pueblo of Jemez, \$1,885; pueblo of Nambe, \$47,439.50; pueblo of Taos, \$84,707.09; pueblo of Santa Ana, \$2,908.38; pueblo of Santo Domingo, \$4,256.56; pueblo of Sandia, \$12,980.62; pueblo of San Felipe, \$14,954.53; pueblo of Isleta, \$47,751.31; pueblo of Picuris, \$66,574.40; pueblo of San Ildefonso, \$37,058.28; pueblo of San Juan, \$153,863.04; pueblo of Santa Clara, \$181,114.19; pueblo of Cochiti, \$37,826.37; pueblo of Pojoaque, \$68,562.61; in all, \$761,954.88: *Provided, however,* That the Secretary of the Interior shall report back to Congress any errors or omissions in the foregoing authorizations measured by the present fair market value of the lands involved, as heretofore determined by the appraisals of said tracts by the appraisers appointed by the Pueblo Lands Board, with evidence supporting his report and recommendations.

SEC. 3. Pursuant to the aforesaid act of June 7, 1924, there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, a sum to compensate white settlers or non-Indian claimants who have been found by the Pueblo Lands Board, created under said act of June 7, 1924, to have occupied and claimed land in good faith but whose claim has not been sustained and whose occupation has been terminated under said act of June 7, 1924, for the fair market value of lands, improvements appurtenant thereto, and water rights. The non-Indian claimants, or their successors, as found and reported by said Pueblo Lands Board, to be compensated out of said appropriations to be disbursed under the direction of the Secretary of the Interior in the amounts due them as appraised by the appraisers appointed by said Pueblo Lands Board, as follows:

Within the pueblo of Tesuque, \$1,094.64; within the pueblo of Nambe, \$19,393.59; within the pueblo of Taos, \$14,064.57; within the Tenorio Tract, Taos Pueblo, \$43,165.26; within the pueblo of Santa Ana (El Ranchito grant), \$846.26; within the pueblo of

Santo Domingo, \$66; within the pueblo of Sandia, \$5,354.46; within the pueblo of San Felipe, \$16,424.68; within the pueblo of Isleta, \$6,624.45; within the pueblo of Picuris, \$11,464.73; within the pueblo of San Ildefonso, \$16,209.13; within the pueblo of San Juan, \$19,938.22; within the pueblo of Santa Clara, \$35,350.88; within the pueblo of Cochiti, \$9,653.81; within the pueblo of Pojoaque, \$1,767.26; within the pueblo of Laguna, \$30,668.87; in all, \$232,086.80: *Provided, however,* That the Secretary of the Interior shall report back to Congress any errors in the amount of award measured by the present fair market value of the lands involved and any errors in the omissions of legitimate claimants for award, with evidence supporting his report and recommendations.

SEC. 4. That for the purpose of safeguarding the interests and welfare of the tribe of Indians known as the Pueblo de Taos of New Mexico in the certain lands hereinafter described, upon which lands said Indians depend for water supply, forage for their domestic livestock, wood and timber for their personal use and as the scene of certain of their religious ceremonies, the Secretary of Agriculture may and he hereby is authorized and directed to designate and segregate said lands, which shall not thereafter be subject to entry under the land laws of the United States, and to thereafter grant to said Pueblo de Taos, upon application of the governor and council thereof, a permit to occupy said lands and use the resources thereof for the personal use and benefit of said tribe of Indians for a period of 50 years, with provision for subsequent renewals if the use and occupancy by said tribe of Indians shall continue, the provisions of the permit are met, and the continued protection of the watershed is required by public interest. Such permit shall specifically provide for and safeguard all rights and equities hitherto established and enjoyed by said tribe of Indians under any contracts or agreements hitherto existing, shall authorize the free use of wood, forage, and lands for the personal or tribal needs of said Indians, shall define the conditions under which natural resources under the control of the Department of Agriculture not needed by said Indians shall be made available for commercial use by the Indians or others, and shall establish necessary and proper safeguards for the efficient supervision and operation of the area for national-forest purposes and all other purposes herein stated, the area referred to being described as follows:

Beginning at the northeast corner of the Pueblo de Taos grant, thence northeasterly along the divide between Rio Pueblo de Taos and Rio Lucero and along the divide between Rio Pueblo de Taos and Red River to a point a half mile east of Rio Pueblo de Taos; thence southwesterly on a line half a mile east of Rio Pueblo de Taos and parallel thereto to the northwest corner of township 25 north, range 15 east; thence south on the west boundary of township 25 north, range 15 east, to the divide between Rio Pueblo de Taos and Rio Fernandez de Taos; thence westerly along the divide to the east boundary of the Pueblo de Taos grant; thence north to the point of beginning, containing approximately 30,000 acres, more or less.

SEC. 5. Except as otherwise provided herein, the Secretary of the Interior shall disburse and expend the amounts of money herein authorized to be appropriated, in accordance with and under the terms and conditions of the act approved June 7, 1924: *Provided, however,* That the Secretary be authorized to cause necessary surveys and investigations to be made promptly to ascertain the lands and water rights that can be purchased out of the foregoing appropriations and earlier appropriations made for the same purpose, with full authority to disburse said funds in the purchase of said lands and water rights without being limited to the appraised values thereof as fixed by the appraisers appointed by the Pueblo Lands Board appointed under said act of June 7, 1924, and all prior acts limiting the Secretary of the Interior in the disbursement of said funds to the appraised value of said lands as fixed by said appraisers of said Pueblo Lands Board be, and the same are, expressly repealed: *Provided further,* That the Secretary of the Interior be, and he is hereby, authorized to disburse a portion of said funds for the purpose of securing options upon said lands and water rights and necessary abstracts of title thereof for the necessary period required to investigate titles and which may be required before disbursement can be authorized: *Provided further,* That the Secretary of the Interior be, and he is hereby, authorized, out of the appropriations of the foregoing amounts and out of the funds heretofore appropriated for the same purpose, to purchase any available lands within the several pueblos which in his discretion it is desirable to purchase, without waiting for the issuance of final patents directed to be issued under the provisions of the act of June 7, 1924, where the right of said pueblos to bring independent suits, under the provisions of the act of June 7, 1924, has expired: *Provided further,* That the Secretary of the Interior shall not make any expenditures out of the pueblo funds resulting from the appropriations set forth herein, or prior appropriations for the same purpose, without first obtaining the approval of the governing authorities of the pueblo affected: *And provided further,* That the governing authorities of any pueblo may initiate matters pertaining to the purchase of lands in behalf of their respective pueblos, which matters, or contracts relative thereto, will not be binding or concluded until approved by the Secretary of the Interior.

SEC. 6. Nothing in this act shall be construed to prevent any pueblo from prosecuting independent suits as authorized under section 4 of the act of June 7, 1924. The Secretary of the Interior is authorized to enter into contract with the several Pueblo Indian tribes, affected by the terms of this act, in consideration

of the authorization of appropriations contained in section 2 hereof, providing for the dismissal of pending and the abandonment of contemplated original proceedings, in law or equity, by, or in behalf of said Pueblo Indian tribes, under the provisions of section 4 of the act of June 7, 1924 (43 Stat. L. 636), and the pueblo concerned may elect to accept the appropriations herein authorized, in the sums herein set forth, in full discharge of all claims to compensation under the terms of said act, notifying the Secretary of the Interior in writing of its election so to do: *Provided*, That if said election by said pueblo be not made, said pueblo shall have 1 year from the date of the approval of this act within which to file any independent suit authorized under section 4 of the act of June 7, 1924, at the expiration of which period the right to file such suit shall expire by limitation: *And provided further*, That no ejectment suits shall be filed against non-Indians entitled to compensation under this act, in less than 6 months after the sums herein authorized are appropriated.

Sec. 7. Section 16 of the act approved June 7, 1924, is hereby amended to read as follows:

"Sec. 16. That if the Secretary of the Interior deems it to be for the best interest of the Indians that any land adjudged by the court or said Lands Board against any claimant be sold, he may, with the consent of the governing authorities of the pueblo, order the sale thereof, under such regulations as he may make, to the highest bidder for cash; and if the buyer thereof be other than the losing claimant, the purchase price shall be used in paying to such losing claimant the adjudicated value of the improvements aforesaid, if found under the provisions of section 15 hereof, and the balance thereof, if any, shall be paid over to the proper officer or officers, of the Indian community, but if the buyer be the losing claimant, and the value of his improvements has been adjudicated as aforesaid, such buyer shall be entitled to have credit upon his bid for the value of such improvements so adjudicated."

Sec. 8. The attorney or attorneys for such Indian tribe or tribes shall be paid such fee as may be agreed upon by such attorney or attorneys and such Indian tribe or tribes, but in no case shall the fee be more than 10 percent of the sum herein authorized to be appropriated for the benefit of such tribe or tribes, and such attorney's fees shall be disbursed by the Secretary of the Interior in accordance herewith out of any funds appropriated for said Indian tribe or tribes under the provisions of the act of June 7, 1924 (43 Stat. L. 636), or this act: *Provided, however*, That 25 percent of the amount agreed upon as attorneys' fees shall be retained by the Secretary of the Interior to be disbursed by him under the terms of the contract, subject to approval of the Secretary of the Interior, between said attorneys and said Indian tribes, providing for further services and expenses of said attorneys in furtherance of the objects set forth in section 19 of the act of June 7, 1924.

Sec. 9. Nothing herein contained shall in any manner be construed to deprive any of the Pueblo Indians of a prior right to the use of water from streams running through or bordering on their respective pueblos for domestic, stock-water, and irrigation purposes for the lands remaining in Indian ownership, and such water rights shall not be subject to loss by nonuse or abandonment thereof as long as title to said lands shall remain in the Indians.

Sec. 10. The sums authorized to be appropriated under the terms and provisions of section 2 of this act shall be appropriated in three annual installments, beginning with the fiscal year 1937.

ORDER OF BUSINESS

Mr. BYRNS. Mr. Speaker, I ask unanimous consent that it may be in order on tomorrow to call the Consent Calendar.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

Mr. MARTIN of Massachusetts. Reserving the right to object, is there any other business scheduled for tomorrow?

Mr. BYRNS. I am hoping it may be possible, if this consent is granted, to also get up the Muscle Shoals conference report, but I am not altogether certain.

Mr. MARTIN of Massachusetts. There is no other business aside from that?

Mr. BYRNS. None that I know of now, unless some conference report is brought in.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

Mr. BRITTEN. Mr. Speaker, reserving the right to object, can the gentleman tell the House for its benefit just what the next order of business is likely to be as reported from the fraternity brothers at the other end of Pennsylvania Avenue?

Mr. BYRNS. I suppose the gentleman is serious.

Mr. BRITTEN. Yes, I am serious. I am wondering whether it will be the public-works program. I know the fraternity is very busy.

Mr. BYRNS. I do not know to whom the gentleman refers when he speaks of a fraternity.

Mr. BRITTEN. I mean the collegians who have been preparing all this legislation for us.

Mr. BYRNS. Of course the gentleman is facetious.

Mr. BRITTEN. No, I am not.

Mr. BLANTON. Is not our President the gentleman's President also? It is the President of the United States who has been sending us his emergency bills. And I know that our distinguished, able colleague from Illinois is always patriotic.

Mr. BRITTEN. I have said nothing about the President. I merely wanted to know from the distinguished leader for whom I have the very highest regard, if he knows what the next order of business is likely to be that is to come from the fraternity brothers at the other end of Pennsylvania Avenue?

Mr. BYRNS. I do not know what the gentleman means by the fraternity brothers, but I may say the President will probably send down a message on the public works bill tomorrow or next day.

Mr. BRITTEN. The gentleman means the President will if he gets it from the fraternity.

Mr. BYRNS. The President of the United States makes up his own mind with reference to the legislation he recommends, and the people of the country have confidence in that ability.

Mr. BLANTON. And when his stenographers get through writing up what he dictates the President will send it down to us.

Mr. BRITTEN. Oh, well, of course, the gentleman from Texas does not realize that all this legislation is prepared by the fraternity brothers in advance and is then sent to the President to check over.

Mr. BLANTON. Oh, no. The gentleman is wrong. The entire program that comes to us comes from the President and nobody else. This is one administration whose President has his own ideas, his own program, his own policies, and he knows how to put them into effect by having us pass his bills he prepares and sends us.

Mr. ALLGOOD. Did not the gentleman from Illinois graduate from some institution himself?

Mr. BRITTEN. I am only sorry to say I did not.

Mr. ALLGOOD. At least he graduated from a high school?

Mr. BRITTEN. No; I am sorry to say I did not even do that.

Mr. BLANTON. Our distinguished friend from Illinois [Mr. BRITTEN] is a graduate of one of the greatest schools in the world—the school of experience. He is one of the most effective debaters in this House. All of us have enjoyed his brilliant thrusts and his inimitable repartee. But withal, he is a partisan Republican, and naturally he does not relish the great fraternity brothers of democracy who are now running this Government.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

PAYMENT OF CLAIMS TO INDIAN PUEBLOS

Mr. JENKINS. Mr. Speaker, I demand a second.

Mr. HOWARD. Mr. Speaker, I ask unanimous consent that a second may be considered as ordered.

The SPEAKER. Is there objection to the request of the gentleman from Nebraska?

There was no objection.

Mr. HOWARD. Mr. Speaker, this bill which I have called up is the final adjustment of a controversial subject which has pending in Congress long years.

The pending measure has been agreed upon by every contending interest; that is, interests heretofore contending. It is agreed upon by the representatives of the Indians themselves, by the Interior Department, and by every interest of which I know.

It simply is a proposition to carry out the plain provisions of an act of this Congress passed 7 years ago.

Mr. Speaker, I now ask my colleague the gentleman from New Mexico [Mr. CHAVEZ], who has had more to do with this legislation than anybody else, and who, when it shall

have been passed, will be entitled to more credit than any other, may be pleased to explain the details of the bill to any inquiring Member. [Applause.]

Mr. Speaker, I yield to the gentleman from New Mexico [Mr. CHAVEZ] such time as he may desire.

Mr. CHAVEZ. Mr. Speaker—

Mr. BLANCHARD. Mr. Speaker, will the gentleman yield for a question before he starts his remarks?

Mr. CHAVEZ. I yield.

Mr. BLANCHARD. Has the Secretary of the Interior approved this measure?

Mr. CHAVEZ. The Secretary of the Interior has approved it and asks that Congress take action.

Mr. CULKIN. Mr. Speaker, will the gentleman yield?

Mr. CHAVEZ. I yield.

Mr. CULKIN. Can the gentleman tell the House how much irrigation and reclamation is involved in this?

Mr. CHAVEZ. About 98,000 acres of Indian lands altogether.

Mr. CULKIN. What is the status of that work now? How far has it progressed?

Mr. CHAVEZ. It has been progressing for the last 300 years. It has been irrigated and in use for the last 300 years.

Now, Mr. Speaker, I am glad the gentleman from Ohio requested that the bill be considered under suspension of the rules rather than under the unanimous-consent request. The purpose of the gentleman from Nebraska in asking unanimous consent to consider the bill was in the interest of saving time, but I am glad it is being considered this way, because I feel sure I can explain to the entire satisfaction of the gentleman from Ohio that it is a meritorious measure and that we should take some action here this afternoon.

The purpose of the measure is to end once and forever a controversy which has existed between 15 Pueblo Indian tribes and some 5,545 white claimants who, together with their families, make around 20,000 white people affected.

The title to the Indian lands was derived from the Crown of Spain, Charles V, granting to the Pueblo Indians in New Mexico a grant of land in 1551. During the time Spain had possession of that section of what is now the United States the Indians had absolute title to this land.

In 1848, under the treaty between the United States and Mexico, the United States recognized the title of the Indians in the particular lands we are talking about.

In 1859 the Congress of the United States confirmed that title.

In 1864 President Lincoln called the tribal heads of the 17 pueblos from New Mexico to Washington and delivered to those tribal heads patents to the original grant of land from the King of Spain, together with a silver-headed cane that has been used up to this time and is now being used as the insignia of office by each successive governor of the Pueblo Indians in New Mexico.

After 1848, due to the fact that the definite boundary lines of the different grants were not definitely known, many white men commenced to encroach, in good faith, on the lands of the Indian pueblos, and on many occasions the land that he is now claiming was purchased at a valuable price. This continued. The Government of the United States did not protect the Indians from the encroachments, whether they were in good faith or otherwise, and this continued until 1913, when a case came to the United States Supreme Court, known as the *Sandoval case*, reported in 231 United States, page 27, by which the Supreme Court of the United States decided that the Pueblo Indians of New Mexico were wards of the Government and could not dispose of their property without the consent of the Government. Of course this threw all the settlers who had been in adverse possession, actually living on the land within the pueblo land grants, in a turmoil. They found out, after being in possession for 60 or 75 years and after paying taxes for this number of years that they did not have any title to their land. They appealed to the Congress. The Congress of the United States, after 3 or 4 years of study, in 1924 passed what is known

as the Pueblo lands bill—Forty-third Statutes at Large, page 636. It was approved on March 7, 1924.

The pueblo lands bill created what is known as the "Pueblo Lands Board", composed of 3 men, 1 to represent the President of the United States, 1 to represent the Department of Justice, and another to represent the Department of the Interior.

The bill authorized the Pueblo Lands Board to go into New Mexico and examine each and every claim where there was any controversy. It was also authorized to report its findings back to Congress and to make awards either to the whites or to the Indians, as the case may be, based upon the fair market value of the property.

Where the Indian lost the land to a white man, who had title under the provisions of the act of 1924, it was intended by Congress, and so stated in the act of 1924, that the Indian should be compensated for what he had lost. On the other hand, where the white man, in good faith, had been in adverse possession and had paid taxes, but did not have the legal title, the act of Congress said they had to compensate him for his improvements.

In some cases men who had been there for 100 years or 50 or 60 years, and on down the line, were involved.

The Pueblo Lands Board went into New Mexico and commenced its work in 1924 and finished on July 1, 1932. The Board was there for 7 years and examined 5,545 claims. In some instances the decision went to the Indians and in some instances to the whites. The Board spent several hundred thousand dollars under authority of Congress and has reported back to the Congress, in effect, this is our work and this is what should be done.

All this bill does is this. It provides for payment to the whites of some \$232,000 that the Pueblo Lands Board decided was the amount of improvements on the lands assigned to the Indians.

Mr. JENKINS. Will the gentleman yield?

Mr. CHAVEZ. I yield.

Mr. JENKINS. The gentleman has made a statement to the effect that Abraham Lincoln gave these Indians their title or their charter rights.

Mr. CHAVEZ. Delivered a United States patent.

Mr. JENKINS. If that is true, by what process, if these Indians had this charter and if they were wards of the Government, could anyone go in there and claim any right or have any right or get any right that any court would have to recognize, such right now having grown to the proportions of \$232,000.

Mr. CHAVEZ. For this reason: The Congress of the United States realized that there were some moral and equitable rights involved on the part of people who in good faith had adverse possession against the Indians, or thought they had bought from the Indians property that the Indian could not sell; who had paid taxes on the land; who had built their homes on the land; and had helped create communities within the land.

Mr. JENKINS. To whom would they pay taxes if it were Indian lands?

Mr. CHAVEZ. They thought it was their land. They did not know it was Indian land until after the decision of the Supreme Court in 1913 in the *Sandoval case*.

Mr. GILCHRIST. Will the gentleman yield?

Mr. CHAVEZ. Yes.

Mr. GILCHRIST. At that time the lines had not been established.

Mr. CHAVEZ. The lines were not defined until 1917.

Mr. GILCHRIST. So the white settler could go there thinking he had the right to go on the land.

Mr. CHAVEZ. And he paid taxes and made improvements for a long period of years.

Mr. TABER. Will the gentleman yield?

Mr. CHAVEZ. Yes.

Mr. TABER. The situation is somewhat like this, is it not? Everywhere, throughout the United States, folks have bought property or they think they have bought property where they thought they were getting title, but did not get it, and this is just like such cases. These folks went on the

land there and thought they were buying a title, but did not take the proper steps to protect themselves, so the Government is making it good. Therefore we should go ahead and do this everywhere in the United States where anybody has bought property thinking he was getting title to it and did not.

Mr. CHAVEZ. No; I think the gentleman is mistaken. There is a difference between the proposition he has in mind and the actual conditions that exist in New Mexico.

Mr. JENKINS. Does the gentleman know whether or not any consideration was given to the fact that these whites have occupied this land and have had the use of it all these years?

Mr. CHAVEZ. Yes, certainly; and all they are getting is the value of the improvements based upon an appraisal made under oath.

Mr. JENKINS. The gentleman from Nebraska [Mr. Howard] made a statement that everybody involved in this matter was satisfied. Is it not a fact that if there is any satisfaction urged here it is the satisfaction that Uncle Sam is going to pay \$1,000,000 to satisfy the Indians who have neglected their rights and to a group of citizens who had no rights?

Mr. CHAVEZ. This bill was passed by Congress in 1924. If Congress had not thought then that it was a meritorious proposition and should be straightened out they would not have passed that act.

Mr. PEAVEY. Will the gentleman yield.

Mr. CHAVEZ. I yield.

Mr. PEAVEY. Is it not a fact that this whole question comes before Congress upon moral and equitable grounds imposed on the United States because the Indians were under the guardianship of the United States?

Mr. CHAVEZ. Yes; both moral and equitable grounds.

Mr. JENKINS. Is not it a fact that we have had numerous Indian cases here ever since the Government took the Indians as wards? Is not this a case gotten up at the instigation of a lot of lawyers who expect to get large compensation out of it?

Mr. CHAVEZ. I assure the gentleman that that is not the fact. This is the fact, that 5,545 white claimants in New Mexico honestly believed that they were the owners of property and are being dispossessed. There are numerous suits pending before the United States courts seeking to evict these people who have been there from sixty to a hundred years.

Mr. ALLGOOD. Will the gentleman yield?

Mr. CHAVEZ. I yield.

Mr. ALLGOOD. Is there anything in the report to show that they are simply squatters on the land? I have not had time to read the report.

Mr. CHAVEZ. I can state this to the gentleman and to the House. Everyone knows that the Secretary of the Interior is a friend of the Indians. Everyone knows that the new Commissioner of Indian Affairs is a friend of the Indians. Everyone knows that the Solicitor for the Department is a friend of the Indians.

Now, the Secretary of the Interior has this to say in reference to the emergency down there. I want to read it because it covers the whole subject. Speaking of the emergency, he says:

A number of suits in ejectment are now pending in the United States District Court of New Mexico, and others may be brought, on behalf of the Pueblo Indians, involving several thousand defendants who will be subjected to large expense through years of litigation unless an early adjustment can be had through this or similar legislation. In addition, in the absence of this legislation the Government will be compelled to bring suits in ejectment against several hundred non-Indians in possession of a portion of the lands involved. This bill will end the entire controversy and provide the needed lands for these Indians, and for these reasons and others is properly emergency legislation.

The bill, if enacted, will effectuate the terms of the act of June 7, 1924, and will discharge an obligation to Indians and whites which was assumed by the Congress 8 years ago. It will bring to an end the most vexed and ancient of land controversies affecting Indian lands under the jurisdiction of the United States. It will conserve the effect of the work done from 1925 to 1932, at a cost of several hundred thousand dollars, by the Pueblo Lands Board and the Department of the Interior and the Department of Jus-

tice. It will procure and thereafter will insure the basis for economic self-support of the several Pueblo tribes. Failure to enact the bill at the present session of Congress would have results vexing and possibly disastrous to several thousands of Indians and to a greater number of their white neighbors. I recommend the prompt and favorable consideration of the bill.

The Director of the Bureau of the Budget has advised that the legislation proposed by the bill would not be in conflict with the financial program of the President.

Sincerely yours,

HAROLD L. ICKES,
Secretary of the Interior.

Mr. CULKIN. Will the gentleman yield?

Mr. CHAVEZ. I yield.

Mr. CULKIN. Is it not a fact that adverse possession does not run against the United States or the Government's wards?

Mr. CHAVEZ. That is true.

Mr. CULKIN. Why do not the squatters reimburse the Indians?

Mr. CHAVEZ. Because they have been there so long without being dispossessed and have paid the taxes and made improvements and homes that they feel that they have a moral and equitable right to the land.

Mr. HOPE. Mr. Speaker, will the gentleman yield?

Mr. CHAVEZ. I want to yield first to my colleague from Wisconsin [Mr. PEAVEY].

Mr. PEAVEY. I would prefer that the gentleman first answer the question of the gentleman from Kansas.

Mr. CHAVEZ. Very well.

Mr. HOPE. The gentleman has indicated that part of the titles of the whites are derived from purchases from Indians.

Mr. CHAVEZ. And some by encroachment.

Mr. HOPE. And some from some other source. What is that other source? Has the United States Government ever patented any of these lands on these Indian reservations to the whites?

Mr. CHAVEZ. Yes; the United States Government has on more than one occasion issued patents on homesteads and mining claims to lands that the Board found belonged to the Indians who are being compensated under this bill.

Mr. HOPE. In that case then this Board has found that the lands really belong to the Indians and that the Government had no right to issue those patents. Is that the case?

Mr. CHAVEZ. Yes; but the Board is carrying out the intent of Congress, pure and simple. The Board is the one recommending these payments to the whites and to the Indians with the exception that the awards made by the Board to these Indians have been increased under the provisions of this bill.

Mr. HOPE. Are any of the whites who are being compensated under the terms of this bill men who went in there and got squatters' rights, or did they all have some valid basis for claim of title?

Mr. CHAVEZ. They had a claim of title under the provisions of the act of June 7, 1924.

Mr. HOPE. I mean an original claim of title.

Mr. CHAVEZ. I do not know the original claim, but the act of 1924 authorized the Board under certain conditions to decide in favor of the Indians, or if the white claimants had had possession for a certain number of years either with color of title or without color of title, to decide in favor of the whites. In other words, in the act of 1924 Congress said under certain conditions the land should go to the Indians, and under other conditions it must go to the whites. It is in order to settle that controversy, affecting 25,000 whites and practically that many Indians, that this legislation is desired. You can go to the city of Taos, N.Mex. It is a town of about 3,000 people, and there is not a single town lot or a business lot where the legal title is in the white man, though he and his predecessors may have occupied the land for many years.

Mr. HOPE. Will this bill settle all those claims, for all time?

Mr. CHAVEZ. This is the final settlement and will carry out the provisions of the 1924 act.

The SPEAKER pro tempore. The time of the gentleman from New Mexico has expired.

Mr. JENKINS. Mr. Speaker, this bill in various forms has been before Congress for several years, and every time it presents itself there, has been found to be vulnerable, and good reasons have been shown why it should not have passed. In the Seventy-second Congress it was recommitted. I do not blame the gentleman from New Mexico [Mr. CHAVEZ] for his advocacy of this proposition. It will take \$1,000,000 into his State. I do not know the present value of all the property involved, but I very much doubt that it is worth \$1,000,000.

Mr. CHAVEZ. Mr. Speaker, will the gentleman yield?

Mr. JENKINS. Yes.

Mr. CHAVEZ. The gentleman speaks of a million dollars. The bill does not provide an appropriation of \$1,000,000. It provides an authorization of \$700,000 for the Indians, to be paid in three installments, commencing in 1937.

Mr. JENKINS. It provides for an eventual appropriation of \$232,000 to the white people and \$761,000 to the Indians, which makes approximately \$1,000,000.

Mr. CHAVEZ. The \$232,000 will probably be paid anyway, because it will likely be in the next Budget, whether we authorize it here or not.

Mr. JENKINS. I have no personal interest in this matter at all, but I have been here for years, and have watched these Indian bills come and go, and the result is that millions of dollars are dragged out of the Federal Treasury upon some pretext or another. The United States Government has been humane with the Indians as everybody knows. The Indian is the ward of the Government, and the Government never fails to respond charitably and with all compassion toward those people. They come before us and make us believe that this is an emergency measure, that something must be done this year. If you will follow that argument out, you will notice that nobody says that if it is not done somebody will perish. The fact that the payments are deferred for years proves that there is no emergency. The distinguished gentleman from New Mexico told us about the town of Taos. There is a town, a municipality, and the white people claim to own that property. They, no doubt, pay the taxes and exercise all right of ownership. Are we going to pay the white people for that property and give it to the Indians? Why do we not make them pay for it themselves? Or why not compel them to adjust their rights in court? Practically all of this property is now in the courts. The report shows that many lawsuits are pending in the United States courts now. The Government is not guilty of any negligence or contributory negligence. The Government did not do anything that could be construed as responsibility. The United States Government has fully equipped the Department of Justice.

Why not permit these people to go into court and there present their claims and counterclaims, and let the judge and jury say who shall pay and who shall not pay, and who is responsible and who is not responsible. If someone owns a lot that belongs to the Pueblo Tribe, let him pay for it. Why should we drag out \$1,000,000 from the United States Treasury?

Mr. CHAVEZ. It is a proposition that can and has been decided by the courts, along with the efforts of the Pueblo Lands Board.

Mr. JENKINS. If it cannot be decided by the courts then that is a sign that somebody has no right in court. This proposition is a legal one or a moral one. If a man has a right in court, the doors of the court are open and he has a right to step into that court. If it is a moral one, then I must be convinced.

But this is a lawyers' contest with each other and they find that if the Indian is defeated they cannot get any money from him, but if they can involve and inveigle the United States Government into this controversy, then it will be settled satisfactorily to everybody concerned, providing Uncle Sam pays out a million dollars.

Mr. CHAVEZ. Will the gentleman yield?

Mr. JENKINS. In just a moment.

Now, if you want to spend a million dollars of the Government's money and wish to indicate your inclination so to do by your vote, that is your privilege; but I am opposed to an economy that takes from the soldiers and pays to others who have no legitimate claim. That is the reason I objected to the matter being taken up under unanimous consent. I have for years maintained that any bill which calls for the expenditure of a large sum of money should not be taken up under unanimous consent.

A bill of this magnitude should not be taken up under 40 minutes' debate. You can easily see this carries with it implications that would ramify in various directions, and we should have 2 or 3 hours' discussion of a proposition like this. We should have ample opportunity for discussion after due notice. The membership of the House had no advance notice that this bill would come up today.

I am a friend of the Indian, but here is the Indian on one side and Uncle Sam on the other. I also feel that Uncle Sam needs a friend once in awhile. Of course, I notice the Secretary of the Interior has recommended the passage of this bill and the Director of the Budget has recommended the passage of the bill, but the Director of the Budget comes from Arizona. That may have something to do with it. The Director is seeking to make a great reputation as a money saver and I agree with him generally, but where is he justified in cutting the soldiers and at the same time recommending the payment of this enormous sum? I would like to ask you Democrats over there if this is in line with our economy program, to vote out a million dollars just on 20 minutes' discussion, with nobody making objection to it except a few of us Republicans, and we are unprepared.

I am not a member of the committee and I have had no opportunity to know the facts, but I can appreciate what a million dollars is and I am sure that the United States Treasury feels the shock when a million dollars moves out of the United States Treasury.

There are United States judges and United States attorneys who have been and are being paid to adjudicate such controversies and they should do so thereby relieving the Treasury of this terrible drain.

Mr. CHAVEZ. Will the gentleman yield?

Mr. JENKINS. Yes; I yield.

Mr. CHAVEZ. I assure the gentleman from Ohio that the United States Court for the District of New Mexico has passed on each of these 5,545 cases.

Mr. JENKINS. And what has been the decision?

Mr. CHAVEZ. The decisions have been in support of the Board in some instances and against it in others. Every one of these cases went before the United States District Court. That is probably why the Board was there for 7 years.

Mr. JENKINS. But the United States District Court did not find that Uncle Sam owed these people the money. They found that those two people owed each other, but Uncle Sam did not owe those people anything.

Mr. CHAVEZ. Then the gentleman has not read the act of 1924.

Mr. CARTER of Wyoming. Will the gentleman yield?

Mr. JENKINS. I yield.

Mr. CARTER of Wyoming. Did I understand the gentleman to say that, because the Director of the Budget comes from the State of Arizona, that might induce him to pass favorably upon this bill?

Mr. JENKINS. Yes; I said it and I think it would, and I know that the gentleman agrees with me that it would, and I thank him for his interruption.

Mr. CARTER of Wyoming. I just wanted to know if the gentleman said that.

Mr. JENKINS. Mr. Speaker, I yield to the gentleman from Wisconsin [Mr. PEAVEY], a member of the committee, although he is in opposition to my view on this proposition. I want to be fair and I yield to the gentleman 5 minutes.

Mr. PEAVEY. Mr. Speaker, I want to say to the gentleman from Ohio [Mr. JENKINS] who I know would not do any injustice to the Indians, that I am perfectly satisfied

if the gentleman had had an opportunity to sit on the Indian Affairs Committee with me for the last several months while we have been considering this proposition, he would be the last one today to oppose this bill.

The gentleman said that no one is to be injured directly and no one is to suffer directly if this bill is not enacted into law. I take issue with that statement because witnesses appeared before our committee that proved the contrary to be true. Thousands of dependent Indians who always have been loyal to the United States, who always have been peaceable, who have supported the United States during every Indian controversy on the border before the Civil War and since, are going to be dispossessed, not only of their homes but of an opportunity to raise crops and make a living, if this bill does not pass, thereby making it possible to revest these Indians with lands that have been taken up by the whites. That is the prime purpose of this bill, to revest these Pueblos with the irrigated lands taken from them by whites while under the guardianship of the United States.

Mr. JENKINS. Will the gentleman yield?

Mr. PEAVEY. I yield.

Mr. JENKINS. If the white man has taken Indian lands, is there not any opportunity for that Indian to go into court and defend his rights?

Mr. PEAVEY. I will answer the gentleman in this way: I am not a lawyer, and therefore I cannot answer the gentleman in legal phraseology, but as a practical proposition, he cannot from this standpoint: The white man is there. He is in possession of the land. He is able to hire lawyers to represent him in the courts. Those lawyers are in the courts today representing the white man. The Indian is destitute. Cases of the very nature which the gentleman spoke of are now before the United States Supreme Court. The Indians have not a dollar with which to defend themselves. What is the practical result of that situation? The gentleman knows as well as I do; the whites will get the land and the Indian will be dispossessed. I am not here fighting the whites nor fighting to raid the Treasury, but I am fighting to do justice to these Pueblo Indians, because the Government of the United States took over the guardianship of those Indians without their wish or consent, and have held it since 1848, and I maintain the Government owes the Indian that duty—to protect him in the ownership and possession of his land. That is simply a matter of justice.

The SPEAKER pro tempore. The time of the gentleman from Wisconsin [Mr. PEAVEY] has expired.

Mr. JENKINS. Mr. Speaker, I yield 2 minutes to the gentleman from Alabama [Mr. ALLGOOD].

Mr. ALLGOOD. Mr. Speaker, this legislation might have been good legislation back in 1924, but we are not now legislating in 1924. The conditions that confront the people of this Nation today are not the conditions that confronted us in 1924. We are running a tremendous deficit, and there are thousands of claims throughout this Nation, which claims are before the committees of this Congress, claims of individuals who have been done an injustice, and it has been proven, and yet we are not attempting to get these claims up and have them passed at this extra session of Congress.

I do not think at this time we should bring up and pass in 40 minutes a measure taking \$1,000,000 out of the Treasury, because this is no more an emergency than the difficulties confronting hundreds of other people who have claims against the Government. This session of Congress was called to take care of the entire Nation, not individuals, or States.

I am going to vote against the measure because it is not on the President's program of relief.

Mr. HOWARD. Mr. Speaker, will the gentleman yield?

Mr. ALLGOOD. I yield.

Mr. HOWARD. Does not the gentleman know that instead of taking \$1,000,000 out of the Treasury at this time the bill provides that no payment shall be made under this act until the fiscal year 1937, and only one third of it then?

Mr. ALLGOOD. Then why not wait until 1937 to pass it? If the money is not to be spent until 1937, why not wait

and bring it up at a regular session of Congress, when we can have a full discussion of the facts?

Mr. CHAVEZ. Is the gentleman more anxious than the Director of the Budget to save money for the country at the present time?

Mr. ALLGOOD. The Director of the Budget cut the soldiers deeper than we thought he would. If we are going to take money from the soldiers to balance the Budget, I am going to vote to take it from the other fellows, many of whom are not as much entitled to it as were some who lost a part or all of their pension.

Mr. CHAVEZ. The gentleman voted to cut the soldiers' benefits.

Mr. ALLGOOD. Yes; I voted for it.

Mr. CHAVEZ. I did not.

Mr. ALLGOOD. The fact that I did vote for the economy bill causes me today to stand here and oppose this measure. The soldiers and Government employees have been given reductions, and I intend to speak and vote against questionable appropriations of every nature. I dare say that 90 percent of the soldiers who were drawing pensions will uphold Congress in the Economy Act if this administration succeeds in bringing back prosperity, so that men and women will have jobs and so that farm products bring fair prices. The passage of measures of this kind, however, will keep the Budget unbalanced and will retard the return of prosperity.

Mr. JENKINS. Mr. Speaker, I yield the balance of my time to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Speaker, it appears that in 1924 we passed a law which I have not had time to read since this debate started. It is about eight pages long. That law contained a provision under which this committee is seeking this further authorization. I have not had time to read the provision.

It appears that in a great many cases white folks went onto Indian lands and settled on them without authority of law. Although they paid them some money, they did not get good title. Now, is it up to the Government of the United States to protect those white folks any more than folks in New York City who buy land without taking pains enough to see they are getting good title?

Is it up to the Government of the United States to pay Indians for land which white folks paid them for in the first place, perhaps illegally, but paid them?

What is the situation? I tried to bring out just exactly what the situation was.

If this bill were confined to an authorization to pay people who went on this land and received patents for it from the United States Government, I should not object to it, but it does not appear what part of it is that way and what part of it is any other way.

It also appears that none of this money is to be paid under any circumstances until 1937. So 4 years will intervene between now and then. Why not wait until we can go into this situation carefully and have all the facts presented to Congress before we attempt to consider a piece of legislation of such importance?

One million dollars today is as great as, if not greater than, \$15,000,000 was in 1924.

We must not pass so important a bill as this with such brief consideration.

Mr. DOCKWEILER. Mr. Speaker, will the gentleman yield?

Mr. TABER. I yield.

Mr. DOCKWEILER. I see from the report on this bill that on page 5 one of the claimants is a man named A. Dockweiler, who is to be paid \$11.12. Later on the name appears again as the recipient of \$230.50.

I shall vote for this bill but I want to admonish the House that this is no relative of mine; I do not know him. In order to defend myself on this account and my seven brothers, I want to say that this man Dockweiler is no relation of ours. [Applause.]

Mr. HASTINGS. Mr. Speaker, will the gentleman yield for a question?

Mr. TABER. I yield.

Mr. HASTINGS. This is a controversy that has been pending in Congress for many years. It resulted finally in the act of June 7, 1924, I think it was, under which a board was created.

If the Membership of the House would take time to read the four pages of the report of the Secretary of the Interior and carefully consider it and the recommendation he makes, I do not believe there would be a single vote against this bill in the House.

It is an old controversy. It has extended over a period of years. Of course, on the floor of Congress, we cannot take up all the details of the controversy, but after the most mature consideration, after having a full report made by the Indian Bureau and the Secretary of the Interior, who is the one who administers the affairs of the Indians, this bill is presented. Further, may I say, it is approved by the Bureau of the Budget.

Mr. TABER. Mr. Speaker, I cannot yield further.

I call attention to page 17 of the report which speaks of the increase of compensation to the amount of \$761,954.88 for the parcels of land in question as being the difference between the appraised unimproved, present market value of the lands and the amount previously awarded. May I call attention to the fact that, instead of going up in value at this time, land has gone down in value?

Mr. HASTINGS. Will the gentleman permit me to say further that the prior Secretary of the Interior under the last administration, after giving detailed consideration to all of the facts, recommended favorable action upon this bill?

So, the former Secretary of the Interior, the present Secretary of the Interior, the former Commissioner of Indian Affairs, and the present Commissioner of Indian Affairs recommend favorable action upon this bill.

[Here the gavel fell.]

The SPEAKER pro tempore. The question is on the suspension of the rules and the passage of the bill.

The question was taken; and on a division (demanded by Mr. JENKINS) there were—ayes 80, noes 26.

So (two thirds having voted in favor thereof), the rules were suspended and the bill was passed.

RESOLUTIONS OF THE FLORIDA STATE LEGISLATURE

Mr. GREEN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. GREEN. Now, Mr. Speaker, I ask to revise and extend my remarks and to include therein resolutions from the Florida State Legislature.

There was no objection.

Mr. GREEN. Now, Mr. Speaker and my colleagues, Florida State Senate concurrent resolution no. 4 urges that Florida State road no. 82, from Lake City, Fla., to the Georgia State line, be included in Florida's allotment of roads entitled to Federal aid as a military road or otherwise. This is one of the most important highways in my State. It leads from the upper central portion of the State to northern points. It is important not only to Florida, but to other States.

Senate concurrent resolution no. 5 asks federalizing of State roads no. 2 and no. 23. It leads from Ocala, Fla., to Palmetto and Bradenton. While senate concurrent resolution no. 10 requests the same for Florida State road no. 50. It leads from near Jasper, Fla., to the Georgia State line. These last-named highways are also main highways in Florida and will add considerably to our national highways system.

The resolutions calling for these designations follow.

Senate concurrent resolution 4

A concurrent resolution requesting that State road no. 82 from Lake City and Columbia County, Fla., to the Georgia line, be included in the State of Florida's allotment of roads entitled to Federal aid as a military road or otherwise.

Whereas State road no. 82 running from Lake City in Columbia County, Fla., to the Georgia line is an existing highway, which has been substantially graded and improved as included in the

designation of State highways in the State of Florida in its State highway system, and

Whereas the location and route of said road is such as to make the same extremely valuable for the use of a military road in time of war and for use as a commercial highway at other times: Therefore be it

Resolved by the Senate of Florida (the house of representatives concurring), That the Legislature of the State of Florida respectfully calls the attention of the Senators and Representatives of the State of Florida in the Congress of the United States to said road no. 82 running from Lake City in Columbia County, Fla., to the Georgia line, and request the Senators and Representatives in the Congress of the United States from this State to present to the proper Federal bureau or department and to the Congress of the United States the advisability of having said road included in the system of roads in the State of Florida entitled to Federal aid as a military road or otherwise; be it further

Resolved, That a copy of this resolution under the great seal of the State of Florida be forwarded to each of the Senators and Representatives of Florida in the Congress of the United States, to be filed with said Congress of the United States and with the proper Federal bureau or department having jurisdiction of matters hereinbefore referred to.

Approved by the Governor of Florida May 10, 1933.

STATE OF FLORIDA,

Office Secretary of State, ss:

I, R. A. Gray, secretary of state of the State of Florida, do hereby certify that the foregoing is a true and correct copy of senate concurrent resolution no. 4 as passed by the Legislature of Florida, session 1933, and filed in this office.

Given under my hand and the great seal of the State of Florida, at Tallahassee, the capital, this 12th day of May A.D. 1933.

[SEAL]

R. A. GRAY, Secretary of State.

Senate concurrent resolution 5

Whereas State road no. 2 and State road no. 23 running from Ocala, Fla., to Palmetto and Bradenton, Fla., by the way of Belleview, Bushnell, Dade City, Plant City, and Oak Park, also from Coleman to Lakeland, via Bevilles Corner, Webster, is an existing highway which has been substantially graded and improved as included in the State highways in the State of Florida in its State highway system; and

Whereas, the location and route of said road is such as to make the same extremely valuable for use as a military road in time of war, and for use as a commercial highway at other times, and a valuable and useful highway for the transportation of vegetables throughout the section through which it traverses, enabling better marketing conditions for the growers of such fruits and vegetables; be it therefore

Resolved by the Florida State Senate (the house of representatives concurring), That the Legislature of the State of Florida respectfully calls to the attention of the Senators of the State of Florida and their Representatives in Congress of the United States to said State road no. 2 and State road no. 23, running from Ocala, Fla., to Palmetto and Bradenton, Fla., by way of Belleview, Bushnell, Dade City, Plant City, and Oak Park, also from Coleman to Lakeland, via Bevilles Corner and Webster, and request the Senators and Representatives in Congress of the United States from Florida to present to the proper Federal bureau or department and to the Congress of the United States the advisability of having said road included in the system of roads in the State of Florida entitled to Federal aid as a military road or otherwise; be it further

Resolved by the Florida State Senate (the house of representatives concurring), That the State Road Department of the State of Florida shall make request to all proper Federal boards, engineers, or commission to have placed upon and in the allotment State road no. 2 and State road no. 23, entitling such highway to Federal aid as a military road or otherwise; be it further

Resolved, That a copy of this resolution under the great seal of the State of Florida be forwarded to each of the Senators and Representatives of Florida in the Congress of the United States to be filed with said Congress of the United States and with the proper Federal bureau or department having jurisdiction of matters hereinbefore referred to and that a copy be forwarded to the membership of the State Road Department of the State of Florida for their immediate action and consideration.

Approved by the Governor of Florida, May 10, 1933.

STATE OF FLORIDA,

Office Secretary of State, ss:

I, R. A. Gray, secretary of state of the State of Florida, do hereby certify that the foregoing is a true and correct copy of senate concurrent resolution no. 5 as passed by the Legislature of Florida, session 1933, and filed in this office.

Given under my hand and the great seal of the State of Florida, at Tallahassee, the capital, this 12th day of May A.D. 1933.

[SEAL]

R. A. GRAY, Secretary of State.

Senate concurrent resolution 10

Whereas State road, that part of the State road no. 50, being the certain road beginning at State road no. 2 just west of Jasper, Fla., and running in a northerly direction to the Georgia line in the most direct and practical route, same being a part of the Suwanee Scenic Highway, is an existing highway which has been substantially graded and improved as included in the State highways in the State of Florida in its State highway system; and

Whereas the location and route of said road is such as to make the same extremely valuable for use as a military road in time

of war, and for use as a commercial highway at other times, and a valuable and useful highway for the transportation of vegetables throughout the section through which it traverses, enabling better marketing conditions for the growers of such fruits and vegetables: Be it therefore

Resolved by the Florida State Senate (the house of representatives concurring), That the Legislature of the State of Florida respectfully calls to the attention of the Senators of the State of Florida and their Representatives in Congress of the United States to said State road no. 50, being the certain road beginning at State road no. 2, just west of Jasper, Fla., and running in a northerly direction to the Georgia line in the most direct and practical route, same being a part of the Suwanee Scenic Highway, and request the Senators and Representatives in Congress of the United States from Florida to present to the proper Federal bureau or department and to the Congress of the United States the advisability of having said road included in the system of roads in the State of Florida entitled to Federal aid as a military road or otherwise; be it

Further resolved by the Florida State Senate (the house of representatives concurring), The State Road Department of the State of Florida shall make request to all proper Federal boards, engineers, or commission to have placed upon and in the allotment State road no. 50, being the certain road beginning at State road no. 2 just west of Jasper, Fla., and running in a northerly direction to the Georgia line in the most direct and practical route, same being a part of the Suwanee Scenic Highway, entitling such highway to Federal aid as a military road or otherwise; be it

Further resolved, That a copy of this resolution under the great seal of the State of Florida be forwarded to each of the Senators and Representatives of Florida in the Congress of the United States to be filed with said Congress of the United States and with the proper Federal bureau or department having jurisdiction of matters hereinbefore referred to and that a copy be forwarded to the membership of the State Road Department of the State of Florida for their immediate action and consideration.

Approved by the Governor of Florida May 10, 1933.

STATE OF FLORIDA,

Office of Secretary of State, ss:

I, R. A. Gray, secretary of state of the State of Florida, do hereby certify that the foregoing is a true and correct copy of senate concurrent resolution no. 10 as passed by the Legislature of Florida, session 1933, and filed in this office.

Given under my hand and the great seal of the State of Florida, at Tallahassee, the capital, this the 12th day of May A.D. 1933.

[SEAL]

R. A. GRAY, Secretary of State.

PER CAPITA PAYMENT TO THE MENOMINEE TRIBE OF INDIANS

Mr. HOWARD. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (H.R. 4494) authorizing a per capita payment of \$100 to the members of the Menominee tribe of Indians of Wisconsin from funds on deposit to their credit in the Treasury of the United States.

The SPEAKER pro tempore. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill as follows:

Be it enacted, etc., That the Secretary of the Interior be, and he is hereby, authorized to withdraw from the fund in the Treasury of the United States on deposit to the credit of the Menominee Indians in the State of Wisconsin a sufficient sum to make therefrom a per capita payment or distribution of \$100, in two equal installments of \$50 each, immediately upon passage of this act, and on or about October 15, 1933, to each of the living members on the tribal roll of the Menominee tribe of Indians of the State of Wisconsin, under such rules and regulations as the said Secretary may prescribe.

With the following committee amendments:

Page 1, line 8, strike out "two equal installments of \$50 each" and insert "three installments, \$50"; in line 9, strike out the word "and" and insert "\$25"; and on page 2, line 1, after "1933", insert "and \$25 on or about January 15, 1934."

The committee amendment was agreed to.

The bill, as amended, was ordered to be engrossed and read a third time, was read the third time, and passed.

On motion of Mr. HOWARD, a motion to reconsider the vote by which the bill was passed was laid on the table.

CLAIM OF DISTRICT NO. 13, CHOCTAW COUNTY, OKLAHOMA

Mr. CARTWRIGHT. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (S. 73) to authorize the Comptroller General to allow claim of district no. 13, Choctaw County, Okla., for payment of tuition for Indian pupils.

The Clerk read the Senate bill as follows:

Be it enacted, etc., That the Comptroller General is hereby authorized and directed to allow payment of claims of the public school district no. 13, Choctaw County, Okla., for tuition of Indian pupils during the fiscal year 1931, in the sum not to exceed

\$3,435.61, from the appropriation entitled "Indian schools, Five Civilized Tribes, Oklahoma, 1931."

Mr. MARTIN of Massachusetts. Mr. Speaker, I reserve the right to object. Will the gentleman explain what this is?

Mr. CARTWRIGHT. Yes. It authorizes the Comptroller General to allow a claim of district no. 13, Choctaw County, Okla., for payment of tuition of Indian pupils. In other words, the bill provides an authorization for the Comptroller to approve a contract for the payment of the tuition of 100 or more orphan Indian children who are now taken care of in a little orphan home in my district in Oklahoma. The money has already been appropriated, and this is simply an authorization.

Mr. HASTINGS. With the permission of my colleague from Oklahoma, let me say that this bill has passed the Senate. It passed the Senate at the last session of Congress. It was favorably recommended by the House Committee on Indian Affairs at the last session of Congress, and this identical Senate bill has been favorably reported by the House Committee on Indian Affairs and is H.R. 3853.

Mr. MARTIN of Massachusetts. What does the bill do?

Mr. HASTINGS. Let me say to the gentleman that it has a unanimous report from the House Committee on Indian Affairs, and the bill does this:

In Oklahoma and throughout the West where Indian pupils attend white schools there is an appropriation for a certain per capita allowance. This is true in all of the Western States. This is true in Oklahoma and was true in 1931, when this appropriation of \$350,000 was made to supplement the taxes of white schools for the attendance of Indian pupils, and is made in lieu of taxes not collected from nontaxable Indian lands.

The gentleman may not be as familiar as the Members from the West in this matter, but this appropriation has been made for a number of years.

In this particular case a certain number of Indian children were living at the old Goodland Orphan School. The school had been discontinued, but they were boarding there. They were sent over and attended an Indian district day school, and this is permitting the payment out of this appropriation that was made for that year the same amount that was paid for other Indian pupils who attended the same school.

Mr. MARTIN of Massachusetts. This comes out of the general Indian fund?

Mr. HASTINGS. It comes out of that appropriation.

Mr. MARTIN of Massachusetts. How much does it amount to?

Mr. HASTINGS. Three thousand four hundred and thirty-five dollars and sixty-one cents.

Mr. MARTIN of Massachusetts. I have no objection.

The SPEAKER pro tempore. Is there objection to the consideration of the bill?

There was no objection.

The bill was ordered to be read a third time, was read the third time, and passed.

A motion to reconsider was laid on the table.

AMENDING SECTION 1025 OF THE REVISED STATUTES

Mr. KURTZ. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (S. 1582) to amend section 1025 of the Revised Statutes of the United States and consider the same.

The SPEAKER. The Clerk will report the bill.

The Clerk read the bill, as follows:

S. 1582

An act to amend section 1025 of the Revised Statutes of the United States

Be it enacted, etc., That section 1025 of the Revised Statutes of the United States be, and the same is hereby, amended so as to read as follows:

"SEC. 1025. No indictment found and presented by a grand jury in any district or other court of the United States shall be deemed insufficient, nor shall the trial, judgment, or other proceeding thereon be affected by reason of any defect or imperfection in matter of form only, which shall not tend to the prejudice of the defendant, or by reason of the attendance before the grand jury during the taking of testimony of one or more clerks or

stenographers employed in a clerical capacity to assist the district attorney or other counsel for the Government who shall, in that connection, be deemed to be persons acting for and on behalf of the United States in an official capacity and function."

The SPEAKER pro tempore. Is there objection?

Mr. JENKINS. Reserving the right to object, I should like to ask the gentleman whether or not this bill had the thorough consideration of the Judiciary Committee—whether or not the membership of the Judiciary Committee was full when it was considered.

Mr. KURTZ. This is a bill passed by the Senate. We considered a similar bill and there was not a single vote against it.

Mr. McFARLANE. Will the gentleman from Pennsylvania explain the provisions of the bill?

Mr. KURTZ. I shall be glad to. Under the common law a district attorney was not permitted to be before the grand jury when a vote was taken on any indictment. Frequently a district attorney, unskilled in the practice, would remain before the grand jury while the vote was being taken. In cases of that kind the defendant's attorney could move to quash the indictment. Sometimes the statute of limitations was about to run and frequently the defendant would escape.

So most of the jurisdictions within the United States have passed laws permitting the district attorney to be in the grand jury room when the vote is taken on a particular bill. Some jurisdictions have not passed any laws providing for permission of any clerk or stenographer to be before a grand jury.

Frequently, it is absolutely essential in this day, and so this bill provides that a clerk or a stenographer may be present when the vote is taken.

Mr. GLOVER. Does the gentleman say that this provides that a stenographer or clerk may be present when a vote of the grand jury is taken?

Mr. KURTZ. Yes. This permits the clerk or a stenographer to be present.

Mr. GLOVER. While the vote on the indictment is being taken?

Mr. KURTZ. Yes. How could that have any influence on the vote by the grand jury.

Mr. GLOVER. Because it is a sacred place where they are dealing with the rights of the individual. The law does not allow the prosecuting attorney to be present in the grand jury room when the vote is taken. I think it is a safe rule. I have been a prosecuting attorney for 4 years, and I do not believe that the prosecuting attorney ought to be allowed in the grand jury room when the vote is being taken.

Mr. KURTZ. The prosecuting attorney in most jurisdictions today is permitted to be in the grand jury room when the vote is taken.

Mr. GLOVER. As far as I know, that is not the fact.

Mr. KURTZ. It could not be done, of course, under the common law.

Mr. McKEOWN. Will the gentleman yield?

Mr. KURTZ. I yield.

Mr. McKEOWN. There is no purpose here by this bill to influence any vote but to prevent irregularities.

Mr. GLOVER. Whenever any irregularity comes up in a grand jury room an indictment can be quashed and returned again in 10 minutes.

Mr. McKEOWN. The main purpose of this bill is simply to give the prosecuting attorney an opportunity to have a clerk or stenographer to take the testimony before the grand jury.

Mr. GLOVER. Oh, for the taking of testimony, yes; but this the gentleman says is to provide for their presence when they are voting on an indictment.

That is the gentleman's statement, and I am not going to vote for anything that will allow a stenographer or a prosecuting attorney or anybody else to be present when the grand jury is voting on the liberties of our people. What is the haste for taking this bill up at this time?

Mr. KURTZ. The chairman of the Committee on the Judiciary happens to be one of the managers on the part of

the House and is in the Senate on the Louderback impeachment.

Mr. GLOVER. I thought that that impeachment was to proceed from 9 o'clock until 12 o'clock every day.

Mr. KURTZ. It began at 12:30 o'clock today.

Mr. HOOPER. Mr. Speaker, will the gentleman yield?

Mr. KURTZ. Yes.

Mr. HOOPER. Has this bill been reported out during this session by the Committee on the Judiciary?

Mr. KURTZ. This is a bill that was passed by the Senate. We had a similar House bill, and it was reported out at this session.

Mr. HOOPER. When?

Mr. KURTZ. About 10 days ago.

Mr. HOOPER. I do not recall being present, and I think I have been present every meeting of the committee.

Mr. O'MALLEY. Mr. Speaker, as far as I can see, after reading this particular bill, there is nothing in it that could be construed to mean that a prosecuting attorney or clerk or stenographer could be present at the time the grand jury is voting on an indictment.

Mr. KURTZ. Not when they are voting, but when the testimony is being taken.

Mr. GLOVER. Mr. Speaker, I ask to see the bill. Since reading the bill I find that it does not correspond with what I understood the gentleman to state and what he did state to the House. The bill does not provide that they shall be there when the vote is being taken. Under the bill as I have read it, it only provides for taking testimony. I have no objection to it.

The SPEAKER pro tempore. The question is on the third reading of the Senate bill.

The Senate bill was ordered to be read a third time, was read the third time and passed, and a motion to reconsider laid on the table.

A similar House bill was ordered laid on the table.

The bills H.R. 2834 and 3853 were laid on the table, similar Senate bills having passed the House.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. CLAIBORNE, for 3 days, on account of illness.

To Mr. BERLIN, for Wednesday and Thursday, on account of important business.

To Mr. KEE, for 3 days, on account of business relative to the good of the State of West Virginia.

To Mr. PARKER of Georgia, indefinitely, on account of important business.

To Mr. BROOKS, for 3 days, on account of illness in his family.

TWENTIETH AMENDMENT TO THE CONSTITUTION OF THE UNITED STATES

The SPEAKER pro tempore laid before the House a communication from R. A. Gray, secretary of state of the State of Florida, transmitting a resolution of the Legislature of the State of Florida, confirming the twentieth amendment to the Constitution of the United States.

SENATE ENROLLED BILL SIGNED

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 7. Providing for the suspension of annual assessment work on mining claims held by location in the United States and Alaska.

ADJOURNMENT

Mr. HOWARD. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; and accordingly (at 3 o'clock and 11 minutes p.m.) the House adjourned until tomorrow, Tuesday, May 16, 1933, at 12 o'clock noon.

COMMITTEE HEARING

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
(Tuesday, May 16, 10 a.m.)

Continuation of the hearings on H.R. 5500—the Emergency Transportation Act, 1933.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

64. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated May 9, 1933, submitting a report, together with accompanying papers, on a preliminary examination of harbors at Glen Arbor and Glen Haven, Mich., authorized by the River and Harbor Act approved July 3, 1930; to the Committee on Rivers and Harbors.

65. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated May 9, 1933, submitting a report, together with accompanying papers, on a preliminary examination of Big Muddy River, Ill., authorized by the River and Harbor Act approved March 3, 1925; to the Committee on Rivers and Harbors.

66. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated May 9, 1933, submitting a report, together with accompanying papers, on a preliminary examination of Anahuac Channel, Tex., authorized by the River and Harbor Act approved July 3, 1930; to the Committee on Rivers and Harbors.

67. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated May 9, 1933, submitting a report, together with accompanying papers, on a preliminary examination of Anacortes Harbor and Cap Saute Waterway, Wash., authorized by the River and Harbor Act approved July 3, 1930; to the Committee on Rivers and Harbors.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. DICKSTEIN: Committee on Immigration and Naturalization. H.R. 3673. A bill to amend the law relative to citizenship and naturalization, and for other purposes; without amendment (Rept. No. 131). Referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. COFFIN: Committee on Military Affairs. H.R. 3032. A bill for the relief of Paul Jelna; without amendment (Rept. No. 129). Referred to the Committee on the Whole House.

Mr. THOMPSON of Illinois: Committee on Military Affairs. H.R. 363. A bill for the relief of James Moffit; without amendment (Rept. No. 132). Referred to the Committee of the Whole House.

Mr. THOMPSON of Illinois: Committee on Military Affairs. H.R. 371. A bill for the relief of Peter Guilday; without amendment (Rept. No. 133). Referred to the Committee of the Whole House.

Mr. THOMPSON of Illinois: Committee on Military Affairs. H.R. 541. A bill for the relief of John P. Leonard; with amendment (Rept. No. 134). Referred to the Committee of the Whole House.

Mr. THOMPSON of Illinois: Committee on Military Affairs. H.R. 1859. A bill for the relief of Albert D. Castleberry; without amendment (Rept. No. 135). Referred to the Committee of the Whole House.

Mr. THOMPSON of Illinois: Committee on Military Affairs. H.R. 2032. A bill for the relief of Richard A. Chavis; with amendment (Rept. No. 136). Referred to the Committee of the Whole House.

Mr. THOMPSON of Illinois: Committee on Military Affairs. H.R. 2670. A bill for the relief of James Wallace; without amendment (Rept. No. 137). Referred to the Committee of the Whole House.

Mr. THOMPSON of Illinois: Committee on Military Affairs. H.R. 2743. A bill for the relief of William M. Stoddard; with amendment (Rept. No. 138). Referred to the Committee of the Whole House.

Mr. THOMPSON of Illinois: Committee on Military Affairs. H.R. 3054. A bill for the relief of Christopher Cott; without amendment (Rept. No. 139). Referred to the Committee of the Whole House.

Mr. THOMPSON of Illinois: Committee on Military Affairs. H.R. 3553. A bill for the relief of Harvey O. Willis; without amendment (Rept. No. 140). Referred to the Committee of the Whole House.

CHANGE OF REFERENCE

Under clause 2 of rule XXII, the Committee on Pensions was discharged from the consideration of the bill (H.R. 4997) granting an increase of pension to Amanda E. Waldron, and the same was referred to the Committee on Invalid Pensions.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. HOEPEL: A bill (H.R. 5626) to amend the act approved March 20, 1933 (Public, No. 2, 73d Cong.), to extend the benefits of domiciliary and hospital care to men discharged from the military service because of disease or injury incurred in line of duty; to the Committee on Military Affairs.

By Mr. JOHNSON of Texas: A bill (H.R. 5627) to amend the Tariff Act of 1922; to the Committee on Ways and Means.

By Mr. FLETCHER: A bill (H.R. 5628) to increase to \$7,000 the maximum amount which may stand to the credit of any one person in a postal-savings account; to the Committee on the Post Office and Post Roads.

By Mr. DICKSTEIN: A bill (H.R. 5629) to provide correction of status of aliens lawfully admitted without requirement of departure to foreign country; to the Committee on Immigration and Naturalization.

Also, a bill (H.R. 5630) to provide for review of the action of consular officers in refusing immigration visas; to the Committee on Immigration and Naturalization.

By Mr. HASTINGS: A bill (H.R. 5631) to authorize the Secretary of the Interior to place with the Oklahoma Historical Society at Oklahoma City, Okla., as custodian for the United States, certain records of the Five Civilized Tribes, and of other Indian tribes in the State of Oklahoma, under rules and regulations to be prescribed by him; to the Committee on Indian Affairs.

By Mr. KLEBERG: A bill (H.R. 5632) to supplement and support the Migratory Bird Conservation Act by providing funds for the acquisition of areas for use as migratory-bird sanctuaries, refuges, and breeding grounds, for developing and administering such areas, for the protection of certain migratory birds, for the enforcement of the Migratory Bird Treaty Act and regulations thereunder, and for other purposes; to the Committee on Agriculture.

By Mr. HOWARD (by departmental request): A bill (H.R. 5633) to permit relinquishments and reconveyances of privately owned and State school lands for the benefit of the Indians of the Acoma pueblo, N. Mex.; to the Committee on Indian Affairs.

By Mr. JOHNSON of Texas: A bill (H.R. 5634) to provide for the use of net weights in interstate and foreign commerce transactions in cotton, to provide for the standardization of bale covering for cotton, for the purpose of requiring the use of a domestic product, and for other purposes; to the Committee on Agriculture.

By Mr. McSWAIN: A bill (H.R. 5645) to amend the National Defense Act of June 3, 1916, as amended; to the Committee on Military Affairs.

By Mr. PATMAN: Resolution (H.Res. 144) requesting the Attorney General to make an investigation of the production, distribution, or exhibition of motion and sound pictures; to the Committee on the Judiciary.

By Mr. McSWAIN: Joint resolution (H.J.Res. 181) to authorize and direct the reexamination of all personal and corporate income-tax returns for the years 1930, 1931, and 1932; to the Committee on Ways and Means.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of California, memorializing Congress to enact the Ludlow unemployment bill; to the Committee on the Judiciary.

Also, memorial of the Territory of Hawaii, memorializing Congress to place under the operation of the Hawaiian Homes Commission Act, certain parcels of land to be made available for allotment by the Hawaiian Homes Commission to native Hawaiians, and to enact and adopt a bill which will give effect to such purpose; to the Committee on the Territories.

Also, memorial of the Legislature of the State of Texas, memorializing Congress to so amend the Wagner bill that the Reconstruction Finance Corporation funds to be appropriated to the Texas Relief Commission may be used for the building of good roads in any section of the State which cannot use them more profitably in the work of reforestation, flood prevention, or soil erosion; to the Committee on Banking and Currency.

Also, memorial of the Legislature of the State of Wisconsin, relating to the allotment to the States of a part of the Federal excise tax on beer; to the Committee on Ways and Means.

Also, memorial of the Territory of Alaska, memorializing Congress in re regulations by the United States authorities to reduce the number of traps, and to prevent any person or company from having exclusive rights of fishery in False Pass and Ikatan Bay, and giving equal rights to all American purse seiners and gill netters while protecting the free flow of salmon through the False Pass stream; to the Committee on Merchant Marine, Radio, and Fisheries.

Also, memorial of the Legislature of the State of Wisconsin, relating to the bill of President Roosevelt for the refinancing home mortgages; to the Committee on Banking and Currency.

Also, memorial of the Legislature of the State of California, memorializing Congress to exempt from the provisions of legislation limiting hours of labor to 30 hours a week people engaged in the mining industry; to the Committee on Labor.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BACON: A bill (H.R. 5635) for the relief of Frank Kroegel, alias Francis Kroegel; to the Committee on Military Affairs.

By Mr. CHAVEZ: A bill (H.R. 5636) for the relief of Jose Ramon Cordova; to the Committee on Claims.

By Mr. KOPPLEMANN: A bill (H.R. 5637) for the relief of John J. Moran; to the Committee on the Post Office and Post Roads.

By Mr. McSWAIN: A bill (H.R. 5638) for the relief of James E. Daniel; to the Committee on Claims.

By Mr. SISSON: A bill (H.R. 5639) for the relief of Harriet V. Schlindler; to the Committee on Claims.

By Mr. SWEENEY: A bill (H.R. 5640) for the relief of Harry Morganstern; to the Committee on Military Affairs.

By Mr. THURSTON: A bill (H.R. 5641) granting an increase of pension to Emma L. Townsley; to the Committee on Invalid Pensions.

By Mr. UNDERWOOD: A bill (H.R. 5642) granting a pension to Mary Emma Bussard; to the Committee on Invalid Pensions.

By Mr. WALTER: A bill (H.R. 5643) to confer the Medal of Honor to Wilbert E. Bruder for service in the World War; to the Committee on Military Affairs.

By Mr. WILCOX: A bill (H.R. 5644) for the relief of William E. Fossett; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1035. By Mr. BEITER: Petition of the members of the Order Sons of Zion, Buffalo, N.Y., protesting against uncivilized and shameful treatment accorded Jews in Germany; to the Committee on Foreign Affairs.

1036. Also, petition of the Erie County Committee, the American Legion, Buffalo, N.Y., opposing legislation enacted by Congress and orders and regulations issued thereunder by the Executive, and demanding repeal or modification of them with a view of securing plain and pure justice for the deserving disabled veterans; to the Committee on World War Veterans' Legislation.

1037. Also, petition of the Mystic Art Chapter, No. 568, Order of the Eastern Star, Buffalo, N.Y., protesting against any further economic steps being taken for disarmament; to the Committee on Economy.

1038. Also, petition of the Lake Erie Lodge, No. 343, Independent Order Brith Sholom, Buffalo, N.Y., protesting against the alleged barbaric treatment of Jews and other minorities in Germany; to the Committee on Foreign Affairs.

1039. By Mr. FOSS: Petition of the Massachusetts Department, Veterans of Foreign Wars, Boston, Mass., urging repeal of the Public Law No. 2, Seventy-third Congress; to the Committee on Economy.

1040. By Mr. GOODWIN: Petition and telegrams from Jewish resident citizens and members of the Jeffersonville Synagogue of Jeffersonville, Sullivan County; Sisterhood of Temple Emanuel, board of trustees of Temple Emanuel, and Men's Club of Temple Emanuel, Kingston; and Hudson Valley Zionist Region (Rabbi Maurice J. Bloom, president) Newburgh, all of the State of New York, protesting against the barbarities visited by the Hitler regime upon the Jews in Germany; to the Committee on Foreign Affairs.

1041. By Mr. JOHNSON of Texas: Telegram signed by R. L. Wheelock, H. R. Stroube, J. L. Collins, W. C. Stroube, J. N. Wheelock, G. C. Hudson, Roy Love, C. C. Albritton, O. L. Albritton, Will Thompson, and Wilbur Thompson, of Corsicana, Tex., urging the appointment of a Federal dictator for the oil industry; to the Committee on Interstate and Foreign Commerce.

1042. Also, telegram of Hon. Frank A. Woods, of Franklin, Tex., opposing Senate bill 1094; to the Committee on Banking and Currency.

1043. By Mr. JOHNSON of Minnesota: Petition of Brotherhood of Railroad Trainmen, Local 569, Duluth, Minn., opposing coordination of railroads; to the Committee on Interstate and Foreign Commerce.

1044. Also, petition of the Joe Paul Post, No. 334, Redby-Red Lake, Minn., that the regional offices of the Veterans' Administration be maintained and no change be made in their present status; to the Committee on World War Veterans' Legislation.

1045. By Mr. LUNDEEN: Petition of Kaniewski-Loss Post, No. 1852, Veterans of Foreign Wars, Department of Minnesota, urging Congress to increase postage on second-class mail to such amount that there will be no deficit; to the Committee on the Post Office and Post Roads.

1046. Also, petition of the Washington County Farmer-Labor Campaign Committee, asking for Federal aid for the construction and improvement of State highways; to the Committee on Roads.

1047. By Mr. RUDD: Petition of Industrial Chemical Sales Co., Inc., New York City, opposing the passage of House bill 3759; to the Committee on the Judiciary.

1048. Also, petition of E. E. Cady, Brooklyn, N.Y., favoring the passage of the Wilcox municipal refinancing bill; to the Committee on Banking and Currency.

1049. By Mr. SADOWSKI: Petition of 150 citizens of Detroit, Mich., protesting against the Hitler regime in Germany; to the Committee on Foreign Affairs.

1050. By Mr. SUTPHIN: Petition of the committee of American-Jewish citizens of the county of Monmouth, N.J., protesting against unjust, unwarranted, and inhuman exclusion of Jews from the civic, political, and professional life of the country (Germany) in which they have lived over 1,600 years and to which they brought untold glory and dis-

tion in every field of endeavor; to the Committee on Foreign Affairs.

1051. By Mr. SWEENEY: Petition of Mr. and Mrs. M. Lange, 9504 Adams Avenue, Cleveland, Ohio, protesting against the barbarities by the Hitler regime upon the Jews in Germany; to the Committee on Foreign Affairs.

1052. By the SPEAKER: Petition of the city of Chelsea, Mass., opposing the closing of the United States naval hospital located in Chelsea; to the Committee on Naval Affairs.

SENATE

TUESDAY, MAY 16, 1933

(Legislative day of Monday, May 15, 1933)

The Senate, sitting as a court for the trial of articles of impeachment against Harold Louderback, judge of the United States District Court for the Northern District of California, met at 11 o'clock a.m. on the expiration of the recess.

The managers on the part of the House of Representatives appeared in the seats provided for them.

The respondent, Harold Louderback, with his counsel, Walter H. Linforth, Esq., and James M. Hanley, Esq., appeared in the seats assigned to them.

CALL OF THE ROLL

Mr. ASHURST. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Kendrick	Robinson, Ark.
Ashurst	Costigan	Keyes	Robinson, Ind.
Austin	Couzens	King	Russell
Bachman	Cutting	La Follette	Schall
Bailey	Dale	Lewis	Sheppard
Bankhead	Dickinson	Logan	Shipstead
Barbour	Dill	Long	Smith
Barkley	Duffy	McAdoo	Steiner
Black	Erickson	McCarran	Stephens
Bone	Fess	McGill	Thomas, Okla.
Bratton	Fletcher	McKellar	Thomas, Utah
Brown	Frazier	McNary	Townsend
Bulkeley	George	Metcalf	Trammell
Bulow	Glass	Murphy	Tydings
Byrd	Goldsborough	Neely	Vandenberg
Byrnes	Gore	Norris	Van Nuys
Capper	Hale	Nye	Wagner
Caraway	Harrison	Patterson	Walcott
Carey	Hastings	Pittman	Walsh
Clark	Hatfield	Pope	Wheeler
Connally	Hayden	Reed	White
Coolidge	Hebert	Reynolds	

The VICE PRESIDENT. Eighty-seven Senators have answered to their names. A quorum is present.

WITNESSES SUBPENAED—REPORT OF SERGEANT AT ARMS

The VICE PRESIDENT. The Chair lays before the Senate sitting as a Court of Impeachment a communication from the Sergeant at Arms, which the clerk will read.

The legislative clerk read as follows:

SENATE OF THE UNITED STATES,
OFFICE OF THE SERGEANT AT ARMS,
Washington, D.C., May 15, 1933.

HON. JOHN N. GARNER,

Vice President and President of the Senate,

Washington, D.C.

MY DEAR MR. VICE PRESIDENT: There are attached hereto a list of witnesses for the Government submitted to me by the managers on the part of the House of Representatives, and a list of witnesses for the respondent submitted to me by his counsel, all of said witnesses to be subpenaed for the trial of Harold Louderback, United States district judge for the northern district of California.

There are also attached hereto original subpoenas personally served by me on the witnesses desired by both parties, said subpoenas being duly served and return made according to law.

Respectfully,

CHESLEY W. JUNEY,

Sergeant at Arms.

WITNESSES FOR THE GOVERNMENT IN THE IMPEACHMENT TRIAL OF HAROLD LOUDERBACK, UNITED STATES DISTRICT JUDGE FOR THE NORTHERN DISTRICT OF CALIFORNIA

Roy Bronson, San Francisco, Calif.; Francis C. Brown, San Francisco, Calif.; W. C. Crook, San Francisco, Calif.; Lloyd Dinkelspiel, San Francisco, Calif.; Harold A. Dittmore, San Francisco, Calif.; Guy H. Gilbert, San Francisco, Calif.; F. L. Guereña, San Francisco, Calif.; C. M. Hawkins, San Francisco, Calif.; Sam Leake, San Fran-

cisco, Calif.; Miss Dorothea A. Lind, San Francisco, Calif.; Paul S. Marrin, San Francisco, Calif.; H. H. McPike, San Francisco, Calif.; Fred C. Peterson, San Francisco, Calif.; Erwin E. Richter, San Francisco, Calif.; Sidney Schwartz, San Francisco, Calif.; John Douglas Short, San Francisco, Calif.; T. W. Slaven, San Francisco, Calif.; DeLancy C. Smith, San Francisco, Calif.; Addison G. Strong, San Francisco, Calif.; Delger Trowbridge, San Francisco, Calif.; J. A. Wainwright, San Francisco, Calif.; Randolph V. Whiting, San Francisco, Calif.; Jerome B. White, San Francisco, Calif.; Marion D. Cohn, San Francisco, Calif.; and Sidney M. Ehrman, San Francisco, Calif.

WITNESSES FOR THE RESPONDENT, HAROLD LOUDERBACK, UNITED STATES DISTRICT JUDGE FOR THE NORTHERN DISTRICT OF CALIFORNIA

Miss Grace C. Berger, San Francisco, Calif.; H. B. Hunter, San Francisco, Calif.; George N. Edwards, San Francisco, Calif.; Marshall B. Woodworth, San Francisco, Calif.; Samuel M. Shortridge, Jr., San Francisco, Calif.; John M. Dinkelspiel, San Francisco, Calif.; Herbert Erskine, San Francisco, Calif.; Morse Erskine, San Francisco, Calif.; Harry L. Fouts, deputy clerk United States court, San Francisco, Calif.; J. G. Reisner, San Francisco, Calif.; George D. Louderback, San Francisco, Calif.; Lloyd A. Lundstrom, San Francisco, Calif.; William H. Metson, San Francisco, Calif.; J. H. Zolinsky, San Francisco, Calif.; David K. Byers, San Francisco, Calif.; Sam Leake, San Francisco, Calif.; W. L. Glasheen, San Francisco, Calif.; A. B. Kreft, San Francisco, Calif.; Gerald W. Murray, San Francisco, Calif.; Brice Kearsley, Jr., Los Angeles, Calif.; Francis C. Quittner, Los Angeles, Calif.

The VICE PRESIDENT. The letter will be printed and the attached documents will be noted in the Journal.

THE JOURNAL

The legislative clerk proceeded to read the Journal of the proceedings of May 15, when, on request of Mr. ASHURST and by unanimous consent, the further reading was dispensed with and the Journal was approved.

HOURS OF DAILY SESSION

Mr. ASHURST. Mr. President, I ask the attention of the senior Senator from Oregon to an order which I am going to propose for consideration.

The VICE PRESIDENT. The Senator from Arizona presents an order, which the clerk will read.

The legislative clerk read as follows:

Ordered, That the daily sessions of the Senate sitting for the trial of the impeachment of Harold Louderback, United States district judge for the northern district of California, shall, unless otherwise ordered, commence at 10 o'clock in the forenoon.

The VICE PRESIDENT. Is there objection to consideration of the order?

Mr. McNARY. Mr. President, there is no implication that there will be a separation of the legislative business and the impeachment trial by reason of this proposal?

Mr. ASHURST. There is no suggestion of that kind; but, Mr. President, I am of opinion that from time to time there will arise the necessity for legislative business being transacted. I believe that the Senate sitting as a Court of Impeachment should convene at 10 o'clock and proceed with the taking of the testimony for at least 3 hours a day, and then, as necessity may arise, the Senate may proceed to the consideration of legislative business. It is not intended to have the trial of the impeachment wholly interrupt and suspend legislative business.

Mr. McNARY. It is the purpose, I understand, of the Senator to have the impeachment proceedings commence at 10 o'clock a.m. each day?

Mr. ASHURST. Yes; and run as long as conditions will permit.

Mr. McNARY. And that applies only to the matter now before the Senate?

Mr. ASHURST. Yes, sir.

Mr. McNARY. I have no objection to that.

The VICE PRESIDENT. The Chair will suggest that, of course, the order could be changed at any time the Senate sitting as a court may desire.

Mr. HEBERT. Mr. President, may I suggest to the Senator from Arizona that, unless necessity otherwise requires and a motion to the contrary be made, this case proceed throughout the day from the convening of the Senate at 10 o'clock in the morning without interruption.

Mr. ASHURST. I believe that is a very sensible and practical suggestion and a helpful one. It is the intention, I am sure, of the Senate to proceed with the trial with all possible decent haste and to suspend proceedings of the impeach-

ment only when imperative legislative business shall require. I thank the Senator for his suggestion.

The VICE PRESIDENT. Is there objection to the order submitted by the Senator from Arizona?

There being no objection, the order was considered and agreed to.

PROCLAMATION

The VICE PRESIDENT. The Sergeant at Arms will make the usual proclamation.

The Sergeant at Arms made the usual proclamation.

DEPOSITION OF W. S. LEAKE

Mr. Manager BROWNING. Mr. President, respondent's counsel was cross-examining the witness yesterday at the time of adjournment. I take it that it will be in order to resume the cross-examination this morning.

Mr. HANLEY. Mr. President, prior to proceeding with the witness, there was a matter pending yesterday upon the question of having a commission issued for taking the deposition of W. S. Leake. That matter was continued until today. We are prepared to present the matter as to why a commission should issue. If the Senate and the Presiding Officer desire us to be heard upon that matter, we are willing now to be heard.

Mr. Manager PERKINS. The managers on the part of the House resist the motion to take the deposition of Mr. Leake on the ground, first, that the matter was fully anticipated both by the counsel for the respondent and by the managers and a stipulation entered into that in case Mr. Leake could not be present by reason of illness his deposition taken heretofore would be read. The stipulation entered into provides that upon the trial of the above-entitled matter before the Senate of the United States—

The testimony of W. S. Leake, taken at the hearing above referred to, may be read upon said trial by either party hereto, with the same force and effect as if the said witness were present and testified in person. This stipulation, however, insofar as said Leake is concerned, is without waiver by either party hereto to insist upon the attendance of said Leake before the court above referred to, and shall become operative only in the event of the nonappearance of said Leake at Washington before said Court of Impeachment.

The application is made merely on the affidavit of the respondent based on information and belief that Leake cannot be here. It is of prime importance in the trial of this matter that if this man Leake's testimony be taken, it be taken before the trial body.

If I may be permitted to do so, I would refer to a telegram received by the Vice President from Leake's doctor which does not in any way indicate that it is impossible for him to be here, but merely that it is impractical, the telegram saying:

Mr. Leake, under subpoena Loudnerback trial, quite weak physically, due age and cerebral arteriosclerosis. Been his family doctor many years. Travel to Washington impractical, but if imperative should be accompanied by a nurse. Please instruct.

So we resist on the ground, first, that there is no medical testimony here that Leake cannot be here; that it is of prime importance in the trial of this case that this witness, who is charged with being a coconspirator of the respondent, be in the presence of the trial body and his demeanor and testimony examined here rather than to take his deposition far away, where no one knows the circumstances. Furthermore, there is no person on the part of the managers who could examine this man in California. In order to properly further examine Leake it is necessary to have a complete knowledge of the case.

We therefore insist the matter was fully concluded by the stipulation entered into when both parties knew it was possible that Mr. Leake could not be present.

Mr. HANLEY. Mr. President and members of the court, this is a very important matter to the respondent, Judge Loudnerback. The situation is just this: At the time of the special hearing and the alleged deposition of W. S. Leake no charges were filed against Judge Loudnerback, no question of conspiracy was made, and it was only subsequent to the filing of the impeachment articles that we knew for the first time that he was charged with conspiracy. Leake is

alleged to be a conspirator. Without the testimony of Leake, how are we going to meet that situation?

The two managers were out upon the coast in the early days of May, this month, and at that time we wished to take the deposition of Leake, anticipating the conditions here. It is true we have received a stipulation, but it does not go far enough. It was "Hobson's choice" with us. We wanted what they had, but we wanted more. We were entitled to more. This trial cannot be completed with the number of witnesses now here, and we can have the deposition taken. There is no great amount of learning involved to take the deposition of Leake. Our friend from New Jersey who just spoke is a flyer. He came out to California in 30 hours. He could do it again over the week-end and take the deposition and could be back here in another 48 hours with the deposition, which would be upon Tuesday next.

In justice to Judge Loudnerback, it is of importance that this deposition be taken. We stand upon our subpoena to have him here. If we cannot get an order by reason of his physical condition, we surely ought to have his deposition, and therefore we are insistent upon the right, fairness, and justice to the respondent to have Leake's deposition taken.

The VICE PRESIDENT. The Chair thinks this is a matter that ought to be submitted to the court. It seems to the Chair, from the statement and the telegram to the Chair, that Mr. Leake could come to Washington if he was accompanied by a nurse. It seems to the Chair that it is a question for the court to determine whether or not they want to ask him to come to Washington accompanied by a nurse, or to authorize the deposition to be taken, or to take the position of the House managers with reference to the reading of the deposition already taken.

Mr. CLARK. Mr. President, may we have the telegram read again?

The VICE PRESIDENT. The clerk will read the telegram.

The legislative clerk read the telegram, as follows:

Hon. JOHN N. GARNER,

Vice President of United States and President of Senate,
Washington, D.C.:

Mr. Leake, under subpoena Loudnerback trial, quite weak physically, due age and cerebral arteriosclerosis. Been his family doctor many years. Travel to Washington impractical, but if imperative should be accompanied by a nurse. Please instruct.

RUSSELL C. RYAN, M.D.,
Fairmont Hotel.

The VICE PRESIDENT. The Sergeant at Arms advises the Chair that he could wire to San Francisco and ask that Mr. Leake come to Washington accompanied by a nurse. What is the pleasure of the Senate?

Mr. BRATTON. Mr. President, if it be in order, I move that the Vice President be authorized to arrange for Mr. Leake to attend the trial accompanied by a nurse if that is deemed necessary.

The VICE PRESIDENT. Without objection, that order will be issued. Counsel will proceed with the cross-examination of the witness Brown.

Cross-examination of Francis C. Brown (continued):

By Mr. LINFORTH:

Q. Mr. Brown, at the interview had with Judge Loudnerback—

Mr. LA FOLLETTE. Mr. President, will counsel for the respondent speak louder? It is impossible to hear him in this part of the Chamber.

Mr. HEBERT. Mr. President, may I suggest that counsel stand near the center of the Chamber, so that when the witness answers the interrogatories we may hear what he says?

The VICE PRESIDENT. Counsel will kindly comply with the suggestion of the Senator from Rhode Island, and both counsel and the witness will endeavor to speak louder so they may be heard.

By Mr. LINFORTH:

Q. Mr. Brown, at the interview had with Judge Loudnerback on Thursday, March 13, did Judge Loudnerback, in substance, say to Mr. Thelen, Mr. Marrin, and yourself that

inasmuch as he had appointed Mr. Strong at the solicitation of you gentlemen he had sent for you to advise you what had happened since?—A. He did.

Q. And after he had advised you of what had happened after the appointment, did he then, in substance, say to each one of you that it would be entirely agreeable to him for you gentlemen to dismiss the proceeding then pending before him and in that way get rid of the unfortunate situation that had arisen?—A. He did not advise us of everything which had happened subsequent to the appointment of Mr. Strong. He did, however, inform us that the petition could be dismissed if desired. That, however, was impossible, due to the urgent need for the appointment of a receiver to take charge of this company's affairs and to stave off attachments and other threatened legal proceedings.

Mr. LINFORTH. I move to strike out the last part of the answer of the witness as in no way responsive to the question.

The VICE PRESIDENT. The Chair is of the opinion that this is a very intelligent jury before which the case is being tried. The extra remarks by the witness hardly would influence the Senate of the United States in the trial. However, if counsel desires to submit it to the membership of the court, the Chair will do so.

Mr. LINFORTH. I am perfectly satisfied with the ruling of the Chair. I may add, Mr. President, that my examination will be shortened considerably if the witness will answer the questions as directly as possible upon cross-examination.

The VICE PRESIDENT. The witness will answer the questions as directly as possible.

By Mr. LINFORTH:

Q. Mr. Brown, what did Judge Louderback say at that time, if anything, with reference to you gentlemen making an investigation as to who Mr. Hunter was?—A. He told us he would allow us from the time of the interview, which was approximately noon, until 4 o'clock in the afternoon to ascertain if there existed anything about Mr. Hunter's past which we could submit to him as a legal reason why he should not be appointed, but he added that he was not allowing us the privilege of saying yes or no at our desire.

Q. And did he thereafter, and before he appointed Mr. Hunter, again communicate with you to ascertain whether or not you had any objection to Mr. Hunter?—A. About 3:30 or a quarter of 4 in the afternoon, I believe, I received a telephone call from the judge's secretary, in response to which I spoke to the judge personally over the telephone.

Q. Did you at that time advise him as to whether or not you and your associates had ascertained if Mr. Hunter was a proper person to be appointed receiver?—A. I told the judge that I had ascertained nothing which I could advance as a legal reason why Mr. Hunter should not be appointed, but that I would not under the circumstances consent to Mr. Hunter's appointment.

Q. Did you at that time say to the judge, and this before he appointed Mr. Hunter, that he was probably a competent man as far as you could ascertain?—A. I said that in effect; yes.

Q. Did you at that time consent to his appointment?—A. I did not.

Q. Did you at any time thereafter, and before he was appointed, consent to his appointment?—A. I never at any time consented to the appointment of Mr. Hunter.

Q. Is your recollection positive on that question?—A. My recollection is very positive.

Q. I hand you a paper filed in the matter of Russell-Colvin & Co. on the 7th day of March 1931 and which is entitled "Application of De Lancey C. Smith and Francis C. Brown for allowance of compensation"; and I call your attention to the signatures on the third page over the word "petitioners", and ask you whose signatures those are.—A. The signature of De Lancey C. Smith written by him, and the signature of Francis C. Brown written by Mr. Smith.

Q. I call your attention to the verification before Lulu P. Loveland, appearing on the next page, and ask you if that is the signature of De Lancey C. Smith to that verification.—A. That is the signature of De Lancey C. Smith.

Q. And did you prepare this petition?—A. I aided in the preparation; yes.

Q. At the time you signed it, and at the time your partner swore to it, did you know the contents of it?—A. I did not sign it personally. I knew the contents of it in substance, however.

Q. Is the signature on page 3, "Francis C. Brown", your signature?—A. It is written in the handwriting of De Lancey C. Smith, and it is not my signature.

Q. But you did know the contents of that paper prior to its filing, did you not?—A. I knew the general nature and contents of the paper; yes.

Q. Calling your attention to the following language on page 2—

That all the services rendered by petitioners and shown in schedule A were rendered for the benefit of and did benefit the administration of the estate of the defendant by the receiver—

And then turning to that exhibit and calling your attention to page 8, under date of March 13, detailing the services which you had rendered, I call your attention to the following:

I also discussed various features of the receivership with the attorneys for other creditors and gave my approval to the appointment of H. B. Hunter as receiver of the company's affairs.

Were you aware of that language in that petition at the time it was filed?

A. I cannot say whether or not I was aware of that language in the petition at the time it was filed. It is not, however, meant to say or to be construed as any consent on my part to the appointment of Mr. Hunter.

Just a minute; if I may explain my answer, I can point out how I know this to be true.

Subsequent to the appointment of Mr. Hunter a petition was filed by Mr. Addison G. Strong, represented by other attorneys, in which he sought to revoke the order removing him, and setting aside the appointment of Mr. Hunter as his successor. At that time Mr. Morse Erskine, one of the then attorneys for Mr. Hunter, came to me with a written—typewritten, prepared form of consent to Mr. Hunter's appointment, and requested my signature to it on behalf of the defendant corporation. The original of that document was delivered to Mr. LaGuardia at the time of the committee hearing in San Francisco, and it is unsigned, and it is on the stationery of Keyes & Erskine. That I refused to sign for the reason, as I stated to Mr. Morse Erskine, that it was entirely inconsistent with the position which I had theretofore taken; and inasmuch as I considered the removal of Mr. Strong wholly unjustified and outrageous, I would not sign it.

Mr. LINFORTH. Mr. President, I move to strike out the entire answer of the witness commencing with the paper that he gave to Mr. LaGuardia as in no way responsive to the question that I have asked him. I am directing my inquiry at the present time to the meaning of the language contained on page 8 of the statement that I called to his attention.

The VICE PRESIDENT. The Chair recalls that the witness suggested that he might be permitted to explain his answer. It seems to the Chair that counsel at that time should have objected to the explanation. However, the Chair does not see any reason why that part of the answer should not be stricken out. He calls attention, however, to the fact that if counsel on the part of the respondent permits the witness to explain his answer, he would seem estopped from asking to have it stricken out.

Mr. LINFORTH. May I add, Mr. President, that in courtesy to the witness and in courtesy to the court itself I did not desire to interrupt the witness in the middle of the answer; but if it is the wish that where the witness is, in the opinion of counsel, not responding to the question, we should interrupt, I shall be glad to follow that course in the future.

The VICE PRESIDENT. That part of the answer will be stricken out.

By Mr. LINFORTH:

Q. Were you aware, at the time this petition was filed, that it contained this language?

And I also discussed various features of the receivership with the attorneys for other creditors, and gave my approval to the appointment of H. B. Hunter as receiver of the company's affairs.

A. I have no specific recollection of that language. The first time that it was called to my attention was at the committee hearing. I did, however, have general knowledge of the contents of the entire petition, together with the exhibits, at the time it was filed.

Q. Did you dictate this portion of the petition that I have read to you?—A. It is entirely possible that I did. I do not remember at this time.

Mr. LINFORTH. Mr. President, we offer at this time, as part of the cross-examination of the witness, the document to which I have just referred.

The VICE PRESIDENT. It will be filed as part of the record.

By Mr. LINFORTH:

Q. Yesterday you referred to a conversation which you had with the receiver and Mr. Morse Erskine before the application for fees had been presented to Judge Louderback, and if I understood you correctly at that time you stated that you people had suggested as attorney fees twenty-five or thirty thousand dollars. Merely for the purpose of refreshing your memory, was the amount that you suggested as attorney fees greater than that?—A. I do not believe so.

Q. Did you not suggest at that time \$35,000 as attorney fees?—A. I personally made no suggestion. The suggestion, however, was made by Mr. Smith, and it was my recollection that the fee was either \$25,000 or \$30,000.

Q. Was Mr. Short present at that conversation?—A. I believe he was. He did not participate in the conversation, however.

Q. Were you in court March 17, 1931, when the application for fees was on hearing?—A. If that is the date on which the testimony was being taken, I was present; yes.

Q. That is the last day of the hearing, Mr. Brown, according to my information.—A. Yes; I was present.

Q. And was your partner, De Lancey Smith, also present at that time?—A. Mr. Smith was present also.

Q. And was Mr. Thelen also present at that time?—A. Mr. Thelen was present also.

Q. Was Mr. Marrin, Mr. Thelen's partner, also present?—A. Mr. Marrin was not present. He was absent from the city.

Q. Were you present in court at that time on that hearing when a Mr. Scampini was there, representing certain creditors, and objecting to the allowance of fees?—A. I was.

Q. Were you there when Mr. Scampini stated to the court the arrangement that the parties had entered into, namely, that \$46,250 should be allowed to Short & Erskine, \$8,750 to your firm and to Messrs. Thelen and Marrin, and \$20,000 to the receiver, in addition to the monthly allowance that he had already received?—A. I believe that is the statement, in substance, which he made; and I was present at the time.

Q. And you heard him make that statement, did you?—A. Yes; I did.

Q. Did you say anything in objection to that statement at the time that statement was made to his honor, Judge Louderback?—A. I did not.

Q. Did you hear Judge Louderback say, after that arrangement and statement had been made by Mr. Scampini, "I see Mr. Thelen, and I believe Mr. Brown is also here. You are satisfied with what has been done?" Did you hear the judge make that statement at that time?—A. I heard him make a statement to that general effect; yes.

Q. And when he made that statement, did either you or your partner, Mr. Smith, say "Yes, sir"?—A. My recollection is that Mr. Smith made the reply—said "Yes."

Q. And after Mr. Smith, in your presence and hearing, had answered "Yes, sir", did you then hear the court say this:

And I presume these arrangements are satisfactory to both of you gentlemen?

Referring to you, as well?

A. The arrangements were not satisfactory to me, and I did not—

Q. Just a moment; answer the question.—A. I did not understand his question to mean that.

Mr. LINFORTH. I submit that the answer is not responsive, and I move to strike it out.

The VICE PRESIDENT. Answer the question directly.

Mr. Manager BROWNING. Mr. President, I object to the question if counsel is going to insist on giving his construction of whom the judge referred to, when he did not say whom it was that he referred to. I think it is unfair to the witness for counsel to insist on his construction of what the judge said.

The VICE PRESIDENT. The witness can answer whether or not he gave the answer suggested by counsel.

Mr. LINFORTH. The question, Mr. President, is this: Did he, at that time, hear the respondent say:

And I presume these arrangements are satisfactory to both of you gentlemen?

Referring to the witness and to his partner, Mr. Smith.

Mr. Manager BROWNING. Mr. President, that is the part of the question to which I object, because the judge never said to whom he referred.

The VICE PRESIDENT. The objection is sustained. Counsel cannot conclude that the judge had in view the witness because he said "both of you gentlemen."

Mr. LINFORTH. I will follow the suggestions of the Vice President, and I will read from the record, with your permission (p. 9).

Did you hear Judge Louderback at that time make this statement?—

I will allow the sums which have been mentioned—\$20,000 to Mr. Hunter in addition to the money he has already received in monthly payments; I will allow \$46,250 to the attorneys, John D. Short and Erskine & Erskine; and I will allow to the plaintiff's attorneys and to the defendant's attorneys the sum of \$8,750; and I presume everybody present signifies their acceptance of that arrangement, and all join in its approval. I see Mr. Thelen, and I believe Mr. Brown is here. You are satisfied with what has been done?

Mr. BROWN. Yes, sir.

The COURT. And I presume these arrangements are satisfactory to both of you gentlemen?

Mr. BROWN. Yes, sir.

Did you hear the court make those announcements, and did either you or your partner answer as shown by the record that I have just read from?

The WITNESS. I heard the court make a statement to that effect, and I heard, according to my recollection, Mr. Smith make the reply which the record indicates was made by myself.

Q. In other words, what I have read to you agrees with your present recollection, except that it was Mr. Smith instead of Mr. Brown that made the replies, "Yes, sir"? Is that correct?—A. In substance and effect it agrees; yes.

Q. Mr. Smith was at that time, and still is, your partner?—A. Mr. Smith was at that time, and still is, associated with me, or, rather, I am associated with him jointly in this case.

Q. And you and Mr. Smith, and Messrs. Thelen and Marrin, were the attorneys to whom the court awarded the \$8,750?—A. Joint compensation for all parties; yes, sir.

Q. After this sum of \$46,250 was allowed, was there a further application for fees made on behalf of Keyes, Erskine & Short?—A. According to my recollection, there was.

Q. How much was that application for; do you recall?—A. \$5,000 for the attorneys, and around \$8,000 for the receiver.

Q. Merely to refresh your memory, if I may, was the application for attorney fees \$7,500 instead of \$5,000?—A. My recollection is that it was \$5,000. It may, however, have been larger.

Q. Did you know of the making of that application?—A. I was requested to consent to it, and I declined to do it.

Q. Were you present in court when the application came on for hearing?—A. I was not.

Q. Had you received notice of the time of the hearing of the application?—A. I did.

Q. And you did not attend?—A. I did not attend; no.

Q. You say the court at that time allowed \$5,000 on that application?—A. That is the information which I subsequently received.

Q. Did you and your partner receive part of that \$5,000?—A. I did not receive any part of it. I understand that Mr. Smith received some portion of it from Keyes & Erskine.

Q. Mr. Smith was your partner?—A. Mr. Smith—

Q. And your partner received some part of it, but not you. Is that what you say?—A. Mr. Smith and I were associated in the case. We were not in a general partnership.

Q. Was not that part of the understanding that was entered into by you people at the time the \$46,500 was allowed, namely, that if any further applications were made and granted, your firm, and the firm of Thelen & Marrin, would receive 20 percent of what the court allowed to Keyes & Erskine and Short?—A. That is not a correct statement of the understanding.

Q. You say there was no such understanding?—A. I say that is not a correct statement of what the understanding was.

Q. I am asking you, was there such an understanding?—A. Not an understanding such as you have stated; no.

Q. Were you in court at the time the application for the original fees was on hearing, and did you at that time hear Mr. Erskine make the following statement to the court, page 6 of the record?—

MR. ERSKINE. We might add, if Your Honor please, in order to be entirely candid with the court, in order to bring about this arrangement we have agreed with the attorneys for the plaintiff and defendant that if any additional compensation is allowed us in this estate for services to be rendered in the future we will pay them 20 percent up to the sum of twenty-five hundred dollars. We want the court to be fully advised of that arrangement in order to be entirely candid about it.

Did you hear that statement made to the court at that time?—A. I do not remember hearing that statement. That, however, as you just read it, is substantially a correct statement of the understanding.

Q. And did your firm, and the firm of Thelen & Marrin, to your knowledge, receive 20 percent of the additional \$5,000 subsequently awarded by the court to Keyes, Erskine & Short?—A. My best recollection is that the remittance was made in the sum of \$1,000 to Mr. Smith, who in turn made some settlement with Thelen & Marrin.

Q. Do you tell the Senate and His Honor that you accepted that money knowing that the original allowance of \$46,250 was excessive?—A. I personally did not accept any of the money. However, my definite feeling and conviction, and my present feeling is—

MR. LINFORTH. Just a moment. I submit the witness is not responding to my question. May my question be read?

THE VICE PRESIDENT. The reporter will read the question.

The Official Reporter read as follows:

Q. Do you tell the Senate and His Honor that you accepted that money knowing that the original allowance of \$46,250 was excessive?

MR. BROWNING. Mr. President, we except to the question, as the counsel undertakes to put into the mouth of the witness the statement that he did accept the money, and I insist that he has a right to deny that in his answer. His answer was in response to his right to deny that he ever received that \$1,000.

MR. LINFORTH. Mr. President, may I add that the witness has stated that while he did not receive the money, his partner received and retained half of it and turned the other half over to Thelen & Marrin?

MR. BROWNING. No; that is not in the record.

MR. LINFORTH. I submit that is his answer.

THE VICE PRESIDENT. You can get the record, but I think counsel is mistaken. I think the witness said part of it, not all of it.

MR. LINFORTH. May I withdraw the question for the time being?

By Mr. LINFORTH:

Q. How much of that 20 percent, or \$1,000, did your partner retain?—A. I do not know; and, if I may add, several times I have made the observation that Mr. Smith and I were not general partners. You are referring to him as my partner. That is the understanding.

Q. You and he were partners insofar as the Russell-Colvin matter was concerned, were you not?—A. Mr. Smith associated me in the case with him at the time he departed for New York.

MR. LINFORTH. I submit the witness is not answering the question.

THE VICE PRESIDENT. I think that is a fair answer.

By Mr. LINFORTH:

Q. Did you receive a portion of the \$8,750 that was allowed to the attorneys for the plaintiff and the defendant in that matter?—A. I did.

Q. Did you receive the full half of what was allowed to your firm, or the portion which your firm received, of the \$8,750?—A. I believe I did.

Q. I hand you what purports to be a typewritten copy of a letter of date November 30, 1931, from Keyes & Erskine, addressed to your partner, De Lancey C. Smith. Had you, on or about that date, seen that letter [handing witness letter]?—A. I do not recall that I did see it. I knew, however, that the remittance had been forthcoming.

Q. But you did not know it came in the letter to which I have called your attention?—A. I knew that it came. I do not recall—I do not believe I ever saw the letter, Mr. Linforth.

Q. Yesterday in your testimony you made some reference to the employment of Milton Newmark in the bankruptcy proceeding. Do you recall that?—A. I do.

Q. I think you said that Mr. Hunter preferred Mr. Newmark because, on account of his friendship, he would like to throw something his way. Do you recall making use of that expression?—A. No; I did not use that expression. I can tell you what I said.

Q. Pardon me. You did not make use of the expression that Mr. Hunter preferred Mr. Milton Newmark because he would like to throw something his way?—A. I said that Mr. Morse Erskine told me that Mr. Hunter would like to throw something Mr. Newmark's way; yes.

Q. When Mr. Newmark was employed, was it not understood between all of you, your firm, the Thelen & Marrin firm, and the attorneys for the receiver, that whatever his compensation should be, the attorneys would pay it, and not the Russell-Colvin estate?—A. That was understood.

Q. And is it not a fact that the fees that were paid to him were paid by the attorneys out of the allowance which the court had made to them?—A. I do not know what fees he received other than from Mr. Smith and myself. He received the proportion which we agreed to pay him.

Q. You do know that no fees were paid to him out of the Russell-Colvin estate?—A. My recollection is that no express court order allowing him expressly a fee was made.

Q. Were you present in court upon the hearing to which I have called your attention, on the 17th of March, when the application for fees was on hearing, and when it was stated to the court that the compensation of Mr. Newmark would be taken care of by the attorneys out of their allowances, and would not be a charge against the estate?—A. I have no recollection of that statement being made. It may have been made. There was no secret about the arrangement with Mr. Newmark.

Q. Were you in court and did you hear the court at that time make this statement?—

That leaves nothing in question except the thousand dollar claim which is pending; and it is understood, if Mr. Newmark makes any claim, the firm of Erskine & Erskine will see that it is properly attended to.

Did you hear His Honor make that statement?—A. I do not recall the statement. It may have been made, however.

Q. Was there not a statement made at that time, in the presence of His Honor, and before His Honor made this re-

mark, to the effect that the compensation of Mr. Newmark would not come out of the Russell-Colvin estate?—A. I do not recall that the subject of Mr. Newmark was mentioned at that hearing at all.

Q. You stated yesterday that Judge Louderback informed you and your associates on the meeting of March 13 that he had suggested various attorneys to the receiver from which he might select his counsel. You have that in mind, Mr. Brown? And among those counsel you mentioned Pillsbury, Madison & Sutro, Sullivan, Sullivan & Roche, and Cushing & Cushing. Do you recall that?—A. They were the firms which, it is my recollection, were mentioned by the judge.

Q. Yes, sir. Did the judge tell you that he had recommended those firms to the receiver before he made any order removing the receiver?—A. At the time he told us that, he had not removed the receiver.

Q. Did the judge at that time, in the same connection, tell you that the receiver had refused to accept his suggestions in regard to the employment of any of those men?—A. He did.

Q. And did he also at that time tell you that the receiver told him that he would employ no one except the regular attorneys for the San Francisco Stock Exchange?—A. He did not put it that way.

Q. What did he say in that regard?—A. He said that everything was very pleasant between the receiver and himself until they came to the subject of the receiver's counsel, and that Mr. Strong would have no one except Mr. McAuliffe.

Q. Of course, you knew that Mr. McAuliffe was a member of the firm who were the regular attorneys for the San Francisco Stock Exchange?—A. Everyone knew that.

Q. When the judge made the order appointing Mr. Strong as receiver, you said it was about 5 o'clock?—A. My recollection is that it was around 5 o'clock, sometime.

Q. And at that time the judge knew from what was said, did he not, that the receiver was then and there going to qualify?—A. I do not believe any statement was made to that effect.

Q. At that time you had presented the bond to the judge for his approval, had you not?—A. Yes.

Q. After the bond was presented to the judge for approval and after he had approved it, did not the judge then say to Mr. Strong that after he qualified he wanted to see him?—A. He said, in substance, "After the business of qualifying is over, I want you to come back and see me."

Q. You know that Mr. Strong did not return that day to see the judge, do you not?—A. That same afternoon?

Q. Yes; that same afternoon.—A. That is my opinion; yes.

Q. Well, did you not tell us yesterday that he went down town with you on the car?—A. That is correct.

Q. You also said yesterday that the various petitions and the various orders made in this proceeding were all approved or O.K'd. by your firm; is that right?—A. No, sir; a great number of them were consented to by us; a few of them were not consented to by us.

Q. But most of them were examined by your firm and O.K'd by you?—A. Yes; that is correct.

Q. Is that also the situation so far as Thelen & Marrin are concerned, who were the attorneys for the plaintiff?—A. I believe that is true also.

Q. So that the judge took the precaution to require all of these papers to be O.K'd by both of you before he acted upon them, did he not?—A. If you are asking my opinion, my opinion was that the judge was endeavoring to compromise us, in view of the dispute which had arisen between Mr. Strong and himself, and in view of our attitude concerning Mr. Strong's removal.

Q. But you understood, did you not, that the judge had required this sort of checking up by you people representing the defendant and Thelen & Marrin representing the plaintiff?—A. Mr. Morse Erskine or Mr. Hunter, one or the other, gave me the only information I had about it.

Q. Was the information he gave you, that the judge desired both of you to check up on all proceedings of that kind

that took place?—A. The information or the statement which one or the other of these men made to me was that the judge had requested them to submit all papers to us for our consent or rejection before they were filed.

Q. Do you know how many petitions prepared by Keyes, Erskine & Short were submitted to you for your approval? I do not mean to be exact, but about how many?—A. Well, I do not think I could give you a fair estimate; it was well over a hundred.

Q. Well over a hundred? Would I be wrong in saying over 300?—A. In my opinion you would.

Q. I understood you to say yesterday that the reputation of Mr. Short was good. Is that correct?—A. I personally considered Mr. Short to be a man of good character.

Q. I understood you to say that you did not consider the reputation of Mr. Herbert Erskine to be good?—A. That question was asked me, and that is my opinion; that was my answer.

Q. You made no reference to his partner, Morse Erskine?—A. No.

Q. Do you consider him a reputable attorney?—A. I prefer not to answer the question.

Q. How long have you known Mr. Herbert Erskine?—A. I have either known or known of Mr. Herbert Erskine ever since I have been in San Francisco.

Q. Did you know him when the firm was Keyes & Erskine?—A. I did.

Q. Did you know Mr. Keyes?—A. I knew Mr. Keyes very well.

Q. Was he one of the most reputable lawyers in San Francisco?—A. Mr. Keyes was one of the most reputable lawyers in San Francisco.

Q. And how many years had Mr. Herbert Erskine been his partner?—A. For a great many years; long prior to my coming to San Francisco.

Q. And he was his partner at the time that Mr. Keyes died, was he not?—A. He was.

Q. Mr. Herbert Erskine, whom you speak of, was one of the directors of the bar association of San Francisco in 1932, was he not?—A. He may have been; I do not know.

Q. One of the governors, I think, is the proper term. You knew Mr. Erskine when Keyes & Erskine were the attorneys for the Humboldt Bank in San Francisco?—A. I knew Mr. Keyes quite well. I knew Mr. Erskine slightly at that time. I met him several times.

Q. But you knew him when that firm represented the Humboldt Bank, did you not?—A. Mr. Keyes was president of the Humboldt Bank and majority stockholder of the bank.

Q. After Mr. Keyes' death you knew, did you not, that Mr. Herbert Erskine was one of the attorneys for the Bank of America in California?—A. I knew that he was employed in connection with some of the stock of the Humboldt Bank as attorney for the Bank of America.

Q. How long, to your knowledge, has Mr. Herbert Erskine been one of the attorneys for the Bank of America in California?—I believe between 1928 and 1932. I do not know whether he is still attorney for the bank or not.

Q. Have you had any personal differences with him?—A. I personally have not had any differences with him, but I have known a great many people who have.

Mr. LINFORTH. I move to strike that out as not responsive to my question.

The VICE PRESIDENT. The witness will answer the question direct.

Q. (By Mr. LINFORTH.) Have you had any personal differences with him?—A. I have never had any personal differences with him.

Q. Has your partner, to your knowledge, had any personal differences with him?—A. My partner, Mr. Smith, used to be a very close friend of Mr. Erskine.

Q. I am asking you, to your knowledge, has your partner had any differences with Mr. Herbert Erskine?—A. If you are referring to Mr. Smith, not to my knowledge. He has never had any differences.

Mr. LINFORTH. I think that will conclude the cross-examination, Mr. President.

The VICE PRESIDENT. Do the managers on the part of the House desire to further examine the witness?

Mr. Manager BROWNING. Yes, Mr. President.

Redirect examination by Mr. Manager BROWNING:

Q. Mr. Brown, when the respondent suggested that the petition in the Russell-Colvin case could be dismissed, will you state why it could not have been dismissed at that time?—A. For two reasons: One was that it was absolutely necessary to have a receiver in charge of that company's affairs on account of the fact that a large number of margin customers were asking delivery of their securities and tendering payment on their balances. If those deliveries had been made, it would have resulted in a great many preferences. Other legal proceedings were threatened, such as attachments and replevin suits, and so on. We contemplated at one time filing a petition for the appointment of a receiver in the State court, but concluded against that, in view of the fact that we felt that bankruptcy proceedings would follow and a receiver in bankruptcy would be appointed who would supersede the State court receiver. Mr. Marrin and I discussed the matter, and concluded that we would make an issue of the case and see it through.

Q. Did the respondent know at that time that there was danger of a bankruptcy proceeding?—A. He had asked us if it was not possible or probable that a bankruptcy proceeding would supersede a Federal equity receivership proceeding.

Q. What effort was made to get you to consent to the appointment of Mr. Hunter as receiver?

Mr. LINFORTH. One minute. We object to that as being thoroughly incompetent and unless connected with the respondent, hearsay, and not binding on him.

Mr. Manager BROWNING. In view of the cross-examination, I think it is thoroughly competent to let the witness explain the very thing that counsel for respondent brought out.

Mr. LINFORTH. I submit he has a right to explain anything, but his explanation can only be by means and by ways of competent testimony.

The VICE PRESIDENT. The witness will not testify to hearsay, if he has not the information of his own knowledge.

By Mr. Manager BROWNING:

Q. My question is, What effort was made to get you to consent to the appointment of Mr. Hunter as receiver and who made the effort?

Mr. LINFORTH. We make the same objection, that it is calling for his opinion or conclusion as to whether there were efforts or not, not limiting the question to anything that took place with reference to the respondent or in his presence or hearing. We are not bound by what this witness or any other witness may have done out of the presence and out of the hearing of the respondent.

The VICE PRESIDENT. The Chair stated before—and he reiterates now—that the jury trying this case is an intelligent jury, and the Chair does not believe any statement made by the witness in response to a direct question will influence the jury.

Q. (By Mr. Manager BROWNING.) In order to satisfy counsel, I will ask it in this way: What effort did the respondent make with you to get you to consent to the appointment of Mr. Hunter as receiver?—A. In the late afternoon of Thursday, March 13, after Mr. Strong had been removed, I talked to the respondent over the telephone, and he asked me if I would consent to Mr. Hunter's appointment. I told him that I would not consent to Mr. Hunter's appointment. While I found no objection which I could advance as a legal reason why he should not be appointed, I could not, in view of the fact that I considered Mr. Strong's removal unjustified, consent to the appointment of a successor.

Q. After that time, who else made an effort with you, if anybody did, to get you to consent to the appointment of Mr. Hunter as receiver?

Mr. LINFORTH. One moment. We object to that as incompetent, as hearsay, and not binding on the respondent.

The VICE PRESIDENT. The objection is sustained.

By Mr. Manager BROWNING:

Q. After that time, did the counsel for the receiver request of you to consent to the appointment of Mr. Hunter?—A. They did.

Q. When the fee of \$8,750 was allowed, was that to you and your associate, Mr. Smith, or were you getting a division of that?—A. That \$8,750 was the entire allowance for Messrs. Thelen & Marrin and Mr. Smith and myself.

Q. And what part of it came to you and your associate, Mr. Smith?—A. Approximately 50 percent—slightly over 50 percent, I believe.

Q. At the time you saw the respondent about noon the day that Mr. Strong was discharged as receiver, and he mentioned to you that the firms that he had submitted to Mr. Strong as his suggestion for attorneys, did he at that time mention the fact that he had suggested John Douglas Short?—A. He told us that he had suggested the other attorneys, but he did not tell us that he had suggested Mr. Short, and Mr. Short's name was never mentioned nor were the names of Keyes & Erskine.

Q. Did you, one Monday in March, in company with other attorneys and Mr. Strong, go to the chambers of the respondent and present to him a petition for receivership?—A. Not on Monday.

Q. Why were the defendants not the same in the two petitions that were filed on Tuesday, March 11, 1930?—A. My information on that is indirect.

Mr. LINFORTH. Just one second. If the information is based on hearsay, Mr. President, we object to it as being incompetent.

Mr. HANLEY. The record is the best evidence. Both of the complaints are here with the clerk and the jury can see them without his opinion.

The VICE PRESIDENT. The objection is sustained.

By Mr. Manager BROWNING:

Q. We will not insist on it if the witness did not know of his knowledge. In either of your conferences with the respondent, while Mr. Strong was present, did he say this or this in substance, "If I appoint you, will you consent to take my suggestion as to who the attorney shall be?"—A. He did not.

Q. Did you and those associated with you in filing the case fail to make the bond the first day the petition was presented to the respondent?—A. Will you have the question repeated?

Q. Did you and those associated with you fail to make the bond required by the court the first day the petition was presented to the respondent?—A. No. The first day the petition was actually presented to the respondent was on Tuesday, and on that same day the bonds were procured. We were, however, unable to procure a plaintiff's bond in the sum of \$50,000, and the respondent, reduced the requirement to \$10,000.

Q. Did you and those associated with you in filing the petition request the respondent to keep the clerk's office open after closing hours?—A. I do not believe so. I think that request was made directly of the clerk, Mr. Maling.

Q. Did you show an unusual interest in connection with this case, and was there great excitement at the time the case was filed? If so, on whose part was it?

Mr. HANLEY. We object to the question as calling for his opinion or conclusion as to whether he showed unusual interest.

The VICE PRESIDENT. The witness may state the facts.

Mr. Manager BROWNING. I have read the exact allegation made by the respondent as to the fact in this case, and I request this witness, who was present throughout the proceeding, to state whether or not that is the fact or the condition.

The VICE PRESIDENT. Let the witness state any facts within his knowledge.

By Mr. Manager BROWNING:

Q. Did you or those associated with you show unusual interest in connection with this case and was there great excitement? If so, on whose part?

Mr. HANLEY. We object to the question as being improper and incompetent and calling for an opinion or conclusion of the witness as to what the great interest was and as to whether there was great excitement.

The VICE PRESIDENT. The Chair thinks it is for the court to determine whether there was great excitement. The witness may state the facts.

Mr. Manager BROWNING. With all deference, I want to make this statement. The question I have read to the witness is the exact allegation made by the respondent of the conditions surrounding the filing of this case, and I have read it in his language. I desire to ask the witness if that is the fact.

The VICE PRESIDENT. Let the witness state what the facts are, and whether that constitutes great excitement is for the court to determine. The respondent would have to state the facts in order to sustain his allegation.

By Mr. Manager BROWNING:

Q. You may answer the question.—A. We proceeded in a quiet and orderly manner into the judge's anteroom. We spoke to his secretary and asked for an appointment. We spoke in a quiet and orderly manner to the judge, and, in my opinion, I personally was not excited and I observed no excitement on the part of Mr. Thelen or Mr. Marrin or Mr. Strong. I did, however, observe some excitement on the part of some of the court attachés.

Q. On the afternoon that Mr. Strong was appointed and left to qualify, state whether or not the respondent at that time told him to return that same day.—A. He did not.

Q. To your knowledge, did Mr. Strong pick Heller, Erhmann, White & McAuliffe as his attorneys in this case prior to his appointment?

Mr. HANLEY. We object to that as calling for his conclusion or opinion and not binding upon the respondent.

Mr. Manager BROWNING. I said, "State whether or not, to your knowledge."

The VICE PRESIDENT. Let the witness state what is within his knowledge.

The WITNESS. Not to my knowledge.

Mr. Manager BROWNING. That is all.

The VICE PRESIDENT. The Chair appoints the Senator from Utah [Mr. KING] to preside over the court for the balance of the day.

(Thereupon Mr. KING took the chair.)

Recross examination by Mr. LINFORTH:

Q. Just a question or two. Did you represent any creditor or creditors of the Russell-Colvin Co.?—A. I do not believe so.

Q. Do you recall whether or not your firm were creditors of that company?—A. Yes. Mr. Smith was a creditor.

Q. Just one other matter and I am through. Counsel asked you as to why you could not have dismissed this petition upon which the receiver was appointed, in accordance with the judge's suggestion. You have that in mind, have you?—A. Yes.

Q. How long would it have taken you to have filed a new petition?—A. We had a new petition all prepared and it would not have taken very long.

Q. You could have dismissed this petition, filed a new one, and had another receiver appointed within 24 hours, could you not?—A. When I say we had another petition prepared, I mean it was a State court petition prepared, but we would not have gotten anywhere by dismissing the first petition, but would have been right back where we started.

Q. How long would it have taken you, after dismissing this particular petition, to have filed another?—A. Several hours, I suppose; half a day.

Mr. NORRIS. Mr. President, I send to the desk a question I would like to have propounded to the witness.

The PRESIDING OFFICER. The clerk will read the question.

The legislative clerk read as follows:

Give us the entire amount of expense of the receivership, itemized so far as you can, and the nature and amount of the services rendered in each case.

The WITNESS. The fees which were awarded to the attorneys for the receiver were, first, \$46,250, and a second allowance of \$5,000. The first allowance to the receiver personally, Mr. H. B. Hunter, was \$33,000, including the \$1,000 per month which he had theretofore been drawing for a period of 13 months. In October 1931 he received a further allowance of \$7,500. The fees which were allowed to the attorneys for the plaintiffs, Messrs. Thelen & Marrin and Mr. Smith and to myself, totaled \$8,750.

In addition to that there were other expenses, accounting expenses for services rendered by accountants employed by the receiver, and other administrative expenses, the exact figures of which I could not give you. I think the accounting expense was approximately \$14,000. That is my recollection. Those figures are available, I believe, in the report which was filed by the receiver, a copy of which was printed in the committee report of the House of Representatives.

By Mr. Manager BROWNING:

Q. What amount of cash, if you know, was taken in by the receiver in this case, collected from all sources?—A. I made a memorandum according to my best recollection, which I believe is fairly accurate. There was received from the sale of the stock of Coen & Co. \$25,000. The sale of the stock exchange seat brought \$75,000. The sale of the stock and debentures of the Consolidated Paper Box Co. brought approximately \$115,000. The sale of miscellaneous assets brought approximately \$9,000. In addition to that there was some cash in bank or on hand or turned back from the brokers who had liquidated more than the amount needed to settle their indebtedness. I think that was approximately \$11,000. Then there was the sale of the Anchorage Power & Light securities, the exact amount of which I have not at hand.

Q. Can you give what the total is of the items you have enumerated?—A. Two hundred and thirty-five thousand dollars approximately, not including the Anchorage securities.

Q. At the time these initial fees were allowed, had any dividends been paid?—A. Not at that time.

Mr. NORRIS. Mr. President, I did not hear the witness' answer to the question I propounded. I did not hear him tell how much the attorneys for the receivers received.

The WITNESS. The attorneys for the receiver received a first allowance of \$46,250 in March or April 1931. Later in the fall of 1931, October or November of 1931, they received a further fee of \$5,000, making their total compensation \$51,250.

Mr. NORRIS. I call the attention of the witness to a further part of the question: What services were rendered for the various fees? That was included in the question.

The WITNESS. The services which were rendered, as I observed them, consisted of the consideration of a few, approximately 100, petitions which they prepared requesting instructions from the court, authorizing the receiver to make delivery of securities and prescribing the conditions which should be fixed for the delivery of securities under certain circumstances; the preparation of claims, aiding in the preparation of a form of claim which was submitted to the receiver, and which the receiver circulated among the creditors to be filled out in the blank form; the general advice which was given to the receiver as to his own rights, I assume—I personally was not present at all those conferences—and consultations with us and with the receiver concerning the sale of the stock-exchange seat and of the Consolidated Paper Box Co. securities. As I stated yesterday, the sale of the Consolidated Paper Box securities was largely handled by Mr. Smith and a creditor named Littler and by me. The closing negotiations, however, were reduced to writing by the receiver. Then they appeared in court

on a hearing on a number of those petitions and secured a court order, and also prepared the first accounts and the second accounts, and petitions for allowance of fees, and so on.

Mr. LOGAN. Mr. President, I desire to submit three brief questions.

The PRESIDING OFFICER. The Senator will transmit them to the clerk to be read.

The legislative clerk read the first question, as follows:

Do you have any feeling of ill will, prejudice, or malice toward the respondent?

The WITNESS. No.

The legislative clerk read the second question, as follows:

Do you have any feeling or desire in these matters under consideration that the Court of Impeachment shall return the findings one way or the other?

The WITNESS. It is my opinion that the charges which have been made in the case of the Russell-Colvin Co. are justified.

The legislative clerk read the third question, as follows:

Are your feelings toward the respondent kind or unkind?

The WITNESS. My feelings toward the respondent are indifferent so far as he personally is concerned.

The PRESIDING OFFICER. Are there any other questions to be propounded to the witness?

Mr. Manager BROWNING. Mr. President, just one more question:

Q. What proportionate part of the legal work connected with the administration of this receivership was done by the attorneys for the receiver on the one hand, as against the attorneys for the petitioner and the defendant on the other hand?—A. It is very difficult to apportion the services. A great many of the services were handled by both parties at the same time, all working together, in concert. As I recall it, at the time of the first allowances, in April of 1931, the record which was submitted to the court showing the time devoted by the attorneys for the receiver as against the attorneys for the defendant and the attorneys for the plaintiff showed that the latter had put in about 50 percent of the time put in by the attorneys for the receiver, and I believe that the work which was done by Mr. Marrin and Mr. Smith and myself was in many instances of equal importance to the work done by the receiver's attorneys.

Q. What part of the time listed in the reports of the attorneys for the receiver was legal work, and what part of it was clerical work?

Mr. LINFORTH. Just a minute. We object to that as calling for the witness's opinion or conclusion.

The PRESIDING OFFICER. The witness may state if he knows.

The WITNESS. I do not believe I could give you an estimate of how much. I would say that a large part of the work was, in my opinion, clerical work rather than purely legal work.

Mr. Manager BROWNING. That is all, Mr. President.

Mr. LONG. I have a question, Mr. President.

The PRESIDING OFFICER. The question submitted by the Senator from Louisiana will be read.

The legislative clerk read the question as follows:

If you did not agree to that settlement in open court when your partner, Smith, said he did, then why did you not say something?

The WITNESS. The explanation of that is this: It is rather a long explanation:

For several days during the course of that hearing we had been sitting in court observing the way in which the hearing was being directed, and in my opinion the opposition which was being put up was not effective opposition. Then we came back after the noon recess on either the second or the third day, and I was informed by Mr. Smith, in the presence—

Mr. LINFORTH. Just a moment. The President invited us to interrupt when anything was objectionable, Mr. President.

The PRESIDING OFFICER. State the ground of your interruption.

Mr. LINFORTH. We object to the witness stating what Mr. Smith informed him as being hearsay and not binding on the respondent.

The PRESIDING OFFICER. The Chair holds that it is hearsay; but, in view of the question which is propounded, the witness is giving the reasons upon which he acted. Whether those reasons were sound or unsound would be for the court to determine. Proceed.

The WITNESS. I was informed by Mr. Smith, in the presence of Mr. Herbert Erskine, that in our absence the attorney for the objectors to the allowances which were being requested had consented to an allowance of \$45,000 for the attorneys for the receiver, \$33,000 for the receiver, and \$10,000 combined for the attorneys for the plaintiff and the attorneys for the defendant. I stated to Mr. Smith that I considered that to be entirely insufficient insofar as we were concerned, and to be excessive insofar as the attorneys for the receiver were concerned, and he reiterated my view.

Then we went into a conference with Mr. Thelen; and as the judge had stated that no continuance would be allowed for the hearing, and Mr. Marrin, Mr. Thelen's partner, who had done the bulk of the work for their firm, was out of town, and consequently Mr. Thelen had no person whom he could put on the witness stand to testify as to those services, and in view of the fact that there was some question under the authorities as to whether or not the attorneys for the defendant had an absolute legal right to compensation other than a right which might be wholly within the discretion of the court, Mr. Smith concluded, and Mr. Thelen very reluctantly concluded, that the proposal would be accepted.

Then Mr. Erskine came back and said that his brother, Morse Erskine, would not accept the fee of \$45,000, but wanted an additional \$1,250; and there was only one place to take it from, so they took it from the \$10,000 which was to be allowed to Mr. Smith, Mr. Thelen, Mr. Marrin, and myself, cutting our compensations under this proposed settlement to \$8,750.

All during this conference, on at least two or three occasions, I had observed either the attorney for the receiver, Mr. Short, and in at least one instance the receiver himself, consulting with the respondent in his chambers either before or after or during the intermission at this hearing; and on account of the fact that we understood that he was a friend—the receiver's attorney, Mr. Short, was a friend—of the judge, and on account of the fact that he had removed Mr. Strong, and on account of the further fact that Mr. Herbert Erskine said that the judge was prepared to make allowances which he suggested, we felt that it would be futile under these circumstances to prosecute an independent inquiry or an independent application, in view of the uncertainty under the authorities as to our own compensation.

Mr. LONG. Mr. President, I have tried to elicit an answer, and probably my question was a little too broad to get it. I send another question to the desk.

The PRESIDING OFFICER. The question will be read. The legislative clerk read the question, as follows:

In view of your answer, will you please tell me why now you let your partner say that matters were agreeable to you both, and you remained silent? Were you afraid to speak?

The WITNESS. I felt that it was personally entirely unsatisfactory to me, and I was prepared to take my chances on prosecuting my application independently. Mr. Smith, however, felt differently. He felt that he did not want to run that chance, and consequently he felt that he was forced to acquiesce, and that any objection would be futile.

The PRESIDING OFFICER. Are there any other questions?

Mr. LINFORTH. Mr. President, there is a question or two further that we desire to propound to the witness.

By Mr. LINFORTH:

Q. In addition to the amount of assets which you have referred to this morning, how much was collected by the

receiver on accounts and notes due from customers?—A. There was very little collected up to the time that first application was filed.

Q. Was there, in all, \$512,944 collected on accounts and notes due from customers?—A. I do not believe so; no.

Q. What amount was collected on accounts and notes due from customers, if you know?—A. I have previously stated that I did not have the exact figures. I do, however, know that there was great delay in prosecuting the collections on accounts receivable.

The PRESIDING OFFICER. The answers should be responsive to the questions. Do not make suggestions.

Q. Then you do not intend, by the answers that you have given, to create the impression that the assets handled by the receiver were only the amounts that you have referred to?—A. The amounts which I have referred to were the principal assets of the general estate. The other collections, I believe, that you are referring to were collections from margin customers, were they not?

Q. Yes, sir. Do you know how much that was that was collected?—A. I could not give you that figure; no.

Q. You also referred to some \$10,000 cash on hand. Was that a guess on your part?—A. That was my recollection.

Q. Was the amount over \$16,000 instead of \$10,000?—A. Over \$16,000?

Q. Yes.—A. My recollection is that it was between 10 and 11 thousand dollars.

Q. And instead of being about \$10,000 from sale of miscellaneous things, was the amount collected by the receiver from that source over \$30,000?—A. The amount collected from the sale of the furniture and furnishings which I referred to as miscellaneous things, as set forth in the receiver's account, was \$9,083.61.

Q. Was there \$21,870 in addition to that received by the receiver from the sale of miscellaneous assets?—A. What do you refer to when you say "miscellaneous assets"?

Q. Those not specified as accounts and notes due from customers, cash on hand, firm securities, sale of furniture, and sale of stock-exchange seat.—A. It may have been. I do not remember.

Q. Was not the amount actually received by the receiver, including the amount collected on accounts and notes due from customers, over \$1,000,000?—A. The amount of the general estate was considerably less than \$1,000,000.

Q. Mr. Brown, I am trying to shorten this. Will you please follow my questions and see if you can answer directly?—A. I do not remember the exact figure.

Q. Was not the amount actually received by the receiver over \$1,000,000?—A. I do not remember the exact figures.

Mr. LINFORTH. I have no further questions.

Mr. Manager BROWNING. Mr. President, in view of that question, I should like to ask this:

By Mr. Manager BROWNING:

Q. How much of this total amount was actually a part of the estate, and how much did they hold as bailee in relation to bailor?—A. My recollection is that they held well over \$1,000,000, according to their book value, of securities as bailee.

Q. What disposition was made of those securities?—A. They were either ultimately sold to satisfy the indebtedness, margin indebtedness, due the firm, or were delivered upon payment of those balances.

Q. Was the amount of money collected on these marginal accounts in reality a part of the estate?

Mr. LINFORTH. One minute.

The WITNESS. Not in my opinion.

Mr. LINFORTH. One minute. We object to that, Mr. President, upon the ground that it calls for his opinion and conclusion.

The PRESIDING OFFICER. The objection is sustained. State the facts.

Mr. BARKLEY. Mr. President, I desire to propound the interrogatory which I send to the desk.

The PRESIDING OFFICER. The question will be read.

The legislative clerk read the question, as follows:

Do you know how the fees allowed to the attorneys for the receiver compared with the fees allowed in other similar cases?

The WITNESS. I could not make a comparison, because I know of no other case of the same general nature—in other words, a stock-brokerage failure presenting the same problem—except one which occurred subsequently, and in which no fees have thus far been allowed, so I am informed.

The PRESIDING OFFICER. Do counsel for the respondent desire to ask any further questions?

Mr. LINFORTH. Just one further question, Mr. President.

By Mr. LINFORTH:

Q. From your knowledge as attorney for this company, is it not a fact that upon the books they had assets of \$1,521,096.54 book value?—A. The assets as listed on March 11, book value, were \$1,722,960.

Q. And is it not a fact that they had in customers' accounts securities, some pledged and some unpledged, to a total of \$1,538,879.81?—A. I did not get the first part of that figure. One million and how much?

Q. \$1,538,879.81.—A. I think that is approximately correct; yes.

Q. So that the value of the assets held by them belonging to others, plus the book value of their own assets, was three million fifty-nine thousand and odd dollars, was it not, approximately?—A. Is that the total of the two?

Q. Yes, sir.—A. It is a matter of addition. I should say that is correct.

Mr. LINFORTH. That is all.

The PRESIDING OFFICER. Are there any further questions?

By Mr. Manager BROWNING:

Q. Did those two amounts overlap, and were they included, part of them, in the same thing?—A. My understanding was that the assets of \$1,722,000 included the marginal customers' accounts receivable, but counsel implies that that was not the case.

Q. And the difference between the two was the actual estate?—A. That was my understanding of it up until this time.

Mr. BLACK. Mr. President, I desire to submit an interrogatory.

The PRESIDING OFFICER. The question will be read.

The legislative clerk read as follows:

What is the largest fee you have known to be allowed in a receivership or bankruptcy case in that vicinity, outside of the fee in the Colvin case?

The PRESIDING OFFICER. The witness will answer, if he knows.

The WITNESS. I have searched my recollection, and I could not give you an accurate reply on that. I have had the figures in mind, and I know they were considerably less than the allowance in this case, but I could not give you the exact figures or mention the exact sum.

Mr. CONNALLY. Mr. President, I want to make an inquiry about procedure. Is there anything that requires the witness to stand? Why could not the witness have a seat, and be comfortable?

The PRESIDING OFFICER. Answering the interrogatory of the Senator, a rule has been adopted that the witness shall stand.

The witness will retire.

(The witness retired from the stand.)

Mr. ASHURST. Mr. President, if I may be heard a moment, the expenses of witnesses are very great to the Government, and I am assuming that counsel for the respondent and the managers themselves are finally through with the witness who has just left the stand and that he will proceed to his home and thus save the expense of his subsistence.

The PRESIDING OFFICER. The Senator inquires of the managers upon the part of the House and also counsel for the respondent, as to whether or not the further attendance of this witness is desired.

Mr. Manager BROWNING. Mr. President, we should like one intermission to give us time to determine whether we will need him for rebuttal testimony, and then we will advise the court.

Mr. ASHURST. The expense for the subsistence of witnesses is very considerable. Of course, no expense will be spared in affording the respondent a fair trial, but I hope that the honorable managers and the honorable counsel for the respondent, when they finish with a witness, will let the court know that they are finally through with the witness, so that he may proceed to his home.

The PRESIDING OFFICER. The request of the managers, the Chair thinks, is quite reasonable. The managers on the part of the House will call their next witness.

EXAMINATION OF PAUL S. MARRIN

Mr. Manager BROWNING. Call Mr. Paul Marrin.

Paul Marrin, having been duly sworn, was examined and testified as follows:

By Mr. Manager BROWNING:

Q. Is this Mr. Paul Marrin?—A. That is correct.

Q. Are you a practicing attorney in San Francisco?—A. I am.

Q. For how long?—A. For about 13 years.

Q. Of what firm are you a member?—A. Thelen & Marrin.

Q. Mr. Marrin, what was your first information with regard to the Russell-Colvin receivership?—A. On Friday, the 7th of March, Mr. Francis C. Brown advised me that the Russell-Colvin Co. were in difficulties, that they had been advised—

Mr. LONG. Mr. President, there is so much disorder in the galleries that we cannot hear the witness.

The PRESIDING OFFICER. The ladies and gentlemen in the galleries must preserve order. They are here by the courtesy of the court, and unless they shall preserve order the Sergeant at Arms will be instructed to remove those who are creating the disorder.

The WITNESS. Mr. Brown advised me that Russell-Colvin Co. had received a letter from the stock exchange advising them that unless they raised the sum of \$200,000, and placed it at the disposal of their business by the following Monday, which was the 10th of March, the exchange would suspend the firm. He stated that negotiations were proceeding by certain of the partners to raise this money, but that there was not a great deal of hope of success; that in case they were unable to raise the money and the firm was suspended on the following Monday, he anticipated that there would be a run on the firm by its customers and creditors which would perhaps result in suits being filed and attachments levied, and because of the badly frozen condition of the firm would inevitably result in bankruptcy, and that he believed in case it was impossible to raise the money and avoid the suspension an equity receivership was the best solution of the difficulty, and would result in an orderly liquidation.

He stated that, in his opinion, the firm was solvent, but that because of the market conditions, its assets were frozen and could not be liquidated quickly, but that if under a receivership they could be liquidated in an orderly manner, and sufficient time could be given, that the firm could realize a sufficient amount on its assets to pay its creditors in full.

The next day we had further conferences concerning this matter. I was also requested to attend a conference at Mr. Brown's office on the following Sunday. I attended the conference at Mr. Brown's office on the following Sunday, and there were present at that time Mr. Brown, Mr. Addison Strong, Mr. Guy Colvin, Mr. Ronald Berlinger, Mr. Rock, and I believe certain other members of the Russell-Colvin Co. partnership. I was at that time also introduced to Mr. Gardner Olmstead, who subsequently became the plaintiff in this case.

At this conference the question was further discussed as to the possibility of raising the \$200,000, and I believe two members of the partnership were absent from the room a considerable portion of the day, and I was told that they

were attempting to negotiate the raising of this money. I believe that Mr. Rock was one of the members of the firm.

The situation was explained to Mr. Olmstead, and he requested me, on his behalf, in case the firm was unable to raise the money and prevent the suspension, to file an application for a receiver in Federal court on the succeeding day. That Sunday afternoon I drafted a form of complaint in preparation for filing an application for receiver the succeeding day if they were unable to raise the money. On the following Monday morning, I think, I was advised that the firm had been unable to raise the money, and was requested to proceed with the filing of the complaint. I then completed the form of the papers.

Q. What was done with this petition on Monday?—A. On Monday morning I first—Mr. Brown advised me first that the firm had been unable to raise sufficient funds to avoid suspension, and that the suspension would be announced that morning. That Monday morning, also, I first met Mr. Lloyd Dinkelspiel, who stated that he represented the San Francisco Stock Exchange, which was interested in the matter because Russell-Colvin Co. was a member of the exchange. Mr. Brown, Mr. Dinkelspiel and myself, and Mr. Thelen went to the office of the clerk of the United States district court for the purpose of filing the petition for the appointment of a receiver. We went there sometime during the morning of March 10. Mr. Thelen had previously known nothing about this matter, but he was an older man, and we requested him to go along with us on that Monday morning.

When we arrived at the clerk's office, we told the clerk that we desired to file a petition. He asked us the nature of the proceeding, according to my recollection, and we told him that it was an application for a receivership. I laid the complaint down on the desk, and the clerk drew a card from under his desk, which was a blue card, as I recall it, with the letter "S" on it, and told us that the petition would be assigned to Judge St. Sure. We asked the clerk if we could see Judge St. Sure immediately. I told him that the firm had been suspended that morning, that it was essential, in order to preserve the assets, that a receiver be appointed immediately, and that we would like to see the judge as soon as possible. The clerk told us it would be impossible to see Judge St. Sure because he was in Sacramento holding court. We asked the clerk how long Judge St. Sure would be in Sacramento, and he told us for about a week. We then asked the clerk if one of the other judges, either Judge Louderback or Judge Kerrigan, would take up the petition in the absence of Judge St. Sure, and we were told by the clerk that they would not. This left us in a position, apparently, of not having a judge whom we could consult in the matter for a period of a week, so we hesitated somewhat about the matter, and finally decided not to file the petition at all, under those circumstances, until we could think the matter over further.

We then went back to our offices and, after discussing what would be done under the circumstances, we decided that we would prepare a second petition. The first petition had named as parties defendant only Russell-Colvin & Co., a copartnership. A question had been raised as to the sufficiency of this petition in that it did not name the individual partners as such. We then decided to prepare a second petition naming the individual partners as such. We did that for two reasons: In the first place, because by the system they have of assigning judges in the District Court for the Northern District of California we might very well have gotten Judge St. Sure again at the second time of filing another petition, because, as I understand the system, they place cards in a box or under the desk and they are shuffled, and when a petition is filed they are drawn out by the clerk without knowing who the judge is going to be. We felt that it would be disastrous to this concern and its creditors if we again drew Judge St. Sure as he was still out of town and we would be effectively blocked from taking any action in this matter for a period of a week; but that by filing two petitions we stood a chance of getting one

judge who was in town, either Judge Louderback or Judge Kerrigan, before whom we could present this matter and proceed.

We did not file the two petitions on Monday, because the Russell-Colvin Co. had a matter pending at that time—a sale of certain real estate, as I understand it, upon which it expected to realize a substantial sum of money; and it was represented to us that if this money could be realized in cash and used to repurchase some of the securities which had been pledged, the affairs of the copartnership would be placed in better position before a receiver was appointed, and that the appointment of a receiver would effectively block the real-estate deal and would leave another frozen asset in the hands of the receiver.

That deal was closed on the afternoon of Monday; and on Tuesday morning Mr. Brown, Mr. Dinkelspiel, Mr. Thelen, Mr. Colvin, Mr. Berlinger, and myself and a representative of the Hartford Accident & Indemnity Co., Mr. Jansen by name, went to the office of the clerk of the United States District Court.

I do not believe that anyone other than the attorneys actually went into the clerk's office, the others remaining out in the hallway. We filed both petitions simultaneously. The clerk drew two of the cards from under the table. One of the cards contained the letter "S", the other had on it the letter "L", and one petition was assigned to Judge St. Sure and the other to Judge Louderback. The attorneys then proceeded to the office of the secretary of Judge Louderback with the complaint which had been filed and assigned to his department, and asked his secretary when we could have an appointment to see Judge Louderback. The secretary told us that Judge Louderback was on the bench, but, as I recall it, he expected to adjourn court rather early that day, and that she thought we could see him between 11 and 12 o'clock. We then stayed at the courthouse until about 11:30. In fact, I think we went into Judge Louderback's court room, where he was holding court, and sat in the spectators' chairs until he adjourned court.

When he went into his chambers, we went back into the secretary's office, and after a short delay were told that we could see Judge Louderback. We went into his chambers. There were present at that time, to the best of my recollection, besides myself, Mr. Max Thelen, Francis C. Brown, Mr. Lloyd Dinkelspiel, Mr. Addison G. Strong, Mr. Colvin, and Mr. Berlinger.

I explained to Judge Louderback that I had just filed an application for the appointment of a receiver for the Russell-Colvin Co.; that the firm had been suspended from the stock exchange on the preceding day; that it could not continue its business; that the fact that its suspension had been announced in the newspapers would inevitably lead to demands and had led to demands by numerous creditors and customers; that we had given the matter consideration and believed that the only way in which the affairs of the partnership could be successfully wound up was by the appointment of an equity receiver.

Judge Louderback asked us if we did not think that upon the appointment of a receiver a petition in bankruptcy would be filed. We told him that perhaps such a petition would be filed, but that we felt that we could successfully defend against such a petition because, in our opinion, at that time the firm was not insolvent, but was simply in such a frozen condition that it could not liquidate the assets on hand sufficiently rapidly to meet the demands of its various creditors.

I then told Judge Louderback that the parties would like to suggest as the appointment of a receiver, if he decided to appoint a receiver, Mr. Addison G. Strong, who was present in the room. I explained to the judge that Mr. Strong was a certified public accountant, a member of the firm of Hood & Strong, that he had been auditor for the stock exchange for some time; that Mr. Strong had been auditing the affairs of this particular partnership; that he was thoroughly familiar with all the accounts and all the business; that he was a man of high reputation and ability, and we believed that because of his familiarity with the matter he

was the best qualified man whom the parties knew to act as receiver in this matter.

Mr. Brown, then, after I had spoken, talked to Judge Louderback further about Mr. Strong's qualifications and explained them more fully. I think he also explained, perhaps more fully, the situation with regard to the affairs of the partnership. The judge then asked Mr. Strong if he were represented by any of the attorneys in the room. Mr. Strong told him that he was not. The judge then said to Mr. Strong, "If you are appointed receiver by me, you realize that you will be an officer of the court, representing the court and not any of the parties, and if you are appointed as receiver will you consult me with reference to the employment of your counsel?" Mr. Strong said that he would.

The judge then said that he would fix a bond for the receiver in the amount of \$50,000 and that he would also fix a bond to be put up by the plaintiff in the amount of \$50,000. We were somewhat surprised at the requirement for a plaintiff's bond, and we asked Judge Louderback the reason for this requirement. The judge said that he required the filing and the posting of plaintiff's bond in order to protect the other creditors of the estate against injury on account of the appointment of a receiver if the appointment were subsequently found to have been wrongfully made.

I believe that was the substance of everything that occurred, according to my recollection now. I do not recall anything else particularly that occurred.

We then left Judge Louderback's chambers and went out in the hallway. There we consulted with Mr. Jansen, the representative of the Hartford Accident & Indemnity Co., concerning the bond. Mr. Jansen said they would write the receiver's bond; there was no question about that, but they would not write the plaintiff's bond for the protection of other creditors in the amount of \$50,000 without having collateral security in that amount deposited with the surety company. This condition it was impossible to meet. So, Mr. Thelen, Mr. Dinkelspiel, Mr. Brown, and myself returned to the judge's chamber—I believe that was within about 10 minutes after we had left—and we explained to the judge the impossibility of securing plaintiff's bond in this amount. The judge thereupon concluded to reduce the bond to \$10,000.

Q. What was the amount of the plaintiff's claim?—A. The amount of the plaintiff's claim, according to my recollection, was about \$3,900. We then left the judge's chambers.

I did overlook one fact in connection with our first conference with Judge Louderback. I believe that the judge had before him the other petition which had been filed; at least he knew of the filing of the other petition, and he asked us about it. I do not recall exactly the conversation that was had, but, anyway, it was to this effect: That he would not act upon this petition unless we would consent to dismiss the other petition; and we agreed to dismiss the other petition. We left the conference with the judge—the first conference—with the understanding that when we had secured the bonds and had them ready for filing and approval, we may return, and the judge would then appoint Mr. Strong as receiver.

After we left the second conference, at which the judge reduced the amount of the plaintiff's bond, we returned to our offices and got in touch with the surety company and made arrangements for the writing of the bonds. The receiver's bond presented no difficulty whatever, because that is the usual form of bond. We could not, however, find any record of there ever having been any requirement in any other case of a plaintiff's bond, and we consulted the records of the clerk's office, and the clerk was unable to give us any information with reference to it. The surety company had no record of ever having written any such bond, and we could find no form which had been followed in any other proceeding as to that form of bond. However, we took the form of order and during the course of the afternoon, working, I think, principally in the clerk's office, because it was

there we were attempting to get information as to the form of the bond, we prepared a bond for presentation to the judge in a form that we believed would be satisfactory to him. My recollection is that we had incidentally during the course of the afternoon dismissed the complaint which had been filed and which had been assigned to Judge St. Sure. During the course of the afternoon we completed forms of bonds or at least completed a form for submission to the judge, and it is my recollection that about 4 o'clock in the afternoon of Tuesday, March 11, we returned to the judge's chambers, or returned, rather, to the office of his secretary, and requested a further interview with him concerning the appointment of the receiver.

It is my recollection that we were told that the judge was sitting with the circuit court of appeals that afternoon and that we would have to wait, but that he would see us when he came off the bench of the circuit court of appeals. We did wait and saw the judge later that afternoon, my recollection being that this conference was held at about 5 o'clock in the afternoon on the 11th of March. There were present at that conference Mr. Strong, Mr. Dinkelspiel, Mr. Thelen, Mr. Brown, and myself, and I believe that the representative of the surety company was present at that time, because we were there in the matter of getting the bond approved. We presented to the judge the form of order for the appointment of the receiver. He made a slight change in the form of the order, my recollection being that he wrote in a phrase requiring that the bond be filed before the receiver should take possession of the property. We then presented the form of bonds, and my recollection is that on the plaintiff's bond, because of the uncertainty as to the form, we had not at that time written in the penalty clause. We had the frame of the bond prepared and had a penalty clause prepared, but I do not believe we had written it in at that time, but desired to submit it to the judge for his approval before we placed it in the bond. The judge approved the form of the penalty clause and approved the bond, and the clause was then written into the bond, according to my best recollection, and the judge approved the bond at that time. He also signed the order appointing Mr. Strong as receiver.

We then left the judge's chambers, and just as we were leaving the judge's chambers he said to Mr. Strong, "When this business of qualifying is over, I should like to see you."

We then went out into the clerk's office and filed the bond and the order appointing the receiver, and also Mr. Strong took the oath as receiver and qualified. We were quite some little time in the clerk's office, because we wanted to make out complete copies of all the instruments we were filing, with all the interlineations and signatures and dates. I also desired to procure certain certified copies of the order appointing the receiver so that he would have evidence of his authority to take possession of the assets of the firm.

We then left the clerk's office, my recollection being that this was about a quarter to 6 or 6 o'clock; and I returned to my office. We rode on the street car down Market Street from the Post Office Building, in which the Federal courts are located, and I recall only riding down with Mr. Strong and Mr. Thelen. There may have been others present. I returned to my office. I saw some of the parties on the following day, which was Wednesday. I did not see the judge again on this matter until Thursday following. During the morning of Thursday I was out of my office part of the day, and when I got back before noon my secretary advised me that Judge Louderback's secretary had phoned and had requested Mr. Thelen and Mr. Brown—Mr. Thelen or me, I believe—and Mr. Brown to have a conference with Judge Louderback at noon. At noon Mr. Thelen, Mr. Brown, and I together went to the chambers of Judge Louderback and we were shown into his chambers. When we came in Judge Louderback told us that he had decided to remove Mr. Strong as receiver. He stated that Mr. Strong had failed to keep an appointment with him, that he was insubordinate, that he had shown disrespect for the court, and that he intended to discharge him as receiver. He stated that he had requested Mr. Strong to return to see him, I believe,

about the appointment of counsel; and that instead of doing so Mr. White, of the firm of Heller, Ehrman, White & McAuliffe, had called to see the judge.

Q. What time was this that Mr. White had called in relation to the time Mr. Strong came back after his appointment?—A. Mr. White had called before Mr. Strong had returned to see the judge. The judge stated that he regarded this as an effort to force him to approve Heller, Ehrman, White & McAuliffe as attorneys for the receiver, and that he resented it and did not like the attitude of Mr. Strong.

I then stated that I felt that if Mr. Strong had failed to keep an appointment that it was undoubtedly due to a misunderstanding; that I did not believe Mr. Strong would deliberately defy the court, and that I felt that if the parties should get together and talk the matter over that it could all be adjusted.

Incidentally, Mr. Brown also spoke up, and we argued with the judge for quite some little time, attempting to get him to reverse his decision and retain Mr. Strong, again pointing out Mr. Strong's qualifications and the necessity for a competent man in charge of this firm, which was a stock brokerage firm, and the affairs of which were very involved. The judge, however, stated that he had made up his mind and that he did not intend to change it; that he had asked Mr. Strong to call and see him at a quarter to 1, and that he was going to request his resignation; that if Mr. Strong did not resign, he was going to discharge him as receiver. My recollection is the judge told us at that time that he had already prepared an order of discharge.

He then stated that a number of—that he had been approached by a number of different persons requesting that he appoint various parties as receiver in this case, and he turned to me and said "You know these receiverships are the plums and sugar in this business." Then he said that two parties had approached him in the hall requesting that he appoint a man by the name of Sherman who, according to his statement, had some connection or former connection with a masonic lodge in San Francisco; but he said "Of course I cannot appoint Mr. Sherman because his attorneys are Joseph McInerney and Samuel Shortridge, Jr." But he said in thinking the matter over there had just occurred to him the name of a man who was on his jury panel in his court, a Mr. H. B. Hunter; that he had ascertained that Mr. Hunter was connected with the stock brokerage firm of William Cavalier & Co.; that he believed for that reason that he would be qualified to handle this particular receivership and was a man who would be familiar with the problems of this business. He stated that Mr. Hunter was formerly a receiver of the Security Bond & Finance Co., of Berkeley, and had been recommended to him by Mr. Sidney Schwartz, a former president of the San Francisco Stock Exchange. He said he was going to hold the matter of the appointment of Mr. Hunter open until 4 o'clock that afternoon in order to give us an opportunity to look up Mr. Hunter and see if we found out anything against Mr. Hunter which we would desire to report to the judge.

He stated that he had purposely selected Mr. Hunter because he did not know him; that he desired, because of the trouble which had arisen in this case, to make an appointment which would not subject him to any criticism, and that he desired to appoint a man with whom he was not personally acquainted and whom he did not know, but who had ability and integrity which could not be questioned. He stated that if he appointed Mr. Hunter that he would not have anything to say about the selection of counsel by Mr. Hunter, but would let Mr. Hunter employ his own attorney of his own selection.

We then left the judge's chambers and I returned to my office. I made some inquiry concerning Mr. Hunter's ability and integrity. I had no personal knowledge of Mr. Hunter prior to that time. From my inquiry I was advised that he was a man of fair ability and, so far as I could ascertain, a man of integrity. I then gave this information to Mr. Thelen, and I understand—but I cannot testify of my own knowledge to this—that Mr. Thelen made independent in-

quiry. I asked Mr. Thelen to phone Judge Louderback the results of what we had ascertained, and I understand that he did so; but I cannot say this of my own knowledge, because I was not present when he phoned.

I was present with Mr. Francis C. Brown when he telephoned to Judge Louderback about 3 o'clock that afternoon and stated that he had recommended Mr. Strong as receiver for the position and that he could not consent to the appointment of anyone else.

This is my best recollection of what occurred during those 2 days. I did not see the judge again, I think, for perhaps several months. I believe it was on the day following Mr. Hunter's appointment that I was called on the telephone by Mr. Hunter's secretary and asked to be present at a conference between Mr. Brown and Mr. Hunter and others at Mr. Hunter's office in the Russell-Colvin & Co. former offices.

I attended this conference, at which conference I met Mr. John Douglas Short. I also met Mr. Erskine, of the firm of Keyes & Erskine, who stated they were attorneys for the receiver, and Mr. Hunter. We had a short conference about the conduct of the receivership. Mr. Hunter told us, according to my best recollection, that he had been requested by the judge to confer and have his attorneys confer with attorneys for the plaintiff and the defendant in matters concerning the receivership; that he would undoubtedly call upon us frequently. That is about all I recall occurring at that time.

Q. Mr. Marrin, at the first conference which you had with Judge Louderback in this case on the morning of the 11th of March 1930, did you at that time on that day fail to make the bond as required by him that day?—A. No. The bond was made, filed, and approved on that day.

Q. Was there any petition presented by you on Monday of that week?—A. No; that is, the petition was taken out to the clerk's office, but no petition was filed on that day.

Q. On the afternoon of the 11th of March, when you left there after Mr. Strong qualified, state whether or not the respondent at that time told Mr. Strong to return that day.—A. No; he did not. My recollection of what he told Mr. Strong is that "when this business of qualifying is over, I should like to see you", without specifying any date or any particular time.

Q. Was there any understanding between those who were interested there that he was to come back that day?—A. No.

Q. On the occasion when you were sent for by respondent and told that he was going to discharge Mr. Strong, was there any complaint made by him at that time about the connection of the stock exchange with the attorneys he had selected?

Mr. HANLEY. Objected to. What happened is the best evidence, and not what complaint was made.

The PRESIDING OFFICER. The witness will state what was said.

The WITNESS. To the best of my recollection, the stock exchange was not mentioned. The judge complained about the fact that Mr. Strong had not kept the appointment; that instead of keeping the appointment with him he had sent a member of the firm of Heller, Ehrmann, White & McAuliffe to see him.

Incidentally I omitted something in my recitation of what occurred at that conference. The judge did state to us that he had suggested as possible attorneys for Mr. Strong the firm of Pillsbury, Madison & Sutra, and Sullivan, Sullivan & Roche, but that Mr. Strong would not have anything to do with those firms, but insisted upon the appointment of Heller, Ehrmann, White & McAuliffe. The judge did not mention the name of Mr. Short nor of Keyes & Erskine.

Q. Did he ever suggest Short to you as having been recommended by him to the receiver, Mr. Strong, as attorney for the receiver?—A. No. The judge never suggested Mr. Short's name to me at any time.

Q. Was there any effort on the part of the stock exchange to control the receivership?—A. Not to my knowledge. I may say that I did not at that time personally know the attorneys for the stock exchange. The first time I ever met a member of that firm personally was when I met Mr.

Dinkelspiel on the Monday morning when we first took the complaint to the office of the clerk for filing on the day when it was not filed.

The PRESIDING OFFICER. The Chair takes the liberty of suggesting to the witness that we might proceed a little more rapidly if the witness would answer the questions propounded.

By Mr. Manager BROWNING:

Q. Before the qualification of Mr. Strong, had you heard any discussion of who his attorney was going to be?

Mr. HANLEY. We object on the ground that that would not bind the respondent and calls for hearsay.

The PRESIDING OFFICER. It is a part of the res gestae. While it may not be so important, it is for the court to decide. Answer the question.

The WITNESS. No; there was no discussion whatever as to who his attorney should be.

By Mr. Manager BROWNING:

Q. The first time you heard it mentioned was at what time?—A. My best recollection is on Wednesday following the appointment of Mr. Strong as receiver.

Q. Who suggested or who requested that the clerk's office be held open that afternoon for the qualification of Mr. Strong as receiver, if you know?—A. The attorneys—myself, Mr. Dinkelspiel, and Mr. Brown—requested Mr. Maling to hold his office open until we could get the bond approved and the receiver appointed, so that we could qualify the receiver that night.

Q. Did you, or any of the attorneys connected with it in your presence, request the judge to hold the clerk's office open?—A. No.

Mr. Manager BROWNING. Take the witness.

The PRESIDING OFFICER. Proceed, gentlemen.

Cross-examination by Mr. HANLEY:

Q. Mr. Martin, you were not a witness at the hearing had in San Francisco in September last?—A. No.

Q. And you have given us your memory of the affair as you remember it from its inception?—A. To the best of my recollection.

Q. Who refreshed your memory upon that?—A. I refreshed my own memory. I had a rather vivid recollection of those events, and also after I was subpoenaed in this case I went back over my files and looked at the various papers and proceedings that occurred, letters and memorandums written, and refreshed my own recollection. No one refreshed my recollection.

Q. Did you read the testimony that was taken at the preliminary hearing of this matter in San Francisco between the dates of the 6th and the 12th of September of 1932?—A. I have read part of the testimony.

Q. What part?—A. I believe that I have read substantially all of the testimony which had to do with the Russell-Colvin case.

Q. By that do you mean that you read your partner's testimony, Mr. Max Thelen, that he gave at that hearing?—A. Yes; I did.

Q. Did you help Mr. Max Thelen prepare his memoranda of the events that took place?—A. I did not.

Q. Did you read the memoranda of Max Thelen that he made as to what transpired immediately following the removal of Strong?—A. I read those memoranda which are set forth in the transcript of the proceedings in San Francisco.

Q. And in San Francisco between the 6th and the 12th days of September 1932 did you consult with Mr. Browning or Judge Sumners or Mr. LaGuardia?—A. At that time?

Q. Yes.—A. I did not. I was not present in San Francisco.

Q. Were you in San Francisco at any time, and did you give any statement in relation to the matters at that time?—A. The first time I ever met Mr. LaGuardia, Mr. Browning—

The PRESIDING OFFICER. Will you answer the question "yes" or "no"?

The WITNESS. May I have the question read?

The PRESIDING OFFICER. The reporter will read the question.

The Official Reporter read the question, as follows:

Q. Were you in San Francisco at any time, and did you give any statement in relation to the matters at that time?

The WITNESS. Yes; I was in San Francisco.

Q. Did you give a statement to any of the three managers, or, rather, the three special committeemen coming from the House to San Francisco in September of 1932?—A. No.

Q. Did you talk with any one of the three?—A. In September 1932?

Q. Yes.—A. No.

Q. Were you present in San Francisco at that time?—A. No.

Q. When was the first time that you talked with anyone on behalf of the house?—A. About 3 or 4 weeks ago, when Mr. BROWNING was in San Francisco.

Q. And that is the first time that you met him?—A. The first time I ever met him.

Q. And was that the time that you refreshed your memory, or when?—A. At that time I was requested to meet Mr. BROWNING at a conference of witnesses. The day preceding that I went over my files in this case. When Mr. BROWNING told me he wanted me to come to Washington, and I was subpoenaed, I further went over the files carefully to be sure of my recollection.

Q. When you said that that was 4 weeks ago, you mean it was about the 29th of April, less than 3 weeks ago; do you not?—A. I would not fix the date with certainty. It was when Mr. BROWNING was in San Francisco.

Q. Can you tell me what date of April or May it was that you talked with BROWNING in San Francisco? When I say "BROWNING", I mean Congressman BROWNING. I say that for shortness.—A. I could not fix the date accurately. I think it was probably 3 weeks ago Monday. That is my best recollection.

Q. But you do recollect distinctly everything that took place in 1930, in March; do you not?—A. I keep a diary, Mr. Hanley.

Q. Have you your original notes of your diary of March of 1930?—A. No; I have not.

Q. Did you bring it with you?—A. I have it at the hotel.

Q. Did you discuss that with Mr. BROWNING when you met him in San Francisco?—A. No; I do not think I did.

Q. Did you have it with you when you discussed it in San Francisco?—A. I had it with me; yes.

Q. I mean at the interview that you had.—A. Yes; I had it with me.

Q. And you refreshed your memory from that; did you?—A. I had refreshed it the day or so preceding that.

Q. Did you refresh it on your way over on the train since you left San Francisco?—A. No; I do not believe I looked at it.

Q. Did you discuss it with Mr. Brown?—A. Mr. Brown was not on the train.

Q. Did you discuss it in San Francisco or any other place with Mr. Brown?—A. I have discussed it briefly with Mr. Brown in Washington.

Q. When?—A. Yesterday.

Q. Who was present at that conversation?—A. Mr. De Lancey Smith and Mr. Brown's wife.

Q. And you went over your testimony that you were to give here today; did you?—A. I told Mr. Brown my recollection of what happened.

Q. You had been associated with Mr. Brown and also with De Lancey Smith as one of the attorneys upon some matters of the Russell-Colvin firm heretofore, had you not?—A. I had approved a form of trust indenture on which debentures were issued in connection with the Consolidated Paper Box Co.

Q. Anything else?—A. Nothing else to my recollection.

Q. How about the Coen Products Co.?—A. I know nothing whatever about that.

Q. Would you say that the firm of Thelen & Marrin were not employed by De Lancey Smith upon the writing or underwriting of the Coen Co., Inc.?—A. Not to my knowledge.

Q. Would you say that you did not render any bill or services to that concern or to De Lancey Smith with reference to that proposition, the Coen Co.?—A. No; I did not.

Q. What is your best memory as to whether you did or you did not do any work with the Coen Co.?—A. My best memory is that I did not do anything whatever.

Q. Do you ever recall the name of the Coen Co., Inc., in any business of any kind or character that your firm did for De Lancey Smith or Russell Colvin?—A. I knew there was such a concern, but I do not recall having done any work for them at all—any legal work.

Q. As a matter of fact, Gardner Olmstead in this case was introduced to you by the defendants in the case; was he not?—A. That is correct.

Q. You never met Gardner Olmstead until one of the partners who were going into receivership wanted to use you as the attorney for the plaintiff. Is not that true?—A. No; that is not true.

Q. When you met Gardner Olmstead, what member of the firm was it—Ronald Berlinger, or was it Guy Colvin—that introduced you to him?—A. My recollection is that Guy Colvin introduced Mr. Olmstead to me.

Q. Was Brown present?—A. I do not think he was in the same room.

Q. Was he there at the time?—A. He was in the same offices, the same suite of offices; yes.

Q. Had you a close relationship with this firm of De Lancey Smith and Francis C. Brown that you called each other in upon various matters that they were interested in and that you were interested in?—A. No. Our firm has absolutely no connection with their firm.

Q. You were called in by what party in the early days of March 1930?—A. Mr. Brown first talked to me.

Q. And he made the contact for the conference; did he?—A. Yes; he did.

Q. And you met then—had you known Ronald Berlinger or Guy Colvin at that time?—A. I had met Mr. Berlinger. I do not believe that I knew Mr. Colvin before that time.

Q. Did you know at that time, or did anyone inform you at the conference had, that Russell-Colvin had borrowed from brokers and banks \$330,000 more than the customers had borrowed from them?—A. I do not recall that anyone made that statement to me.

Q. Did anyone give you a set-up of the condition of the company that showed that Russell-Colvin & Co. had borrowed some three hundred or odd thousand dollars from the banks and the brokers more than the customers had borrowed, or any such amount?—A. I do not recall that detail, Mr. Hanley.

Q. When you filed this petition for the appointment of a receiver, did you prepare it?—A. I prepared it; yes.

Q. Did you send it over to Brown's office to have him O.K. it—the attorney for the defendant?—A. No. I prepared that petition myself, and—

The PRESIDING OFFICER. Can you not answer that "yes" or "no"?

The WITNESS. No.

Q. Did Brown prepare any part or amend any part of your draft of the proposed complaint?—A. He suggested one amendment. According to my recollection, he suggested one amendment.

Q. Did he prepare the amendment and attach it to the complaint?—A. No. According to my best recollection, the amendment consisted simply of an interlineation so that the complaint would be brought in behalf of all of the creditors instead of simply this plaintiff.

Q. Russell Colvin was introduced to you by Guy Colvin upon the statement that he was a resident of the State of Nevada, was he not?—A. You mean Mr. Olmstead?

Q. Yes; Mr. Gardner Olmstead. Is that right?—A. Yes; I was told that he was a resident of Reno.

Q. And the reason for that was diversity of citizenship, to give the Federal court jurisdiction, was it not?—A. Yes.

Q. The only reason they picked out Gardner Olmstead was the fact that the partner introduced him to you as a man

resident of our friend's town here at Reno, Nev., is it not?—A. I do not know what their reasons were. I know that the plaintiff must be a resident of another State in order to confer jurisdiction on the Federal court.

Q. Well, the partner in the matter, Guy Colvin, told you, "Here is Mr. Gardner Olmstead, who wants to sue us for receivership", did he not?—A. I do not recall that he made any such statement.

Q. There was no question about why he was introduced, to your mind, was there?—A. No.

Q. You knew that Guy Colvin introduced Mr. Gardner Olmstead for one purpose, and one purpose only, namely, to sue that company, did you not?—A. Yes.

Q. And the very object of meeting these people in Brown's office or your office with these partners was to have this receivership appointed, was it not?—A. Yes.

Q. There was no question about that, was there?—A. No.

Q. Who gave you the facts, outside of Gardner Olmstead, which caused you to prepare the two complaints in equity?—A. I believe Mr. Brown; I would not be certain.

Q. The last witness, Francis C. Brown?—A. I think so; yes, sir.

Q. You said the first meeting took place on Saturday, the 8th; or was it Friday, the 7th?—A. Friday, the 7th.

Q. You had conferences, then, on Saturday?—A. Yes.

Q. And then you determined to draw the complaint, and you drew in a draft form upon Sunday what would be the complaint in the matter?—A. I did not determine to draw the complaint until Sunday afternoon.

Q. Then you dictated the complaint Sunday afternoon, did you?—A. Yes.

Q. And you had it typed that same afternoon in regular form; or did you wait until Monday?—A. I had a draft of it prepared on Sunday.

Q. Did you turn that over to Brown on Sunday, or on Monday?—A. My recollection is that I did not turn it over to Brown.

Q. Did you send it over to Brown?—A. No.

Q. How did it get in his office and return to you, if you know?—A. Mr. Brown came to my office and looked at it.

Q. And it was while at your office that he prepared the amendment to it, was it?—A. He did not prepare it; he suggested it.

Q. You are sure, now—and I do not want to trap you—that Brown did not at any time take to his office and amend the draft as you prepared it?—A. My best recollection is that he did not.

Q. When did you prepare the second complaint?—A. During the noon hour on Monday the 10th of March.

Q. You went out upon the 10th of March; are you sure that both verifications to the two complaints were not sworn to simultaneously, the one that went to Judge Louderback and the one that went to Judge St. Sure?—A. I am practically sure of that.

Q. That they were?—A. That they were not.

Q. Again I do not want to trap you. I am asking you if you have any recollection—and if you have not, say so—that the two verifications, the one to the Louderback and the one to the St. Sure complaint, were not sworn to upon the same day before the same notary?—A. They were both sworn to on the same day before the same notary.

Q. Simultaneously?—A. My recollection is that they were not.

Q. What time intervened between?—A. I do not recall distinctly the time. I know the reason why I do not think they were subscribed and sworn to at the same time.

Q. After the complaint was filed, you went to the clerk's office per appointment with this number of people. Is that true?—A. Appointment with whom?

Q. At the clerk's office; you went there on the 10th, I understand; Monday?—A. Yes; but not by appointment with the clerk.

Q. The clerk had nothing to do with it?—A. No.

Q. But you did find out from the clerk, without paying the fee, who the judge would be to whom that case would be assigned, did you not?—A. Yes.

Q. And before you paid the fee you withdrew the complaint, and did not file it. Is not that true?—A. That is correct.

Q. And after you had ascertained the name of the judge without paying the fee, you withdrew the filing, did you not?—A. Yes; it had never been filed.

Q. Ah, but you placed it upon his desk, and you showed him that you were about to file a complaint, did you not?—A. Yes.

Q. And you told him you were ready to file it, did you not?—A. We told him we had a complaint to file, sure.

Q. And he drew from the box the assignment to St. Sure, and then you withdrew and did not file. Is not that true?—A. That is correct.

Q. Now, with reference to the appointment of the meeting of the parties. You say that Mr. Max Thelen and Lloyd Dinkelspiel and Francis Brown and Ronald Berlinger and Guy Colvin all went to the clerk's office on the 10th. That is true, is it not?—A. Mr. Colvin and Mr. Berlinger did not go into the clerk's office. They may have gone to the building.

Q. You went to the post office or Federal court building with the parties, did you not?—A. Yes.

Q. And that was per appointment either the day before or that very morning, was it not?—A. That morning, yes.

Q. Can you tell us whether it was a man or a woman who gave you the information that no one would act without Judge St. Sure being present?—A. My recollection is that Mr. Maling himself gave us that information.

Q. That morning?—A. Yes; that morning.

Q. Did you have with you at that time the two complaints prepared to file?—A. No.

Q. Will you say that you prepared the second one, which had gone into Judge Louderback's court at the time, from Monday, when you went to the clerk's office, until the actual filing on Tuesday, the 11th?—A. Yes; that was prepared subsequently.

Q. Then, if it was prepared subsequently, what day was it prepared?—A. Monday.

Q. What time on Monday?—A. Between 12 and half-past 1.

Q. Was it verified on Monday?—A. My recollection is that it was.

Q. The next morning you say you had some real-estate transaction to close. Is that true?—A. I was told that there was one Monday afternoon; yes.

Q. And that was the reason for not going and making the double filing at the post-office building, the clerk's office, was it?—A. The reason they were not filed Monday afternoon; yes.

Q. Who told you that? You said Brown, did you?—A. I believe Mr. Brown told me that.

Q. Did he tell you what the transaction was, the nature of it, or the amount of money that was to go to Russell-Colvin?—A. Not in detail; no.

Q. So, with reference to the situation, you were following Brown upon it, were you?—A. No; I would not say that.

Q. Did you dictate an answer, when you were dictating the complaint, to be signed by Brown?—A. I did not.

Q. Will you say that it was not upon your stationery, that the same typewriter that prepared the complaint did not prepare the answer?—A. I do not know anything about the typewriter. I know I did not dictate the answer.

Q. Did you prepare the answer at the time you prepared the complaint in both actions?—A. I never prepared the answer.

Q. Who told you about the system of how the cases were assigned, and when, for the first time?—A. The first time I was aware of it was when we filed this complaint.

Q. You did not know the manner in which the judges had the clerk draw the assignments, did you?—A. I knew nothing about it.

Q. Do you know now the manner?—A. Not except from what I saw in this case.

Q. What is that?—A. Not except from what I saw in this case.

Q. You mean you read the transcript of the clerk, Mr. Fouts, as to the manner in which the assignments were made?—A. I did not read his testimony.

Q. Did you talk to anybody as to how the assignments were made?—A. No.

Q. You said here that Judge St. Sure might get the two in succession. Who gave you that information?—A. We were told that at the clerk's office that day.

Q. So that when you went out, did you know the number, upon Monday that was alleged to be the next number of the filings that were to be had?—A. No.

Q. Did you know that criminal, bankruptcy, and equity have different numbers in that clerk's office?—A. No.

Q. Did you see the number at all as it was drawn from the slip that you were to get if you paid your fees?—A. No.

The PRESIDING OFFICER. Will counsel permit the Chair to ask whether there is any controversy as to the question of the filing of the two complaints, or the preparation of the two complaints, the time when they were prepared, and the time when they were presented, and who were present in the clerk's office?

Mr. HANLEY. They wanted to pick a judge. Is not that evident to the jurors? That is what we are trying to show.

By Mr. HANLEY:

Q. Did the same array who went out upon Monday present themselves to the clerk's office on Tuesday?—A. Do you mean the same parties?

Q. Yes.—A. The same attorneys. I am not clear in my recollection as to whether Mr. Colvin and Mr. Berlinger were present on Monday or not.

Q. Did you not say that upon Monday Mr. Berlinger—we call him different ways, but it is the same thing; I think I have known him longer than you have—Mr. Ronald Berlinger and Mr. Colvin were there upon Monday?—A. I would not be sure about that. My recollection is that they were there on Tuesday when we first saw Judge Louderback; but as to Monday I am not sure.

Q. But Dinkelspiel and your partner, Thelen, were there?—A. Yes.

Q. On both days?—A. On both days.

Q. And Strong was there on both days?—A. I think he was; yes.

Q. Brown also?—A. Brown was there, I know.

Q. Finding the judge engaged upon Tuesday, as you stated in the opening, you went around the corridors, and finally went into his court until he was through, did you?—A. We made an appointment to see him first, and then we had an hour or so to wait, so we went in and sat down in his court room.

Q. When, as to time, between the opening hour of 9 and the hour of noon did you actually make the double filing?—A. I believe that it was between 10 and 11 o'clock.

Q. So that the double filing was made after the usual court hour of commencing at 10 o'clock, the session in the Federal court?—A. I am not certain about the exact hour, but I think it was about 10 o'clock.

Q. Did you not know, Mr. Marrin, that in the whole history of the Federal filing this is the first double filing that was ever made in any action there?—A. No.

Q. Can you name one other before this that established a precedent?—A. I do not know anything about it.

Q. Did you know that there never had been up to this time a double filing for the same defendant with the same plaintiff?—A. No.

Q. You did not know that. Did you think that unusual to make the double filing?—A. I cannot say that I gave it any thought.

Q. You had the point made to you there was some question about whether the partnership ought not to have included all of the members of the partnership, was there not, after you had prepared the first complaint?—A. Yes.

Q. Why, then, was it necessary to file two complaints?—A. The reason it was necessary to file two complaints is that it was absolutely necessary to get one of the judges who was in San Francisco to act upon this matter. We did not care which one.

Q. Do you not know that at that time, and for a long time prior thereto, there was an understanding between Judge St. Sure and Judge Louderback that, in the absence of one, the other would do his work?—A. I do not.

Q. Had you been in the habit of making double filings, or was this the first time that you, as attorney in the matter of filing a suit, had made a double filing?—A. This was the first time I had ever filed similar complaints in the same action.

Q. But you filed a double filing simultaneously, did you not?—A. Yes.

Mr. Manager BROWNING. I think he has been over that about six times, but I do not want to be captious about it.

Mr. HANLEY. I think he has answered it.

Mr. President, is there any objection to my examining from this point? I think it is a better position. If there is any objection, I will keep in the well.

The PRESIDING OFFICER. If the Members of the Senate sitting as a court can hear, there is no objection.

Mr. HANLEY. That is the purpose I have in view, my voice being a little husky today.

By Mr. HANLEY:

Q. Mr. Marrin, is it not true that after you told the judge that you had Strong selected and agreed upon by all that was the first time you said to him there was a double filing?—A. No. My recollection is that the judge asked about the other filing.

Q. The moment the judge arrived in his chambers from the bench you went into his chambers, did you not?—A. Not at that moment; no. I think there was some delay.

Q. "Some delay"; but when you went in there—without detailing what you have already given us—you and Brown had this general talk, as it were, "selling" Strong to the judge as a competent receiver, had you not?—A. Recommending him to the judge; yes.

Q. So that the judge would be impressed with the brilliancy of Strong and his integrity; you were giving his qualifications to the judge, were you not?—A. We gave him qualifications in full.

Q. And you had him agree to appoint him, did you not?—A. No; I do not think we did. The judge indicated that he would appoint him if he secured the necessary bond.

Q. And is it not true, after he had indicated that he would appoint him, then, for the first time, either you or Brown, said, "Well, we had already filed one and it is before Judge St. Sure"?—A. No.

Q. That did not take place?—A. No.

Q. Did not the judge, then and there, send for the papers out in the clerk's office to be brought in to find out about the matter?—A. I do not recall that he did; no.

Q. Did he not tell you that the number of Judge St. Sure was first in time, and that you would have to go to Sacramento or he would get him on long distance phone for you?—A. He did not.

Q. Was anything said at that time to the effect that the judge would get him on long distance phone and agree upon a receiver if you could, then and there?—A. No.

Q. Nothing was said about that?—A. No.

Q. And finally you insisted that it needed immediate attention and you could not go to Sacramento? Is not that true?—A. I do not think we said anything about going to Sacramento; I do not recall that we did.

Q. You learned that Judge St. Sure was sitting in Sacramento in the middle of the day of the 15th, did you not?—A. Yes.

Q. And you knew that by flying it was an hour from San Francisco, and you knew that by train it was 3 hours; why did you not go over on Monday to get Judge St. Sure to sign and fix the receiver?—A. We were not advised that Judge St. Sure would act on the matter in Sacramento.

Q. What is that?—A. In the first place, we were not advised that Judge St. Sure would act in the matter while sitting in Sacramento. In the second place, after the receiver was appointed it was required that we get bonds and have them filed and approved and those orders by him, and we wanted a judge who was in town.

Q. The reason that you did not take this trip by automobile in about 2½ hours or on the train in 3 hours or fly in an hour was that you wanted a judge in San Francisco? Is that your reason?—A. That is the reason.

Q. What is that?—A. That reason, and the reason that we were not told that Judge St. Sure would act on the matter while sitting in Sacramento.

Q. Who told you that Judge St. Sure would not act on the matter while sitting in Sacramento?—A. Nobody told us that.

Q. Did you not know that the northern district of California was all one district and that he could act on an order at any point in the district?—A. I knew that he could; yes.

Q. But you did not go, did you?—A. We did not.

Q. On Tuesday the judge did tell you that when he appointed Strong he was an officer of the court, did he not?—A. He told Mr. Strong that.

Q. Now let us see if your memory has not been somewhat refreshed by the exact memorandum of Thelen that was made immediately at the time when he testified at the other hearing. See if this corresponds with your memory:

Judge Louderback emphasizes the proposition that Mr. Strong will be an officer of the court and that he must confer with the judge in the matter of the appointment of his attorney. The judge asked Mr. Strong whether he had selected any attorney, and particularly whether he had selected any of the attorneys who were there present in the room. Mr. Strong said no, that he had not. Judge Louderback also insisted upon the dismissal of case no. 2594, which had preceded case no. 2595, before the receiver would appoint in the latter case. After leaving Judge Louderback's court room the attorneys conferred, and it seemed that it would be impossible to raise a bond of \$50,000 for the plaintiff, so the attorneys return to Judge Louderback's chambers and he thereupon consented to reduce the amount of the plaintiff's bond to \$10,000.

Is not that what refreshed your memory today—by reading what your partner wrote immediately at the time and that you had no independent memory at all?—A. No.

Q. It is not?—A. No.

Q. Can you tell us the exact language you used in your testimony in narrating here this morning almost verbatim, as if a speech had been prepared, that Judge Louderback emphasized the proposition that Mr. Strong will be an officer of the court and must confer with the judge in the matter of the appointment of the attorneys?

Mr. MANAGER BROWNING. Mr. President—

Mr. HANLEY. Just a moment. Let me finish the question.

Q. Will you say that you did not use the exact language that your partner wrote in his memorandum of March 1930?

The PRESIDING OFFICER. The witness may answer the question.

The WITNESS. I should like to hear what I said this morning before answering that.

Q. Time will not permit us to do that. There are about four reporters here shooting in and out, and I will take my memorandum. Will you deny that you did in almost exact language at this very session use the language I have quoted from the memorandum of Mr. Max Thelen?—A. Yes; I will, because my recollection is not identical with Mr. Thelen's.

Q. When did you know for the first time that Lloyd Dinkelspiel, of the firm of Heller, Ehrmann, White & McAuliffe, was a member of that partnership?—A. I knew that, I believe, for the first time on Sunday or Monday preceding the filing of the complaint.

Q. You said that when Judge Louderback went into the matter of the receiver and had him qualify he made the statement in substance and to this effect, "When you qualify I want to see you", did he not?—A. Yes.

Q. And you attempted to interpret it here to the managers that it meant any time, did you not?—A. I did not intend to interpret it at all.

Q. So that the language stands as given that when he qualified he was to see him?—A. My recollection of the language is that he said, "When this business of qualifying is over I should like to see you."

Q. Did you expect that to be 2 weeks from then or did you expect it to be immediately?—A. I had no particular expectation about it.

Q. Well, he said he had no attorney, in the talk he had with the judge as to whether he had selected an attorney, did he not?—A. I do not remember that the judge asked him whether he had selected an attorney.

Q. Did you not know from the equity rules of that court that no attorney in any estate of any kind or character involving a receivership could be ratified and paid unless the judge confirmed the particular selection?—A. Certainly I knew that.

Q. Did you not know, when the judge talked to him, that he had that rule in mind?—A. I do not know what the judge had in mind; I assumed that is the rule he had in mind.

Q. For the purpose of the record, because some Senators have been there and others have not, the post office is at Seventh and Mission, is it not?—A. Yes.

Q. It is one block from Market to Seventh, the next street, is it not?—A. Yes.

Q. And down to Montgomery about seven?—A. Approximately.

Q. In other words, a car ride of about 6 or 7 minutes?—A. That is right.

Q. In the open street car do you recall that Lloyd Dinkelspiel was with you?—A. I do not recall anyone except Mr. Strong and Mr. Thelen and myself.

Q. Can you remember a conversation that was had on that street car before he got off at Montgomery?—A. Between whom?

Q. Between Mr. Strong and Mr. Brown.—A. No.

Q. Where were they seated relatively—on the outside of one of our electric Market Street cars or were they inside? I mean by that a car not having glass on the outside in front and back?—A. My recollection is that I stood on the inside of the car.

Q. And Thelen and Strong and Brown were seated or standing with you?—A. Mr. Thelen and Mr. Strong and I were together, to the best of my recollection. I do not remember whether Mr. Brown was even on the car.

Q. Will you tell us whether you heard a conversation on that car between Brown and Strong about who was to be attorney or who would be a fine attorney?—A. No; I do not.

Q. Will you say that no conversation took place there with relation to the qualifications of Florenz M. McAuliffe or the disqualifications of Lloyd Ackerman?—A. I did not hear it.

Q. Did you hear either of the names mentioned on the six- or seven-block ride from Seventh and Market down to Montgomery and Market?—A. I do not recall it.

Q. Where did you get off?—A. I got off at Sanson and Market.

Q. You rode one block beyond?—A. One block beyond.

Q. At about what time did you get there?—A. I think it was about 6 o'clock, or a little after.

Q. Did Strong leave before or after you?—A. I believe Mr. Strong got off before I did.

Q. He got off at Montgomery, one block before you. Where were his offices then—in the Hunter Building?—A. I do not know.

Q. Your office was then in the Balfour Building?—A. That is true.

Q. Were you going back to your office?—A. I was.

Q. Did Thelen go with you?—A. Yes.

Q. No one went with Strong?—A. Not that I know of.

Q. And immediately at the corner of Market and Montgomery and Post is the Wells Fargo Building, is it not?—A. Yes.

Q. That is where McAuliffe's office is—almost within 50 or 60 feet of the car line, is it not?—A. Yes.

Q. It was after 6 o'clock—that is true?—A. Yes; it was.

Q. What is the usual time law offices in San Francisco close, from your experience?—A. My experience has been they do not have any regular hours.

Q. What is your usual hour?—A. All the way from 9 in the morning until 10 at night sometimes.

Q. What are your stenographer's hours? Let us see how they conform to the workmen's compensation and women's work hours' measures?—A. The stenographer's hours are from 9 to 5.

Q. What?—A. From 9 to 5.

Q. The clerks get away at 5, do they not?—A. The law clerks?

Q. Yes.—A. Not always.

Q. Well, the lawyers work when there is business?—A. Yes.

Q. As a matter of fact, it is unusual for clients to meet attorneys at 6 o'clock, the dinner hour, is it not?—A. I would not say with reference to anyone else. I occasionally meet clients in the evening, but not as often as I do in the daytime.

Q. What are your usual office hours; let me put it that way?—A. My usual office hours are from 9 to about 6:15.

Q. You did not see Strong the next day at all, which was the 12th, did you?—A. Yes; I saw Strong on the 12th.

Q. When did you see Strong on the 12th? Give us the hour, because he was out with the judge and I do not want any doubt about it.

Mr. Manager BROWNING. Mr. President, I do not think this is necessary. I think these gratuitous insults to the witness are unnecessary, and I object.

The PRESIDING OFFICER. Counsel will not argue with the witness.

By Mr. HANLEY:

Q. What time did you see Mr. Strong on the 12th?—A. I could not fix the hour.

Q. Have you no memory on that? Your memory has been good upon the hours of March or the Ides of March, as we say. What time was it you met him that day?—A. My best recollection is it was around 3 or 4 o'clock in the afternoon.

Q. That was after he had his conference that morning with the judge, was it not?—A. Yes.

Q. We will not go into the conversation. Did you have any business dealing with him about the estate?—A. No.

Q. With whom did you meet him and where?—A. My best recollection is it was in Mr. Brown's office. I cannot be sure about it.

Q. Is it not true that you went to the offices of Heller, Ehrmann, White & McAuliffe?—A. I went there late in the afternoon; yes.

Q. Of the 12th, is it not?—A. Of the 12th; yes.

Q. At the time that Strong told you that firm of attorneys was not going to be selected, was it not?—A. He did not tell me that.

Q. You had a conference with him about that, did you not?—A. I had no particular conference with Strong about his attorneys; no.

Q. That is the first time up to that time in your practice of the law that you had ever been in the offices of the firm of Heller, Ehrmann, White & McAuliffe?—A. I think it was.

Q. And you went there upon the invitation of Lloyd Dinkelspiel, did you not?—A. I forget whether Mr. Dinkelspiel or Mr. Brown asked me to go over there late that afternoon around 4 or 5 o'clock.

Q. You had a conference about the refusal of the judge to confirm the attorney, did you not?—A. I did not have a conference with anybody. I was told then as to what had occurred when Mr. Strong went to see Judge Louderback.

Q. You heard that from Mr. Strong, did you?—A. My recollection is that Mr. Strong told me or stated in my presence what had occurred.

Q. Let us get the parties present on the afternoon at 3:30 of the 12th.—A. I would not say it was exactly 3:30, but on that afternoon there was Mr. Strong—I believe he was present—Mr. Florenz McAuliffe, Mr. White, Mr. Stephens, Mr. Dinkelspiel, and Mr. Brown.

Q. As far as the firm was concerned, you had no personal relations and knew none of them at that time; is not that true?—A. I had met Mr. Dinkelspiel on Monday of that week.

Q. But you did not know Stephens?—A. No.

Q. You did not know Jerome White?—A. No.

Q. And you did not know Florenz McAuliffe?—A. No.

Q. You knew Brown and you knew Dinkelspiel only, did you not?—A. Yes.

Q. They were all put out because Judge Louderback would not appoint their firm as attorneys; is not that true?—A. I would not say they were put out; no.

Q. Did you meet McKenzie there, James by name?—A. I met Mr. McKenzie there one day, but I do not believe it was on that day. I think it was a day or so later.

Q. Strong told you at that time that the judge was going to remove him unless he resigned, did he not?—A. No; I do not think he did.

Q. Was there any proposition at that time to employ an assistant attorney who had been connected with newspapers for the purpose of contesting it, in that interview?—A. No; I do not think so.

Q. Were you present at any such conference, whether it was upon the 12th or 13th after the removal?—A. After the removal I was present at a conference for a short time, and at that conference Mr. McKenzie was present. My recollection is that there was discussion about the employment of John Francis Neylan by Heller, Ehrmann, White & McAuliffe, and Strong. I was there only a short time, and I left.

Q. You knew at that conference where McKenzie was present that the Heller firm were about to employ John Francis Neylan, then and for a long time the personal attorney for the Hearst interests and former editor of the Call, did you not?—A. I do not know whether they were about to employ him. They were talking about it.

Q. You knew they did it?—A. I saw it in the newspapers afterward that Mr. Neylan filed a petition for them.

Q. Do you not know as a matter of fact, and were you not consulted, that that had actually been done?—A. I was not consulted; no. I knew they had done it.

Q. You knew they were then attempting to appeal from the order that he had made removing Strong, did you not?—A. I do not know what steps they followed because I did not follow that matter at all.

Q. Did not Lloyd Dinkelspiel tell you he had prepared the papers to have Neylan make the signature?—A. He did not.

Q. You did not know that, did you?—A. I did not.

Mr. LINFORTH. Mr. President, may I ask that we have a recess for about 5 minutes?

Mr. LONG. I make that motion.

The PRESIDING OFFICER. Counsel for the respondent suggests that the court take an informal recess for a few moments. Without objection, the Senate sitting as a Court of Impeachment will take a recess until 2:30 o'clock p.m.

Thereupon the Senate sitting as a Court of Impeachment took a recess until 2:30 o'clock p.m., at which time it reassembled.

The PRESIDING OFFICER. The Senate sitting as a Court of Impeachment will resume its session. Are counsel for the respondent ready to proceed?

Mr. HANLEY. Yes, Your Honor.

The PRESIDING OFFICER. The Chair is going to take the liberty of suggesting to counsel on both sides that so far as possible they expedite the proceedings.

By Mr. HANLEY:

Q. Mr. Marrin, you recall that you returned at the request of Judge Louderback just prior to the time that the judge had removed Strong as receiver? Do you recall that?—A. Yes.

Q. And you have narrated here your memory of that at this session; have you not?—A. Yes.

Q. Let us see if I can refresh your memory, and see if it corresponds with the testimony of Mr. Thelen that you said you read:

The judge told us that he was dissatisfied with the attitude of Mr. Strong, and that he had failed to keep an engagement to return to see him the afternoon before, and that instead of that, a member of the Heller firm had called upon the judge, and then said that he regarded Mr. Strong's signature to a petition to have the Heller firm appointed as his attorney as an attempt to force the judge's hand, and thereupon the judge said that he had suggested to the receiver the possible appointment of other counsel besides the firm of Pillsbury, Madison & Sutro, or the firm of

Sullivan, Sullivan & Theodore J. Roche, but that the receiver did not regard either of those suggestions favorably.

Mr. Manager BROWNING. Mr. President, may I inquire what record the counsel is reading from?

Mr. HANLEY. I am reading from the verbatim testimony of Mr. Thelen to see if that refreshes his memory.

Mr. Manager BROWNING. Mr. Thelen's testimony is not in the record.

Mr. HANLEY. I am asking him if that refreshes his memory, and if that is not why his memory was refreshed.

The PRESIDING OFFICER. The Chair thinks the question is proper. It seems to the Chair, though, that we are spending rather too much time on matters that may be relevant but do not require so much time in their elucidation. Proceed.

By Mr. HANLEY:

Q. Will you answer that question, Mr. Marrin?—A. You asked me two questions.

Q. Answer them both, if you can.—A. First, as to whether that refreshes my recollection.

Q. Yes.—A. I will say this: That my recollection, while in substance the same as Mr. Thelen's, is not in all respects identical. Secondly, as to whether that is what refreshed my recollection, the answer is "no."

Q. You had an independent recollection of it?—A. I did.

Q. But you made no detailed memoranda from which you refreshed it except notes in a diary?—A. I made a memorandum—yes—that week of what had occurred.

Q. But you made it after the occurrences, did you not?—A. Within 2 or 3 days afterward.

Q. And after you talked with all the parties concerned?—A. I made that memorandum independently.

Q. No; but it was after the talk that you had with Strong and with Brown and with Dinkelspiel and all the others before you put it down in writing. Is not that true?—A. Yes; it was after all of these conferences.

Q. But it was not dictated simultaneously with the occurrence, was it, or written simultaneously with the occurrence?—A. About 3 or 4 days afterward.

Q. But that was after everybody had gotten together and chewed it over, was it not?—A. No; I would not say that.

Q. There was a great deal of talk about it, as to what was said and what was done, and that is your memorandum; is it not?—A. I do not think we ever discussed between ourselves what had happened at these conferences.

Q. You never discussed that at all, would you say?—A. Prior to the writing of this memorandum; no.

Q. You never did?—A. Except insofar as matters were reported to me as having happened at conferences at which I was not present.

Q. Just a few more questions. Did you not know that there was a rule of court that they could exact from plaintiffs bonds in receivership matters, or did you ever hear of such a rule?—A. I had not at that time; no.

Q. Did you ever read the equity rules to find out whether or not the court could so do?—A. You mean prior to filing this complaint?

A. Yes.—A. No; I did not.

Q. Is it not a fact that in State practice the statute provides it?—A. Where a receiver is appointed without notice, the statute provides that a bond must be given to the defendant. This was a different bond.

Q. In State practice it is statutory; is it not?—A. Not where the defendant appears and consents to the appointment of the receiver.

Q. But in this particular matter the defendants had gathered the plaintiff for you, had they not? It was really the defendants' action. Is not that true?—A. No.

Q. Will you say that the judge is not the party who sent out to Mr. Maling or to the officers there to keep the clerk's office open?—A. I do not know what action the judge took, or whether he took any action, in that respect. I do know that we did not make that request of the judge.

Q. In your presence, you mean?—A. I do not know what action the judge took.

Q. I say, you do not know what kept the clerk's office open from its usual 4-o'clock closing time to the extension of the time when the bonds were filed and the order filed and the receiver qualified?—A. No. All I know is that we requested Mr. Maling to keep it open.

Q. And you do not know whether or not Mr. Maling requested the judge whether he would allow him so to keep it open, do you?—A. I do not.

Mr. HANLEY. May I have just a little conference on one point, as to whether I will go into it or not? [After a brief conference.] I think that is all.

The PRESIDING OFFICER. Are there any further questions?

Mr. Manager BROWNING. Yes, Mr. President.

By Mr. Manager BROWNING:

Q. Mr. Marrin, why were you not present in San Francisco last September when the investigating committee was there?—A. I had just got married, and I was away on my honeymoon.

Q. Did you use the memo of Mr. Thelen in any way in preparing or refreshing your memory with regard to the statements that you have made here today?—A. No; I used my own memorandum.

Q. Counsel for respondent asked you if in the conference you had with Mr. Strong on the afternoon of the 12th of March 1930 he did not tell you at that time that the judge had told him that if he did undertake to appoint the firm of Heller, Heller, White & McAuliffe, he would force him to resign; and your answer was that he did not tell you that. I will ask you to state what he did tell you in that conversation.—A. Mr. Strong told me that—

Mr. LINFORTH. Just a moment, Mr. President. We want to object to any conversation with Mr. Strong, not in the presence and hearing of the respondent, as hearsay.

The PRESIDING OFFICER. The objection is sustained, and for the further reason that the matter has been gone into, and the witness has testified with regard to this matter before.

Mr. Manager BROWNING. May I have just a word, if the President will indulge me?

The PRESIDING OFFICER. Yes.

Mr. Manager BROWNING. I understand the rule to be that possibly it would not be competent had not the respondent's counsel opened the question; but he asked the witness if he did not say certain things in this conversation, and the witness never has testified as to that conversation. His answer was that he did not say that. Now, I think under the rule we have a right to ask him what the conversation was which they undertook to show was a certain thing. He says it was not that. Since they opened it, under the rule we insist that we have a right to show what Mr. Strong said to him on that occasion.

The PRESIDING OFFICER. The Chair thinks the counsel is right if this is an entirely different conversation from that as to which the witness was interrogated by counsel, and also cross-examined by respondent's counsel.

Mr. Manager BROWNING. Mr. President, of course we did not have a right to ask the witness in the original examination what Strong said to him. I concede that; but on cross-examination he was asked if Strong did not say certain things. He denies that he said them. Now, my insistence is that under the rule we have a right to ask him what Strong did say to him.

Mr. LINFORTH. Mr. President, we said we did not want the conversation that took place between the parties.

Mr. Manager BROWNING. O Mr. President—

The PRESIDING OFFICER. The Chair adheres to his ruling. Proceed.

By Mr. Manager BROWNING:

Q. Mr. Marrin, is there any State statute that requires, in equity proceedings, in an application for a receiver, a bond to be given to indemnify other creditors by the petitioner?—A. No. You mean, any State statute of California?

Q. Any State statute of California. Do you know of any rule of equity that requires that, either in State or in Federal courts?—A. No.

Q. As I understand, this was not that kind of a bond?—
A. This was a bond to the other creditors, yes; not to the defendant.

Mr. Manager BROWNING. That is all.

The PRESIDING OFFICER. Stand aside. Call the next witness.

Mr. LINFORTH. In accordance with the suggestion, Mr. President, we announce that we do not wish to keep this witness any longer. So far as we are concerned, he may be excused.

Mr. Manager BROWNING. Mr. President, we should like one intermission after the session before we determine that, if we may be granted that.

The PRESIDING OFFICER. The request is reasonable.

Addison G. Strong, having been duly sworn, was examined and testified as follows:

By Mr. Manager BROWNING:

Q. This is Addison G. Strong?—A. Yes, sir.

Q. Where do you live, Mr. Strong?—A. My residence is in Berkeley. My office is in San Francisco.

Q. What is your business?—A. Certified public accountant and member of the firm of Hood & Strong.

Q. Who compose that firm?—A. I have three partners—Walter Hood, Edward Lamont, William Doyle, and myself.

Q. In October 1929 was your firm the auditor for the San Francisco Stock Exchange?—A. We were.

Q. As such, were you sent to the Russell-Colvin Co. to audit that firm?—A. No; I was not. I was engaged by Russell-Colvin & Co. They were my clients for several years, and according to the practice of the stock exchange every member has to submit a questionnaire—

Mr. LINFORTH. Mr. President, may I interrupt and suggest that the answer is not responsive, and under the suggestion of the Vice President this morning we should interrupt.

Mr. Manager BROWNING. Mr. President, his answer is entirely responsive.

The PRESIDING OFFICER. The question will be read; and may I say to the witness that we will make greater progress if the witness will answer the questions, and answer as directly as possible. If explanations are necessary in order to explain a categorical reply, leave may be granted if deemed necessary.

The reporter read as follows:

As such [that is, as auditor for the San Francisco Stock Exchange] were you sent to the Russell-Colvin Co. to audit that firm?

The PRESIDING OFFICER. Answer that "yes" or "no."

The WITNESS. No, sir.

By Mr. Manager BROWNING:

Q. Under what capacity were you there, if you went to that firm to audit?—A. I was engaged by them, who were my clients, to prepare a questionnaire for the San Francisco Stock Exchange, to exhibit their financial position, which I did as of October 31, 1929.

Q. After that time what, if any, connection did you have with Russell-Colvin?—A. In the early part of January 1930, on account of the crash in the market, they found themselves to be in somewhat—the working capital was somewhat depleted, and they asked me to come in and prepare a statement about the middle of January in order to show what their financial position was, which I did.

Q. Who asked you to come in and prepare this statement?—A. The partners of the firm.

Q. Did the stock exchange assign you to this Russell-Colvin Co. at any time, for any purpose?—A. The information—

The PRESIDING OFFICER. Answer "yes" or "no", if you can.

The WITNESS. Subsequently, yes.

By Mr. Manager BROWNING:

Q. When was that?—A. That was in the—about the 1st of February.

Q. What assignment did they give you there?—A. The stock exchange had been in very close touch with this company on account of their financial position; and due to the

fact that they felt that they could reorganize the company by putting more capital in there, they were watching them closely, and on account of my close connection, they asked me—

The PRESIDING OFFICER. There is too much noise in the galleries. Those who are in the galleries are guests of the court and will preserve order.

The WITNESS. They asked me to watch out and see that they did not become any more extended, and report to them frequently the progress of the reorganization.

By Mr. Manager BROWNING:

Q. Did you do it?—A. I kept in touch with them almost every day.

Q. Do you recall, about the 10th of March 1930, when this concern was suspended by the New York Stock Exchange?—A. I do. The San Francisco Stock Exchange. Pardon me.

Q. Yes; the San Francisco Stock Exchange. What connection did you have with the firm at that time, if any?—A. I was still engaged by them as my clients.

Q. When did you first hear of the application for receivership?—A. That was on Monday, the 10th of March.

Q. Who approached you about it?—A. Mr. Francis Brown acquainted me with the fact that they were about to file a petition for receivership in equity—an equity receivership.

Q. Please state what insistence was made to you at that time for you to take the receivership, if any.—A. Mr. Brown, and also Mr. Guy Colvin, and Mr. Ronald Berlinger, who were partners of the firm, came to me and asked me to accept the position as receiver. I told them I did not wish to do so; that I felt that it would hurt me in my private business more than it would do me good. They kept—they talked to me several times, and the stock exchange also requested me to take the position on account of my knowledge of the company. I told them the same thing, and subsequently they prevailed upon me to accept the position.

Q. And you gave your consent on the 10th of March?—A. On the 10th.

Q. Did you go with the attorneys to the courthouse on the 10th of March?—A. I did.

Q. Did you go back with them on the 11th of March?—A. I did.

Q. The 11th was on Tuesday, I believe?—A. On Tuesday.

Q. Was that the day when the petition was filed in the case?—A. That was the day the petition was filed.

Q. Were you in the conference that was had with Judge Louderback that morning?—A. I was.

Q. About what time was it?—A. I would state about half past 10 or 11 o'clock.

Q. Where did this occur?—A. In the chambers of Judge Louderback.

Q. Before this conference in his chambers, where did you wait for the engagement?—A. Are you speaking of the time on Monday or on Tuesday?

Q. On Tuesday.—A. On Tuesday—

The PRESIDING OFFICER. Where did you wait?

The WITNESS. In the court room of Judge Louderback.

By Mr. Manager BROWNING:

Q. State what transpired in this conference.—A. The petition was submitted to Judge Louderback by Mr. Marrin, and Mr. Francis Brown spoke in regard to the company. I did not pay particular attention to that, and my memory is rather hazy, because that was outside of my province. But during the course of that conference Judge Louderback turned to me and asked me if I had any person present in the room in mind as my counsel, and I told him I did not. That was about all that was said, as far as I was concerned.

Q. You left then to undertake to make the bonds that were required by the court?—A. That is right.

Q. When did you see the judge the next time?—A. Later on that afternoon, about 4:30, at which time the bonds had been arranged, we returned to Judge Louderback in his chambers to have the petition signed and the bonds accepted. We were only there for a short time.

Q. What, if anything, did respondent say to you at that conference?—A. As I recall it, the only statement that Judge Louderback made to me was when we had finished and were

leaving the room, I think there were about five of us present, and I was about the third or fourth person going out the door, and Judge Louderback turned to me and said, "When you have made your qualification, come back and see me."

Q. Did he tell you at that time to come back that same day?—A. He did not.

Q. What time of the day was that?—A. That was about 5 minutes or 10 minutes past 5.

Q. Where did you go from there?—A. We went from there to the clerk's office to file the papers.

Q. What time did you get through with the qualification?—A. We got through there about 5:45; about a quarter of 6.

Q. Where did you go after that?—A. When we left the clerk's office, in the hall, someone suggested that we were all through, and that we would go back to our offices, and I mentioned to the gentlemen present that Judge Louderback had asked me to return to see him, and they all agreed that it was too late in the evening, being a quarter of 6, that Judge Louderback had not stressed the fact to return that night, and after some little discussion it was agreed that I should return the first thing in the morning to see Judge Louderback.

Q. Up to that time had you had any discussion with those who were present with regard to who would be your attorney in the case?—A. I had not.

Q. Up to that time, whom, if anybody, had you consulted about an attorney, if you were appointed receiver?—A. I had talked the matter over with my partner, Mr. Hood.

Q. Anyone else?—A. Not up to that time.

Q. Did you contact any attorney?—A. Yes.

Q. Who was it?—A. I phoned to Mr. Ackerman on Monday night.

Q. Is that Mr. Lloyd Ackerman?—A. Mr. Lloyd Ackerman.

Q. What was the purport of your telephone message to him?—A. Mr. Lloyd Ackerman was one of the outstanding attorneys who specialized—

Mr. LINFORTH. Just one moment.

The PRESIDING OFFICER. Answer the question, please.

Mr. LINFORTH. We move to strike that out as not responsive.

The PRESIDING OFFICER. It will be stricken out. The reporter will read the question.

The reporter read as follows:

Q. What was the purport of your telephone message to him?

The WITNESS. To find out whether Mr. Ackerman was in a position whereby he might become my counsel in case I desired him.

By Mr. Manager BROWNING:

Q. Did you agree at that time to appoint him as your counsel?—A. I did not.

Mr. LINFORTH. We object to that as calling for the opinion or conclusion of the witness and not calling for any fact.

Mr. Manager BROWNING. That is certainly a fact.

The PRESIDING OFFICER. In view of the opening statement of counsel for the respondent, as well as some of the testimony that has been presented, the objection is overruled. Proceed.

By Mr. Manager BROWNING:

Q. Did you agree in that conversation to employ Lloyd Ackerman as your counsel if you were appointed receiver?—A. I did not.

Q. Why did you call Lloyd Ackerman?—A. Because Lloyd Ackerman was the attorney for E. A. Pierce & Co., who were the largest correspondent of Russell-Colvin, and I did not know but what on account of his connection in that capacity he might not feel free to serve as my counsel, and that is what I wished to assure myself of.

Q. Is Lloyd Ackerman a specialist in any kind of litigation?—A. He is the secretary of the Pacific Coast Association of the New York Wire Houses, and he has a number of stock-brokerage houses as his clients.

Q. Was he your personal attorney?—A. No.

Q. Why did you select him?—A. Just because of his reputation, and on account of his connection with these—and on account of his intimate knowledge of stock-brokerage problems.

Q. After you left the clerk's office what, if anything, did you do with regard to the employment of your counsel?—A. I left there about a quarter of 6. Going down to my own office I stopped in and saw Mr. Florenz McAuliffe.

Q. Why did you do that?—A. Because, in thinking the matter over, I decided that I had known Mr. McAuliffe more intimately than I knew Mr. Ackerman, and I decided that I would rather have him as my counsel, and I called on him to find out whether he was in a position to serve as such.

Q. At that time were you acquainted with the order of the court appointing you as receiver?—A. I had read it.

Q. I will ask you if you understood from that order that you had a right to employ your counsel?—A. It so stated.

Q. The order so stated?—A. Yes.

Mr. Manager BROWNING. Mr. President, we should like to offer a copy of that order which was marked as an exhibit in the hearing before the committee of the House.

The PRESIDING OFFICER. It will be received and filed with the clerk. You may proceed.

By Mr. Manager BROWNING:

Q. What time did you get to Mr. McAuliffe's office?—A. About 6 o'clock.

Q. Did you have any prearranged engagement with him?—A. I had none.

Q. Did you know whether or not he was there before you reached the office?—A. I did not.

Q. When did you see the respondent next?—A. I saw the respondent the next morning at 9:30 at his chambers.

Q. I wish you would describe now the conference you had with the respondent at that time on the morning of the 12th?—A. When I went into the chambers of Judge Louderback, he asked me why I had not returned "last night", and I told him that I did not know that I was supposed to return the previous night. He told me that he had insisted—had told me to return the previous night, and I told him that apparently there was a misunderstanding, that I did not understand it as such, and, therefore, I came out the first thing in the morning to see him. There was considerable—some statements made by Judge Louderback relative to my delinquency. Then he turned to me and told me that he had accepted me as receiver on the recommendation of the plaintiff and the defendant in this case; that he ordinarily desired to have someone whom he knew in the matter; that inasmuch as he had appointed me receiver, that he felt that I should appoint as counsel someone whom he should suggest, and he named Mr. John Douglas Short. I told Judge Louderback that I did not know Mr. Short; that I felt, on account of the complex problems in this brokerage work, that I should want an attorney as counsel who was familiar with these stock brokers, who had them as their clients, and also that I felt that I should have somebody whom I knew personally.

Judge Louderback said, "Just exactly what I was afraid of. You went away and thought this matter over. If you had come back last night, the whole thing would have been obviated. In fact, I had Mr. Short here last night for you to meet him." I again told Judge Louderback that I was sorry, that apparently there was a misunderstanding. Judge Louderback then asked me whom I had in mind, and I said Mr. McAuliffe. With that Judge Louderback became very indignant, and threw his pencil on the table. He said, "That is just exactly what I thought. You went down and made your arrangements and I wished to see you before you had made any arrangements."

We then discussed the matter at some length. I assured the judge that the only thing I had in mind was to have competent counsel, one whom I knew and who understood these problems; and, on account of my bond, I thought I could not take the risk of somebody whom I did not know, because if they gave me improper advice I was the one who would take the responsibility. We discussed the matter at some length. Finally the judge came up to me and took me

by the coat and said, "I do not know whether you realize what a plum you have picked; do you realize that your fees will be somewhere between ten and eighty thousand dollars." I told Judge Louderback that I did not; in fact, I did not know even how they were based; that I was not concerned with my fees at that particular time; that I was only interested in the counsel. He then said to me, "Do you realize that I am the one who is going to set your fee?" I said, "I understand that."

We then discussed Mr. McAuliffe. He turned to me and said, "If I should send for your friend McAuliffe and tell him that there were not any fees in this case for him, I do not think he would be so anxious for the position." I told him that that was a matter between him and Mr. McAuliffe. He then asked me if I knew that he appointed receivers at frequent intervals. I told him that I understood that he did. He then said, "If you do this work properly, and something of a similar nature comes up, your name will undoubtedly be considered." I still talked to Judge Louderback and tried to explain to him the contracts and bonds that a brokerage office has in connection with full-paid securities, with their margin account and safe-keeping items and various other matters. I told him that I did not wish to take the time to talk with an attorney who was not familiar with the problems, because I wanted to start in immediately on the work. It was about 10 minutes past 10 at that time. Judge Louderback said he could not talk with me any longer, that he had to go on the bench. Leaving his chambers, he said to me, "Think the matter over for 2 or 3 days, come back and see me; there is no hurry about it." He also said, "Do not go to see any attorney or take any legal advice."

I walked with Judge Louderback from his chambers to the door of his court, and tried to explain to him how imminent this matter was, how important it was to have legal advice in order that I could take action. He again told me there was no hurry, to think the matter over and come back in 2 or 3 days' time and talk to him.

Q. What attorneys, if any, did he offer you in that conference?—A. John Douglas Short only.

Q. Did he mention the names of Pillsbury, Madison, and Sutro to you?—A. He did not.

Q. At that or any other time?—A. At that or at any other time.

Q. Did he offer Keyes & Erskine to you then?—A. He did not. He told me that John Douglas Short was in Keyes & Erskine's office, and I understood from his conversation that he was a clerk and not an associate in the firm.

Q. Did he offer you the firm of Sullivan, Roche?—A. He did not.

Q. Or Cushing & Cushing?—A. He did not. I know all those firms and I would have been only too happy to have had any one of them.

Q. Did he have anything to say about the qualifications of the attorney for this work?—A. When I stressed the matter of my counsel, he told me that I exaggerated the importance of it. He said any attorney in San Francisco could handle these matters.

Q. Did you observe his admonition not to talk to counsel about it before you saw him again?—A. I did.

Q. What time did you come back?—A. I came back at 12 o'clock with my partner, Mr. Hood.

Q. Did you see the respondent at that time?—A. I saw him as soon as he came off the bench. I followed him into his chambers.

Q. Did Hood go in with you?—A. No; he did not. He stayed in the anteroom.

Q. Did he try to go in with you?—A. He wanted to go in but he could not go.

Q. Why?—A. The judge would not permit him.

Q. What occurred between you and the respondent in that conversation?—A. I told Judge Louderback that I had thought the matter over ever since I left him that morning and that it was a matter of supreme importance and extreme urgency; that there were so many customers who were clamoring at the doors requesting permission to do certain things which required legal advice that I felt that I could

not wait any longer, and I came out to him to see if we could not get the matter settled in regard to counsel. Judge Louderback turned to me and said, "If you cannot have your friend as counsel, do you wish to resign?" I told him that I understood that my name was put up by the petitioners and that the defendant in the case had agreed to the petition on condition that I should be receiver, and under the circumstances I felt in duty to them I should not resign. He then insisted that I should resign, and told me if I would step outside to his clerk that she would prepare my resignation and have me sign it. I told Judge Louderback that I felt in fairness to the persons who had put up my name that I should be permitted to go back and see them first and acquaint them with the conditions. I also told him that I felt under the circumstances that I should be permitted to talk to Mr. McAuliffe and explain the matter to him.

Q. In the conversation, did you try to talk with any other attorneys except Heller, Erhmann, White & McAuliffe?—A. We discussed that matter for a few moments and then Judge Louderback asked if I had any other attorney in mind. I named Lloyd Ackerman. He said, "It is all in the same family; not satisfactory."

Q. Was Lloyd Ackerman attorney for the stock exchange?—A. He was not.

Q. What instructions did you have from the respondent when you had that second conference on the 12th?—A. We talked about various things, and when I came to leave, inasmuch as we had been talking about other subjects, I again repeated to Judge Louderback my understanding that "I am to be permitted to go to Mr. Francis Brown and advise him of your request for my resignation, and also that I be permitted to talk to Mr. McAuliffe." He said, "I know exactly what is going to happen; if you talk to McAuliffe, he is going to come here to see me, and it is going to be very embarrassing for me." I left with the understanding that I was to be permitted to talk to both of these gentlemen.

Q. Did the judge in that conference offer you any other attorneys except John Douglas Short?—A. The only attorney that was offered to me by Judge Louderback was John Douglas Short.

Q. When did you next see or hear from the judge?—A. The following morning I received a telephone message from his secretary, Miss Berger, asking me to come out to see Judge Louderback at 12:45. That was on Thursday.

Q. Did you go there on that occasion?—A. I went out there and saw Judge Louderback in his chambers.

Q. What occurred in that conference?

Mr. CONNALLY. Mr. President, will the witness speak a little louder so that we may hear him.

The PRESIDING OFFICER. The Chair admonishes the witness to speak so that all Members of the Senate may hear. The Chair suggests that the witness lift his voice.

The WITNESS. What was the question?

By Mr. Manager BROWNING:

Q. What occurred in the conference that you had with respondent at 12:45 on the 13th?—A. Judge Louderback told me that he was very much disappointed; that he was not going to talk any longer, and he asked me if I wished to resign. I told him the same answer; that I thought, in view of the persons who had appointed me, that I could not resign. He then asked me if I had talked to Mr. McAuliffe, and he had advised me not to resign, and I said "yes." With that the judge stood up and opened his desk drawer and pulled out a paper all prepared and signed and handed it to me and said, "I now hand you herewith a formal notice of discharge as receiver for good cause." He said, "Do you understand?" I said, "No." He said, "In other words, you are 'fired'; you are 'canned'; you are out." Then he took me by the arm and thrust me out of his room and presented the copy to his secretary and asked that it be filed immediately in the clerk's office and went back to his chambers and slammed the door, and I was out.

Mr. Manager BROWNING. I offer at this time, Mr. President, a certified copy of the order of discharge.

The PRESIDING OFFICER. The order will be received and filed with the clerk.

By Mr. Manager BROWNING:

Q. In the evening after you left the clerk's office when you had qualified and went to see Mr. McAuliffe, did you go to your office any more that evening?—A. I did.

Q. Did you receive any telephone message from either the judge or the judge's secretary?—A. I had no telephone call there.

Q. The next morning, what time did you leave your office?—A. I left my office about 8 o'clock and went over to Russell-Colvin & Co.

Q. Before you left did you receive any telephone message from the judge or the judge's secretary?—A. I did not.

Q. After that time did you get any notice of any telephone message coming to your office from them?—A. My secretary did not phone me and tell me I had any message.

Q. When you went to the court room on the 11th at the time the petition was filed and you were appointed did you see H. B. Hunter there?—A. I saw him in the court room; yes.

Q. When did you see him with reference to the time that you were appointed by Judge Louderback?—A. While we were waiting, because Judge Louderback's court was in session. We all went into the court room to wait until court was adjourned. It so happened I sat down next to Mr. Hunter.

Q. Were you well acquainted with him?—A. I had known him for some time before that time.

Q. What was his business?—A. At that time he was the junior partner in the firm of William Cavalier & Co., stock brokers.

Q. What, if any, conversation took place between you and Mr. Hunter then?

Mr. LINFORTH. We object to that, Mr. President, as being hearsay and not binding on the respondent here.

The PRESIDING OFFICER. Do counsel contend that that is admissible?

Mr. Manager BROWNING. Yes; we do; on the theory that we have alleged a conspiracy that involves the judge, this man Hunter, and the man Leake, who, we contend, was the intermediary, and we think it is competent for us to show the attitude of this man Hunter at that time.

Mr. LINFORTH. May I add that after there has been some proof of conspiracy offered, then declarations of any one of them may be admissible; but until that foundation is laid and there is some proof tending to establish conspiracy, then, of course, the matter is purely hearsay; and I maintain that up to the present time no evidence has been offered in this case tending to show a conspiracy.

The PRESIDING OFFICER. Do the managers allege a conspiracy between the respondent and Mr. Hunter?

Mr. Manager BROWNING. Yes, sir.

Mr. LINFORTH. May I say I think counsel is mistaken in that. The only conspiracy alleged is a conspiracy between Mr. Leake and the respondent, and none whatever in regard to Mr. Hunter. I think if counsel will look at the pleadings he will find that to be so.

Mr. Manager BROWNING. Our allegation covers that, I am quite sure.

Mr. LINFORTH. If you will refer to it—or I will refer to it, if the Presiding Officer desires me to do so—

The PRESIDING OFFICER. The Chair is not able to read through the pleadings at this time to acquaint himself with all the allegations. The Chair will hear the testimony; and if it is not properly connected and the present occupant is in the chair, a motion to strike out the testimony will be received and will be ruled upon at that time.

Mr. Manager BROWNING. Very well.

The PRESIDING OFFICER. Proceed.

By Mr. Manager BROWNING:

Q. What was said to you at that time with regard to this case by Mr. Hunter, if anything?—A. Mr. Hunter asked me what I was out there for, explaining that he was—

Mr. LONG. Mr. President, I have been listening very attentively to what counsel said. What time is he talking about now?

Mr. Manager BROWNING. It is the occasion when the parties went to the judge for the first time and were waiting in his court room to get their audience to apply for the receivership on the morning of the 11th of March 1930.

Mr. HEBERT. Mr. President, the conspiracy alleged appears in article I, on page 5, of the print of the proceedings of the Senate which I have before me, wherein it says:

In that the said Harold Louderback entered into a conspiracy with the said Sam Leake to violate the provisions of the California political code.

There appears to be no mention of anybody else, unless there is reference to it in some other part of the articles of impeachment.

The PRESIDING OFFICER. The Chair announced that he did not have time to read the articles of impeachment; but if at the conclusion of the testimony there is no connection between Mr. Hunter and the respondent tending to show a conspiracy, of course, the testimony will be stricken from the record.

Mr. LINFORTH. It will save some considerable time, no doubt, in the cross-examination of this witness if counsel at the present time is required to call attention any such allegation of conspiracy with Mr. Hunter. We maintain most respectfully that there is nothing in the articles of impeachment from beginning to end, as amended, other than the charge of conspiracy between Mr. Leake and the respondent.

The PRESIDING OFFICER. The Chair will adhere to the ruling; but unless the House managers show allegations warranting introduction of the testimony, if the present occupant of the chair is in the chair at the time, he will entertain a motion to strike from the record all of this testimony.

By Mr. Manager BROWNING:

Q. The question is, What conversation took place between you and Mr. Hunter at that time with regard to this case?

Mr. WHITE. Mr. President, would it be proper to ask counsel, for the benefit of the court, to indicate that part of the article of impeachment which alleges a conspiracy involving Mr. Hunter?

Mr. NORRIS. Mr. President, I rise to a point of order.

The PRESIDING OFFICER. The Senator from Nebraska will state the point of order.

Mr. NORRIS. As I understand, members of the court should not be allowed to participate in any argument.

The PRESIDING OFFICER. The point of order is sustained. Proceed, Mr. Manager.

By Mr. Manager BROWNING:

Q. State the conversation between you and Mr. Hunter at that time with regard to this case.—A. Mr. Hunter asked what I was doing out in that court and explained he was there as a member of the trial jury. I told him I was out there in connection with the Russell-Colvin matter, that my name had been presented as receiver and we were waiting to have an audience with Judge Louderback in the matter. He turned to me in a laughing way and said, "You do not want a good man as receiver?" I said, "I do not think that is necessary. That is taken care of."

The PRESIDING OFFICER. The witness is again admonished to speak louder so that members of the court may hear him.

By Mr. Manager BROWNING:

Q. Repeat what he said to you with regard to it.—A. Mr. Hunter turned to me and asked in a laughing manner if they did not want a good receiver, and I told him I thought it had already been taken care of.

Q. When did you take possession of the assets of the concern, if at all?—A. Wednesday morning, the 12th, immediately after my appointment I went to the office of Russell-Colvin and took possession of all the assets.

Q. Was that before you went back to see the respondent?—A. Before I went back.

Q. What assets did you take possession of at that time?—A. I advised the officers that I was in control, and I took over the safe deposit box in the bank covering the securities.

Q. How long after you were discharged before you were called on to turn over to the receiver the assets of the company?—A. About two weeks; I received an order of the court.

Q. Did you have any demand made on you before that time?—A. No.

Mr. Manager BROWNING. Take the witness.

Cross-examination by Mr. LINFORTH:

Q. Mr. Strong, had you at any time prior to this been appointed receiver in any matter?—A. I never had.

Q. This was your first appointment in any receivership matter?—A. Yes, sir.

Q. Before you were appointed in this particular matter you had been working in the capacity you stated for the Russell-Colvin Co.?—A. That is correct.

Q. And you had also been working in the capacity that you have stated for the San Francisco Stock Exchange?—A. That is correct.

Q. Were you in the employment of the San Francisco Stock Exchange at the time you were appointed receiver, regularly employed by it?—A. They were one of my clients; yes.

Q. And had been one of your clients for some years prior thereto?—A. That is correct.

Q. Had the San Francisco Stock Exchange—that is, the governing board of that exchange—prevailed upon you to act as receiver in this matter?—A. They had. They requested me to act.

Q. Did they do more than request you to act? Did they prevail upon you to act?—A. They requested me to act in the matter.

The PRESIDING OFFICER. Did they do more than request you to act?

The WITNESS. No; I would not say so.

By Mr. LINFORTH.

Q. Then I am not correct in saying that they prevailed upon you to act as such receiver?—A. They finally prevailed upon me; yes.

Q. They finally did prevail upon you to act?—A. Yes.

Q. In other words, when they first spoke to you about acting you did not want to act on account of your own personal engagements; is that right?—A. That is correct.

Q. Then the governing board of the stock exchange prevailed upon you to change your opinion and to act?—A. Simply on account of my intimate knowledge of the firm.

Q. No matter what the reason was, they did prevail upon you to act?—A. Yes.

Q. And you finally consented after they had so prevailed upon you?—A. That is correct.

Q. In addition to the governors of the San Francisco Stock Exchange Board prevailing upon you to act, you were also consulted by Mr. Francis Brown on the subject, were you not?—A. That is correct.

Q. He was then one of the attorneys for Russell-Colvin Co.?—A. That is right.

Q. Your relations with the stock-exchange board at this time and for some time prior thereto had been that at its request you were making daily reports to it of the condition of the Russell-Colvin Co.; is that right?—A. I have so stated.

Q. You knew at the time that you were appointed receiver that the firm of Heller, Ehrmann, White & McAuliffe were the regularly employed attorneys of the stock exchange, did you not?—A. I did.

Q. When it came to the question of attorneys whom did you first consult, Mr. Lloyd Ackerman or Mr. McAuliffe?—A. Mr. Lloyd Ackerman.

Q. Did you see him personally about the matter or was your communication by phone?—A. By phone.

Q. And that was the day before you were appointed receiver?—A. That is correct.

Q. That would be on Monday the 10th, Mr. Strong?—A. That is correct.

Q. Do you recall what time it was on Monday the 10th that you talked with Mr. Lloyd Ackerman on that subject?—A. Some time in the evening. I talked from my office.

Q. Did you ask him at that time in the event of your appointment as receiver if he would act for you?—A. Not in that language; no.

Q. What did you say to him on the subject?—A. I told him my name had been suggested as receiver and I wished to know whether he was in a position to act as my counsel in case I desired him.

Q. What did he say?—A. He said he would have to think whether there was any connection which would prevent him from acting as such.

Q. Did he tell you whether or not he would let you hear from him the next day?—A. Yes.

Q. Did you hear from him the next day on that subject?—A. No, sir.

Q. Did not he communicate with you the next day and tell you that he could and would act?—A. No, sir.

Q. You are positive of that?—A. I am absolutely positive of that.

Q. To refresh your recollection, Mr. Strong, if possible—A. To help you I will tell you what took place that night.

Q. No; I should rather you would answer my question. We will get at it in our own way. Did he, before you had spoken to anyone connected with the attorneys for the stock-exchange board, tell you that he would be glad to represent you as attorney for the receiver if you were appointed?—A. He did, on Monday night.

Q. My question was limited to whether or not he told you at any time before you had talked with anyone representing the stock-exchange board.—A. Who do you mean by representing the stock-exchange board?

Q. Mr. McAuliffe, Mr. Heller, Mr. Ehrmann, Mr. White, and Mr. Lloyd Dinkelspiel.—A. Yes; he talked to me before I spoke to any of them.

Q. He talked with you before you had talked with any of them and told you that he could and would act for you if you wished?—A. That is correct.

Q. Is that right?—A. That is correct.

Q. So that before you had talked with anyone connected with the firm of attorneys for the stock-exchange board you had not only talked to Lloyd Ackerman but you had also had his reply?—A. That is correct.

Q. After you had received word from Mr. Lloyd Ackerman that he could and would represent you, who talked to you about employing the firm of Heller, Ehrmann, White & McAuliffe, the attorneys for the stock-exchange board?—A. No one at any time.

Q. Had anyone representing the stock-exchange board, its board of governors, or anyone else, spoken to you on the subject of employing their law firm?—A. No, sir.

Q. What happened in the meantime, between the time that Mr. Ackerman reported that he was willing to accept the appointment and your calling on Mr. McAuliffe, that caused you to change your mind?—A. I have known Mr. McAuliffe much more intimately than I have Mr. Ackerman. After thinking the matter over and turning it over in my own mind, I decided I should prefer to have Mr. McAuliffe.

Q. You knew, when you first spoke to Mr. Lloyd Ackerman, that you had known Mr. McAuliffe for many years.—A. I had.

Q. And you knew at that time that he was one of the attorneys for the stock board, did you not?—A. That is right.

Q. Have you given us the full reason why, after getting word from Mr. Lloyd Ackerman that he could represent you, that you changed your mind and went to Mr. McAuliffe?—A. Yes, sir.

Q. At the time that you were in the chambers of the respondent, Judge Louderback, did not the judge tell you that if he appointed you, you would be an officer of the court?—A. I do not recall.

Q. You have no recollection on that subject? Did the judge at that time also say to you that if he appointed you as receiver, you must confer with the court on the appointment of your attorney?—A. He may have done so. I do not recall.

Q. You have no recollection on that point, either?—A. No.

Q. Did he not also at the same time ask you if you had already selected an attorney?—A. No, sir.

Q. He did not?—A. No, sir.

Q. And did he not also say to you at the same time, "And particularly any of the attorneys who are present here"?—A. He did.

Q. And what did you answer?—A. I told him I had no attorneys who were present in mind.

Q. Mr. Lloyd Dinkelspiel was present at that time, was he not?—A. He was.

Q. And he was one of the members of the firm of Heller, Ehrmann, White & McAuliffe?—A. He was; but I was naming Mr. McAuliffe, not the firm.

Q. Do you recall, at the time that you saw the respondent, Judge Louderback, on Wednesday, the 12th of March, that you told him that one of the reasons why you wanted Mr. McAuliffe as your attorney was because his firm represented the San Francisco Stock Board?—A. No, sir.

Q. You never told him that?—A. I told him he probably represented the San Francisco Stock Board, but that was not the compelling reason.

Q. No; but did you tell the judge at that interview that one of the reasons why you wanted Mr. McAuliffe was because his firm were the attorneys for the San Francisco Stock Board?—A. No; sir.

Q. Are you quite positive about that?—A. Quite positive.

Q. Have you read recently the testimony that was given by you in San Francisco in September of last year before the investigating body?—A. Yes, sir.

Q. Calling your attention to page 46, toward the bottom of the page—

Q. Did you ask him then if he had any personal objection to Mr. McAuliffe or the firm with which he was connected?—A. I did not ask that direct question; no.

Q. Did you offer any other counsel?—A. Judge Louderback asked me why I picked Mr. McAuliffe and I told him that I picked Mr. McAuliffe because I knew he was the attorney for a number of stockbrokers, was very familiar with their procedure and the rules and the law, and also their firm represented the stock exchange—

Do you remember giving that testimony?—A. Yes, sir.

Q. Is it correct that you told the judge at that time that one of the reasons why you wanted McAuliffe was because his firm represented the stock exchange?—A. The sole reason in mentioning the name of the stock exchange was simply to show his familiarity with the transactions, but it was not the impelling reason, because he was.

Q. Was one of the reasons why you wanted Mr. McAuliffe as your attorney because he was one of the attorneys that regularly represented the stock exchange?—A. Not in itself, but it might be of some assistance.

Q. Did you tell the judge at the time I have referred to that that was one of the reasons why you wanted Mr. McAuliffe?—A. It may have been. I do not recall.

Q. Would you care to read what I have read to you?—

Mr. Manager BROWNING. Mr. President, I insist that counsel is undertaking to put into the mouth of the witness what he never said on the former occasion. He did not say in that testimony that he told the judge that about Mr. McAuliffe at that time.

The PRESIDING OFFICER. The Chair thinks the cross-examination is proper. Proceed.

Mr. LINFORTH (to the Official Reporter). Will you read the last question?

The Official Reporter read as follows:

Q. Did you tell the judge at the time I have referred to that that was one of the reasons why you wanted Mr. McAuliffe?—A. It may have been. I do not recall.

Q. Would you care to read what I have read to you?

By Mr. LINFORTH:

Q. Would it refresh your memory if I handed you the record on that subject, Mr. Strong?—A. I do not think it is necessary.

Q. When you made that statement to the judge, did he not then say to you, in words or substance, "The whole matter is in a family circle. It is all the same family, the same people"?—A. I believe he did.

Q. That was after he had appointed you as receiver, you being an employee of the stock exchange, and after you had asked permission to employ its attorneys as yours. That is right; is it not?—A. May I correct that? I was not an employee of the stock exchange.

Q. Your firm was; was it not?—A. They were my clients; yes.

Q. Your firm was?—A. Yes.

Q. And it was after the judge had been so advised that he said to you, "The whole matter is too much of the same family. It is too close a proposition." Did not the judge tell you that?—A. I believe he did.

Q. And he gave you that as the reason why he did not want you to employ the regular attorneys of the stock exchange as your attorneys. That is correct; is it not?—A. That was the reason he gave; yes.

Q. That is what I am asking you, Mr. Strong. He gave you that as the reason why he did not want to accede to your request. That is correct; is it not?—A. Correct.

Q. Did not the judge, the respondent here, at that time in substance say to you this: That Heller, Ehrmann, White & McAuliffe were the attorneys for the exchange; that you were sponsored by the exchange; that if the exchange was mixed up with this situation, both you and the exchange would be in a position or feel that you would not want to bring it to light. Do you recall his telling you that?—A. Yes; and I told him that it was possible but highly improbable.

Q. The judge was telling you at that time, was he not, that the relations being so close, Russell-Colvin also being a suspended member of that firm, complications might come up, and it would be embarrassing to you and to him to appoint that firm? Did he not, in substance, tell you that?—A. He made that statement that you have repeated before.

Q. Yes, sir; and is it not a fact that when the judge reasoned with you in that way, you replied that what he said was possible, but it was not probable?—A. It was highly improbable.

Q. Did you not say, after the judge had reasoned in this way with you, that such a condition was possible, but it was not probable?

The PRESIDING OFFICER. The witness has answered the question. Answer it again, though. Proceed.

A. I said it was possible but highly improbable.

The PRESIDING OFFICER. Proceed.

Mr. BRATTON. Mr. President, I send forward a question to be propounded to the witness.

The PRESIDING OFFICER. The question will be read.

The legislative clerk read the question, as follows:

Q. You asked Mr. Ackerman to represent you, and he agreed to do so. You later selected Mr. McAuliffe. Why did you make the change, and why did you fail to tell Mr. Ackerman about it?

The WITNESS. As I stated, I knew Mr. McAuliffe more intimately than I did Mr. Ackerman. Both of them were very high gentlemen. It was my knowing Mr. McAuliffe more intimately that was one of the chief reasons why I decided to take Mr. McAuliffe. I phoned to Mr. Ackerman on Wednesday and told him of my change of my selection.

The PRESIDING OFFICER. Proceed.

Mr. LONG. Mr. President, does that answer the question? I understood the question to be why he did not tell Mr. Ackerman that he was going to get Mr. McAuliffe.

The PRESIDING OFFICER. The Senator will pardon the Chair if he reminds the Senator that under the rule questions must be submitted in writing.

Mr. LONG. I am talking about this question. Perhaps I misunderstood the question.

The PRESIDING OFFICER. The Chair suggests, if the Senator will pardon him, that the Senator prepare the question that he desires submitted. Proceed as fast as you can.

By Mr. LINFORTH:

Q. When Mr. Ackerman had advised you that he was willing to accept the employment, what did you say to him then—that that was satisfactory to you?—A. I told him that I would let him know.

Q. What time elapsed between the time that he told you he was willing to accept the appointment and the time you went down and talked with Mr. McAuliffe?—A. About 24 hours.

Q. You had heard from Mr. Ackerman 24 hours before your appointment that he was willing to act for you? Is that your present recollection?—A. About that; yes—the night before.

Q. And how long was it before you saw Mr. McAuliffe that you notified Mr. Ackerman that you did not want him?—A. I believe it was the following afternoon.

Mr. BRATTON. Mr. President, I send forward another question to be propounded to the witness.

The PRESIDING OFFICER. If it will not interrupt counsel, the question will be read.

Mr. LINFORTH. No; it will not interrupt me.

The legislative clerk read the question, as follows:

Q. At the time you telephoned Mr. Ackerman asking him to represent you, and he agreed to do so, you knew then that you were better acquainted with Mr. McAuliffe than you were with Mr. Ackerman; did you not?

The WITNESS. I did.

The PRESIDING OFFICER. Proceed, Mr. Counsel.

By Mr. LINFORTH:

Q. What was the comparative length of your acquaintance with the two gentlemen—Mr. Ackerman and Mr. McAuliffe?—A. I do not recall exactly; a number of years in both instances.

Q. I do not want to be exact; but approximately how long had you known Mr. Florenz McAuliffe?—A. About 5 or 6 years.

Q. Five or six years before that time?—A. Right.

Q. And how long had you known Mr. Ackerman?—A. About the same length of time.

Q. Then in saying that you knew one better than the other, you did not mean with reference to time?—A. No, sir.

Q. Had you had Mr. McAuliffe as your attorney on prior matters?—A. Not any of my affairs; no.

Q. Had you had Mr. Ackerman as your attorney on prior matters?—A. No, sir.

Q. But you knew that, during all of your acquaintanceship with Mr. McAuliffe, he or his firm were the regular attorneys of the stock board?—A. I have so stated.

Q. I understood you to say that in none of his talks with you did the judge, the respondent, suggest any counsel except Mr. Short.—A. That is quite correct.

Q. Had you, before you talked with Mr. McAuliffe about his employment, talked with the other partner, Mr. Dinkelspiel, on the subject?—A. Yes; I had mentioned it to him after I had qualified, and when I was leaving the post-office building. He was in a group with other persons, and I believe he overheard me.

Q. Did you talk with Mr. Lloyd Dinkelspiel of that firm about their probable appointment before you talked to Mr. McAuliffe?—A. Yes; he was present and heard me talk about it.

Q. Did you tell him that you had already talked with Mr. Ackerman on the same subject?—A. I do not believe I had; no.

Q. Do I understand you to say, Mr. Strong, that at no time did the respondent judge suggest to you that either one of the firms mentioned here would be satisfactory to him?—A. Which firms have you in mind?

Q. Sullivan, Sullivan & Roche have been mentioned; Cushing & Cushing have been mentioned; and Pillsbury, Madison & Sutro have been mentioned.—A. Positively at no time was any attorney mentioned to me except John Douglas Short.

Q. Your recollection is clear?—A. Absolutely clear.

Q. And definite on that subject? I understood you to say that you did not understand the judge's reference to coming back after you had qualified to mean that afternoon. Is that right?—A. He simply suggested in an offhand manner, "When you have qualified come back and see me", with no reference as to time.

Q. Did you understand that to mean that afternoon or the next day?—A. At any time after I had qualified.

Q. Did you understand, from what was said, that you were not to come back that afternoon?—A. Not necessarily; no.

Q. After you qualified you talked with the lawyers who were along with you as to whether you should go in at that time and see the judge, did you not?—A. I did.

Q. You have said that today here, have you not?—A. I have.

Q. So you had in mind at that very time, did you not, the possibility that the judge meant that very afternoon after you qualified, had you not?—A. He asked me to come back and see him; but on account of the lateness of the hour, I came back the next morning.

Q. Yes; but you have said, have you not, Mr. Strong, that when you finished qualifying, and before you left the building, you talked with Mr. Brown and Mr. Dinkelspiel and the other gentlemen about whether you should go in and see the judge that afternoon?—A. That is correct.

Q. Is not that true?—A. That is correct.

Q. So you had the thought in mind at that time, did you not, that that was the time to see the judge?—A. If the hour permitted.

Mr. LONG. Mr. President, will counsel permit me to send up a question?

The PRESIDING OFFICER. Would it disturb counsel to have a question propounded?

Mr. LINFORTH. Not a particle.

The PRESIDING OFFICER. The question will be read.

The Chief Clerk read as follows:

Q. Is it not a fact that you wanted Mr. McAuliffe for attorney because his firm were attorneys for the stock exchange, and the stock-exchange officers asked you to not employ Ackerman, but McAuliffe?

The WITNESS. That is absolutely not so.

Mr. LINFORTH. May I resume?

The PRESIDING OFFICER. You may proceed.

By Mr. LINFORTH:

Q. Did you take up with the stock exchange, or anyone connected with it, the appointment of Lloyd Ackerman?—A. I did not.

Q. Did you take up with the stock exchange, or anyone connected with it, the fact that you had already talked to Mr. Ackerman on the subject?—A. I had not.

Q. When the judge in chambers suggested to you the name of John Douglas Short, did he at that time tell you he was connected with the firm of Keyes & Erskine?—A. I understood that he was connected with Keyes & Erskine in a minor capacity.

Q. You told the judge at that time you did not know that firm?—A. I told him I did not know John Douglas Short. I knew of the firm.

Q. You knew of the firm. Did you know whether or not that firm had represented stockbrokers in stock transactions for years before?—A. I did not at that time.

Q. Did you know that they had represented Cavalier & Co. for some years before?—A. I did not know that at that time.

Q. Did you tell the judge that you would make some investigation and see whether or not Mr. Short of that firm was satisfactory?—A. I did not.

Q. In other words, you told the judge, without making any investigation whatever, you would not accept him. Is that right?—A. I did not tell him that I would not accept him at any time.

Q. You told him that you would not accept anyone but Mr. McAuliffe, did you not?—A. I did not.

Q. Whom did you qualify that by?—A. I told him that all I wanted was a man whom I knew and who had the reputation and the experience in stock-brokerage work; that that was all I was after.

Q. Did he not tell to you at that time that Mr. Erskine, of Keyes & Erskine, was regularly doing that work?—A. He did not.

Q. Did you ask him whether they were?—A. I did not.

Q. When you called on him Wednesday morning following your appointment, and after you told him that you had been

down and employed the stock-exchange firm, the judge did say to you, "That was the very thing I was trying to avoid", did he not?—A. Let me correct the statement. I had not employed Mr. McAuliffe at that time. I could not.

Q. I am calling attention, Mr. Strong, to the day after your appointment.—A. Right.

Q. I understood you to say you were appointed late on Tuesday.—A. Right.

Q. And the judge at some time late on Tuesday had requested you to return after you had qualified?—A. Right.

Q. And you did not return until the following morning, Wednesday. Is that right?—A. Right.

Q. Then Wednesday morning when you called you told the judge that you had been down the night before employing the stock-exchange firm, did you not?—A. I told the judge that I had been down and saw Mr. McAuliffe.

Q. With a view of employing his firm, did you not?—A. Right.

Q. Did not the judge then say to you, "That is exactly what I tried to avoid by requesting you to come back last night"?—A. That is correct.

Q. I understood you to answer just a moment ago that you had not employed the stockbrokers' attorney on Tuesday night. Is that right?—A. I had not employed him. I could not without the approval of the judge.

Q. But had you gone as far as you could in the appointment?—A. I asked him if he would be willing to represent me as my counsel.

Q. And he told you what?—A. He told me he would.

Q. And you told him that was satisfactory if the court would approve it?—A. Right.

Q. So that that was done on Tuesday, the very day you were appointed, was it not?—A. Correct.

Q. And the judge said to you, upon your telling him what had taken place, that if you had returned the night before, that unfortunate situation would not exist, did he not? I do not mean in words, but in substance, Mr. Strong.—A. He told me that if I had returned the night before, that that would have been obviated.

Q. That that would have obviated that situation. That is what he told you?—A. Correct.

Q. Did he tell you, when you went there Wednesday morning, the day after you were appointed, that already, before you got there, Mr. White, of the Heller, Ehrmann, White & McAuliffe firm, had been to see him over your appointment?—A. No, sir; he did not.

Q. You made some reference here today to the judge saying something to you about what could be done on fees. I did not quite catch that. Would you be kind enough to repeat it?—A. He stated to me, "I do not think you realize what a plum you have picked. You know your fees will be somewhere between ten thousand and eighty thousand dollars."

Q. That is sufficient for my purpose. He stated to you that your fees would be somewhere between 10,000 and 80,000?—A. That is correct.

Q. That was the range he made, between 10 and 80?—A. Yes, sir.

Q. You are quite sure of that?—A. Yes, sir.

Q. When you left the courthouse on the night of your appointment without going back to see the judge, what time did you get to Mr. McAuliffe's office?—A. About 6 o'clock.

Q. You did not go to see the judge because, I think you said, it was too late?—A. That is correct.

Q. But not too late to see Mr. McAuliffe?—A. Mr. McAuliffe is a late worker.

Q. Had you an appointment with McAuliffe for that evening?—A. I had not.

Q. You just took a chance on finding him in, Mr. Strong?—A. That is it exactly.

Q. There is not any question in your mind, is there, but what the judge did say to you after he had approved your bond in words substantially this, "When you qualify, come back and see me"?—A. That is correct.

Q. And you qualified about what time?

The PRESIDING OFFICER. That is in the record several times.

Mr. LINFORTH. Is it in? Pardon me, Mr. Chairman.

By Mr. LINFORTH:

Q. I understood you to say today that when you called on the judge on Thursday, the 13th, which was the day of your removal, he asked you whether McAuliffe told you not to resign.—A. He asked me if I had asked Mr. Auliffe and if he advised me not to resign, and I said he did.

Q. And that was the fact, Mr. McAuliffe had advised you not to resign?—A. That is correct.

Mr. LONG. Mr. President, may I send a question to the desk?

The PRESIDING OFFICER. Would counsel consent to be interrupted for the propounding of a question?

Mr. LINFORTH. Certainly.

The PRESIDING OFFICER. The interrogatory will be read.

The Chief Clerk read as follows:

Q. In view of your last answer, please answer this question "yes" or "no." Did you not tell the judge you would not employ any of the lawyers present, including a member of the McAuliffe firm? Then did you not, after having consulted Ackerman and receiving his acceptance, go and employ McAuliffe, a member of whose firm was present when you agreed to exclude attorneys present from consideration?

Mr. BROWNING. Mr. President, I suggest that the question should be divided.

The PRESIDING OFFICER. That is for the witness to determine. If it is not intelligible to him and he desires to have it divided, it may be done.

The WITNESS. I would appreciate that.

The PRESIDING OFFICER. The clerk will read the first part of the question.

The Chief Clerk read as follows:

Q. In view of your last answer, please answer this question "yes" or "no." Did you not tell the judge you would not employ any of the lawyers present, including a member of the McAuliffe firm?

The WITNESS. Yes.

The Chief Clerk read as follows:

Q. Then did you not, after having consulted Ackerman and receiving his acceptance, go and employ McAuliffe, a member of whose firm was present when you agreed to exclude attorneys present from consideration?

The WITNESS. I was engaging Mr. McAuliffe and not his firm.

Mr. LINFORTH. Just a question or two further and I am through. From the work that you had done for the Russell-Colvin Co. you knew, did you not, that their records were not of the best?—A. They were pretty good.

Q. But you knew they were not of the best, did you not?—A. I have seen better; yes.

Mr. LINFORTH. I think that is all.

Redirect examination:

The PRESIDING OFFICER. Is there further reexamination?

Mr. Manager BROWNING. Yes, Mr. President.

In view of the question asked by the Senator from Louisiana [Mr. Long] I will ask the witness if the judge in his statement to you asked you if you had employed any attorney who was present or if you would employ any attorney who was present?

Mr. LINFORTH. I ask to have that question read. I did not get it.

Mr. Manager BROWNING. I will ask the question again.

At the time the judge referred to the attorneys who were present, did he ask you if you had employed any attorney present or if you intended to employ any attorney present?—A. He asked me if I had in mind any of the persons present as my attorneys; that is true.

Q. And you told him you did not?—A. I told him that I did not.

Q. Did you employ Lloyd Ackerman in your telephone conversation with him on the night of the 10th, on Monday, or did you ascertain whether he would be available?

Mr. LINFORTH. We object to that. That is calling for the opinion of the witness or his conclusion. He may state the fact, but he should not be permitted to go beyond that.

The PRESIDING OFFICER. The record shows that the witness has answered that question several times, so it is unnecessary to repeat it. Proceed with the questioning.

Mr. Manager BROWNING. Mr. President, with all due deference, there is some misunderstanding on the part of the witness as to the question asked by the Senator from New Mexico. We have a feeling that he should have a chance to clear that up.

The PRESIDING OFFICER. The witness answered very succinctly about his interview with Mr. Ackerman and stated what occurred, and the kind of arrangement which was entered into. If there is something other that he desires to elaborate, the Chair will permit it; but that question was fully answered.

By Mr. Manager BROWNING:

Q. When you testified that, after you had fully qualified, you talked to Lloyd Dinkelspiel with regard to the employment of Mr. McAuliffe, I will ask you to state whether or not at that time you inquired if there would be any conflict between his acting as attorney for the stock exchange and representing you as the receiver?—A. I discussed the matter myself with the three or four persons who were present and told them I had in mind Mr. Ackerman or Mr. McAuliffe, that I thought that possibly, on account of the fact that Mr. Lloyd Dinkelspiel was present in the room, Mr. McAuliffe might be disqualified. I was told by the persons present that they did not believe so. I asked them if Mr. McAuliffe was not of that firm. I had not known Mr. Dinkelspiel up to that time.

Q. Was anything said to you at that time as to whether or not there was a conflict between his representing the stock exchange and also the receiver?—A. I had asked Mr. Dinkelspiel whether he thought there might be any conflict at all between the interests of his firm as representative of the stock exchange and as my counsel, and he assured me that he could not understand any reason why there should be.

Mr. Manager BROWNING. That is all, Mr. President.

The PRESIDING OFFICER. The witness is excused. Do the managers or counsel for the respondent desire that the witness be retained or may he be excused?

Mr. Manager BROWNING. We should like to notify him in the morning.

Mr. LINFORTH. We announce on behalf of the respondent that we do not desire to retain the witness.

The PRESIDING OFFICER. The witness will return tomorrow morning.

Mr. Manager BROWNING. Mr. President, pursuant to the stipulation entered into by counsel for respondent and the managers on the part of the House, we desire at this time to read the testimony given by W. S. Leake at the hearing in San Francisco last September.

The PRESIDING OFFICER. If the testimony offered is in pursuance of a stipulation already entered into, the manager may proceed.

Mr. LINFORTH. We have not the slightest objection to it, Mr. President, with the understanding that Mr. Leake will appear in obedience to the subpoena which is being served upon him. We do not want merely a part of his testimony in the record.

The PRESIDING OFFICER. The Chair cannot make a ruling with those qualifications. Do counsel for the respondent insist that the paper which has been signed by their respective parties, the stipulation, permits the reading of that testimony regardless of the attendance of Mr. Leake, or is it conditional?

Mr. LINFORTH. The stipulation provides that it shall only be operative in the event that Mr. Leake is not here.

Mr. Manager BROWNING. Yes; but Mr. President, I do not feel that we should be hampered in the orderly presentation of our case because Mr. Leake in fact is not here. I think that the terms and qualifications of the stipulation have been fulfilled when he failed to appear as subpoenaed. He was subpoenaed to be here yesterday.

The PRESIDING OFFICER. Will counsel read the stipulation?

Mr. Manager BROWNING. It is as follows:

It is further stipulated that the testimony of W. S. Leake taken at the hearing above referred to may be read upon said trial by either party hereto with the same force and effect as if the said witness were present and testified in person. This stipulation, however, insofar as the said W. S. Leake is concerned, is without waiver by either party hereto to insist upon the attendance of said Leake before the court above referred to, and shall become operative only in the event of the nonappearance of the said Leake at Washington before the said Court of Impeachment.

The PRESIDING OFFICER. That it shall be operative only upon his nonappearance.

Mr. Manager BROWNING. Yes, sir.

Mr. HANLEY. The stipulation, we claim, Mr. President—I am not speaking loud, for the Chair is to rule on this point—means that the testimony will only be read in the event Leake is not present. Who says he will not be present? Do counsel say so? No. I understood this morning that the Vice President was taking up the question of having Leake, with a trained nurse, appear here. Why not make one bite of the cherry, when we will have the whole matter here? Let us have Leake here, and then, if he is not here, let us live up to the stipulation.

The PRESIDING OFFICER. In view of the statement of counsel that the matter has been brought to the attention of the Vice President, the Chair will not rule upon the question and will ask the managers on the part of the House to proceed with some other witness.

Mr. Manager BROWNING. Mr. President, in the orderly presentation of our case we feel that it is almost imperative for us to present Leake's testimony at this time. The event, as we understood it, was his absence when he was subpoenaed to be here. We are not in any way responsible for his failure to appear. Counsel for the respondent will have opportunity to cross-examine him and present any further testimony if he does appear, of which we have no assurance at all.

The PRESIDING OFFICER. May the Chair ask counsel if the witness, because of illness or untimely death, should not be present, if he would insist that the testimony would be admissible?

Mr. Manager BROWNING. Yes, sir; under the stipulation it would be because it is agreed that either party may read his testimony in the event of his nonappearance.

The PRESIDING OFFICER. If counsel have some other witness, they had better proceed with him. The Vice President having in part considered this matter, the Chair feels a delicacy in going further in the matter.

Mr. Manager BROWNING. Very well. Call Mr. White.

Mr. ROBINSON of Arkansas. Mr. President, if the court desires to suspend the impeachment proceedings, I think we might follow that course and proceed with legislative business.

The PRESIDING OFFICER. Is that agreeable to the managers on the part of the House and is it agreeable to counsel representing the respondent?

Mr. Manager BROWNING. It is absolutely agreeable to us.

Mr. LINFORTH. It is agreeable to us.

The PRESIDING OFFICER. Without objection, then, the Senate sitting as a Court of Impeachment will stand adjourned until 10 o'clock tomorrow morning, at which time it will reconvene.

Thereupon (at 4 o'clock and 10 minutes p.m.) the Senate sitting as a Court of Impeachment adjourned until tomorrow, Wednesday morning, May 17, at 10 o'clock a.m.

LEGISLATIVE SESSION

The Senate, pursuant to the order for a recess entered yesterday, resumed legislative session.

MESSAGE FROM THE PRESIDENT

During the impeachment proceedings, on motion of Mr. ROBINSON of Arkansas, and by unanimous consent, the Senate sitting as a Court of Impeachment took a recess in order to receive, as in legislative session, a message in writing

from the President of the United States, which was communicated to the Senate by Mr. Latta, one of his secretaries.

CALL OF THE ROLL

Mr. ROBINSON of Arkansas. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Kendrick	Reynolds
Ashurst	Costigan	Keyes	Robinson, Ark.
Austin	Couzens	King	Robinson, Ind.
Bachman	Cutting	La Follette	Russell
Bailey	Dickinson	Lewis	Schall
Bankhead	Dieterich	Logan	Sheppard
Barbour	Dill	Loneragan	Shipstead
Barkley	Duffy	Long	Smith
Black	Erickson	McAdoo	Stelwer
Bone	Fess	McCarran	Stephens
Borah	Fletcher	McGill	Thomas, Okla.
Bratton	Frazier	McKellar	Thomas, Utah
Brown	George	McNary	Townsend
Bulkeley	Glass	Metcalf	Trammell
Bulow	Goldsborough	Murphy	Tydings
Byrd	Gore	Neely	Vandenberg
Byrnes	Hale	Norris	Van Nuys
Capper	Harrison	Nye	Wagner
Caraway	Hastings	Overton	Walcott
Carey	Hatfield	Patterson	Walsh
Clark	Hayden	Pittman	Wheeler
Connally	Hebert	Pope	White
Coolidge	Johnson	Reed	

The VICE PRESIDENT. Ninety-one Senators have answered to their names. A quorum is present.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, announced that the House had passed the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval Academy, with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had passed without amendment the following bills of the Senate:

S. 73. An act to authorize the Comptroller General to allow claim of district no. 13, Choctaw County, Okla., for payment of tuition for Indian pupils; and

S. 1582. An act to amend section 1025 of the Revised Statutes of the United States.

The message further announced that the House had passed bills of the following titles, in which it requested the concurrence of the Senate:

H.R. 4014. An act to authorize appropriations to pay in part the liability of the United States to the Indian pueblos herein named, under the terms of the act of June 7, 1924, and the liability of the United States to non-Indian claimants on Indian pueblo grants whose claims, extinguished under the act of June 7, 1924, have been found by the Pueblo Lands Board to have been claims in good faith; to authorize the expenditure by the Secretary of the Interior of the sums herein authorized and of sums heretofore appropriated, in conformity with the act of June 7, 1924, for the purchase of needed lands and water rights and the creation of other permanent economic improvements as contemplated by said act; to provide for the protection of the watershed within the Carson National Forest for the Pueblo de Taos Indians of New Mexico and others interested, and to authorize the Secretary of Agriculture to contract relating thereto and to amend the act approved June 7, 1924, in certain respects; and

H.R. 4494. An act authorizing a per capita payment of \$100 to the members of the Menominee Tribe of Indians of Wisconsin from funds on deposit to their credit in the Treasury of the United States.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a petition of 245 citizens of the State of California, praying for the passage of legislation to restore to all veterans who were actually disabled in the military or naval service the former benefits, rights, privileges, ratings, schedules, compensation, presumptions, and pensions heretofore enjoyed by them and existent prior to the passage of the so-called "Economy Act", which was referred to the Committee on Appropriations.

He also laid before the Senate resolutions adopted by the executive board of the Georgia Federation of Business and Professional Women's Clubs, deploring the removal of Miss Jessie Dell as United States Civil Service Commissioner and commending Miss Dell "for her highly ethical conduct in not participating in partisan politics during the recent Presidential campaign", which were referred to the Committee on Civil Service.

He also laid before the Senate a letter in the nature of a memorial from L. M. Fournet, superintendent of the Louisiana State Penitentiary, Angola, La., opposing continuation of the investigation by the Special Committee of the Senate to Investigate Campaign Expenditures of the Louisiana Senatorial Election of 1932, which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

He also laid before the Senate resolutions adopted by the San Francisco County (Calif.) Council of the Veterans of Foreign Wars of the United States condemning the so-called "bonus marches" on Washington by veterans or alleged veterans, which were referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by Westchester County (N.Y.) District Council, United Brotherhood of Carpenters and Joiners of America, favoring the passage of legislation establishing the 6-hour day in industry, which was ordered to lie on the table.

He also laid before the Senate a resolution adopted at a mass meeting held under the auspices of the Thirty Hour League of America in Los Angeles, Calif., favoring the principle of the 6-hour day and the 5-day week, with the highest possible compensation to be paid to the largest number of those who need employment; also endorsing the withholding of "Reconstruction Finance Corporation aid to institutions that fail to make substantial reduction in the gigantic salaries now paid to executives and who refuse to justly compensate their employees", which was ordered to lie on the table.

He also laid before the Senate resolutions adopted by the Tennessee Valley Association (composed of 25 cooperating business, fraternal, and civic organizations), of Chattanooga, Tenn., favoring the passage of legislation to completely carry out the program of the President relative to the conservation and development of water-power resources, and deploring modification of proposed Muscle Shoals legislation so as to restrict the Tennessee Valley Authority with respect to the construction of power dams, the acquiring, condemning, or construction of transmission lines, or the engaging in such other undertakings as may be necessary, in the judgment of the President, to the full development of the Tennessee Basin's resources for the benefit of all the people, which were ordered to lie on the table.

Mr. COPELAND presented a resolution adopted by Hollis-Bellaire Post, No. 980, the American Legion, Department of New York, Jamaica, N.Y., favoring increase in second-class postage rates to such extent as may be necessary to defray the actual cost of handling this class of mail matter and the discontinuance of subsidies in the form of contracts for carrying the mails by steamship and air transport companies, which was referred to the Committee on Post Offices and Post Roads.

He also presented a resolution adopted by the Alumni Association of St. Francis College, of Brooklyn, N.Y., protesting against recognition of the Soviet Government of Russia, which was referred to the Committee on Foreign Relations.

He also presented a resolution adopted by the Geraldine Club, of New York City, N.Y., calling attention to certain public utterances of Mr. Ramsay MacDonald, the British Premier, relative to the Irish Free State, and opposing the cancelation or further reduction of debts owed to the United States by foreign nations, which was referred to the Committee on Foreign Relations.

Mr. DILL presented a memorial of sundry citizens of Spokane, Wash., remonstrating against the reduction or furloughing of officers or enlisted personnel of the Army, Navy, or Marine Corps, suspension of the National Guard and Reserve Officers' Training Corps training camps, suspension

of Federal aid to military schools, and reduction in the pay of Army, Navy, or Marine Corps Air Service flying officers, which was referred to the Committee on Appropriations.

VETERANS' BENEFITS

Mr. ROBINSON of Indiana. Mr. President, I present a petition signed by many citizens of the State of California, praying that Congress restore to service-connected disabled veterans their former benefits, rights, privileges, ratings, schedules, compensation, presumptions, and pensions, and ask that it may be referred to the appropriate committee.

The VICE PRESIDENT. Without objection, the petition will be received and referred to the Committee on Appropriations.

REPORTS OF COMMITTEES

Mr. STEIWER, from the Committee on Public Lands and Surveys, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

S. 284. An act authorizing the conveyance of certain lands to school district no. 28, Deschutes County, Oreg. (Rept. No. 74); and

S. 285. An act to authorize the addition of certain lands to the Ochoco National Forest, Oreg. (Rept. No. 75).

Mr. McKELLAR (for Mr. GLASS), from the Committee on Appropriations, to which was referred the bill (H.R. 5389) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1934, and for other purposes, reported it with amendments and submitted a report (No. 76) thereon.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. FESS:

A bill (S. 1700) to amend the act entitled "An act to enable the George Washington Bicentennial Commission to carry out and give effect to certain approved plans", approved February 21, 1930, as amended; to the Committee on the Library.

By Mr. HALE:

A bill (S. 1701) correcting the naval record of Frank J. Curran (with accompanying papers); to the Committee on Naval Affairs.

By Mr. REED (for Mr. DAVIS):

A bill (S. 1702) for the relief of H. Bluestone; to the Committee on Claims.

By Mr. BONE:

A bill (S. 1703) for the relief of William Smith; to the Committee on Claims.

(By request.) A bill (S. 1704) to secure to unemployed American citizens the right to work advantageously for themselves in the production and mutual exchange of food, shelter, clothing, and commodities; to the Committee on Finance.

By Mr. NYE:

A bill (S. 1705) to amend the Air Mail Act of February 2, 1925, as amended by the acts of June 3, 1926, May 17, 1928, and April 29, 1930, further to encourage commercial aviation; to the Committee on Post Offices and Post Roads.

By Mr. COPELAND:

A bill (S. 1706) granting a pension to Vincent San Filippo; to the Committee on Pensions.

By Mr. OVERTON:

A bill (S. 1707) for the relief of Carlos C. Bedsole; to the Committee on Public Lands and Surveys.

By Mr. CLARK:

A bill (S. 1708) for the relief of the Mississippi Valley Trust Co., of St. Louis, Mo.; and

A bill (S. 1709) for the relief of the Mercantile Commerce Bank & Trust Co., formerly Mercantile Trust Co., of St. Louis, Mo.; to the Committee on Claims.

HOUSE BILLS REFERRED

The following bills were each read twice by their titles and ordered to be placed on the calendar or referred, as indicated below:

H.R. 4014. An act to authorize appropriations to pay in part the liability of the United States to the Indian pueblos herein named, under the terms of the act of June 7, 1924, and the liability of the United States to non-Indian claimants on Indian pueblo grants whose claims, extinguished under the act of June 7, 1924, have been found by the Pueblo Lands Board to have been claims in good faith; to authorize the expenditure by the Secretary of the Interior of the sums herein authorized and of sums heretofore appropriated, in conformity with the act of June 7, 1924, for the purchase of needed lands and water rights and the creation of other permanent economic improvements as contemplated by said act; to provide for the protection of the watershed within the Carson National Forest for the Pueblo de Taos Indians of New Mexico and others interested, and to authorize the Secretary of Agriculture to contract relating thereto; and to amend the act approved June 7, 1924, in certain respects; to the calendar.

H.R. 4494. An act authorizing a per capita payment of \$100 to the members of the Menominee Tribe of Indians of Wisconsin from funds on deposit to their credit in the Treasury of the United States; to the Committee on Indian Affairs.

AMENDMENT TO INDEPENDENT OFFICES APPROPRIATION BILL

Mr. ROBINSON of Arkansas submitted an amendment proposing that the Botanic Garden, together with all records, property, and personnel pertaining thereto, be transferred to the Department of Agriculture, effective the first day of the second month following the enactment of this act, and the appropriations for the support thereof are hereby made available to the Department of Agriculture, intended to be proposed by him to House bill 5389, the independent offices appropriation bill, which was ordered to lie on the table and to be printed.

REGULATION OF BANKING—AMENDMENTS

Mr. CONNALLY submitted two amendments intended to be proposed by him to the bill (S. 1631) to provide for the safer and more effective use of the assets of Federal Reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, which were ordered to lie on the table and to be printed.

BACHELOR OF SCIENCE DEGREE FOR NAVAL ACADEMY GRADUATES

The VICE PRESIDENT laid before the Senate the amendments of the House of Representatives to the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval Academy, which were to strike out all after the enacting clause and insert:

That the Superintendents of the United States Naval Academy, the United States Military Academy, and the United States Coast Guard Academy may, under such rules and regulations as the Secretary of the Navy, the Secretary of War, and the Secretary of the Treasury may prescribe, confer the degree of bachelor of science upon all graduates of their respective academies.

And to amend the title so as to read: "An act to confer the degree of bachelor of science upon graduates of the Naval, the Military, and the Coast Guard Academies."

Mr. TRAMMELL. I move that the Senate disagree to the amendments of the House, ask for a conference with the House on the disagreeing votes of the two Houses thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Vice President appointed Mr. TRAMMELL, Mr. RUSSELL, and Mr. HALE conferees on the part of the Senate.

MUSCLE SHOALS—CONFERENCE REPORT

Mr. SMITH. Mr. President, I ask that the conference report on the Muscle Shoals bill be laid before the Senate.

The VICE PRESIDENT laid before the Senate the report of the committee on conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 5081) to provide for the common defense; to aid interstate commerce by navigation; to provide flood control; to promote the general welfare by creating the Tennessee Valley Authority; to operate the Muscle Shoals properties;

and to encourage agricultural, industrial, and economic development.

The VICE PRESIDENT. The conference report was read on yesterday. The question is on agreeing to the report.

The report was agreed to.

JOHN BOYD THACHER COLLECTION—OPINION OF COURT OF APPEALS

Mr. FESS. Mr. President, in 1927 the widow of John Boyd Thacher, of Albany, N.Y., died. She had made a will leaving to the Library of Congress a very valuable collection of books which had belonged to Mr. Thacher. That collection includes, in addition to books, many very valuable autographs and manuscripts and documents, and so forth, which are generally estimated to be worth about \$500,000. There was a condition in the will that the collection had to be kept together and named the "John Boyd Thacher collection"; also that in case any provision of the will was not respected the books should revert to the estate.

There was an effort to set aside the will on the ground that its provisions had not been carried out. In the lower court the Government was sustained on the ground that the conditions of the will had been carried out. The case was appealed to the Court of Appeals of the District of Columbia and a decision has just been rendered upholding the position of the lower court and sustaining the position of the Government that the conditions of the will had been respected. Consequently the very valuable collection will be retained in the permanent possession and ownership of the Library of Congress.

The opinion of the court is a most valuable statement, and the country generally will be interested in reading it, I am sure. Rather than leave it to the limited files of the court records, I would like to have it printed in the RECORD so that readers of the RECORD may have the opportunity to read it. I ask unanimous consent that the opinion of the Court of Appeals of the District of Columbia may be printed in the RECORD.

There being no objection, the opinion was ordered to be printed in the RECORD, as follows:

COURT OF APPEALS OF THE DISTRICT OF COLUMBIA No. 5728

GEORGE CURTIS TREADWELL AND HUGH REILLY, AS EXECUTORS OF THE WILL OF EMMA TREADWELL THACHER, AND LAURA BUTLER TREADWELL, EXECUTRIX OF THE WILL OF GEORGE CURTIS TREADWELL, DECEASED, APPELLANTS, v. HERBERT PUTNAM, APPELLEE

Appeal from the Supreme Court of the District of Columbia.

(Argued April 3 and 4, 1933. Decided May 15, 1933)

Richard H. Wilmer, Douglas L. Hatch, and Bethuel M. Webster, all of Washington, D.C., and C. Dickerman Williams, of New York City, for appellants.

Leo A. Rover, John W. Fihelly, and John J. Wilson, all of Washington, D.C., for appellee.

Before Martin, chief justice, and Robb, Van Orsdel, and Groner, associate justices.

Groner, associate justice: The parties occupy the same position here as below, and we shall speak of them as plaintiffs and defendant.

Mrs. Emma Treadwell Thacher, the widow of John Boyd Thacher, formerly lived in Albany, N.Y. She died February 18, 1927, leaving a last will dated in 1925, in which she bequeathed to the United States a valuable collection of books, autographs, manuscripts, and documents, then in the possession of the Library of Congress, where she had deposited it as a loan some 15 years prior to her death.

The fifth paragraph of her will is as follows:

"I give and bequeath to the United States of America all the books which formerly composed that part of the library of my late husband, John Boyd Thacher, which is now contained in the Library of Congress in the city of Washington in the District of Columbia; also, all autograph letters, manuscripts, and documents written or subscribed by the kings and queens or other rulers of England, Germany, Spain, and Italy, including the Popes of Rome, and the rulers of France, including the Napoleonic collection; also, all the books and pamphlets on, or relating to, the subject of the French Revolution and the special collection of autographs, autograph letters, and documents relating to that subject, all owned by my late husband, John Boyd Thacher, at the time of his death and thereafter acquired and now owned by me and which have not been otherwise disposed of by me at the time of my death or by any other provisions of this my last will and testament or any codicil or codicils thereto; upon condition, however, that said books, pamphlets, autographs, autograph letters, and documents shall be kept together and maintained as an entire collection to be always included with and as a part of the library formerly belonging to the said John Boyd Thacher now in

the Library of Congress in the city of Washington in the District of Columbia, known and to be always known and designated as the 'Collection of John Boyd Thacher' and forever held by the United States of America under such name and designation in said Library of Congress in the custody of its Librarian; provided further, that said Librarian of Congress shall prepare and publish, in such form as shall be approved of by my executors, a catalog of said books, pamphlets, autographs, autograph letters, and documents, unless a satisfactory catalog of the same shall be so prepared and published by me during my lifetime; and provided further, that all possible precautions necessary for the preservation and safety of the same shall be applied and observed at all times by the proper officials and representatives of the Government of the United States of America."

In October 1930 this replevin suit was instituted in the court below to recover from the defendant, the Librarian of Congress, the collection of books and documents referred to in the above paragraph of the will. The declaration alleges that the collection was at the time of Mrs. Thacher's death and since in the possession of defendant; that defendant had been notified by the executors of the will of its terms; that he assented to the conditions of the legacy but had not fulfilled them; and that demand for return of the collection had been made and refused.

Paragraph 7 of the will specifically provides for a reversion of the legacy in the event the United States shall not faithfully and fully observe the terms and conditions prescribed by the will, or perform any of the requirements imposed for the care, preservation, and safety of the collection; and paragraph 14 of the will gives the residue of the estate to George Curtis Treadwell, the nephew of the testatrix and one of the executors of the will.

The case was tried to a jury, but at the conclusion of the evidence, on motion of both parties for a directed verdict, the court instructed the jury in favor of the defendant. Prior to this action, the court had made special findings of fact; among others, that the United States had observed all proper precautions, necessary for the preservation of the collection; that the executors had never consented, prior to the 6th day of September 1929, to the United States retaining as its own the articles bequeathed; that on that date demand for the return of the articles having been made by the executors and refused by the defendant, the complete title passed to the United States; that prior thereto the defendant neither understood nor believed, nor had reasonable cause to understand or believe, that complete title had passed to the United States. The court concluded from this that the duty with relation to the segregation and cataloging of the collection did not arise until September 1929. The court also found that the collection, consisting of five groups, was up to September 1929 in various parts of the Library building, but that at all times since Mrs. Thacher's death had been known and designated as the "John Boyd Thacher collection"; that since March 1930 it had all been kept together and maintained as an entire collection in the Thacher room; that the catalog published by the Library of the incunabula was a satisfactory compliance with the terms of the will in relation to that subject; and that the catalog of the other articles had been begun within a reasonable time and copies submitted to the executors, and the whole finally published in 1931.

We find in the record 170 assignments of error, and these we have examined patiently, but we do not need to refer to them each separately, if for no other reason, because counsel have condensed the argument so that it is really only necessary to decide whether there was evidence sufficient to raise an issue of fact for the jury as to compliance with the terms of the will, which, of course, involves deciding whether the court below was correct in taking the case from the jury and entering judgment for the defendant.

We have carefully read all of the evidence and have reached in the main the same conclusion reached by the lower court.

As we have already had occasion to say, the Thacher collection had been turned over by Mrs. Thacher to the Library of Congress many years prior to her death. She visited the Library on a number of occasions and inspected the arrangement of the different groups in the building. She therefore knew how the collection was arranged. Some 10 years before her death the Librarian caused to be prepared a catalogue of the incunabula, as to which she expressed her enthusiastic approval. In her will carrying out a purpose she had previously expressed, she gave the collection to the United States on the conditions mentioned in her will. The conditions were that the collection should be maintained as an entirety and be designated as the "Collection of John Boyd Thacher", and that the Librarian should prepare and publish with the approval of the executors a catalog of the books, pamphlets, autographs, and documents, unless such catalog had been previously prepared and published during her lifetime, and also that the safety of the collection should be preserved at all times in all proper ways.

In the early part of March 1927 counsel for the executors sent defendant a copy of Mrs. Thacher's will. To this letter defendant replied that the conditions of the bequest would be met. His attitude in this respect has never changed. The will was probated some 2 months later, in the early summer of 1927. Between these two dates there was some correspondence between counsel for executors and defendant, the purpose being to determine whether all the papers, autographs, etc., bequeathed in the will were then in the possession of the Library, and, particularly in the later correspondence, whether the Library had possession of articles not bequeathed under the will. In this exchange of communications counsel for the executors wrote to the defendant that if the Library already had in its possession all the things bequeathed, there

would then remain only the formal transfer to be made; and the defendant on his part, acknowledging on behalf of the United States possession of all the property bequeathed, agreed that nothing more remained to be done than the formal transfer. Obviously at this time both parties contemplated some method of transferring complete title, but the formality never was observed. In the meantime the property remained just as it had been for more than 15 years. About this time counsel for the executors requested the defendant to furnish a list of all the property in the hands of the Librarian for the purpose of assisting the executors in the preparation of an inventory and appraisal, stating that at a later time it would be necessary to obtain an expert evaluation of the property for the purposes of administration. In midsummer of 1927 the correspondence with relation to the appraisal continued and defendant was notified that the executors and their counsel contemplated a visit to Washington after the inventory and appraisal had been finished. Equally obviously the executors still considered as of this time some further duty on their part to make the bequest effective. The record discloses that though the inventory was finished and a tentative appraisal made, the promised visit of the executors was postponed until midsummer of 1929, when, to quote from the testimony of counsel for the executors, "the trouble started." The date was August 1929.

From this brief statement of the facts we think it is clear that up to the time the breach is alleged to have occurred nothing was done by the executors of Mrs. Thacher to vest complete and absolute title in the United States, and in this view the court below was quite correct in thinking the Librarian of Congress was justified in his belief that when the administration of the estate was sufficiently advanced the executors would deliver to the Government some sort of instrument formally relinquishing claim of the executors to the property. We are not able to find in the record a statement of the executors' accounts with the probate court in New York, and we are therefore not informed when the estate was settled, but it is perfectly clear that in the latter part of 1927 and near the beginning of 1928 they were in correspondence with the Librarian for the purpose of getting data to include in the report to enable them to close the administration. After that time they continued inactive, so far as the bequest here is concerned, until the visit in the summer of 1929 and the demand in September of that year.

All of the parties agree that under the law title to a specific legacy vests in the legatee upon the death of the testator. All agree likewise that the title which then vests is not complete, as the property is subject to contribution for the testator's debts; that it only becomes complete upon the assent by the executor; and that this assent may be express or implied. Undoubtedly this is the rule. When the property is in the possession of a legatee, acquiescence by the executors in continued possession is ordinarily sufficient to imply assent. Here we have a case in which it is not claimed there was an express assent and in which, as we have seen, there was in the early stages of the administration correspondence between the representative of the legatee on the one hand and the executors on the other—the one located in Washington and the others in New York—looking to the appraisal of the property in the proper settlement of the estate.

These things tended to delay the formal transfer and equally to delay the operation of the rule of implied transfer. In these circumstances it would be going very far to say that the silence and inaction of the executors during all of this period were sufficient to authorize defendant to proceed to carry out at once the provisions of the will. And we think the record clearly contradicts the idea that the executors themselves so understood, for after the trouble began in the summer of 1929 there were three or four demands by the executors for the delivery of specific articles then in the possession of the Librarian. The Librarian complied with these demands to the extent of over 250 items. All of this merely tends to prove the uncertainty that surrounded the final carrying out of the terms of Mrs. Thacher's will. While by the terms of the will the United States is required to maintain the collection in the way designated by the testatrix, the will itself sets no specific time for the performance of these conditions, and in such circumstances the universal holding is that the law will imply a reasonable time. Appellant does not deny that this is true but insists that the reasonable time had expired at the time of the demand. This position, we think, should not be conceded.

The preparation of the catalog which the will provides should be made was completed in 1931. It took nearly 2 years in its preparation. The collection has been brought together as directed by the will and marked as directed by the will, and though most of this occurred subsequent to the demand in 1929, and though concededly some of the things required to be done might have been done within a shorter period, yet, in view of the circumstances, we think the Librarian was wholly justified in delaying final and complete compliance with the exact terms of the will until he was assured that no claims from any source would be asserted against the collection in his possession. In this view it is unnecessary, we think, to draw any dead line as to which to say that delivery and vesting of title was complete. Obviously such a time was not, as insisted by appellant, a few months after the probate of the will. If the question were necessary to a decision of the case, it would not be going too far to say that until after the expiration of a year from the probate of the will (the usual period for settlement), or until after the final settlement of the accounts of the executor in the court of administration, no implied assent on their part to the transfer could be said to arise. And if we should adopt one or the other of these dates as the period when the bequest definitely and

finally vested, the time between either and actual compliance with the conditions was entirely reasonable. To reach a different conclusion would be unjustifiable and would have the effect to frustrate the obvious intention of the testatrix.

It is impossible to read the evidence and correspondence between Mrs. Thacher and the defendant and not be struck with evidences of her pride in the collection by her distinguished husband of these historical papers and equally of her desire to maintain in his honor the collection entire for the benefit of posterity. She could have chosen no better instrumentality for this than the great Library to which she committed the property, and it is unthinkable, if she had been alive, she would ever have complained, much less canceled her gift and abandoned her purpose because the designated arrangement of the collection in the Library was delayed. But, as we have already said, we are not even prepared to go to the extent of saying there was any delay, or, if there was, that it was the fault of defendant. On a fair consideration of his attitude and actions we see nothing to criticize, and certainly nothing to condemn. He was eager to have the collection of Mrs. Thacher preserved, and received the bequest with the purpose of discharging fully the terms on which she gave it. He has done so, and it would be wholly arbitrary to say that the time required for this, in the circumstances we have narrated, was unreasonable.

Having reached this conclusion, we find it unnecessary to discuss the question as to whether this is in fact a suit against the United States, or another question, discussed elaborately at the bar, whether, on the motion by each side for a directed verdict, defendant is not now foreclosed by the findings of fact of the lower court.

The judgment of the lower court is affirmed.
Affirmed.

INTERNATIONAL PROBLEMS THAT FACE PRESIDENT ROOSEVELT— ADDRESS BY FREDERICK J. LIBBY

Mr. COSTIGAN. Mr. President, Mr. Frederick J. Libby, executive secretary of the National Council for Prevention of War, a consistent and effective friend of peace, delivered an address in Denver, Colo., March 13, 1933, on the subject of international problems. I ask leave to have that address printed in the RECORD.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

The world is the economic unit. This is the central fact of our times. It is a fact to which our national policies and those of other nations must be adjusted before any of us can prosper. It needs to become central in our thinking before we can justify call ourselves realists. It is a factor with which the new Chancellor of Germany will find eventually that he must reckon. It will prove in the long run to be of far greater importance to Japan than her present leaders have yet recognized. A blind economic and militaristic nationalism has been reeking its will on the world and the appalling consequences are felt in every household. Unemployment not only destroys material values; it attacks human values.

We have been defying economic law. A thousand economists warned the President and Congress that the Hawley-Smoot tariff bill was fundamentally wrong, but the bill was passed. Other nations followed our lead. Economic warfare has been raging throughout the world. It has been nearly as ruinous as military warfare. A reversal of policy is now generally recognized as necessary.

THE ECONOMIC DEPENDENCE OF THE UNITED STATES

We must establish beyond peradventure of a doubt this central fact of the world's economic unity. The research department of the National Council for Prevention of War has prepared an economic survey of our dependence upon other countries, both by States and cities and by industries. I will quote from the study by industries, since it is the more dramatic of the two.

Our automobile industry is generally regarded among us as peculiarly American. Yet our automobile industry depends upon 18 countries for essential materials that go into the automobile. From Algeria and Spain comes cork; from Asia Minor, mohair; from Australia, molybdenum; from Bolivia and Borneo, tin; from Borneo and Brazil, rubber; from Brazil and Russia, manganese; from Canada, nickel, as well as arsenic, an ingredient of the glass; from China, more molybdenum, which is used in giving hardness to steel, and tungsten; from France, aluminum and talc; from India, shellac; from New Caledonia, chrome; from Peru, vanadium; and so on. Some of these imported materials could be obtained, though at a higher cost, in the United States, and some of the essential ones do not exist here. But the net result is that our automobile is in reality a world automobile, which our factories put together.

The same situation holds for practically all our important industries. Our clothing industry uses imported materials from 21 countries. Even the buttons come mostly from abroad. Our electrical industry depends upon 17 countries for its raw materials. Our furniture industry uses imported materials from 25 countries, our leather industry from 22, our hardware industry from 25, our drug and tobacco industries from 27, our stationery-supplies industry from 24. Our grocers sell imported foodstuffs from 21 countries or more. A simple little luncheon was set upon the table recently in Tacoma, Wash., the ingredients of which came from 24 countries. Our radio industry uses imported materials

from 18 countries and our telephone instrument contains material from 15 countries. There are those who have thought that building a spiritual tariff wall, if one may so term it, on top of our present material tariff walls with a "buy American" campaign would improve our condition. This campaign comes a century too late. If we were willing to give up our telephone, our radios, our electric lights, our automobiles, a large share of the contents of our tables and of our clothing, and go back to the simplicity of the log cabin and homespun days, we might be successful in "buying American." But we are not looking toward such a lowering of our standards of living. We want rather to improve them.

OUR EXPORT TRADE TELLS THE SAME STORY

Our economic nationalists have been inclined to tell us that a reduction of 10 percent in our production would make us self-contained. It is true that in dollars our exports have been approximately one tenth of our production, but they are unevenly distributed. Fifty percent of our cotton was exported in 1929 and it ranges around that figure every year. No one can expect the Southern States to reduce their cotton production 50 percent in an attempt to produce nationally only what we consume.

In the same year 41 percent of our tobacco was exported, 33 percent of our lard, 18 percent of our wheat, 36 percent of our copper, 35 percent of our kerosene, 31 percent of our lubricating oil.

The same is true of our machinery. Twenty-three percent of our agricultural machinery was exported that year; 29 percent of our printing machinery; 30 percent of our sewing machines; 41 percent of our typewriters; 50 percent of our motorcycles.

Even the machine with which "Buy British" is stamped upon the letters of our English friends in a similar campaign is made in America. "Buy American" is printed by the Hearst press largely on paper made from Canadian wood pulp. The world is the economic unit; and if we wish to maintain and improve our present standards of living, the world will be the economic unit increasingly as the years unroll. The frank acceptance of this central fact must be the background of the Roosevelt foreign policies, just because escape from our present economic conditions is the primary task that we have laid upon the new administration.

HOOVER'S "THREE ROADS" TO RECOVERY

President Hoover in his valedictory address in New York on February 13, in what seemed to me to be a generous and patriotic preparation for his successor, pointed the way to a policy of international cooperation with tariff reduction, which makes non-partisan support of the Roosevelt program easy. Mr. Hoover said:

"Daily it becomes more certain that the next great constructive step in remedy of the illimitable human suffering from this depression lies in the international field. * * *

"The American people will soon be at the fork of three roads. The first is the highway of cooperation among nations, thereby to remove the obstructions to world consumption and rising prices. This road leads to real stability, to expanding standards of living, to a resumption of the march of progress by all peoples. It is today the immediate road to relief of agriculture and unemployment, not alone for us but the entire world.

"The second road is to rely upon our high degree of national self-containment, to increase our tariffs, to create quotas and discriminations, and to engage in definite methods of curtailment of production of agricultural and other products, and thus to secure a larger measure of economic isolation from world influences. It would be a long road of readjustments into unknown and uncertain fields. But it may be necessary if the first way out is closed to us. Some measures may be necessary pending cooperative conclusions with other nations.

"The third road is that we inflate our currency, consequently abandon the gold standard, and with our depreciated currency attempt to enter a world economic war, with the certainty that leads to complete destruction, both at home and abroad."

1. REDUCTION OF TARIFFS BY INTERNATIONAL AGREEMENT

Having built now our solid foundation, we are in position to rear the superstructure; and first comes reduction of tariffs by international agreement, removing the first of what President Hoover calls "the obstructions to world consumption." Every nation has surrounded itself with a tariff wall as if it were a unit. But the world is the unit. Tariff walls are competitive. We build; they build. There is no winning this race. I remember going once for \$90 round trip from Portland, Maine, to California. Our railroads were engaged in a rate war. It profited none of them. No more has the economic war of the past few years profited any nation. Economic laws are as inexorable as God's moral laws are. You can't defy God in any field and win. Reduction of tariffs, first by negotiation with a nation at a time and later in a general economic conference, is in the very nature of things the first item on the Roosevelt program of permanent recovery.

2. STABILIZATION OF CURRENCIES

As a necessary accompaniment of reduction of tariffs comes stabilization of currencies. Fluctuating currencies are a deadly foe to international trade. More than 40 nations are off the gold standard. Stabilization of currencies is the second necessary item in an intelligent program for world recovery. President Roosevelt, to improve our economic condition, has the task not only of increasing the purchasing power of our own farmers but of increasing the purchasing power and therefore the prosperity of the entire world.

3. DEBT READJUSTMENT

It is my belief that Secretary Cordell Hull is right in believing that the war debts have been exaggerated among the obstructions to world trade. Senator BORAH said the same thing last summer in Minneapolis. He was probably correct in saying that the outright cancellation of the debts would hardly touch the worldwide depression if it were an isolated act.

But that reduction of the debts is an essential part of a general program of world recovery, no one can deny. The shells have been fired, the food has been eaten, for which the debts stand. Now they constitute a great mountain at one end of what is normally a two-way road. We don't want the goods that we should have to take, over and above our normal imports, to pay these debts.

President Roosevelt has indicated that he will use these debts in bargaining. Three nations have "nuisances" to trade. We have the debts; the British have their depreciated and controlled currency; the French, their armaments. President Roosevelt evidently intends that all three nuisances shall be abated together as a part of a general program of world recovery.

4. DISARMAMENT

There is no argument against the drastic reduction of the world's present armaments by international agreement. Four thousand million dollars a year is too much for the world to be spending on what it vainly calls "national defense." Armaments, like tariffs, are competitive. We build; they build. No one can win this race any more than one can win a race in tariffs. And it has always led to war.

President Hoover proposed in June a one-third cut in armaments with abolition of the weapons of attack. He named specifically for abolition bombing planes, poison gas, disease germs, tanks, heavy mobile artillery, and submarines.

Other proposals have been made to the Disarmament Conference. The latest is that of Prime Minister MacDonald, which deals with the reduction of the armies of Western Europe to a maximum figure of 200,000 men each, with an extra allowance of colonial troops.

President Roosevelt has recognized the crucial importance of success in the reduction of armaments by giving Mr. Norman H. Davis the rank of an ambassador and pledging him strong support in his efforts.

Success in reduction of armaments is economically of vital importance from two standpoints. In the first place, no nation, not even the United States, can afford to spend what is now being spent upon competitive armies and navies. The United States is leading the world in its outlays for national defense, outstripping its nearest rival, Great Britain, by more than \$100,000,000 a year. We need this money now for constructive purposes.

Still more important economically is the instability that results from competitive armaments. Even Mussolini has recognized this, and, despite his provoking speeches, he has volunteered to join with Great Britain, France, and Germany in guaranteeing the peace of Europe for 10 years. He wants Italy to prosper and no one knows better than he does that only a stable Europe can recover from this depression.

There is another reason why success in the Disarmament Conference has become of great importance to all nations. This is the fact recently publicly recognized by the British Government, that an economic conference cannot succeed unless the Disarmament Conference succeeds. The powerful interests in whose behalf tariffs have been imposed will fight tariff reductions. Success at Geneva must precede success at London.

5. ADHERENCE TO THE WORLD COURT

Only a stable world can be a prosperous world. Only an organized world can be a stable world. If the use of war as a method of settling disputes is to be prevented, law must be established in its place. This has been the position taken by American statesmen and by all the American Presidents for 35 years. Ever since the American delegation worked at the first Hague conference for the setting up of a World Court similar to our Supreme Court. International disputes are bound to be frequent in our kind of world. Conflicts of interest are inevitable as far as one can see ahead into the dark. Our Supreme Court was set up, not after the disputes between our States had been settled but as a method of settling part of them—that part that is susceptible of judicial settlement.

All political parties in the last campaign endorsed America's adherence to the World Court. There is no important opposition to it in the country outside the Hearst press. Few Senators now oppose it. It is a step in international cooperation on which the country is thoroughly prepared to go forward.

President Roosevelt has already indicated, through Senator ROBINSON of Arkansas, that he includes adherence to the World Court in his program of world recovery to be adopted at this session. The stabilizing effect of our adding our full moral support now to this branch of the international-peace machinery will be obvious to anyone who reads the newspapers. It is reasonable to hope that this long-drawn-out fight is to be pushed by the President to an early conclusion. A successful vote under his leadership is assured.

6. RECOGNITION OF RUSSIA

Frequent rumors are coming from Washington to the effect that our Government will soon recognize Russia. This step is long overdue. As I said here a year ago, recognition of Russia involves no approval of communism. It makes possible, on the other hand,

our sitting down with Russia at the table and settling our very real differences.

Secretary Hughes in 1923 laid down three conditions for Russian recognition: That Russia pay her governmental debts to us; that Russia pay for confiscated American property; and that Russia agree to abstain from carrying on communistic propaganda in our country. Russia replied at once that she was prepared to negotiate with us on this basis, but that she had a little debt of her own to present. It was the bill for our illegal expedition to Archangel, where for more than a year we maintained an army without declaration of war, killing Russian citizens and destroying Russian property. You will remember that a year or so ago we brought home the American dead.

There are three reasons why we should recognize Russia now: First, we need Russia's trade. Russia's purchase of American goods has fallen off \$100,000,000 between 1930 and 1932. Germany and Great Britain have got this trade. France and even Italy are trading with Russia officially.

More important than this, however, although this is not unimportant in our present economic condition, is the stabilizing influence that our recognition of Russia now would have upon conditions both in Europe and in the Orient. The reasoning that makes it important that we adhere to the World Court applies equally to our recognition of Russia. We need a stable world in which to recover economically; and for two great nations like Russia and the United States to be unable to speak to each other encourages chaos and not stability.

In the third place, we are committed by the Paris Pact to the principle of settling all our disputes at the table. Our issues with Russia can be settled by negotiation. They can never be settled by the methods which we have been pursuing.

It is strongly to be hoped, therefore, that the rumors that our policy toward Russia is to be reversed in the near future are justified.

7. AMENDMENT OF THE PHILIPPINE INDEPENDENCE BILL

The Filipinos hope to secure improvements in the Philippine independence bill which Congress passed in the last session over President Hoover's veto. Have you read the Philippine independence bill? If you have, I believe that you will agree with me that it can be amended with advantage in certain particulars. I will venture to suggest three.

In the first place, in preparing our ward to go into business for itself, we certainly want at least to be just and if possible generous in the financial arrangements. When you examined the tariff relations that are to subsist between the Philippines and the United States during the next 10 years or more, you were undoubtedly aware of the fact that the program is more favorable to us than to the Philippines. In other words, we have taken advantage of our power in a manner that, I believe, does not express the true spirit of the American people. Ought we not, rather, to make the tariff arrangements equitable and reciprocal, as we shall undoubtedly try to do with other nations in the approaching Economic Conference? This is my first suggestion.

In the second place, did you observe the inconsistency of reserving a naval and military base for ourselves after independence has been granted, with the provision for the neutralization of the islands under a guaranty from the Pacific powers? If the Philippines are to be neutralized, as I hope they will, then we can have no naval base there.

Moreover, our present naval base in the Philippines is, as every Navy man on the coast will tell you, quite inadequate for their protection from a power like Japan. In the Washington Treaty of 1922 we gave up further fortification of the Philippines or of Guam in the interest of peace and general reduction of naval armaments. Japan could capture the Philippines tomorrow if she wanted to and we could not prevent it. An inadequate naval base is more dangerous, both for the Philippines and for us, than none at all. Its capture by Japan would probably involve both the United States and the Philippines in another war for "national honor."

For these reasons, both because of its inconsistency with neutralization and because of its inherent danger, this provision for a naval base ought to be eliminated from the bill.

In the third place, we are allowing the Philippines an immigration quota of 50 a year during the period of tutelage and then are cutting them off entirely. Wouldn't it be better to continue permanently the quota of 50? We hope to retain the good will of the Philippines after letting them go and to continue our trade with them in the happiest of relations throughout all future time. Is it good business sense, not to stay friendly, to slap their faces when we bid them good-bye? In my judgment, it would be far better in every way if Japan and China, as well as the Philippines, were permitted their small immigration quotas of 186 and 100 a year, respectively, instead of suffering exclusion.

8. OUR POLICY TOWARD JAPAN'S ACTION IN MANCHURIA

It is generally understood that President Roosevelt will continue the policy which President Hoover inaugurated toward Japan's action in Manchuria, involving nonrecognition of any situation growing out of a violation of the Paris Pact and consultation with the other signatories of the pact when faced with the violation or the threat of its violation. In pursuance of this policy the President has appointed Hugh Wilson to sit with the Committee of Twenty-one, though without a vote, in the consultations as to possibilities of common action.

Secretary Stimson, in a prophetic speech which he made on August 8, 1932, before the Council on Foreign Relations in New

York City, spoke of the "revolutionary" change in human thought that has taken place toward the war system as evidenced by the Covenant of the League of Nations and the Paris Pact, and then continued:

"War between nations was renounced by the signatories of the Briand-Kellogg Treaty. This means that it has become illegal throughout practically the entire world. It is no longer to be the source and subject of rights. It is no longer to be the principle around which the duties, the conduct, and the rights of nations revolve. It is an illegal thing. Hereafter when two nations engage in armed conflict either one or both of them must be wrongdoers, violators of this general treaty law. We no longer draw a circle about them and treat them with the punctilios of the duelist's code. Instead we denounce them as lawbreakers."

Secretary Stimson, later in the same speech, dated the turning point in the world's history as October 1929, when President Hoover and Ramsay MacDonald declared in a joint statement that the United States and Great Britain will direct their national policies in accordance with the Paris Pact. This passage in Secretary Stimson's speech reads as follows:

"In October 1929 President Hoover joined with Mr. Ramsay MacDonald, the Prime Minister of Great Britain, in a joint statement at the Rapidan, in which they declared:

"* * * Both our Governments resolve to accept the peace pact, not only as a declaration of good intentions but as a positive obligation to direct national policy in accordance with its pledge."

"That declaration marked an epoch."

There is no doubt that the decision of the two most powerful countries to live by the Paris Pact is of outstanding importance to the future history of the world. But a more dramatic expression of the revolution that has taken place in the world's thinking about war occurred on February 24 at Geneva. Your children's children's children will study in their history textbooks the story of that day.

After full preparation, after sending an impartial commission to Manchuria, Japan, and China to report authoritatively on the facts and to make recommendations, a report that was received throughout the world, except in Japan and China, as both just and wise; after a Committee of Nineteen had built a report on that report, in which Japan was found guilty of this "illegal thing", going to war, and thus violating her international obligations, a report which was broadcast from the League of Nations radio station to all peoples; then that great town meeting of the world, the Assembly of the League of Nations, met to take action.

More than 40 nations were present. Japan was there, on trial among her peers. A roll call was demanded. The vote, mind you, was on the adoption of this report of the Committee of Nineteen, finding Japan guilty of this "illegal thing", going to war. The votes came, strong and without hesitation: "Aye", "aye", "oui", "oui", "aye." Forty nations voted "yes." Siam, for her own reasons, abstained from voting. Japan voted "no", but her vote was not counted because she was a party to the dispute. Then, found guilty by her peers, guilty of going to war and, therefore, of violating her international obligations, and unwilling to accept the good offices of her colleagues for the peaceful settlement of her disputes with China, Japan walked out alone into the dark.

Her guns have gone on thundering in Jehol, but they have a hollow sound. For Japan, even more than for us, the world is the economic unit. She can win against China on the military front, but she can never win against the world on the economic front. It is not a time for the use of drastic measures against Japan. As Walter Lippmann said in his illuminating column next day, the world can afford to wait better than Japan can. She will need the help of these nations whose good offices she has spurned. She will learn, as the French learned in the Ruhr district and as we learned in Nicaragua, that trade is not advanced by the bayonet. China's good will is essential to Japan's economic recovery. Militarists are driving Japan toward economic ruin. By and by wiser leaders are going to restore her to the only sane path for any nation today—the highway of international cooperation.

President Roosevelt was wise in not making our foreign policies a subject of campaign controversy. He thus left himself free to follow, as he is following, the course laid down by the previous administration of maintaining the sanctity of international obligations as the only possible basis of continuing peace.

SUMMARY

Summing up, the old order was based on the preposition "against." We built tariff walls "against" the rest. We armed "against" the rest. We sought our prosperity at the expense of the rest. We sought national security "against" that of the rest. The consequences of our folly are all about us.

The slogan of the new order is the preposition "with." We must work "with" the rest to lower our tariff walls and to reduce by agreement our intolerable and menacing armaments, to achieve a joint prosperity and joint security.

Not by warfare, military or economic, but only by cooperation can we build a nobler, happier, richer civilization.

SALARY SCHEDULES OF BANKS, RAILROADS, PUBLIC UTILITIES, ETC.

Mr. COSTIGAN. Mr. President, I ask unanimous consent for the immediate consideration of a resolution which is lying on the table, being Senate Resolution 75, as modified.

The VICE PRESIDENT. The Senator from Colorado asks unanimous consent for the consideration of a resolution, which the clerk will read for the information of the Senate.

The Chief Clerk read the resolution (S.Res. 75) submitted by Mr. COSTIGAN on the 8th instant, as modified, as follows:

Resolved, That the Federal Reserve Board is requested to prepare and transmit to the Senate as soon as practicable a report showing the salary schedule of the executive officers and directors of each Federal Reserve bank and member bank of the Federal Reserve System; be it further

Resolved, That the Reconstruction Finance Corporation is requested to prepare and transmit to the Senate as soon as practicable a report showing the salary schedule of the executive officers and directors of each bank not a member of the Federal Reserve System to which loans or advances have been made by the Corporation; be it further

Resolved, That the Federal Power Commission is requested to prepare and transmit to the Senate as soon as practicable a report showing the salary schedule of the executive officers and directors of each public-utility corporation engaged in the transportation of electrical energy in interstate commerce and of all other corporations licensed under the Federal Water Power Act; and be it further

Resolved, That the Federal Trade Commission is requested to prepare and transmit to the Senate as soon as practicable a report showing the salary schedule of the executive officers and directors of each corporation engaged in interstate commerce (other than public-utility corporations) having capital and/or assets of more than a million dollars in value, whose securities are listed on the New York Stock Exchange or the New York Curb Exchange.

For the purposes of this resolution the term "salary" includes any compensation, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services.

The VICE PRESIDENT. Is there objection to the present consideration of the resolution?

Mr. McNARY. Mr. President, a number of Senators have left the Chamber upon the theory that no further business would be transacted today other than executive business. Very few, I think, have had an opportunity to read the resolution. I do not know whether there would be any opposition to it; but, in view of the situation which I have just suggested, I shall have to object to its present consideration.

Mr. COSTIGAN. Mr. President, may I ask that the resolution, in its modified form, be printed in the RECORD?

The VICE PRESIDENT. The resolution has been read as modified and will appear in the RECORD. Objection is made to its present consideration.

WORLD POLITICAL AND ECONOMIC PEACE (H.DOC. NO. 36)

The VICE PRESIDENT laid before the Senate a message from the President of the United States, which was read, and, with the accompanying paper, referred to the Committee on Foreign Relations and ordered to be printed, as follows:

To the Congress:

For the information of the Congress I am sending herewith a message that I have addressed this morning to the sovereigns and presidents of those nations participating in the Disarmament Conference and the World Monetary and Economic Conference.

I was impelled to this action because it has become increasingly evident that the assurance of world political and economic peace and stability is threatened by selfish and short-sighted policies, actions, and threats of actions.

The sincere wish for this assurance by an overwhelming majority of the nations faces the danger of recalcitrant obstruction by a very small minority, just as in the domestic field the good purposes of a majority in business, labor, or in other cooperative efforts are often frustrated by a selfish few.

The deep-rooted desire of Americans for better living conditions and for the avoidance of war is shared by mass humanity in every country. As a means to this end I have, in the message to the various nations, stressed the practical necessity of reducing armaments. It is high time for us and for every other nation to understand the simple fact that the invasion of any nation or the destruction of a national sovereignty can be prevented only by the complete elimination of the weapons that make such a course possible today.

Such an elimination will make the little nation relatively more secure against the great nation.

Furthermore, permanent defenses are a nonrecurring charge against governmental budgets, while large armies continually rearmed with improved offensive weapons con-

stitute a recurring charge. This more than any other factor today is responsible for governmental deficits and threatened bankruptcy.

The way to disarm is to disarm. The way to prevent invasion is to make it impossible.

I have asked for an agreement among nations on four practical and simultaneous steps:

First. That through a series of steps the weapons of offensive warfare be eliminated.

Second. That the first definite step be taken now.

Third. That while these steps are being taken no nation shall increase existing armaments over and above the limitations of treaty obligations.

Fourth. That subject to existing treaty rights no nation during the disarmament period shall send any armed force of whatsoever nature across its own borders.

Our people realize that weapons of offense are needed only if other nations have them, and they will freely give them up if all the nations of the world will do likewise.

In the domestic field the Congress has labored in sympathetic understanding with me for the improvement of social conditions, for the preservation of individual human rights, and for the furtherance of social justice.

In the message to the nations which I herewith transmit, I have named the same objectives. It is in order to assure these great human values that we seek peace by ridding the world of the weapons of aggression and attack.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, May 16, 1933.

MAY 16, 1933.

The following message was cabled today to the sovereigns and presidents of the nations listed below:

His Majesty Zog I, King of the Albanians, Tirana, Albania.

His Excellency Agustin P. Justo, President of the Argentine Nation, Buenos Aires, Argentina.

His Excellency Wilhelm Miklas, President of the Confederation of Austria, Vienna, Austria.

His Majesty Albert, King of the Belgians, Brussels, Belgium.

His Excellency Getulio Vargas, President of the United States of Brazil, Rio de Janeiro, Brazil.

His Excellency Enrique Olaya Herrera, President of the Republic of Colombia, Bogota, Colombia.

His Excellency Daniel Salamanca, President of Bolivia, La Paz, Bolivia.

His Majesty Boris III, King of the Bulgarians, Sofia, Bulgaria.

His Excellency Arturo Alessandri, President of the Republic of Chile, Santiago, Chile.

His Excellency Ricardo Jimenez, President of Costa Rica, San Jose, Costa Rica.

His Excellency Lin Sen, President of the National Government of the Republic of China, Nanking, China.

His Excellency Gerardo Machado, President of the Republic of Cuba, Habana, Cuba.

His Excellency Thomas G. Masaryk, President of Czechoslovakia, Praha, Czechoslovakia.

His Majesty Christian X, King of Denmark, Copenhagen, Denmark.

His Excellency Rafael Leonidas Trujillo, President of the Dominican Republic, Santo Domingo, Dominican Republic.

His Excellency Juan de Dios Martinez Mira, President of the Republic of Ecuador, Quito, Ecuador.

His Majesty Fouad I, King of Egypt, Cairo, Egypt.

His Excellency Konstantin Pats, Head of State, Tallinn, Estonia.

His Imperial Majesty Haile Selassie I, Emperor of Ethiopia, Addis Ababa, Ethiopia.

His Excellency Pehr Evind Svinhufvud, President of Finland, Helsingfors, Finland.

His Excellency M. Albert Lebrun, President of the French Republic, Paris, France.

His Excellency Field Marshal Paul von Beneckendorff und von Hindenburg, President of the Reich, Berlin, Germany.

His Majesty George V, King of Great Britain, Ireland, and the British Dominions Beyond the Seas, Emperor of India, etc., London, England.

His Excellency Alexander Zaimis, President of the Hellenic Republic, Athens, Greece.

His Excellency Jorge Ubico, President of the Republic of Guatemala, Guatemala, Guatemala.

His Excellency Stenio Vincent, President of Haiti, Port-au-Prince, Haiti.

His Serene Highness Admiral Nicholas De Horthy, Regent of the Kingdom of Hungary, Budapest, Hungary.

His Excellency Tiburcio Carias A., Constitutional President of the Republic of Honduras, Tegucigalpa, Honduras.

His Majesty Faisal I, King of Iraq, Baghdad, Iraq.

His Majesty Victor Emanuel III, King of Italy, Rome, Italy.

His Majesty Hirohito, Emperor of Japan, Tokyo, Japan.

His Excellency Alberts Kviesis, President of the Republic of Latvia, Riga, Latvia.

His Excellency Antanas Smetona, President of the Republic of Lithuania, Kaunas, Lithuania.

Her Royal Highness Charlotte, Grand Duchess of Luxembourg, Luxembourg, G.D.

His Excellency General Abelardo L. Rodriguez, President of the United Mexican States, Mexico City, Mexico.

Her Majesty Wilhelmina, Queen of the Netherlands, The Hague, Netherlands.

His Excellency Juan B. Sacasa, President of the Republic of Nicaragua, Managua, Nicaragua.

His Majesty Haakon VII, King of Norway, Oslo, Norway.

His Excellency Harmodio Arias, President of Panama, Panama, Panama.

His Excellency Eusebio Ayala, President of the Republic of Paraguay, Asuncion, Paraguay.

His Imperial Majesty Reza Shah Pahlavi, Shah of Persia, Teheran, Persia.

His Excellency Ignace Moscicki, President of the Republic of Poland, Warsaw, Poland.

His Excellency General Oscar Benavides, President of Peru, Lima, Peru.

His Excellency General Antonio Oscar de Frago de Carmona, President of the Republic of Portugal, Lisbon, Portugal.

His Majesty Carol II, King of Rumania, Bucharest, Rumania.

President Michail Kalinin, All Union Central Executive Committee, Moscow, Russia.

His Majesty Prajadhipok, King of Siam, Bangkok, Siam.

His Excellency Alcala Zamora, President of the Spanish Republic, Madrid, Spain.

His Majesty Gustaf V, King of Sweden, Stockholm, Sweden.

His Excellency Edmond Schulthess, President of the Swiss Confederation, Berne, Switzerland.

His Excellency Gazi Mustafa Kemal, President of the Turkish Republic, Ankara, Turkey.

His Excellency Gabriel Terra, President of the Republic of Uruguay, Montevideo, Uruguay.

His Excellency Juan V. Gomez, President of the United States of Venezuela, Caracas, Venezuela.

His Majesty Alexander I, King of Yugoslavia, Belgrade, Yugoslavia.

THE MESSAGE

A profound hope of the people of my country impels me, as the head of their Government, to address you and, through you, the people of your nation. This hope is that peace may be assured through practical measures of disarmament and that all of us may carry to victory our common struggle against economic chaos.

To these ends the nations have called two great world conferences. The happiness, the prosperity, and the very lives of the men, women, and children who inhabit the whole world are bound up in the decisions which their governments will make in the near future. The improvement of social conditions, the preservation of individual human

rights, and the furtherance of social justice are dependent upon these decisions.

The World Economic Conference will meet soon and must come to its conclusions quickly. The world cannot await deliberations long drawn out. The conference must establish order in place of the present chaos by a stabilization of currencies, by freeing the flow of world trade, and by international action to raise price levels. It must, in short, supplement individual domestic programs for economic recovery, by wise and considered international action.

The Disarmament Conference has labored for more than a year and, as yet, has been unable to reach satisfactory conclusions. Confused purposes still clash dangerously. Our duty lies in the direction of bringing practical results through concerted action based upon the greatest good to the greatest number. Before the imperative call of this great duty, petty obstacles must be swept away and petty aims forgotten. A selfish victory is always destined to be an ultimate defeat. The furtherance of durable peace for our generation in every part of the world is the only goal worthy of our best efforts.

If we ask what are the reasons for armaments, which, in spite of the lessons and tragedies of the World War, are today a greater burden on the peoples of the earth than ever before, it becomes clear that they are twofold: First, the desire, disclosed or hidden, on the part of governments to enlarge their territories at the expense of a sister nation. I believe that only a small minority of governments or of peoples harbor such a purpose. Second, the fear of nations that they will be invaded. I believe that the overwhelming majority of peoples feel obliged to retain excessive armaments because they fear some act of aggression against them and not because they themselves seek to be aggressors.

There is justification for this fear. Modern weapons of offense are vastly stronger than modern weapons of defense. Frontier forts, trenches, wire entanglements, coast defenses—in a word, fixed fortifications—are no longer impregnable to the attack of war planes, heavy mobile artillery, land battleships called "tanks", and poison gas.

If all nations will agree wholly to eliminate from possession and use the weapons which make possible a successful attack, defenses automatically will become impregnable and the frontiers and independence of every nation will become secure.

The ultimate objective of the Disarmament Conference must be the complete elimination of all offensive weapons. The immediate objective is a substantial reduction of some of these weapons and the elimination of many others.

This Government believes that the program for immediate reduction of aggressive weapons, now under discussion at Geneva, is but a first step toward our ultimate goal. We do not believe that the proposed immediate steps go far enough. Nevertheless, this Government welcomes the measures now proposed and will exert its influence toward the attainment of further successive steps of disarmament.

Stated in the clearest way, there are three steps to be agreed upon in the present discussions:

First. To take, at once, the first definite step toward this objective, as broadly outlined in the MacDonald plan.

Second. To agree upon time and procedure for taking the following steps.

Third. To agree that while the first and the following steps are being taken no nation shall increase its existing armaments over and above the limitations of treaty obligations.

But the peace of the world must be assured during the whole period of disarmament, and I, therefore, propose a fourth step concurrent with and wholly dependent on the faithful fulfillment of these three proposals and subject to existing treaty rights:

That all the nations of the world should enter into a solemn and definite pact of nonaggression. That they should solemnly reaffirm the obligations they have assumed to limit and reduce their armaments and, provided these obligations are faithfully executed by all signatory powers, individually

agree that they will send no armed force of whatsoever nature across their frontiers.

Common sense points out that if any strong nation refuses to join with genuine sincerity in these concerted efforts for political and economic peace—the one at Geneva and the other at London—progress can be obstructed and ultimately blocked. In such event the civilized world, seeking both forms of peace, will know where the responsibility for failure lies. I urge that no nation assume such a responsibility, and that all the nations joined in these great conferences translate their professed policies into action. This is the way to political and economic peace.

I trust that your Government will join in the fulfillment of these hopes.

FRANKLIN D. ROOSEVELT.

TAX-FREE CITIES, ETC.—ARTICLE BY LOUIS BARTLETT

Mr. DILL. Mr. President, I ask unanimous consent to have printed in the RECORD an article by Louis Bartlett, appearing in the Nation of May 17, 1933, entitled "Tax-Free Cities—Public Profits from Municipal Power."

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Nation, May 17, 1933]

TAX-FREE CITIES—PUBLIC PROFITS FROM MUNICIPAL POWER

By Louis Bartlett

Eighty-four cities in the United States levy no taxes, yet perform all the functions of ordinary cities, and keep out of debt. There is nothing extraordinary in their location or natural advantages; they pay operating expenses, as many efficient factories do, from their by-products, and they keep expenses down by cutting out waste. These cities range in population from a few hundred to over 20,000, and are located in 16 States. Oklahoma has 55; Kansas, 7; Indiana, 3; Michigan, Iowa, Minnesota, Wisconsin, and Nebraska, 2 each; and Georgia, Texas, Vermont, Idaho, Washington, New York, New Jersey, and Wyoming, 1 each. It sounds too good to be true, but the fact is stubborn; these cities levy no taxes, yet they are efficiently run and furnish the services—police and fire protection, streets, sewers, and schools—that well-managed modern towns need.

How is this possible, when most American cities are reducing salaries, cutting down improvements, neglecting upkeep, and at the same time struggling under a load of taxes in many cases too heavy to bear, as the delinquency lists show? The answer is simple. These cities use the profits from the sale of municipal water, gas, and electricity, which would otherwise go to private companies, to carry on police, educational, and other nonrevenue-producing services. In reality what citizens pay for public-utility services is a tax; but we are not used to calling it that, because it is not paid at the city hall twice a year, but is turned over monthly to private companies which make a profit out of the transaction. More people pay for water, gas, and electricity than for the support of city, county, State, and National Governments; and they pay far more for these services than they pay in taxes to any governmental unit. To illustrate: In California the cost of the State government for the current year is \$126,000,000; gas and electric bills alone amount to \$188,000,000, or nearly 50 percent more. City governments in California cost \$145,000,000 and county governments \$123,000,000. If the cost of water, telephone, and transportation were added to the \$188,000,000, the disproportion would be much greater. No study of taxation, therefore, is complete if it omits consideration of what is paid for essential services which are furnished by a duly licensed monopoly, in other words, by a public-utility company. Necessary services, such as the supplying of bread under a competitive system, are, of course, in a different category.

Do we pay a fair price for our gas and electricity? Are the private utility companies honest and efficient? Ask the stockholder in the Insull holding companies. He knows. So do the stockholders of most utility companies. Their stocks are being put through the wringer, and they are realizing that, with the water squeezed out, little remains. The first issuance of these so-called "securities" was a fraud on the public. But tons of paper and ink are still used to tell the world that the private companies which admittedly were dishonest in their stock dealings are honest and efficient in the management of their properties; that consumers receive from them good service at a fair price.

But the fact that cities owning their own systems get equally good service at lower rates will not down. Sometime ago Senator NORRIS introduced a graph into the CONGRESSIONAL RECORD showing that the average rate for domestic electric service in 24 American cities over a period of 16 years was 7.4 cents per kilowatt-hour, while during the same period in Ontario, Canada, the average for 21 cities was 1.6 cents per kilowatt-hour. Since this study was made, prices under both public and private ownership have been reduced, but in about the same ratio.

Ambassador Frederick Sackett told the World Power Conference in Germany 2 years ago that there was something wrong with an industry that sold its product for 15 times its original cost.

Two thousand cities which own and distribute their own electric power have discovered what is wrong—the companies make excessive profits which they hide from the public in a maze of holding companies, fictitious capitalization, and juggled bookkeeping that would make the Cretan labyrinth look like a 4-track highway. And in order to keep people deluded, they employ all the arts of the propagandist and keep in pleasant personal touch with the leaders in every community—at the ratepayers' expense.

An interesting disclosure of how it is done came out recently in a rate hearing before the California Railroad Commission, when the San Joaquin Light & Power Co. was forced to give in detail all the items charged to its "operating expenses." It paid the following club dues and expenses for its employees: 22 in the Commercial Club, 5 in the Exchange Club, 4 in the Rotary Club, 1 in the Round Table, 5 in the Lions Club, 3 in the Bakersfield Club (outside of the territory it serves), 1 in the Optimists Club, 4 in the Engineers Club, 3 in the University-Sequoia Club, 1 in the Business Men's Club, 1 in the Petroleum Club, 1 in the Kiwanis Club, 4 in the Fresno City Farm Center, 7 in the Ad Club, 1 in the American Legion, 1 in the Dairymen's Club, 1 in the Press Club. And besides being a member of many of these clubs, the president of the company which operates in the vicinity of Fresno, 200 miles from San Francisco, had the ratepayers pay his club dues in the California Club, Commercial Club, Family Club, and Bohemian Club of San Francisco, as well as in other clubs lumped together under the title "miscellaneous." One wonders when he found the time to earn his salary of \$22,900 a year.

No one is louder in the cause of good government than these club members; in fact, that is why they are members. They must be leaders in their respective communities and see that the towns are run "right." There must be no extravagance in city government; salaries must be kept down to the minimum. Especially in times of depression the pruning shears must be used freely to keep taxes down. They form "economy leagues", "taxpayers' associations", and similar organizations with patriotic titles, and enroll many good citizens who innocently think they are working for the community. Let us look closely at one of these organizations.

California, like other States, must pull in its belt. Since 1931 its government has been operating with the abandon of a flush mining camp and piling up a deficit. There is a legitimate place for organizations to study the cost of government and stimulate the legislature to reduce taxes. It is no wonder that the State Chamber of Commerce and the California Taxpayers Association assumed leadership in this direction. When the legislature met, the senate appointed a "fact-finding" committee on the cost of government which in 3 weeks made a survey of every department of the State government and of many county and city activities, and presented 400 bills to the legislature. It seemed a superhuman task for a small group, but it developed that they had been "assisted" by the California Taxpayers Association. According to the survey, salaries were to be cut to the bone, consolidations and eliminations were to be made, schools were to be curtailed. Among other things, the aggregate salaries of the seven supreme court justices were to be cut from \$77,000 to \$56,000, or from an average of \$11,000 to \$8,000 every year.

But who runs the California Taxpayers Association? Among its directors are the heads of the most important public-utility companies of the State. They want governmental taxes reduced. But what about the taxes they themselves collect in gas, electric, telephone, telegraph, and railway rates? Is this clamor for tax reduction a means of diverting attention from their own extravagance? One hesitates to say, but the list of salaries of over \$5,000 a year recently reported to the California Legislature by the railroad commission is interesting, to say the least. A. F. Hockenbeamer, president of the Pacific Gas & Electric Co., the largest electric utility in the State, receives \$75,000 a year, or enough to pay the seven salaries of the supreme court, at the figure his "California Taxpayers Association" thinks just, for a period of 1 year and 4 months; Paul Shoup, president of the Southern Pacific Railway Co., listed at \$100,000, reported by the press to have been kicked upstairs at a salary of \$125,000, gets enough to support the entire supreme court for 2 years.

Other presidential salaries reported are: Pacific Telephone & Telegraph Co., \$60,000; Southern California Gas Co., \$50,000; Western Pacific Railroad, \$43,500; Southern California Edison Co., \$68,500. The total of salaries of over \$11,500 paid by the last-named company would pay the reduced salaries of the seven supreme court justices for 7 years.

The presidents of these companies are generous to others as well. The Pacific Gas & Electric Co. pays 1 salary of \$40,000; 7 of \$21,600, 2 of \$18,000, 7 more over \$11,000—in all, 94 salaries over \$5,000. The Southern California Edison Co. reports 1 of \$45,500, 1 of \$33,500, 1 of \$27,500, 3 more over \$15,500, 13 more over \$11,500—in all, 82 over \$5,000. The Southern Pacific Co., in addition to 1 salary of \$125,000, pays 1 of \$36,000, 1 of \$35,000, 2 of \$30,000, 2 of \$25,000, 2 of \$24,000, 1 of \$20,000, 2 of \$18,000, 3 of \$15,000—in all, 160 over \$5,000.

Even small electric utilities are solicitous for the welfare of their presidents. The Vallejo Electric Light & Power Co., generating no power and serving a small community, pays \$15,000 a year to its president, not far from a dollar apiece from every man, woman, and child in the town.

These fine salaries should enable the companies to get the very best brains in the community, which should be reflected in good service and lower rates to the consumers. Service, in general, is good, but rates are another story. Exact comparison of rates is

difficult to make, because each company has a policy all its own, usually making up its rates by adding to a minimum charge a price per kilowatt-hour which varies according to the quantity used. Such comparisons are not available in all the States, but I recently made such a study for the Commonwealth Club of San Francisco, published in its Transactions for June 1932. It may be said that the private companies' rates in California are lower on the average than those of companies operating elsewhere in the United States, though more than twice as high as the rates in Ontario, Canada, under public ownership. Twenty-one California cities own their own distributing systems, most of them buying power wholesale from the private companies. A comparison of domestic rates in these cities for lighting, heating, and cooking with those of the Pacific Gas & Electric Co. shows that three small towns in the group charge slightly higher rates and that all the others charge less.

For instance, for \$1 a month the Pacific Gas & Electric Co. gives 13 kilowatt-hours; Los Angeles, Glendale, and Burbank give 21. For \$2 the Pacific Gas & Electric sells 37 kilowatt-hours; Palo Alto sells 46, Pasadena 47, Los Angeles 48, and Healdsburg 60; Ottawa, Ontario, sells 128; and Tacoma, Wash., 130. Much the same ratios are found in the amounts of current for domestic use that can be bought for \$3, \$5, or more per month, and apply also for energy for commercial lighting and industrial use. Los Angeles attributes a large part of its industrial growth to its cheap municipal power rates, which had to be met by private competitors.

These cheaper power rates would hardly justify the cities, however, if they caused a deficit which had to be met from taxes. That side of the picture should be examined also. Do the cities subsidize their electric plants? The report I have cited contains exact data on this subject. It was found that after paying all operating expenses, depreciation on the investment, interest on debt, and so on—all of the items except taxes that the private companies pay—the cities made the following net profits per annum: Pasadena 47 percent, Redding 46 percent, Anaheim 46 percent, Glendale 45 percent, Lodi 38 percent, Healdsburg 37 percent, Alameda 35 percent, Riverside 35 percent, Palo Alto 34 percent, Roseville 32 percent, Santa Clara 28 percent, Los Angeles 28 percent. Moreover, the least net profit was 19 percent, in Burbank, where the city has not a monopoly and must compete with the Southern California Edison Co. In California electric-utility taxes average about 10½ percent of gross receipts. After that item is deducted (for bookkeeping purposes) the cities, operating with low-paid management, make from 8½ percent net to 35½ percent net profit every year, the average being well over 20 percent.

This theoretical tax allowance of 10½ percent has no real significance, however, as all the net profit of the municipal plants is used for city purposes. None goes out as dividends. What the private companies pay is an involuntary contribution to the cost of government, which we call a tax; the profits on operation made by the cities are all voluntary contributions for the same ends, and remove the necessity for a tax to raise the amount of this contribution. These are the sums that make "tax-free cities." In California there are none such, for the cities have adopted the policy of reducing rates and thus giving a wider usefulness to electric energy, but as we have seen, even at the lower rates great profits are made. Some statistics gathered just before the crash by Bird and Ryan in their book, Public Ownership on Trial, show that the net profits of the public electric plants aggregate over 30 percent of the amount raised by taxation in the same cities. The results of later years show substantially the same percentage. The net profits of the public plants have suffered less from the depression than almost any private business, and their net profits are approximately the same as 3 or 4 years ago. Those cities which also distribute gas make a comparable showing, so that if we add to the profits made from the sale of electricity those to be made by selling gas and water and giving telephone service at fair rates, the mystery of the tax-free city is solved.

EXECUTIVE SESSION

Mr. ROBINSON of Arkansas. Mr. President, I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

REPORTS OF COMMITTEES

The VICE PRESIDENT. Reports of committees are in order.

Mr. DILL. From the Committee on the Judiciary I report back favorably for the second time the name of Charles Wyzanski, Jr., of Massachusetts, to be Solicitor of Labor.

Mr. KING. Mr. President, the Senator is not going to ask for the confirmation of Mr. Wyzanski at this time?

Mr. DILL. No; I made no request in connection with the report.

Mr. DILL, from the same committee, also reported back favorably the nomination of George E. Hoffman, of Florida, to be United States attorney for the northern district of Florida.

Mr. KENDRICK, from the Committee on Public Lands and Surveys, reported back favorably the nomination of

Fred W. Johnson, of Wyoming, to be Commissioner of the General Land Office.

The VICE PRESIDENT. The nominations will be placed on the calendar.

Are there further reports of committees? If not, the calendar is in order.

THE CALENDAR—THE NAVY

Mr. ROBINSON of Arkansas. Mr. President, pending further consideration of the Acheson case, I ask unanimous consent that the routine nominations in the Navy on the calendar may be confirmed en bloc.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the nominations are confirmed en bloc.

UNDER SECRETARY OF THE TREASURY

The Chief Clerk read the nomination of Dean G. Acheson, of Maryland, to be Under Secretary of the Treasury.

Mr. COUZENS obtained the floor.

Mr. VANDENBERG. Mr. President, will my colleague yield to me?

Mr. COUZENS. I yield.

Mr. VANDENBERG. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Kendrick	Reynolds
Ashurst	Costigan	Keyes	Robinson, Ark.
Austin	Couzens	King	Robinson, Ind.
Bachman	Cutting	La Follette	Russell
Bailey	Dickinson	Lewis	Schall
Bankhead	Dieterich	Logan	Sheppard
Barbour	Dill	Loneragan	Shipstead
Barkley	Duffy	Long	Smith
Black	Erickson	McAdoo	Steiwer
Bone	Fess	McCarran	Stephens
Borah	Fletcher	McGill	Thomas, Okla.
Bratton	Frazier	McKellar	Thomas, Utah
Brown	George	McNary	Townsend
Bulkeley	Glass	Metcalf	Trammell
Bulow	Goldsborough	Murphy	Tydings
Byrd	Gore	Neely	Vandenberg
Byrnes	Hale	Norris	Van Nuys
Capper	Harrison	Nye	Wagner
Caraway	Hastings	Overton	Walcott
Carey	Hatfield	Patterson	Walsh
Clark	Hayden	Pittman	Wheeler
Connally	Hebert	Pope	White
Coolidge	Johnson	Reed	

The PRESIDING OFFICER (Mr. SMITH in the chair). Ninety-one Senators having answered to their names, a quorum is present.

Mr. COUZENS. Mr. President, I dislike very much to have to repeat. I dislike to have to listen to Senators who say the same thing over and over again. On last Friday evening, however, through the insistence of the senior Senator from Mississippi [Mr. HARRISON], we were required to proceed with the consideration of the nomination of Mr. Dean G. Acheson for Under Secretary of the Treasury. After reviewing the matter for nearly three quarters of an hour, we found that we had only 24 Senators present, and obviously we could not conclude the nomination that evening. Therefore it is apparent that, in all probability, not more than 20 or 25 Senators have read or heard the testimony with respect to the confirmation of Mr. Acheson. The testimony was taken by the Committee on Finance.

I do not intend to repeat all of the arguments I used last Friday evening against the confirmation of Mr. Acheson, but I do desire to draw to the attention of the Senate the testimony that was taken before the Finance Committee. I understand that the testimony has not been printed, and therefore it is not available, except as it appears in the RECORD.

When Mr. Acheson appeared before the Finance Committee, the senior Senator from Mississippi [Mr. HARRISON] was presiding, and he said:

Mr. Acheson, you have been nominated as Under Secretary of the Treasury, and the committee felt they wanted to look you over and might want to ask you some questions.

Mr. ACHESON. I am delighted to come up, Senator.

Mr. President, I am going to leave out some of the questions and answers that do not seem relevant.

Mr. Acheson said:

I was born in Connecticut and lived there until after the war. Then I came down to Washington as secretary for Mr. Justice Brandeis and intended to stay only a short time with him, and I stayed 2 years, and then went into Judge Covington's law firm and practiced law ever since. I have lived in Georgetown and have a house there. Then I bought this place in Sandy Springs, and we live there a little more than half the year.

Senator COUZENS. What was your practice when you were with Judge Covington?

Mr. ACHESON. I have been almost everything, Senator. I think we have a considerable tax practice. I myself have done most of the international law work. I went with the firm for that purpose in 1922. Our firm was representing the Norwegian Government in an arbitration with the United States that took place under the old Permanent Court of Arbitration at The Hague, and I prepared that case, which took a little over a year, and went to The Hague and presented it to the court with Mr. Burling, the senior partner.

Senator COUZENS. Have you practiced before the Bureau of Internal Revenue?

Mr. ACHESON. Yes, sir; I have been frequently before the Bureau. Senator COUZENS. Can you name offhand some of your clients?

Mr. ACHESON. It is hard to think of them now. Going backward—I am now representing Mr. James E. Davidson, of Bay City, Mich. That is my most recent thing. I was doing that up to a few days ago. Before that I represented Mr. Polk, publisher of the—

Senator COUZENS. Polk's Directory?

Mr. ACHESON. Polk's Directory. I represented the Bethlehem Steel Corporation in a case which originated—no, that did not originate in the Bureau. That was in the Court of Claims. These things have completely gone out of my mind.

Senator COUZENS. Perhaps you could get a list and give it to us later on, if it is more convenient?

Mr. ACHESON. That will be a very simple thing to do. They are largely individual taxpayers. There are some corporate taxpayers, but not very many.

Senator COUZENS. Are the cases still open or closed?

Mr. ACHESON. I think there are about three that are still open. The CHAIRMAN. Do you recall those cases that are still open?

Mr. ACHESON. Yes; there may be more than three. The ones that are still open are Mr. James Davidson, an estate tax case. There is the case of one of the partners of Price Waterhouse, a comparatively small one, which is still open. There is the case of an individual, Daniel Altland, of Detroit, which is still open.

Senator COUZENS. How did you come to get all of these Detroit cases? Most of everything seems to come from Michigan.

Mr. ACHESON. Mr. Bonchroon, who is a partner of Price Waterhouse, has been a friend of mine for a long time, and almost all the things he has here he sends to me.

The CHAIRMAN. Judge Covington, your law partner, was on the bench of the Supreme Court of the District here, was he not? He was chief justice?

Mr. ACHESON. Chief justice; yes, sir.

Senator BARKLEY. And a former Member of the House?

Mr. ACHESON. Yes.

Senator CONNALLY. Was the case you had in Norway these shipping claims?

Mr. ACHESON. Yes.

Senator BARKLEY. These tax cases—are they for refund or are they protesting against increased assessments?

Mr. ACHESON. I think there is only one case for a refund that I recall now. That is the case of what was the First National Bank of Detroit, in regard to its 1929 and 1930 tax. That has now left the Bureau and there will be suit in the district court of the United States. The Bureau has assessed the tax finally, the tax has been paid, and the next step is a suit for refund.

Senator KING. Are any of these dealings that you had, or your relations, with the tax department of the Government such that they would prove embarrassing to you in the duties of this office?

Mr. ACHESON. I do not think they would in any way, Senator. Senator COUZENS. You would have to pass upon the decisions, I suppose, that the Bureau might render, since I notice the law requires the Treasury to approve those matters, and I suppose the Under Secretary—you, as Under Secretary—would have that responsibility?

Mr. ACHESON. I suppose I would in respect to any of the refunds. Cases of additional taxes would not, as I understand it, come before me at all.

Senator REED. Mr. Acheson, what financial experience have you had?

Mr. ACHESON. I have had practically none, Senator.

Senator REED. Have you made any study of public finances at all?

Mr. ACHESON. None at all.

The CHAIRMAN. Where did you attend school, Mr. Acheson?

Mr. ACHESON. I went to Groton School, in Massachusetts, and I went to Yale University and the Harvard Law School.

Senator BARKLEY. Were you an applicant for this place?

Mr. ACHESON. No, sir; I was not.

Senator COUZENS. Who was your sponsor—Senator Tydings?

Senator TYDINGS, who was present, said:

Of course, of course.

The CHAIRMAN. You said you were not an applicant for it, Mr. Acheson?

Mr. ACHESON. Not at all.

The CHAIRMAN. The suggestion came from without?

Mr. ACHESON. I had absolutely no knowledge of this at all until the Secretary asked me to come over and see him; and when I went over he asked me if I would do this job for him.

Senator COUZENS. Is your firm also a representative of the International Telephone & Telegraph Co.?

Mr. ACHESON. Yes; they are.

Senator COUZENS. And Mr. John Marshall is also a member of your firm?

Mr. ACHESON. He is associated with our firm. He is not a member of our firm.

Senator COUZENS. Do you represent in any way the Radio Corporation of America?

Mr. ACHESON. I believe that we do. Whether we represent them generally or in specific litigation, I don't know. I myself have never had anything to do with those general retainers, and I don't know what goes on exactly.

There is a suit, I believe, in the Court of Appeals of the District of Columbia, and I understand that our firm is representing the Radio Corporation there.

Senator COUZENS. Do you represent the Van Sweringens in any cases?

Mr. ACHESON. Mr. Marshall does. That is his own retainer. My firm has nothing to do with that and is not connected with it in any way, either sharing in the fees paid or participating in any advice. We have no knowledge at all of what is done in that.

Senator COUZENS. You have quite a lot of corporate affiliations, do you not?

Mr. ACHESON. My firm does.

Senator BARKLEY. Do you represent any New York banks that are known as "international bankers"?

Mr. ACHESON. In these recent hearings Judge Covington represented the National City Bank. Whether that is an international bank or not, I do not know.

Senator COUZENS. I would say it is a very decided international bank, according to the testimony before the Committee on Banking and Currency.

Senator BARKLEY. Does your firm represent J. P. Morgan in any way?

Mr. ACHESON. Mr. John Davis represents J. P. Morgan & Co., and he occasionally asks Judge Covington for his advice on specific questions. We have no general retainer or any specific employment by them.

I want to point out that Mr. Acheson has for many years been a partner of Judge Covington, and Judge Covington has been an adviser of J. Pierpont Morgan & Co., the Radio Corporation of America, the American Telegraph & Telephone Co., and a great many other corporations and interests a list of which I have had printed in the RECORD as a result of a list submitted to the committee by Mr. Acheson.

Further on the following occurred:

Senator CONNALLY. In addition to the duties of the Under Secretary, as the first assistant to the Secretary, does he have supervision over any particular departments over there?

Mr. ACHESON. I understand, Senator, the things that are directly under him are those bureaus that have to do with the public debt. I have a very vague idea of what are the duties of an Under Secretary, but I believe the financing of the Government and anything to do with the public debt comes directly under him.

Senator McADOO. The fiscal bureaus come under the Under Secretary, do they not?

Mr. ACHESON. I think there is one Assistant Secretary, Senator McADOO, who has charge of the internal revenue and another who has the customs.

Senator McADOO. I know that; but when I was Secretary of the Treasury the technical division was the fiscal bureau, so-called, and they were particularly in charge of one of the Assistant Secretaries. But since then I think the Department has been reorganized to some extent, and the Under Secretary having been created, I think he is considered as the right arm of the Secretary, and he acts generally with reference to all bureaus on all questions that arise in the Department.

Mr. ACHESON. That is my understanding.

Senator McADOO. And he is practically the Secretary in his absence. Isn't that the jurisdiction you will exercise?

Mr. ACHESON. I think that is about it.

Senator KING. With your understanding of the technique and the modus operandi in and of the Treasury Department, would you say your duties would be similar to those which were performed by Ogden Mills?

Mr. ACHESON. When he was Under Secretary?

Senator KING. Yes.

Mr. ACHESON. I presume they would be.

I want to point out that the Senator from Utah [Mr. KING] intimated that Mr. Acheson was familiar, in the language of the Senator from Utah, "with the modus operandi and the technique of the Treasury Department," and yet in answer to a query from the Senator from Pennsylvania [Mr. REED], he made the statement that he had no familiarity with finance and no familiarity with the Treasury Department.

I read further from the hearing:

Senator COUZENS. Have you ever represented the Insulls in any case?

Mr. ACHESON. I don't think we have ever had anything to do with the Insulls.

Senator COUZENS. None of your firm has?

Mr. ACHESON. That is my understanding.

Senator COUZENS. Have you ever represented any of the Kruegers' companies?

Mr. ACHESON. Not at all. We have represented the Swedish Government.

Senator COUZENS. As against the Kruegers?

Mr. ACHESON. Yes.

The CHAIRMAN. Are there any other questions? We thank you very much for coming up, Mr. Acheson.

Senator TYDINGS. Apart from the fact that Mr. Acheson comes from Maryland, I believe you gentlemen will find he will be a pleasant surprise in the office.

I have since been encouraged to withdraw my objection to Mr. Acheson on the alleged statement that he is a Socialist, and I assume that is what the Senator from Maryland meant when he said Mr. Acheson would be a pleasant surprise. It was apparently thought that would appeal to me, and the assumption was based on the theory that he had been a former associate of Justice Brandeis, and having, apparently, some of Justice Brandeis' liberal thoughts, it was suggested to some of my friends in the Senate that I ought to withdraw my opposition to Mr. Acheson.

At this point I want to repeat, Mr. President, that nothing I am saying against Mr. Acheson is meant to cast the slightest reflection on him as a man. But, as I said Friday evening, ever since I have been in Congress I have resisted filling the Treasury Department, the very heart of the Government, with men who had either served special interests or would have special-interest connections.

Mr. President, so far as I can remember there has always been a complete coalition in the Treasury Department between Democrats and Republicans. Never during all of the investigations the special Senate committee made of the activities of the Bureau of Internal Revenue were we able to get a rise out of the Democrats, and I do not expect now that I shall get a rise out of the Republicans by pointing out the kind of men who are being placed in the Treasury Department.

Mr. President, when it comes to the management of money there is no partisanship. No two men of wealth, either Republicans or Democrats, ever fought each other seriously. Their interests are against it. They are solidified, and there is the finest working coalition between all parties when it comes to the control of the Treasury Department of the United States.

The Senator from Maryland [Mr. TYDINGS] said that Mr. Acheson would be a pleasant surprise, and, now that the Senator from Maryland is in the Chamber, I assume he is going to tell us why he is to be a pleasant surprise; and I want to apologize to the Senator for going ahead Friday evening when he was not here, but I did so upon the insistence of the Chairman of the Committee on Finance, who had charge of the nomination.

The Senator from Maryland said:

He has great ability and great industry and holds high conception of any governmental responsibility, and it is a real pleasure for me to endorse him. I am satisfied the committee will have no regrets if they endorse him.

Senator KING. Mr. Woodin, then, did not initiate the movement to bring him into the Treasury; it came from you; is that it?

Senator TYDINGS. Partly, he did. He wanted a man who had not too much financial connections with banks and so on, yet who had enough general background and industry and general understanding to act in that office, so he told me over the telephone.

Senator KING. He didn't know Mr. Acheson?

Senator TYDINGS. He knew him, but not well. But he investigated him, he told me, very thoroughly and he seemed to be the very character of man he wanted.

The CHAIRMAN. Thank you very much.

Mr. President, of course there is no doubt about the fact that Secretary Woodin, who had been long associated with New York interests, had to be satisfied that Mr. Acheson was right before he approved of his nomination, and obviously the Secretary of the Treasury made a very thorough investigation of Mr. Acheson's past connections and his activities; otherwise he would not have approved of his

appointment. So I am quite satisfied that the Senator from Maryland told the truth.

Mr. President, as I said Friday evening, I know that the nomination will be confirmed, and I know that I could do no more than make a public record of the kind of men being placed in the Treasury Department, and the associations of these men. I am quite sure that in a short time there will come before us a nomination for Commissioner of Internal Revenue. I think that there will be more to be said about that nominee as a man, and his connections, which will be more appealing to the Senate, perhaps, than mere opposition to Mr. Acheson on the theory of his previous connections.

I assure the Senate and the public that when these gentlemen have been confirmed and have taken office, every act they perform will be closely watched, because I am quite sure, as I said last Friday evening, that the President of the United States, with his multitude of duties, does not know the former connections and all of the activities of the men he is placing in the Treasury Department.

Mr. TYDINGS. Mr. President, I shall detain the Senate for only a few minutes. I have known Mr. Acheson for a long time. I know something of his political philosophy. I think I know something of his beliefs and something of his integrity of character.

Mr. Acheson comes from Connecticut, but during all the time the Republican Party has been in power here in Washington, during which time he has been practicing law, insofar as I know he has not surrendered his political beliefs for any monetary, partisan, or other advantage. He has remained an active member of the Democratic Party.

It has not been said, but should be said, that Mr. Acheson has represented the Union of Soviet Socialist Republics. It might be contended that because he represented modern Russia in a case before the Tariff Commission he is just the opposite of the kind of man who would represent Mr. Morgan, that because the Soviets have been his clients, therefore he is "red" or "radical", or unfitted to hold the office to which he has been nominated.

Mr. Acheson has also represented labor unions. Indeed, very recently in my own State he appeared for one of the typographical unions in Baltimore City.

Mr. Acheson secured this business not because of any connection he had, but because he possessed the one thing which this Government requires; that is, ability backed up with character and integrity. If some financier from Wall Street had been selected, I think that many of the observations made by the Senator from Michigan would have been well grounded. But Mr. Acheson has had no financial connection with Wall Street. He has been employed as an attorney, and employed as an attorney because he had outstanding ability. I am told that in the Supreme Court of the United States he occupies a very enviable position, gained from the very concise and logical way in which he has presented many intricate matters before that august tribunal.

Mr. Acheson is not a reactionary. I think he is a progressively minded man. I do not think he is a mossback in any sense of the word, and I do not think the connections with large financial interests which he has had, together with connections with labor and communistic interests, have in any way altered his viewpoint of life or of government. I know that he has the highest concepts of citizenship. I know that he will give every ounce of his energy, every bit of his ability and integrity to the performance of the duties of his office in such a manner as will, in my judgment, please the Senator from Michigan.

What is an attorney to do? If he has the ability to attract a case he does not have to sleep in bed with the man who hires him, nor to share the political philosophy of the man who employs him, nor to accept ill-gotten gains perchance from the man who wants him to act as a lawyer. All he has to do is to present that side of the case. Mr. Acheson has done that with signal ability, and although comparatively only a young man, has won for himself a place of esteem in the highest courts of the land.

May I say to the Senator from Michigan that I am not out of sympathy with the observations he has made, and I admire his zeal in trying to keep public office removed from sources that might, to some extent, influence it unwisely; but I can assure him that if Mr. Acheson makes mistakes they will not be because of any desire to help one interest or one group at the expense of the country or of the population as a whole. I can assure him, from my contact with Mr. Acheson, that everything of citizenship which he has to give will be given to the furtherance of the duties of his office, in the hope that he may, by reason of his executive ability and industry, win the approval of the country in the discharge of his duties.

Mr. COUZENS. Mr. President, will the Senator from Maryland yield to me?

Mr. TYDINGS. Yes; I yield.

Mr. COUZENS. May I ask the Senator if it was on his own initiative that Mr. Acheson's name was submitted by the President for nomination for Under Secretary of the Treasury?

Mr. TYDINGS. No; it was not. I had recommended Mr. Acheson for Solicitor General of the United States, and I am glad to state—and it is no breach of confidence to do so—that those in high authority would have liked to give him that position, because of very high recommendations from the bench as to his ability. I believe he was selected because he is an industrious man, with a very good grounding in history and philosophy. He is exceptionally well educated; he has been since he left college a student in a multitude of subjects, and it will not be long before his ability will be shown in the Treasury Department.

I do not believe a man has to work in a bank; I do not believe a man has to be an international banker or even a city banker to be a good Secretary of the Treasury. I will concede such an experience should be valuable, but there is no mystery about that office. It is nothing but a large book-keeping office, with sound principles upon which it should be run. I know that Mr. Acheson has the ability to master the duties of the office of Under Secretary of the Treasury and will be a very valuable official in the conduct of the affairs of the Government.

Mr. Acheson, insofar as I know, was sent for to receive the "plum" at the hands of the administration; he was asked whether he would take it; and I was simply consulted in the matter, because I happened to be the only Democratic Senator from Maryland. I was asked if I would object to him. I said then, as I say now, that I am genuinely glad to see him get the office and am sure he will discharge his duties in a highly creditable manner.

The PRESIDING OFFICER. The question is, Will the Senate advise and consent to the confirmation of the nomination?

Mr. ROBINSON of Indiana. Mr. President, I ask for the yeas and nays.

The yeas and nays were not ordered.

The nomination was confirmed.

CONFIRMATION OF EUGENE R. BLACK—NOTIFICATION TO THE PRESIDENT

Mr. GEORGE. Mr. President, I wish to renew the request for unanimous consent that I submitted to the Senate on yesterday that the President be notified of the confirmation of the nomination of Mr. Eugene R. Black to be a member of the Federal Reserve Board. The Senator from Oregon asked that the request go over for the day, but for the same reason stated yesterday I hope there will be no objection today to the request that the President may be notified.

The PRESIDING OFFICER. Is there objection?

Mr. McNARY. Mr. President, it will only require one further day for the consideration of this matter. The President will then be automatically notified. Inasmuch as a number of Senators desire that that procedure be followed, I think the Senator from Georgia had better not press his request at this time.

Mr. COUZENS. Mr. President, may I ask the Senator what was the request which was made by the Senator from Georgia?

Mr. McNARY. The request was for the notification of the President of the confirmation of Mr. Eugene R. Black as a member of the Federal Reserve Board, to which I objected yesterday.

Mr. GEORGE. I have asked that the President may be notified of the confirmation of Mr. Black's nomination.

Mr. McNARY. I stated to the Senator from Georgia that I objected yesterday because there are a number of Senators who like the old procedure to be followed rather than taking the short cut. We have had two executive sessions and tomorrow, automatically, the President will be notified of the confirmation; so I think the Senator from Georgia had better withhold his request.

The PRESIDING OFFICER. Objection is made.

Mr. TYDINGS. Mr. President, I suppose what the Senator from Oregon has just stated applies to other nominations, and I therefore will not make a request similar to that which has been made by the Senator from Georgia.

THE JUDICIARY

The legislative clerk read the nomination of Francis A. Garrecht, of Washington, to be United States circuit judge, ninth circuit.

The PRESIDING OFFICER. Without objection, the nomination is confirmed. That completes the calendar.

LEGISLATIVE SESSION

Mr. ROBINSON of Arkansas. I move that the Senate return to legislative business.

The motion was agreed to, and the Senate resumed the consideration of legislative business.

ARMS EMBARGO AND NEUTRALITY—ARTICLE BY EDWIN M. BORCHARD

Mr. REED. Mr. President, I ask unanimous consent that there may be printed in the CONGRESSIONAL RECORD an article on the Arms Embargo and Neutrality, by Edwin M. Borchard, of the Yale University School of Law.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

THE ARMS EMBARGO AND NEUTRALITY

In the closing days of the Hoover administration, the United States Senate passed, but then reconsidered, a joint resolution reading, in part, as follows:

"Joint resolution to prohibit the exportation of arms or munitions of war from the United States under certain conditions

"Resolved, etc., That whenever the President finds that in any part of the world conditions exist such that the shipment of arms or munitions of war from countries which produce these commodities may promote or encourage the employment of force in the course of a dispute or conflict between nations, and, after securing the cooperation of such governments as the President deems necessary, he makes proclamation thereof, it shall be unlawful to export, or sell for export, except under such limitations and exceptions as the President prescribes, any arms or munitions of war from any place in the United States to such country or countries as he may designate, until otherwise ordered by the President or by Congress."

The resolution did not reach the floor of the House of Representatives, but in committee was amended to limit its application to the American continent. The new administration has again pressed for the passage of such a resolution, and it was reported out, on a strictly party division, by the Foreign Affairs Committee on March 28, 1933, without amendment. The matter is so important, that John Bassett Moore felt impelled to caution the House and the country against the resolution. Its legal aspects, in the light of the official memorandum on The Arms Embargo and Neutrality submitted to the House committee on February 7 by the Secretary of State, deserve careful consideration.

It will be observed that the resolution in effect authorizes the President, whenever he finds that "dispute", "conflict", or war, de facto or de jure, exists between nations "in any part of the world" or that "conditions exist" anywhere which by the supply of arms might lead to "the employment of force" in their development or solution, to prohibit, "after securing the cooperation of such governments as the President deems necessary", the export of "arms or munitions of war" from the United States "to such country or countries as he may designate."

It is believed that the grant of such power to the President is unconstitutional and dangerous. It gives the President the power (1) to make treaties with foreign governments without the consent of the Senate; (2) to enter into alliances without the consent of the Senate; (3) to violate the neutrality laws of the United States by embargoing the shipment of arms to one of two or more belligerents; and (4) in effect to declare war on the country thus selected without the consent of Congress.

No such power has ever been conferred on any President, and it is believed unwise, as well as illegal, for the House of Repre-

sentatives and Senate thus to abdicate their constitutional functions.

It will be observed that no restriction of any kind is laid upon the President as to the countries with whom he need "cooperate." He may make a treaty or an alliance with any countries or with as many or as few as he wishes, without consulting any desires but his own.

The export of arms is one of the most important of trades, because it has not only commercial, but political, implications. It can so vitally affect the course of hostilities abroad that it has always impinged upon international law. The free and unrestricted supply of arms to all belligerents by neutral citizens is not illegal and is defended on the ground that it is not the duty of neutral governments by international law to prohibit their citizens from manufacturing and selling arms, so long as the privilege of purchase is open to all belligerents. On the other hand, some countries, realizing the resulting danger of enlarging and prolonging foreign conflicts and the danger to their own and their citizens' neutrality, have, like the Scandinavian countries, Brazil, and Switzerland, on occasion, by statute prohibited the export of arms in time of war.

But in either case, the permission or prohibition must, in order to be defensible in international law, apply to all the countries at war, and not to some of them. Impartiality is the keynote of neutrality (Oppenheim, 4th ed., 563). If some only could be selected either for the permission or prohibition, neutrality would at once be violated and the country discriminated against would have a legitimate *casus belli*. The discrimination is an unfriendly and hostile act of greatest significance, and against a strong power might very readily be a prelude to war. It is, indeed, a warlike act, if not itself an act of war. It is as dangerous as the boycott which some Americans urged against Japan in the spring of 1932, but which Congress and the country wisely rejected. It is in fact a boycott of a special kind.¹ It can, moreover, hardly be applied by governmental action without breach of the usual commercial treaty, if any, concluded with the country against which it is applied.

The President is thus given the power to make an alliance and a treaty for hostile action against a third state or states, without consultation with, and hence without the consent of, Congress. Such power, even in time of war, was refused to the last Democratic President. Now, in time of peace, without any restrictions or limitations, it is proposed to confer it upon the occupant of the Presidential office.

As already observed, the resolution contemplates a hostile act which empowers the President to breach our commercial treaties, violate and impair the neutrality of the United States—perhaps its most valuable asset and safeguard—and take a step which every self-respecting belligerent would probably regard as a *casus belli*. It amounts to a declaration of war against the country singled out for the application of the embargo.

It is said, however, in the official memorandum submitted in its support that the existing embargo power, in cases of domestic violence on the American continent and in China, has been employed "with great effect and negligible friction." One may respectfully venture to doubt this conclusion. As in the case of Brazil in 1930, the embargo was employed against the revolutionary party, who the next day took over the seat of government. The unneutral act involved produced serious criticism.² A few days after declaring an embargo against the revolutionists the United States recognized them as the Government of Brazil. Contrary to a common assumption, there is no duty upon the United States to stop a revolution abroad any more than it was the duty of Russia or Spain to stop the American Revolution. To undertake such a function, indeed, is a breach of neutrality, and hence illegal as a matter of international law. It involves intervention in the affairs of a foreign country and has already incurred for the United States distrust on the American Continent. It enables the administration to play favorites abroad, interfere when it should abstain, and thus forfeit that impartiality and neutrality which is the keystone of foreign respect. The interfering partisan often invites and enlists the hatred and contempt of both sides, and experience might indicate that the Government is as likely to be mistaken as it is to be correct in estimating the merits of a foreign controversy, even if such judgments were possible and even if it were deemed an American duty to be a judge.

But in interfering in domestic struggles on the American continent by withholding arms from one side or the other, no great power has as yet been affected. The United States is not likely to get into full war because of its breach of neutrality or other error in choosing sides. But when it comes to dealing with powers "in any part of the world", not in their domestic struggles or civil wars but when engaged in foreign wars, much more responsibility is assumed. It enables the United States to participate in foreign wars by withholding arms from one side or another, as the President sees fit, and perhaps thus to determine the outcome of the war. It is to be doubted whether any single chief of state anywhere in modern times has had, or claimed, such unrestricted power.

It seems strange that Senators who were not willing to have the United States join the League of Nations, where the United

States would be but one of many powers and where action under article 16 could be taken only by unanimity, should be willing to permit the President, on his own unreviewable election, to join with one or more powers of the League to do that which article 16 at least safeguards by the requirement of unanimity.

The Senate has declined to pass the Capper resolution. The present resolution would seem to be equally, if not more, dangerous. It, in effect, authorizes the President to make war in the name of peace.

The official memorandum submitted in its support states that in case of a foreign war the embargo would "not, of course, be employed unless there was general cooperation and united opinion among the principal powers who could supply munitions." There is nothing to indicate any such limitation in the resolution. It seems unusual statutory construction to suggest that an unlimited and unrestricted power could or would only be used under limitations and restrictions. To the suggestion that the President would not abuse the power given, the answer may be made that there is no test of "abuse" afforded and that the same argument would sustain the conferring of complete dictatorial powers. It is not readily apparent what beneficial purpose or contemplated exigency the arms embargo is supposed to subserve.

The memorandum indicates in its paragraph marked "Second" that the resolution is to be used against an "aggressor." No more shoddy and shallow, if not mischievous, conception has come out of the League of Nations than the conception of "aggressor." Its origin and purpose are well known, but its effect has been to confuse the world. It awakens in many minds a kind of emotional morality which enables indignation and violence to clothe themselves in the mantle of righteousness. Possibly that is one of the reasons why the world is now twice as heavily armed as it was in 1913, with disorder and chaos extending their domain. The idea that the peace of the world is promoted by combining against an "aggressor" is, it is believed, false and romantic. It threatens and requires war to produce peace. Fortunately, that idea had not developed when the United States was expanding on this continent. To prevent the natural development of strong and responsible states by supporting the chaotic, the weak, and the disintegrating is a sorry service to peace and stability. The "verdict of the League of Nations", for which the memorandum shows so much respect, is a political verdict and must necessarily be so. The embargo resolution may be deemed a temptation to the President to carry out the "verdict" of the League of Nations, provided he agrees with that "verdict." Thus, if the League should determine that Japan has been an "aggressor", the United States, not a member of the League, might be placed in a position to carry into execution the verdict of a League it itself refused to join, against a nation that left the League for one of the very reasons on which the United States declined to enter.

The memorandum suggests that the "old conception of neutrality as a possibility is gone in the modern world if large nations are involved in war." It is respectfully submitted that this is a deplorable and unjustified view, certainly so long as the neutrality laws remain on the statute books and neutrality treaties are concluded. Twenty or more nations, including some fairly large ones, exercising their considered judgment, decided to remain neutral in the late war. Their acumen has been rewarded. The supposition adduced in the memorandum implies that it is not possible to remain sensible when others lose their heads, but that the sense of self-interest and of self-preservation have gone from the world, their places to be taken by vacuity or hysteria. I am not prepared to believe that the entire world has lost its senses and that anarchy has taken the place of law. Washington and Jefferson were able in time of stress to preserve their sense of the fitness of things and of the self-interest of the United States. The very shortness of war which science promises should make neutrality easier, and not more difficult, to preserve. As it is assumed that the life and reputation of the United States will be a matter of importance to the future statesmen of the country, it is likely that the United States will again remain neutral.

The suggestion that it is not possible to remain neutral is negated by the fact that countries much more closely affected by the late struggle than the United States, such as the Scandinavian countries and Holland, were perfectly able to maintain their neutrality. In all the wars fought since 1919, including that between Poland and Russia, Greece and Turkey, Japan and China, and those on this Continent, the nonparticipating members of the League of Nations and the United States remained neutral. Neutrality has been stipulated in innumerable treaties since 1919, including treaties between European powers and those concluded at Habana in 1928. It is interesting to note that immediately upon the publication of the Report of the Committee of Nineteen, denouncing Japan, the British Government declared an embargo on arms, not against Japan but against both belligerents, for the very purpose of preserving British neutrality. When the embargo was lifted neutrality was still the keynote of the policy; and this, doubtless, because the major responsibility of every government is to its own people, a fact which alone is likely to prevent the execution of general schemes for alleged universal peace or security by threat of or actual hostility.

The conception that every war in which a large power is engaged must involve the world and that neutrality is a thing of the past

¹ Some of the legal consequences of such a boycott, which the proponents of an arms embargo against a single belligerent may not adequately have considered, are set out by Messrs. Hyde and Wehle in their article, "The Boycott in Foreign Affairs."

² John Bassett Moore, Candor and Common Sense, address before Bar Association of New York, Dec. 4, 1930, p. 20.

³ The report of the Committee of Nineteen does not characterize Japan as an "aggressor"; it is said that this occasion was intentional, to prevent the sanctions of art. 16 from coming into force.

is a view reconcilable only with permanent anarchy in the world. It takes no account of the self-interest of nations in refusing to be dragged into a war in which they have no concern. It is doubted whether the masses of the people in most countries will permit themselves freely to be slaughtered in wars in which they have no interest. Moreover, if neutrality were really a thing of the past, the Disarmament Conference is directly contrary to the interests of all the participating nations, for in that event all nations must, and should, arm to the teeth. If law is dead, then force is the only arbiter. It is to this conclusion that the "peace" advocates who toy with such conceptions as combinations and embargoes against "aggressors", "verdicts of the League of Nations", "any war is an attack on all mankind", and "war to end war" risk misleading the world; and its present state is in part attributable to such unhistorical and unrealistic, yet dangerous, conceptions.

The mere fact that the commerce of the neutral may be "under fire"—an assumption which doubtless presupposes the continued existence of neutrality—is no reason for plunging a nation into war and risking its extermination. If neutral rights are, despite protest, legally violated, there are other sanctions than war available. Many claims conventions in the past have been set up to determine the liability consequent upon a belligerent's violation of the neutral rights of neutral powers and their citizens.

The embargo resolution, it is submitted, should pass only if amended to safeguard the neutrality of the United States under all circumstances; that is, it should be made impossible to employ it against one belligerent alone, but only against both or all the belligerents. In addition, it should reject any implication of the abdication by House and Senate of their constitutional functions, either with respect to the making of treaties or alliances with foreign powers, or, alone or in combination with other powers, entering into hostilities.

THE SILVER RACKET—ARTICLE BY NEIL CAROTHERS

Mr. REED. Mr. President, I ask unanimous consent that there may be printed in the RECORD an article entitled "The Silver Racket", by Prof. Neil Carothers, which appeared in last Sunday's New York Herald Tribune.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the New York Herald Tribune, May 14, 1933]

THE SILVER RACKET—WITH INFLATION AUTHORIZED AND WITH BIMETALLISM AND THE PAYMENT OF PART OF THE WAR DEBT IN SILVER UNDER CONSIDERATION, SILVER AGAIN ENTERS THE AMERICAN STAGE, WHERE IT HAS OFTEN PLAYED A TRAGIC ROLE—HERE IS THE FIRST OF TWO ARTICLES ON ITS SINISTER HISTORY

By Neil Carothers, professor of economics and Director of the College of Business Administration at Lehigh University

Imagine, if you will, another people in another age—the French Nation in the time of Louis XV, poverty-stricken and economically illiterate. Watch a clever and designing man, presenting with facile reasoning to a deluded king and an ignorant people a scheme for unlimited wealth for all. See the king and people embrace this scheme, and in the end collapse and ruin. Thus a susceptible ruler and a helpless people and a plausible adventurer, France and Louis XV and John Law and the Mississippi Bubble inflation scheme, in the year 1720.

Turn to your own country in the year 1933, and see a rich and powerful people, sorely stricken, wretched, and rebellious after 4 bitter years of distress. Listen to the economic Babel, a bewildering confusion of theories, proposals, and panaceas, beside which the Biblical "confusion of tongues" was lucidity itself. Note the rival devices, actual and proposed—beer, planting trees, closing 18,000 banks and reopening 15,000, a 6-hour day and a 5-day week, guaranty of business profits, payment of the debts of those who speculated in land, a minimum wage, a "planning board" to mobilize industry, and on indefinitely; but far outnumbering these chimeras, endless proposals for tinkering with the currency.

In all the realm of human affairs there are no problems so complex, no forces so delicate, as those involved in the relationship of money to prices, credit, and international exchanges. It was with an unconscious wisdom that Will Rogers said that there were two kinds of crazy people, the ordinary kind who work jigsaw puzzles and the special kind who think they understand inflation. One false step in managing the intricate mechanism of money and credit and the savings of millions of people are swept away; another kind of mistake and a ruinous orgy of speculation begins; another, and a government goes bankrupt.

Consider finally the body that controls this delicate financial mechanism, the Congress of the United States, in the main without equipment to grasp the fundamental principles of monetary science, not even aware of the major events in the history of the country's currency. Look still further, and find in the Senate a group of men, shrewd and powerful, committed to the interests of a single monetary commodity.

This is the setting for the extraordinary drama in which silver has once again made her reentry on a stage that has repeatedly presented an American tragedy, with silver in the leading role. All through American history there runs a sinister story of silver, from the mistaken adoption of bimetalism by Alexander Hamilton to the raid on the Public Treasury by the Pittman Act of 1918. Always lurking in the wings, silver comes on the scene when the economic lights are dark. President Roosevelt's inflation measure

of April 20 contained three essential provisions—one to authorize a vast issue of paper money, another to pare down our standard gold dollar, and a third to permit payment of the war debts in silver bullion.

It is not within the province of this article to discuss the expediency of the first two provisions. They constitute the most extraordinary proposals ever made by a President in time of peace. The critical condition of the country may or may not justify them. We are concerned here only with the provision for payment of the war debts in silver. Even the well-informed student of finance was mystified by this proposal. How can it help the unemployed millions or restore industry? What is it for?

The answer is to be found only in the long and dramatic story of silver. It is an older history than the Bible's, and no page of it lacks color and interest. But we must begin with modern times. A hundred and fifty years ago every important nation of Europe was waging a losing struggle with bimetalism, which is merely a monetary system in which prices are quoted and debts are paid in two metals—gold and silver. In ancient times other metals were used, and Russia tried the plan in modern times with platinum. For any single nation bimetalism is impractical—it will not "work." One metal or the other is always disappearing. For a century England, France, and Spain, with discordant ratios between the two metals, took from one another their small silver change or their valuable gold reserves. England first, then the Latin countries of Europe, and Germany, and Japan abandoned bimetalism. Germany conquered France in 1870 and used a billion-dollar gold indemnity to set up her single gold standard.

Hamilton established American bimetalism in 1792, with the same silver dollar we have now and a gold dollar somewhat larger than the one we use today. The system didn't work. Our gold was drained to England. In 1834 and 1837 Congress reduced the size of the gold dollar, making the ratio 16 to 1. This caused the disappearance of all the silver change in the country, creating chaos in retail trade. In 1853 Congress abolished bimetalism for all the silver coins except the dollar. Since then our small silver coins have been made of silver of reduced weight and sold by the Government at a profit. A dime contains about 3 cents' worth of silver. They could just as well be made of paper or nickel or aluminum. Their silver content has nothing to do with their value.

The silver dollar was left as it was. Legally we were still on the double standard at the ratio of 16 to 1. At this ratio silver dollars could not be coined. The silver dollar had never been in use and was unknown at the time of the Civil War. In 1873 the coinage laws were revised and the silver dollar was dropped. The action was quite deliberate, but Congress was entirely unaware of the importance of the measure. The United States had stumbled into the gold standard.

The silver mines were increasing their output of the metal, and the world-wide adoption of the gold standard reduced the market. The price of silver was falling. When the ratio rose above 16 to 1 it was profitable to take silver bullion to the United States mints and coin it, for the first time since 1834. This situation developed in 1874, but the law of 1873 had abolished silver coinage. From that day to this the silver interests have waged a ruthless, relentless struggle to force the Government to subsidize the silver industry. They have in the past influenced Secretaries of the Treasury and Mint Directors, resorted to propaganda, log-rolling, and political bargains, slipped jokers into financial legislation, and browbeaten administrations.

They have achieved three major measures. One of those was the Pittman Act of 1918, too involved for explanation here. The other two we must glance at briefly. The double standard was abolished just at the beginning of the long "depression of 1873." It was in no way connected with it. A systematic propaganda to make the country believe that the coinage law was responsible for the depression, that it was a "crime" perpetrated by eastern capital, and that restoring bimetalism would end the depression resulted finally in the passage of the infamous Bland-Allison Act of 1878. In brief, it commanded the Treasury to buy the output of the United States silver mines and coin it into dollars. By this time the dollar piece was worth about 80 cents. It was clumsy and unknown. The people would have none of it. Thereupon the Treasury passed them out to the people by a trick. It issued "silver certificates", simply warehouse receipts for the dollars, to the people. The rejected dollars it piled in the vaults. The dollar bill in your pocket is probably a silver certificate. It calls itself a dollar. Actually it is a receipt entitling you to a silver dollar, worth as metal at the present writing about 28 cents. A few weeks ago it was worth about 19 cents. The certificate is worth a dollar to you so long as the Government's credit is good; no longer. The dollar your certificate stands for is one of 500,000,000 that lie in a dead and useless mass in the Treasury, where they have been for 50 years.

The Bland-Allison Act stimulated silver production. In 1890 the silver interests in Congress traded votes and put through the Sherman Act. One of the provisions of this famous measure amended the earlier act so that the Government was forced to buy about twice as much silver. The two laws resulted in the coining of nearly 600,000,000 silver dollars. The country's finances could not digest this mass. Worth only 50 cents, the coin could not be used to pay foreign debts. Our American gold slipped away. The coin could be used to pay taxes, and the Treasury paid out its gold and received silver dollars in tax payments. In the fall of 1893 a desperate panic resulted. It ushered in a depression in many respects as unhappy as the one we now endure.

What is the significance of this curious proposal to permit the payment of war debts in silver, presented by President Roosevelt a few weeks ago and recently adopted by the Congress of the United States? It is merely the Bland-Allison Act of 1878 in new dress. Silver, like all other commodities, has fallen in price during the depression. The decline in price has been much less than that of most of the really important and useful commodities, such as cotton, wheat, or copper. The average price of silver was 58 cents an ounce in 1928. It was 28 cents in 1932. The silver industry, in contrast to all the important industries, has been fortunate. And yet this fall in a commodity of no importance has resulted in constant political turmoil, endless discussion, and international bitterness. During President Hoover's entire administration he was pressed and harried by the silver interests.

The depression is the primary cause of the decline of the value of silver. Overproduction as a result of the subsidy granted by the Pittman Act of 1918 is another. A third is the gradual abandonment of silver as a material of coinage the world over. In all the world only China is on the silver standard, with some Latin-American countries partly involved with silver. Even for debased small-change coinage, silver is in some respects less satisfactory than copper, nickel, and aluminum. Many countries have been melting up their coins and selling the silver as bullion. In 1926 England set up a new currency system in India, accumulating in the process a large mass of silver amounting at one time to more than 400,000,000 ounces. Hard-pressed financially, England has been selling this bullion. Every possible expedient has been tried in an effort to coerce or frighten England into a promise not to sell this reserve. When President Hoover refused to bring pressure, he was publicly accused by a Senator of being a tool of England.

And here we find the explanation of the silver-payment clause. So long as England has silver bullion to sell, the price of silver will be depressed. The original proposal called for a limit of \$100,000,000 to be accepted at a price of not more than 50 cents. The silver so received is to be deposited in the vaults, there to join the useless millions lying in the dust for the past half century. Against them silver certificates are to be issued to swell the volume of governmental liability and risk. But the silver never will be allowed to come out of the vaults. It will be taken off the world market forever. And the objective of the whole measure will be achieved, a rise in the price of silver. The mere announcement of the proposal drove the price of silver above 30 cents. When the Senate received the bill, it was amended to authorize the payment of \$200,000,000 in silver. When this news was broadcast, the price of silver jumped to 36 cents. One more chapter is to be added to the history of silver legislation.

It is a tragic feature of our financial situation that the general public has neither the time nor the facilities for study of the financial forces at work. In all the vast mass of propaganda for silver, only one reason for Government action has been advanced. That is the contention that a rise in the price of silver will benefit India and China and thereby stimulate world trade. The argument is unsound. The Indian people are not on the silver standard, and have not been for 40 years. The statement that "silver is the money of half the world's population" has become a slogan of the silver interests. It is false.

China, the only important country on the silver standard, holds one fifth of the world's population, the vast majority coolies whose economic significance is zero. China's foreign trade is insignificant, less than that of the Argentine. She has actually benefited from the inflation caused by the decline in silver. A rise in the price of silver probably would damage the country. It would so greatly reduce Chinese exports that the reaction would probably still further reduce her purchases from the rest of the world.

Silver is a byproduct of the mining of more important metals. As such it has no cost of production, employs almost no labor, has no population group or area dependent upon it. The total value of all the silver produced in the United States in 1932 was \$8,000,000 less than the value of the Eskimo pies produced in the same year. In the State of Nevada, which dictates the silver legislation of the country, the silver industry is of less economic importance than the hotels and night resorts of Reno.

So much for the provision for payment of the war debts in silver. But at the last moment the Senate adopted as part of the inflation measure a provision authorizing the President to reestablish bimetalism. This extraordinary proposal, pregnant with possibilities of reorganization of American economic life, is another story.

REGULATION OF BANKING

Mr. BULKLEY. Mr. President, I move that the Senate proceed to the consideration of Senate bill 1631, the so-called "Glass banking bill."

The PRESIDING OFFICER. The question is on the motion of the Senator from Ohio that the Senate proceed to the consideration of a bill, the title of which will be stated.

The LEGISLATIVE CLERK. A bill (S. 1631) to provide for the safer and more effective use of the assets of Federal Reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

Mr. McNARY. Mr. President, earlier in the day I conferred with the Senator from Ohio, at which time I expressed

the hope that the motion would not be made today in the absence of the Senator from Virginia [Mr. Glass]. A great many Members of the Senate on the minority side desire a little further time to consider this very important measure. The impeachment trial is now proceeding, and I believe, in the interest of economy of time and expedition we should go forward with the trial, at least during the week, and early next week or the latter part of the present week a motion such as the Senator from Ohio has made may more properly be in order. If the motion be delayed, it will give an opportunity to study this very important measure, and I desire to see the Senator from Virginia before the motion is made. He is absent today and I ask the Senator to withhold the motion until tomorrow.

Mr. BULKLEY. Mr. President, of course there is no purpose to proceed to the consideration of the bill this evening.

Mr. McNARY. I appreciate that.

Mr. BULKLEY. The impeachment trial will go on tomorrow until such hour as may be appropriate, in any event.

Mr. ROBINSON of Arkansas. Mr. President, may I say to the Senator from Oregon that the motion is made at the request of the Senator from Virginia, as I understand?

Mr. BULKLEY. It is.

Mr. ROBINSON of Arkansas. He is anxious to have the bill made the unfinished business. Of course, from time to time there will be occasion when the Senate will be in legislative session, even during the consideration of the impeachment case; and I wish to say now that if the same course of procedure shall be pursued that has been followed since the beginning of the trial now in progress by the Senate as a court it looks like a conclusion of that case may be almost indefinitely deferred. It will be necessary during the trial to proceed from time to time with legislative business, and I hope the Senator from Oregon will concede that fact.

Mr. McNARY. Mr. President, that hardly answers the purpose of my objection. I wanted to have an opportunity to confer with the Senator from Virginia, in the hope that we may come to some agreement that we can proceed for a few days with the trial and later on take up the measure which is now presented to the Senate. Entertaining that view, I hope the motion will not be made tonight. It can be made tomorrow if it is so desired, but I should like to have the opportunity—

Mr. ROBINSON of Arkansas. Mr. President—

Mr. McNARY. Just a moment—at least I should like to have the opportunity of conferring with the Senator from Virginia before the status of this bill is fixed as the unfinished business.

Mr. ROBINSON of Arkansas. Mr. President, the Senator from Virginia himself yesterday sought to make the motion and was induced to defer it at the suggestion of the Senator from Oregon. He called me this morning and requested that this motion be made, and I am sure he has been in conference with the Senator from Ohio.

There is no disposition to crowd action on the bill. Ample opportunity will be afforded for Senators to familiarize themselves with it. Many of the provisions of the bill have already been fully threshed out by the Senate during the course of prolonged consideration, and, as I understand, there are comparatively few new provisions in the bill. So I think the Senator from Oregon ought not to ask again that the Senate proceed without some unfinished business.

Mr. McNARY. Mr. President, I have no doubt that the able Senator from Virginia has made the request, but I should like to have the opportunity of conferring with that Senator concerning this matter before the motion is made, and I simply ask that it go over until tomorrow.

The PRESIDING OFFICER. Does the Senator from Ohio withdraw his motion or insist upon it?

Mr. BULKLEY. I still am inclined to insist upon the motion at this time. I can assure the Senator from Oregon—

Mr. ROBINSON of Arkansas. May I make a suggestion to the Senator from Ohio?

Mr. BULKLEY. Certainly.

Mr. ROBINSON of Arkansas. In view of the statement often repeated by the Senator from Oregon that there is some reason which prompts him to desire a conference with the Senator from Virginia before the motion is voted on, may I suggest to the Senator from Ohio that he let the motion be pending and that we now take a recess.

Mr. McNARY. That will be very satisfactory to me.

Mr. BULKLEY. I am quite satisfied with that.

RECESS

Mr. ROBINSON of Arkansas. I move that the Senate stand in recess until the conclusion of the session of the Senate sitting as a Court of Impeachment on tomorrow.

The PRESIDING OFFICER. The question is on the motion of the Senator from Arkansas.

The motion was agreed to; and (at 5 o'clock and 12 minutes p.m.) the Senate took a recess until the conclusion of the proceedings of the Senate sitting as a Court of Impeachment on tomorrow, Wednesday, May 17, 1933, the hour of meeting of the Senate sitting as a Court of Impeachment being 10 o'clock a.m.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 16 (legislative day of May 15), 1933

UNDER SECRETARY OF THE TREASURY

Dean G. Acheson to be Under Secretary of the Treasury.

UNITED STATES CIRCUIT JUDGE

Francis A. Garrecht to be United States circuit judge, ninth circuit.

PROMOTIONS IN THE NAVY

To be rear admiral

Joseph R. Defrees.

To be captains

Damon E. Cummings. Bryson Bruce.

To be commander

Carroll M. Hall.

To be lieutenant commander

Herbert M. Scull.

To be lieutenants

Walter S. Ginn.	Paul Graf.
Emory W. Stephens.	Warren D. Wilkin.
John M. Kennaday.	Everett W. Abdill.
Philip M. Boltz.	Paul L. F. Weaver.
Sumner K. MacLean.	Willis E. Cleaves.

To be chief pharmacists

Will Grimes. Paul T. Rees.

To be chief pay clerks

Lawrence W. Sadd. Arthur D. Gutheil.

HOUSE OF REPRESENTATIVES

TUESDAY, MAY 16, 1933

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Blessing and honor, glory and power, be unto Him who sitteth upon the throne, and to the Lamb forever and ever. In all things, blessed Lord, inspire us to be faithful and diligent, patient and hopeful, and to know that it is no vain adventure to be directed and held by these virtues. Give glad assurance to us, and cease not to guide us in all our ways. By Thy grace bind together the tissues of our habits. Bless us today with the hand that helps and with the heart that cheers. May we remember those who have been watching and longing for the day dawn through these unrewarding years. We appeal to Thee, Lord; give help, and set their very souls climbing eagerly toward that life that is vastly big and fine, and in which there are no more fears and distrust. Bring to our whole land peace and service, and hail the hour of rejoicing. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate insists upon its amendments to the bill (H.R. 5040) entitled "An act to extend the gasoline tax for 1 year, to modify postage rates on mail matter, and for other purposes", disagreed to by the House, agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. HARRISON, Mr. KING, Mr. GEORGE, Mr. REED, and Mr. COUZENS to be the conferees on the part of the Senate.

LEAVE OF ABSENCE

Mr. BYRNS. Mr. Speaker, I ask unanimous consent that the gentleman from California [Mr. BURKE] be excused today and tomorrow on account of the death of his father.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. GRIFFIN. Mr. Speaker, I ask unanimous consent to address the House for 15 minutes.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. GRIFFIN]?

There was no objection.

Mr. GRIFFIN. Mr. Speaker, Lawrence Sullivan, in the Washington Post today, intimates that there is a growing sentiment in the House in favor of the sales tax. I doubt very much whether that expression of opinion is based on very reliable authority. So far as I am concerned, I have not changed my attitude on the sales tax, and I know of no one else who has.

A sales tax is fundamentally a consumption tax, and a consumption tax falls on the ultimate consumer, not only on those who have regular incomes but upon the 12,000,000 or more who are without any means whatever.

It is said that exemptions can be made, but the moment you make exemptions to a sales tax it ceases to be a sales tax, and you are immediately in a maze of contradictions.

Mr. RANKIN. Will the gentleman yield?

Mr. GRIFFIN. I yield.

Mr. RANKIN. Those who have been advocating the sales tax for years have been doing so for the purpose of trying to take the income and inheritance tax off of large incomes and large fortunes. All they want is to get their noses under the tent. If they can ever establish the policy in this country, their hope is to impose all taxes through a sales tax, and therefore on the people least able to pay.

Mr. GRIFFIN. That is very true. The sentiment for a sales tax comes largely from those who have to pay heavy income and inheritance taxes. While that is true, our experience should teach us that there is an element of justice in their dissatisfaction with the conditions that exist. Heavy taxation leads to evasion and shifting. The idea of having a part of the country pay all the taxes is in my opinion a fallacy. The fundamentals of sound taxation require a tax which is spread over a broad area, and one which falls equitably upon all of the tax-paying public. It is unjust to impose heavy burdens upon a part and allow others to go scotfree, and yet that is what has been done blindly for years.

Mr. FREAR. Will the gentleman yield?

Mr. GRIFFIN. Let me finish my statement first and then I will yield.

Mr. FREAR. I wanted to find out who was going scot-free.

Mr. GRIFFIN. We are letting them go scotfree of taxation because we have blindly tried to overdo taxation. The old tax rates were fairly reasonable. That is, the reduced tax rates that were put into effect in January 1929. The income derived was encouraging; but in 1932 we raised the income taxes to such an extent that evasions continued as they never did before.

There were 498,000 corporations which filed income-tax returns in 1930. Of that number, 231,287 showed no net

income whatever. In other words, they evaded their burden of responsibility for the support of their Government, and yet those corporations which ducked their taxes showed gross incomes of \$41,000,000,000 and over.

That is not only true of corporations but it is also true of individuals. In the same year the number of returns for individuals was 3,376,552. The number of returns that showed no net income was 1,429,877. How were they able to escape? Easy enough. First, in the case of corporations, by padding their pay rolls, giving bonuses to their officers, representing that they had taken losses on their investments, selling stock of their holdings to dummies and then purchasing it back after the transaction with the Government on the income tax was completed. One of them is on trial today for doing that very thing which he brazenly admitted before a Senate committee.

Mr. RICH. Will the gentleman yield?

Mr. GRIFFIN. I will yield first to the gentleman from Wisconsin [Mr. FREAR].

Mr. FREAR. I understood the gentleman from New York [Mr. GRIFFIN] to say that there are men who go scotfree on the question of taxation. I wanted to know what class of people go scotfree. In other words, does not every individual pay directly or indirectly some taxes, Federal taxes or local?

Mr. GRIFFIN. Theoretically that is true.

Mr. FREAR. Of course, those who are best able to pay have been paying income taxes.

Mr. GRIFFIN. But many of those best able to pay are the very ones who go scotfree. Their number is so great that it is absolutely menacing the carrying on of our Government. In a democracy every individual ought to bear his burden of taxation.

Mr. FREAR. They all ought to and they do to a certain extent.

Mr. GRIFFIN. What I am fighting for is to have every citizen bear this burden honestly and directly and not have it shifted over upon his shoulders by someone else who may have the cunning to evade it.

Mr. KELLER. May I suggest that the gentleman continue with the thought he has in mind, that he continue to develop his argument?

Mr. BRITTEN. Mr. Speaker, will the gentleman yield for a question?

Mr. GRIFFIN. I am going to follow the suggestion of the gentleman from Illinois and develop any argument.

Mr. RICH. Mr. Speaker, will the gentleman yield for a question?

Mr. GRIFFIN. I yield.

Mr. RICH. If the gentleman knows these corporations are doing things that are illegal, why does he not see that some action is brought against them? I believe statements made on the floor of the House by Members that they know such things are going on are more detrimental than helpful.

Mr. BRITTEN. Mr. Speaker, will the gentleman yield for a short question right at this point?

Mr. GRIFFIN. I wish to say to the gentleman from Pennsylvania first that I am merely submitting the facts gathered from the reports, namely, that out of 498,000 corporations 231,287 failed to show any net income whatever although their gross income was \$41,000,000,000.

I merely ask you to allow the facts to speak for themselves.

Mr. BRITTEN. Will the gentleman yield for a question right at this point?

Mr. GRIFFIN. Yes.

Mr. BRITTEN. I agree with the gentleman in his contention that many officials of big corporations do deceive the Government in their income taxes. There is no question about that. But is not this, after all, the very best argument for a manufacturers' sales tax?

Mr. GRIFFIN. No. The sales tax is too limited as to the groups selected as the targets for attack and in all the bills so far proposed too circumscribed by exemptions. My proposal aims to equitably compel all groups earning incomes to make a reasonable contribution toward paying the ex-

penses of government. I make no exceptions, no qualifications, and would close the door on all evasions.

Here are the facts: Under the present law over 50 percent of those who are required to file income-tax returns fail to pay a single dollar of tax to the Government. This speaks for itself. This shows that the high income-tax rates invite evasion and a shifting of taxes, invite fraud and misrepresentation.

If we adopted a gentler system of imposing taxes, spreading the burden on all, the invitation and the inducement to misrepresentation would disappear because no single group would be called upon to pay such a high proportion of the revenue. When once we adopt the plan of spreading the field of taxation the rate will go down for all.

Let me show you how this can be done. Today I introduced in the House a bill proposing, first of all, to restore the income-tax rates as they were prior to the Revenue Act of 1932; secondly, it imposes a tax of 1 cent per dollar on gross incomes.

The proposal to return to the income-tax rates in effect prior to 1932 was prompted by the report of the Treasury Department for May 11. It shows that the increased rates of the Revenue Act of 1932 have utterly failed. In the fiscal year 1932, up to May 11, the income-tax revenue of the Nation was \$879,000,000. Up to May 11 of the present year, under the increased income-tax rates, the revenue was \$588,000,000; in other words, \$290,000,000 short of what we ought to raise. It is quite evident we can never balance the Budget under the present income-tax system.

I recognize that we cannot change the present income-tax law with one stroke. What I want to do is to abate its nuisance provisions by degrees. The first thing to be done, in my opinion, is to restore income-tax rates as they were prior to the enactment of the Revenue Act of 1932; that is, the rates as reduced to a reasonable basis by the act of December 16, 1929.

Secondly, to offset this reduction I want to have a tax imposed upon everyone who earns a settled, regular income, without exception, without exemption, without regard to brackets. This is easy enough to put into operation, because the general provisions of the income-tax law will not be disturbed by my proposal. The income-tax return is made up showing a gross income of, say, \$100,000. You add at the foot of the income-tax return 1 cent per dollar, or \$1,000. That is the tax.

Let us consider the great body of Federal and other salaried employees who have steady, regular incomes of from \$3,000 to \$5,000 or \$6,000. Do they pay an income tax under the complicated provisions of the present income-tax law? Not a cent. They are allowed exemptions for their wives, for their children, for their investment losses.

Mr. O'CONNOR. Mr. Speaker, will the gentleman yield at this point?

Mr. GRIFFIN. Yes.

Mr. O'CONNOR. In order to reach State and municipal employees a constitutional amendment would be needed. They are exempt by reason of the taxing obligations of the State and the municipalities and subdivisions of the State.

Mr. GRIFFIN. That is true; but all of the employees of the Federal Government and private salaried employees draw settled incomes for which they ought to be grateful, and they ought to be content to pay a modest sum in the way of taxation. The States can follow suit if they like—as, for instance, Mississippi has done. There is a State which has adopted the gross-income tax idea and in a short time wiped out its deficit. Indiana, I understand, is about to adopt a similar law. So this proposal is no wild innovation.

[Here the gavel fell.]

Mr. GRIFFIN. Mr. Speaker, I ask unanimous consent to proceed for 5 additional minutes.

The SPEAKER pro tempore (Mr. McKOWN). Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. RICH. Mr. Speaker, will the gentleman yield for a question?

Mr. GRIFFIN. I yield.

Mr. RICH. If 1-percent income tax were charged on gross incomes, does not the gentleman believe the manufacturers would take that as an item of expense and pass it on to the consumers? Would it not be the same as a sales tax?

Mr. GRIFFIN. They could not do that. I went into this very question very fully in my speech of a year ago when I introduced my original resolution (H.J.Res. 381), on May 7, 1932. I will send the gentleman a copy of it, but I think the following extract answers the gentleman's question:

HOW THE GROSS-INCOME TAX WORKS

Corporations: A corporation selling \$1,000,000 worth of goods would pay a \$10,000 tax. If the article they manufactured and sold was, for instance, frying pans, and they manufactured and sold 4,000,000 of them at 25 cents each, the tax on each frying pan would figure out about one fourth of 1 cent—too small to be shifted, pyramided, or otherwise burdensome to the consumer.

Mr. BROWN of Kentucky. Mr. Speaker, will the gentleman yield?

Mr. RICH. I yield.

Mr. BROWN of Kentucky. The gentleman proposes to change the income-tax brackets to the brackets prior to 1932?

Mr. GRIFFIN. That is the idea; yes.

Mr. BROWN of Kentucky. And as an argument for that the gentleman states that evasions of income taxes are due to the high and exorbitant rates?

Mr. GRIFFIN. Yes.

Mr. BROWN of Kentucky. Is it not true that all of the evasions of income taxes took place before the 1932 act?

Mr. GRIFFIN. No.

Mr. BROWN of Kentucky. Did not the Mitchell evasion and the Mellon evasion, as set out by the gentleman from Pennsylvania [Mr. McFADDEN], take place before the 1932 act?

Mr. GRIFFIN. There has never been a time since the enactment of the first income tax law that evasions have not taken place. The reason is plain. No tax is effectual which is punitive in its rates to the extent of inviting fraud. Evasions have occurred and always will occur so long as we adhere to the false principle of discriminating against groups instead of spreading a fair tax, like the gentle rain, over all.

Mr. FREAR. If the gentleman will permit just one question in reference to his bill, is this supposed to be a substitute for the regular income tax or in addition to the regular income tax?

Mr. GRIFFIN. Aside from the cent-a-dollar tax on gross incomes, it merely reinstates the income-tax rates for individuals and corporations; and that is done to lighten the burden and make the cent-a-dollar tax more easy to bear.

Mr. FREAR. Instead of the present law?

Mr. GRIFFIN. Instead of the present law; yes.

Mr. FREAR. Then a man who has an income of \$1,000,000 annually would only pay \$10,000 of taxes?

Mr. GRIFFIN. No; the cent-a-dollar tax on gross incomes does not take the place of the existing income tax law. Under the proposal that I make, the existing brackets of the income tax are not disturbed. The individual or corporation makes his return in the usual way, but uses the rates of the act of 1929. Then at the foot of his return he adds a 1-cent-per-dollar tax.

Under the provisions of the old act, with its exemptions and its brackets, he still has the liberty, it is true, and still has the opportunity, I admit, to resort to evasions. We cannot help this unless we finally come to the conclusion that the best way to tax is to make one broad, general tax at the source and let it filter its way down to the ultimate consumer as best it can.

But with this humble, modest suggestion of 1-cent-a-dollar tax on gross incomes, no one can be hurt.

When I introduced this proposal last year I discussed it with some Federal employees and they began to protest about a cent-a-dollar tax on their income. One fellow, getting \$4,000 a year, said, "Well, I would have to pay \$40 a year on that"; and I said, "Sure, you will, but if you do not get this tax you will stand a reduction of \$400 in your salary"; and this is precisely what happened. He said, "I

do not pay any tax; I have these exemptions for my wife and family."

Why should not every man who earns a regular income contribute his share to the support and maintenance of his Government?

I submit this question to you for your consideration.

Mr. MARTIN of Colorado. May I ask the gentleman a question?

Mr. GRIFFIN. Yes.

Mr. MARTIN of Colorado. As the gentleman has stated, the subject of a sales tax is one in which every Member of this body is vitally interested, particularly at this moment. The gentleman started out by stating he was opposed to the sales tax because it was passed on to the consumer. I wish the gentleman would kindly explain to the House the modus operandi by which the sales tax is passed on to the consumer.

Mr. GRIFFIN. It is imposed directly on the consumer like the tax on ice cream and soda water.

Mr. MARTIN of Colorado. Is that the manufacturer's sales tax?

Mr. GRIFFIN. That is another exemption or another way of getting around it, but, inevitably, any sales tax which is proposed will be shifted and will be pyramided and fall upon the ultimate consumer. Another objection to the manufacturer's sales tax is its limited application and its inevitable exemptions in favor of certain groups.

Mr. MARTIN of Colorado. I will say to the gentleman that that is my understanding and that is my objection to it—it is not only added, but pyramided, and a profit made on the taxes.

Mr. GRIFFIN. That is one reason why the gentleman ought to support my bill providing a tax of 1 cent a dollar on gross income.

Mr. MARTIN of Colorado. As the gentleman has given this particular subject a great deal of study I thought the gentleman could explain the matter so the membership of the House would understand it thoroughly.

Mr. GRIFFIN. The whole subject of the manufacturers' sales tax has been thoroughly canvassed and I dare not venture to believe it is not understood. What I am solicitous about is to make sure that my colleagues will understand my proposal of a cent-a-dollar tax on gross incomes. Permit me to give this summary of its principles and purposes:

First. Imposes the tax at the source, so gently and equitably that it cannot be shifted, evaded, or pyramided.

Second. Taxes those who have the ability to pay.

Third. Reaches all who have regular incomes and who evade taxation through the complicated exemptions of the present law.

Fourth. Spreads a light tax equitably, making citizens tax-conscious.

Fifth. Wipes out the custom of filing fictitious income-tax returns showing "no net incomes."

I hope it will be kept in mind that this proposal is offered as a means of raising money and closing up the deficit. It is a veritable gold mine. Upon the basis of the income-tax returns of 1930, to which I have before alluded, if the cent-a-dollar tax on gross incomes were in effect, it would have put into the Treasury \$1,499,572,174 additional. I have not succeeded as yet in breaking down or analyzing the income-tax returns of 1932, but I venture the estimate that instead of the books showing \$1,056,756,697 (a drop of nearly \$70,000,000 over 1931) it would have raised the total receipts to \$1,800,000,000—a gain of \$644,000,000.

AMENDMENT OF THE NATIONAL BANKING ACT

Mr. STEAGALL. Mr. Speaker, I ask unanimous consent that I may have until midnight tonight to introduce an amended banking bill.

Mr. PATMAN. Mr. Speaker, reserving the right to object, I want to ask the gentleman a question about the bill: Is the bill similar to the Glass bill reported to the Senate yesterday?

Mr. STEAGALL. The bill, insofar as amendments to the banking laws are concerned, is practically the same as the

Glass bill. The deposit-insurance provision of the bill is substantially the same and entirely in accord with it in principle, but there are some differences in detail relating in part to the method of admitting State banks to participation in the benefits of the guaranty fund, and a slight change as to the time in which the bill is to become effective.

Mr. PATMAN. I presume the chairman contemplates reporting the bill out from the committee tomorrow?

Mr. STEAGALL. The committee has ordered the bill reported and I am asking permission to introduce the bill as amended so as to avoid the necessity of considering committee amendments in the House.

Mr. PATMAN. The reason I ask the question is this: I asked permission to be heard before the committee on this bill. There are two features of it to which I am very much opposed. One is to further farm out the privilege of issuing money to a few powerful bankers in the Nation and giving them all the profits they make out of using the Government credit free of charge. Particularly, I call the gentleman's attention to section 3 of his bill or section 4 of the Glass bill, which amends section 7 of the Federal Reserve Act, which bill formerly required all excess profits to go into the United States Treasury as a franchise tax, which was later amended providing that excess profits may be retained until the surplus amounted to 40 percent of the capital stock of the Federal Reserve banks, and then in 1919, in March, it was further amended so as to permit excess earnings to go into the surplus fund until such surplus fund amounts to 100 percent of the capital stock of the Federal Reserve banks. This bill, if I understand it correctly, will give all the excess earnings to the Federal Reserve banks instead of the excess earnings going into the United States Treasury. The Government does not own one penny of stock in the Federal Reserve banks; it is all owned by private bankers.

This is one of the features of the bill I am very much opposed to, and I sought an opportunity to be heard before the committee, and I am awfully sorry I was not allowed that opportunity.

Mr. STEAGALL. I will say to my friend that the committee would have appreciated the benefit of his views. I am sure the gentleman realizes the desire that exists everywhere to finish the work of this session of Congress. The legislation has been thoroughly considered in the Senate, both in committee and by the entire body. The provision to which the gentleman refers was passed by the Senate in the last Congress. The House committee had the benefit of the Senate hearings. In view of the peculiar conditions that exist and the emergency nature of the measure, and the desire to end the session at an early date, it was decided by the committee that we should proceed to the consideration of the bill in executive session and report it immediately. We called an expert from the Treasury Department to discuss some of the technical provisions of the bill, but the committee decided that it would not hold open hearings at this late day in the session.

Mr. PATMAN. May I ask the gentleman one more question? Will the chairman of the committee request a special rule on the bill or will it come up under the general rules of the House subject to amendment with plenty of time allowed for discussion? As I was not afforded permission to appear before the committee, I should like to discuss the bill at some length on the floor.

Mr. STEAGALL. I hope the gentleman will be permitted to discuss the bill at length on the floor.

Mr. PATMAN. Will it be subject to amendment?

Mr. STEAGALL. The gentleman is asking me to say more than I am permitted to say. Of course, I desire to have plenty of time for discussion.

Mr. PATMAN. I am not in favor of expediting a bill that gives a billion-dollar franchise to a few bankers, although it may contain some desirable provisions.

Mr. STEAGALL. I am sure the gentleman does not care to discuss the merits of the legislation now.

Mr. PATMAN. The guarantee feature, as I understand it, provides that the Government shall put up \$150,000,000 from

its surplus fund, the Federal Reserve banks will put up \$150,000,000, which in fact belongs to the Government of the United States, so that the Government puts up \$300,000,000 and then the bankers will put up \$150,000,000 more. However, the bankers putting up the last \$150,000,000 will be relieved of paying interest on demand deposits, which will save them \$259,000,000 annually. So the banks are not only not out anything but will actually make a profit of \$114,000,000 the first year with increased profits each year.

Mr. STEAGALL. The gentleman is slightly in error as to the initial subscription to stock of the Deposit Insurance Corporation. The Federal Reserve banks are to subscribe one half of their surplus, which amounts in round numbers to close to \$140,000,000. The surplus fund of the Reserve banks is something like \$280,000,000. The gentleman is also in error as to the payment of interest on demand deposits. That provision is not in the bill which is to be introduced in the House.

Mr. PATMAN. I understand the provisions will be insisted upon at the other end of the Capitol. I hope the gentleman will bring in a bill accompanied by a rule allowing amendments and liberal debate. This is not an administration measure, so we cannot be charged with disloyalty to the party if we humbly ask for permission to offer and discuss amendments to the bill.

(Cries of "Regular order!")

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

Mr. COCHRAN of Missouri. Reserving the right to object, I should like to ask the gentleman a question.

Mr. FULLER. Mr. Speaker, I demand the regular order.

Mr. COCHRAN of Missouri. Mr. Speaker, I object.

THE CONSENT CALENDAR

The SPEAKER. Pursuant to the unanimous-consent order of yesterday, it is in order now to consider bills on the Consent Calendar. The Clerk will call the first bill.

FEDERAL CONFORMITY ACT

The business on the Consent Calendar was the bill (H.R. 5091) to amend section 289 of the Criminal Code.

The SPEAKER. Is there objection?

Mr. JENKINS. Mr. Speaker, reserving the right to object, was not that bill passed yesterday under suspension of the rules?

Mr. McKEOWN. No.

The SPEAKER. Is there objection?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That section 289 of the Criminal Code (U.S.C., title 18, sec. 468) be, and it is hereby, amended to read as follows:

"Sec. 289. Whoever, within the territorial limits of any State, organized Territory, or District, but within or upon any of the places now existing or hereafter reserved or acquired, described in section 272 of the Criminal Code (U.S.C., title 18, sec. 451), shall do or omit the doing of any act or thing which is not made penal by any laws of Congress, but which if committed or omitted within the jurisdiction of the State, Territory, or District in which such place is situated, by the laws thereof in force on January 1, 1933, would be penal, shall be deemed guilty of a like offense and be subject to a like punishment; and every such State, Territorial, or district law shall, for the purposes of this section, continue in force, notwithstanding any subsequent repeal or amendment thereof by any such State, Territory, or District."

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider laid on the table.

ARREST AND RETURN OF PROBATION VIOLATORS

The next business on the Consent Calendar was the bill (H.R. 5208) to amend the probation law.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the first sentence of the second paragraph of the act of March 4, 1925, entitled "An act to provide for the establishment of a probation system in the United States courts, except in the District of Columbia" (U.S.C., title 18, sec. 725), be, and the same is hereby, amended to read as follows: "At any time within the probation period the probation officer may arrest the probationer wherever found, without a warrant, or the court which has granted the probation may issue a warrant for his arrest, which warrant may be executed by either the

probation officer or the United States marshal of either the district in which the probationer was put upon probation or of any district in which the probationer shall be found and, if the probationer shall be so arrested in a district other than that in which he has been put upon probation, any of said officers may return probationer to the district out of which such warrant shall have been issued."

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider laid on the table.

BRIDGE ACROSS LAKE SABINE, PORT ARTHUR, TEX.

The next business on the Consent Calendar was the bill (H.R. 4870) to extend the times for commencing and completing the construction of a bridge across Lake Sabine at or near Port Arthur, Tex.

The SPEAKER. Is there objection?

Mr. SWANK. Mr. Speaker, I object.

Mr. MILLER. Mr. Speaker, I object.

BRIDGE ACROSS NORTHWEST RIVER, VA.

The next business on the Consent Calendar was the bill (H.R. 5152) granting the consent of Congress to the State Highway Commission of Virginia to replace and maintain a bridge across Northwest River in Norfolk County, Va., on State Highway Route No. 27.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. Without objection, the Clerk will report the committee amendment.

The Clerk read as follows:

Strike out all after the enacting clause and insert:

"That the consent of Congress is hereby granted to the State Highway Commission of Virginia, and its successors, to replace and operate a free highway bridge and approaches thereto across the Northwest River, at a point suitable to the interests of navigation, at or near Norfolk County, Va., on State Highway Route No. 27, in accordance with the provisions of an act entitled 'An act to regulate the construction of bridges over navigable waters', approved March 23, 1906."

Sec. 2. The right to alter, amend, or repeal this act is hereby expressly reserved.

The committee amendment was agreed to; and the bill as amended was ordered to be engrossed and read a third time, was read the third time and passed, and a motion to reconsider laid on the table.

BRIDGE ACROSS STAUNTON AND DAN RIVERS, VA.

The next business on the Consent Calendar was the bill (H.R. 5173) granting the consent of Congress to the State Highway Commission of Virginia to maintain a bridge already constructed to replace a weak structure in the same location, across the Staunton and Dan Rivers, in Mecklenburg County, Va., on United States Route No. 15.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the consent of Congress is hereby granted to the State Highway Commission of Virginia, and its successors, to maintain and operate, in accordance with the provisions of the act entitled "An act to regulate the construction of bridges over navigable waters", approved March 23, 1906, a bridge and approaches thereto already constructed to replace an inadequate structure already constructed across the Staunton and Dan Rivers, at their mouths—Clarksville, in Mecklenburg County, which bridge is hereby declared to be a lawful structure to the same extent and in the same manner as if it had been constructed in accordance with the provisions of said act of March 23, 1906.

Sec. 2. The right to alter, amend, or repeal this act is hereby expressly reserved.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider laid on the table.

BRIDGE ACROSS SAVANNAH RIVER, GA.

The next business on the Consent Calendar was the bill (H.R. 5476) to extend the times for commencing and completing the construction of a bridge across the Savannah River at or near Burtons Ferry, near Sylvania, Ga.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the times for commencing and completing the construction of a bridge authorized by act of Congress approved May 26, 1928, heretofore revived and reenacted by act of Congress approved April 22, 1932, to be built by the South Caro-

lina and Georgia State Highway Departments across the Savannah River at or near Burtons Ferry, near Sylvania, Ga., are hereby extended 1 and 3 years, respectively, from the date of approval hereof.

Sec. 2. The right to alter, amend, or repeal this act is hereby expressly reserved.

The bill was ordered to be engrossed and read a third time; was read the third time and passed, and a motion to reconsider laid on the table.

IDENTITY OF THE DALLES BRIDGE CO.

The next business on the Consent Calendar was the bill (S. 1278) to amend an act (Public, No. 431, 72d Cong.) to identify The Dalles Bridge Co.

The SPEAKER. Is there objection?

Mr. GOSS. Mr. Speaker, I reserve the right to object. Is that meant to indemnify or identify?

Mr. MILLIGAN. It is meant to identify.

Mr. GOSS. Is this the same bridge bill that is before the Committee on Military Affairs?

Mr. KNUTE HILL. It is.

Mr. GOSS. In connection with the building of a bridge across that canal?

Mr. KNUTE HILL. This bill was passed authorizing the Dalles Bridge Co. to build that bridge in the last session of the Congress. There are two Dalles companies. One is a corporation organized in Washington and the other is organized in Oregon. It was not specified in the bill, and this is to identify the Washington corporation and not the Oregon.

Mr. GOSS. The gentleman is aware of the fact that the Committee on Military Affairs has a bill before it about this same bridge, at the present time, and that the subcommittee having it in charge has not reported the bill favorably?

I understand there was some difficulty about the land over the canal and rights of way there.

Mr. MILLIGAN. Will the gentleman yield?

Mr. GOSS. Yes; I yield.

Mr. MILLIGAN. That is not involved in this bill. The authority to build this bridge was granted in the last session.

Mr. GOSS. I understand that.

Mr. MILLIGAN. There are two corporations—an Oregon corporation and a Washington corporation. This merely designates the corporation as the Washington corporation.

Mr. GOSS. But the Committee on Military Affairs, of which I am a member, has this same bill back again, because they could not build the bridge without certain amendments to the bill as it passed the House last year.

Mr. MILLIGAN. Is that not for authority to construct over certain Government land?

Mr. GOSS. Yes.

Mr. COCHRAN of Missouri. Will the gentleman yield?

Mr. GOSS. I yield.

Mr. COCHRAN of Missouri. Is this bridge to be constructed over the Columbia River at Astoria?

Mr. GOSS. No; not at Astoria. It is at The Dalles. The bill that was passed last year would not give authority to build this bridge over a Government canal without additional authority. The Military Affairs Committee has that bill before it. The only reason they have it instead of the Committee on Interstate and Foreign Commerce is because it affects the War Department's property. I do not want to see this mixed up with that bill which is before the committee now.

Mr. MILLIGAN. That has nothing to do with it.

Mr. GOSS. I wish the gentleman would let this go over until the Chairman of the Committee on Military Affairs is present. I would ask the gentleman to let it go over without prejudice until the Chairman of the Military Affairs Committee is on the floor.

Mr. MILLIGAN. That will be satisfactory.

Mr. GOSS. Mr. Speaker, I ask unanimous consent that the bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut [Mr. Goss]?

There was no objection.

TOLL BRIDGE ACROSS MISSOURI RIVER, PLATTE COUNTY, MO., TO KANSAS CITY, KANS.

The Clerk called the next business on the Consent Calendar (H.J.Res. 159) granting the consent of Congress to a compact or agreement between the State of Kansas and the State of Missouri authorizing the acceptance for and on behalf of the States of Kansas and Missouri of title to a toll bridge across the Missouri River from a point in Platte County, Mo., to a point at or near Kansas City, in Wyandotte County, Kans., and specifying the conditions thereof.

The SPEAKER. Is there objection to the present consideration of the House joint resolution?

Mr. COCHRAN of Missouri. Reserving the right to object, I should like to ask the author of the bill why the suggestion of the Department of Agriculture was not carried out? The letter from the Assistant Secretary of Agriculture suggests an amendment, that some provision should be inserted, conditioning the approval of Congress to said compact or agreement upon the maintenance and operation of the bridge free of tolls after the amortization of its construction costs.

Mr. MILLIGAN. If the gentleman will look on page 5 of the report on the original bill granting the franchise to build this bridge, he will see that provision is contained in the original authority.

Mr. COCHRAN of Missouri. It is in the original authority?

Mr. MILLIGAN. Yes.

Mr. COCHRAN of Missouri. Then the Department of Agriculture did not have that information before it?

Mr. MILLIGAN. They were mistaken.

Mr. COCHRAN of Missouri. Eventually it is to become a free bridge?

Mr. MILLIGAN. Yes, sir.

The SPEAKER. Is there objection?

There was no objection.

The Clerk read as follows:

Whereas by an act of Congress approved May 22, 1928, a franchise was granted to the Interstate Bridge Co. for the construction of a toll bridge across the Missouri River at or near Kansas City, Kans., which has been extended by the acts of March 2, 1929, and June 30, 1930, and which is now owned by the Regional Bridge Co., a corporation organized and existing under the laws of the State of Delaware, as assignee of the Interstate Bridge Co.; and

Whereas authority has been granted to the State Highway Commission of Kansas by an act of the Legislature of the State of Kansas, approved March 24, 1933, and published in the official State paper on March 27, 1933, and to the State Highway Commission of Missouri by an identical act, *mutatis mutandis*, of the General Assembly of the State of Missouri, approved April 17, 1933, to include in the highway systems of the respective States of Kansas and Missouri any toll bridge across any river forming a common boundary between the two States; to join in entering into contracts with the owner of any such toll bridge and with the holders of any bonds issued in connection with the construction of such bridge, by the terms of which the State Highway Commissions of Kansas and Missouri shall maintain, operate, and insure such bridge, and fix and collect and apply tolls thereon, and shall construct, maintain, and operate as free State highways, approaches thereto, and shall make and treat as part of the highway system of their respective States such entire bridge and any part of such approaches lying within their respective States; and to accept conveyance of title to and ownership of any such bridge or part thereof situated within their respective States, subject to any encumbrance against any such bridge and pledge of its tolls previously executed; and

Whereas Regional Bridge Co. has obtained an agreement from the Reconstruction Finance Corporation of the United States to aid in financing the construction of a bridge under the franchise granted by the act of May 22, 1928, and extensions thereof, under authority of the act of Congress known as the "Emergency Relief and Construction Act of 1932", by purchasing at par the bonds of Regional Bridge Co., secured by mortgage on such bridge, in the amount of \$600,000, upon condition that certain requirements be met and agreed to by the States of Kansas and Missouri; and

Whereas the Legislature of the State of Kansas and the General Assembly of the State of Missouri, to make effective the acts of their respective legislative bodies herein cited and to meet the requirements imposed by the Reconstruction Finance Corporation have each adopted the following resolution:

"Whereas Regional Bridge Co., a corporation organized and existing under the laws of the State of Delaware, is the owner and holder of a franchise granted by the Congress of the United States to construct (according to plans approved by the War Department of the United States), maintain, and operate a toll bridge across the Missouri River from a point at or near Kansas

City in Wyandotte County, Kans., to a point in Platte County, Mo.; and

"Whereas Regional Bridge Co. desires to commence the construction of such bridge as soon as the same is fully financed; and

"Whereas Reconstruction Finance Corporation of the United States has agreed with Regional Bridge Co. to aid in financing the construction of such bridge, under authority of the act of Congress known as the 'Emergency Relief and Construction Act of 1932', by purchasing at par the bonds of Regional Bridge Co., secured by mortgage on such bridge, in the amount of \$600,000; but

"Whereas Reconstruction Finance Corporation has imposed certain requirements, to be met and agreed to by the States of Missouri and Kansas, as conditions precedent to its purchase of such bonds; and

"Whereas inasmuch as such bridge will form an important link in and improvement to the highway systems of the States of Missouri and Kansas, and will be of benefit and advantage to the citizens of both, and the public, and inasmuch as Regional Bridge Co., by resolution duly passed by the unanimous vote of its stockholders, has agreed to transfer and convey such bridge, free of cost, to the State Highway Commissions of Missouri and of Kansas, on behalf of such States of Missouri and Kansas, jointly, such conveyance to be made as soon as such mortgage shall have been properly recorded in both Missouri and Kansas, subject to the right of and duty upon Regional Bridge Co. fully to complete the construction of such bridge, it is to the interest and benefit of the States of Missouri and Kansas, and the citizens of both, that the States of Missouri and Kansas meet and agree to the requirements of the Reconstruction Finance Corporation, as conditions precedent to the purchase of such bonds: Now, therefore

"In consideration of the benefits and advantages accruing to the States of Missouri and Kansas, and the citizens of both, and in consideration of the adoption of this resolution by both the States of Missouri and Kansas, the States of Missouri and Kansas hereby enter into the following compact and agreement: Be it

Resolved by the Senate of the State of Kansas (the house of representatives agreeing thereto):

"Section 1. Regional Bridge Co., its successors and assigns, shall be, and it is hereby, authorized to construct, maintain, and operate such bridge across the Missouri River from a point at or near Kansas City, in Wyandotte County, Kans., to a point in Platte County, Mo., according to plans approved by the War Department of the United States; and the said States hereby authorize Regional Bridge Co. to enter upon and use for the purpose of constructing, maintaining, and operating such bridge all necessary lands under water belonging to said States, and the fee to any lands so used shall upon such use be vested in such Regional Bridge Co.

"Sec. 2. The State Highway Commission of Missouri and the State Highway Commission of Kansas shall be, and they are hereby, authorized and directed to accept, when tendered by Regional Bridge Co., conveyance of such bridge and franchise therefor to such State Highway Commission jointly, on behalf of the States of Missouri and Kansas. Such conveyance shall not be in assumption of such mortgage, but shall expressly be subject to such mortgage, and to the right and duty upon Regional Bridge Co. fully to complete the construction of such bridge.

"Sec. 3. The State Highway Commission of Missouri and the State Highway Commission of Kansas shall be, and they, and each of them, hereby are, authorized to maintain, operate, and insure such bridge and to fix and collect tolls thereon and apply such tolls, and to enter into any and all contracts with said Reconstruction Finance Corporation or any other party or parties considered by said highway commissions, or either of them, to be necessary or expedient for or in connection with the proper maintenance, operation, and insurance of such bridge and such fixing, collection, and application of tolls thereon, and to incur joint and several obligations under such contracts; and to construct and maintain, and to enter into any contracts, severally, with said Reconstruction Finance Corporation or any other party or parties, considered by said highway commissions or either of them to be necessary or expedient, for or in connection with the construction and maintenance of approaches to such bridge and roadways leading thereto, lying within their respective States. And said highway commissions, and each of them, are further authorized to make and treat as a part of the State highway system of their respective States the entire such bridge and that portion of the approaches thereto lying within their respective States, and to enter into contracts with the Reconstruction Finance Corporation or any other party or parties in respect thereto.

"Sec. 4. Neither the State of Kansas nor the State of Missouri, nor any department or political subdivision thereof, shall construct or cause to be constructed, or grant any right, privilege, or franchise for the construction of, any bridge, ferry, tunnel, or other competing facility across or under the Missouri River within a distance of 5 miles from said bridge, measured along the meanderings of the thread of the stream of the Missouri River, until the construction costs of said bridge, with interest thereon, shall have been fully paid.

"Sec. 5. To the faithful observance of this compact and agreement the States of Missouri and Kansas, by the adoption of this resolution, each pledges its good faith.

"Sec. 6. This compact and agreement shall be in force and take effect from and after its adoption by the General Assembly of the State of Missouri, and approval by the Governor of Missouri, and

its adoption by the Legislature of the State of Kansas, and approval by the Governor of Kansas, and publication in the official State paper of the State of Kansas, and upon its receiving the consent and approval of the Congress of the United States": Therefore be it—

Resolved, etc., That the consent of Congress is hereby given to the aforesaid compact or agreement and to each and every term and provision thereof, and to all agreements to be made pursuant thereto by and between the said States or any agencies, commissions, or public or municipal bodies thereof: *Provided*, That nothing herein contained shall be construed to affect, impair, or diminish any right, power, or jurisdiction of the United States or of any court, department, board, bureau, officer, or official of the United States, over or in regard to any navigable waters, or any commerce between the State or with foreign countries, or any bridge, railroad highway, pier, wharf, or other facility or improvement, or any other person, matter, or thing, forming the subject matter of the aforesaid compact or agreement or otherwise affected by the terms thereof: *And provided further*, That the right to alter, amend, or repeal this resolution or any part thereof is hereby expressly reserved.

With the following committee amendment:

On page 7, line —, after the word "public", insert the words "or municipal."

The committee amendment was agreed to.

The House joint resolution as amended was ordered to be engrossed and read a third time, was read the third time, and passed.

A motion to reconsider was laid on the table.

ST. LAWRENCE BRIDGE COMMISSION

The Clerk called the next business on the Consent Calendar, H.R. 5329, creating the St. Lawrence Bridge Commission and authorizing said commission and its successors to construct, maintain, and operate a bridge across the St. Lawrence River at or near Ogdensburg, N.Y.

There being no objection, the Clerk read as follows:

Be it enacted, etc., That in order to facilitate international commerce, the St. Lawrence Bridge Commission (hereinafter created, and hereinafter referred to as the "Commission") and its successors and assigns, be, and are hereby, authorized to construct, maintain, and operate a bridge and approaches thereto across the St. Lawrence River at or near the city of Ogdensburg, N.Y., at a point suitable to the interests of navigation, in accordance with the provisions of an act entitled "An act to regulate the construction of bridges over navigable waters", approved March 23, 1906, subject to the conditions and limitations contained in this act, and subject to the approval of the proper authorities in the Dominion of Canada. For like purposes said Commission and its successors and assigns are hereby authorized to purchase, maintain, and operate all or any ferries across the St. Lawrence River within 5 miles of the location which shall be selected for said bridge, subject to the conditions and limitations contained in this act, and subject to the approval of the proper authorities in the Dominion of Canada.

SEC. 2. There is hereby conferred upon the Commission and its successors and assigns all such rights and powers to enter upon lands and to acquire, condemn, occupy, possess, and use such real estate and other property in the State of New York as may be needed for the location, construction, operation, and maintenance of such bridge and its approaches as are possessed by railroad corporations for railroad purposes or by bridge corporations for bridge purposes in the State of New York, upon making just compensation therefor, to be ascertained and paid according to the laws of such State, and the proceedings therefor shall be the same as in the condemnation of private property for public purposes in such State; and the Commission and its successors and assigns may exercise in the Dominion of Canada all rights, powers, and authority which shall be granted or permitted to the Commission by the proper authorities of the Dominion of Canada or of the Province of Ontario, including the entering upon lands and acquiring, condemning, occupying, possessing, and using such real estate and other property in the Dominion of Canada as may be needed for such location, construction, operation, and maintenance of such bridge.

SEC. 3. The Commission and its successors and assigns are hereby authorized to fix and charge tolls for transit over such bridge and such ferry or ferries in accordance with the provisions of this act.

SEC. 4. The Commission and its successors and assigns are hereby authorized to provide for the payment of the cost of the bridge and its approaches and the ferry or ferries and the necessary lands, easements, and appurtenances thereto by an issue or issues of negotiable bonds of the Commission, bearing interest at not more than 6 percent per annum, the principal and interest of which bonds and any premium to be paid for retirement thereof before maturity shall be payable solely from the sinking fund provided in accordance with this act. Such bonds may be registerable as to principal alone or both principal and interest, shall be in such form not inconsistent with this act, shall mature at such time or times not exceeding 30 years from their respective dates, shall be in such denominations, shall be executed in such manner and be

payable in such medium and at such place or places as the Commission may determine. The Commission may repurchase and may reserve the right to redeem all or any of said bonds before maturity in such manner and at such price or prices, not exceeding 105 and accrued interest, as may be fixed by the Commission prior to the issuance of the bonds. The Commission may enter into an agreement with any bank or trust company in the United States as trustee having the power to make such agreement, setting forth the duties of the Commission in respect of the construction, maintenance, operation, repair, and insurance of the bridge and/or the ferry or ferries, the conservation and application of all funds, the safeguarding of moneys on hand or on deposit, and the rights and remedies of said trustee and the holders of the bonds, restricting the individual right of action of the bondholders as is customary in trust agreements respecting bonds of corporations. Such trust agreements may contain such provisions for protecting and enforcing the rights and remedies of the trustee and the bondholders as may be reasonable and proper and not inconsistent with the law and also provisions for approval by the original purchasers of the bonds of the employment of consulting engineers and of the security given by the bridge contractors and by any bank or trust company in which the proceeds of bonds or of bridge or ferry tolls or other moneys of the Commission shall be deposited, and may provide that no contract for construction shall be made without the approval of the consulting engineers. The bridge constructed under the authority of this act shall be deemed to be an instrumentality for international commerce authorized by the Government of the United States, and said bridge and ferry or ferries and the bonds issued in connection therewith and the income derived therefrom shall be exempt from all Federal, State, municipal, and local taxation. Said bonds shall be sold in such manner and at such time or times and at such price as the Commission may determine, but no such sale shall be made at a price so low as to require the payment of more than 6 percent interest on the money received therefor, computed with relation to the absolute maturity of the bonds in accordance with standard tables of bond values, and the face amount thereof shall be so calculated as to produce, at the price of their sale, the cost of the bridge and its approaches, and the land, easements, and appurtenances used in connection therewith and, in the event the ferry or ferries are to be acquired, also the cost of such ferry or ferries and the lands, easements, and appurtenances used in connection therewith. The cost of the bridge and ferry or ferries shall be deemed to include interest during construction of the bridge, and for 12 months thereafter, and all engineering, legal, architectural, traffic surveying, and other expenses incident to the construction of the bridge or the acquisition of the ferry or ferries, and the acquisition of the necessary property, and incident to the financing thereof, including the cost of acquiring existing franchises, rights, plans, and works of and relating to the bridge, now owned by any person, firm, or corporation, and the cost of purchasing all or any part of the shares of stock of any such corporate owner if, in the judgment of the Commission, such purchases should be found expedient. If the proceeds of the bonds issued shall exceed the cost as finally determined, the excess shall be placed in the sinking fund hereinafter provided. Prior to the preparation of definitive bonds the Commission may, under like restrictions, issue temporary bonds or interim certificates with or without coupons of any denomination whatsoever, exchangeable for definitive bonds when such bonds have been executed and are available for delivery.

SEC. 5. In fixing the rates of toll to be charged for the use of such bridge the same shall be so adjusted as to provide a fund sufficient to pay for the reasonable cost of depreciating, maintaining, repairing, and operating the bridge and its approaches under economical management, and to provide a sinking fund sufficient to pay the principal and interest of such bonds as the same shall fall due and the redemption or repurchase price of all or any thereof redeemed or repurchased before maturity as herein provided. All tolls and other revenues from said bridge are hereby pledged to such uses and to the application thereof hereinafter in this section required. After payment or provision for payment therefrom of all such cost of maintaining, repairing, and operating and the reservation of an amount of money estimated to be sufficient for the same purpose during an ensuing period of not more than 6 months, the remainder of tolls collected shall be placed in the sinking fund, at intervals to be determined by the Commission prior to the issuance of the bonds. An accurate record of the cost of the bridge and its approaches, the expenditures for maintaining, repairing, and operating the same, and of the daily tolls collected, shall be kept and shall be available for the information of all persons interested. The Commission shall classify in a reasonable way all traffic over the bridge, so that the tolls shall be so fixed and adjusted by it as to be uniform in the application thereof to all traffic falling within any such reasonable class, regardless of the status or character of any person, firm, or corporation participating in such traffic, and shall prevent all use of such bridge for traffic except upon payment of the tolls so fixed and adjusted. No toll shall be charged officials or employees of the Commission or of the Governments of the United States or Canada while in the discharge of their duties.

SEC. 6. Nothing herein contained shall require the Commission or its successors to maintain or operate any ferry or ferries purchased hereunder, but in the discretion of the Commission or its successors any ferry or ferries so purchased, with the appurtenances and property thereto connected and belonging, may be sold or otherwise disposed of or may be abandoned and/or dismantled whenever in the judgment of the Commission or its

successors it may seem expedient so to do. The Commission and its successors may fix such rates of toll for the use of such ferry or ferries as it may deem proper, subject to the same conditions as are hereinabove required as to tolls for traffic over the bridge. All tolls collected for the use of the ferry or ferries and the proceeds of any sale or disposition of any ferry or ferries shall be used, so far as may be necessary, to pay the cost of maintaining, repairing, and operating the same, and any residue thereof shall be paid into the sinking fund hereinabove provided for bonds. An accurate record of the cost of purchasing the ferry or ferries, the expenditures for maintaining, repairing, and operating the same, and of the daily tolls collected shall be kept and shall be available for the information of all persons interested.

Sec. 7. After payment of the bonds and interest, or after a sinking fund sufficient for such payment shall have been provided and shall be held for that purpose, the Commission shall deliver deeds or other suitable instruments of conveyance of the interest of the Commission in and to the bridge, that part within the United States to the State of New York or any municipality or agency thereof as may be authorized by or pursuant to law to accept the same (hereinafter referred to as the "United States interests") and that part within Canada to the Dominion of Canada or to such Province, municipality, or agency thereof as may be authorized by or pursuant to law to accept the same (hereinafter referred to as the "Canadian interests"), under the condition that the bridge shall thereafter be free of tolls and be properly maintained, operated, and repaired by the United States interests and the Canadian interests, as may be agreed upon; but if either the United States interests or the Canadian interests shall not be authorized to accept or shall not accept the same under such conditions, then the bridge shall continue to be owned, maintained, operated, and repaired by the Commission, and the rates of tolls shall be so adjusted as to provide a fund of not to exceed the amount necessary for the proper maintenance, repair, and operation of the bridge and its approaches under economical management, until such time as both the United States interests and the Canadian interests shall be authorized to accept and shall accept such conveyance under such conditions. If at the time of such conveyance the Commission or its successors shall not have disposed of such ferry or ferries, the same shall be disposed of by sale as soon as practicable, at such price and upon such terms as the Commission or its successors may determine, but in making any such sale preference shall be given to the Canadian interests and thereafter to the United States interests before any sale except to such respective interests.

Sec. 8. For the purpose of carrying into effect the objects stated in this act there is hereby created the St. Lawrence Bridge Commission, and by that name, style, and title said body shall have perpetual succession; may contract and be contracted with, sue and be sued, implead and be impleaded, complain and defend in all courts of law and equity; may make and have a common seal; may purchase or otherwise acquire and hold or dispose of real estate and other property; may accept and receive donations or gifts of money or other property and apply same to the purposes of this act; and shall have and possess all powers necessary, convenient, or proper for carrying into effect the objects stated in this act.

The Commission shall consist of Walter Willson, George W. Sisson, Jr., John Bird, James C. Dolan, Albert P. Newell, Charles Steger, Franklin R. Little, Felix Hulser, Arthur Belgard, Robert H. McEwen, and Julius Frank. Such Commission shall be a body corporate and politic constituting a public-benefit corporation. Any vacancy occurring in said Commission shall be filled by a majority vote of the remaining members of the Commission, and notices of elections to fill vacancies and of acceptances thereof shall be filed with the county clerk of St. Lawrence County, N.Y. Each member of the Commission and their respective successors shall qualify by giving such bond as may be fixed by the Chief of the Bureau of Public Roads of the Department of Agriculture, conditioned for the faithful performance of all duties required by this act. The Commission shall elect a chairman and a vice chairman from its members, and may establish rules and regulations for the government of its own business. Five members shall constitute a quorum for the transaction of business: *Provided, however*, That if there be less than five members of said Commission on account of vacancies, the remaining member or members may fill such vacancies.

Sec. 9. The Commission shall have no capital stock or shares of interest or participation, and all revenues and receipts thereof shall be applied to the purposes specified in this act. The members of the Commission shall be entitled to a per diem compensation for their services of \$10 for each day actually spent in the business of the Commission, but the maximum compensation of the chairman in any year shall not exceed \$2,500 and of each other member shall not exceed \$500. The members of the Commission shall also be entitled to receive traveling expense allowance of 10 cents a mile for each mile actually traveled on the business of the Commission. The Commission may employ a secretary, treasurer, engineers, attorneys, and such other experts, assistants, and employees as they may deem necessary, who shall be entitled to receive such compensation as the Commission may determine. All salaries and expenses shall be paid solely from the funds provided under the authority of this act. After all bonds and interest thereon shall have been paid and all other obligations of the Commission paid or discharged, or provision for all such payment shall have been made as hereinbefore provided, and after the bridge shall have been conveyed to the United States interests and the Canadian interests as herein provided, and any

ferry or ferries shall have been sold, the Commission shall be dissolved and shall cease to have further existence by an order of the Chief of the Bureau of Public Roads made upon his own initiative or upon application of the Commission or any member or members thereof, but only after a public hearing in the city of Ogdensburg, notice of the time and place of which hearing and the purpose thereof shall have been published once, at least 30 days before the date thereof, in a newspaper published in the city of Ogdensburg, N.Y., and a newspaper published in Prescott, Ontario. At the time of such dissolution all moneys in the hands of or to the credit of the Commission shall be divided into two equal parts, one of which shall be paid to said United States interests and the other to said Canadian interests.

Sec. 10. Nothing herein contained shall be construed to authorize or permit the Commission or any member thereof to create any obligation or incur any liability other than such obligations and liabilities as are dischargeable solely from funds provided by this act. No obligation created or liability incurred pursuant to this act shall be an obligation or liability of any member or members of the Commission, but shall be chargeable solely to the funds herein provided, nor shall any indebtedness created pursuant to this act be an indebtedness of the United States.

Sec. 11. All provisions of this act may be enforced, or the violation thereof prevented by mandamus, injunction, or other appropriate remedy brought by the attorney general for the State of New York, the United States district attorney for the district in which the bridge may be located in part, or by the Solicitor General of the Dominion of Canada in any court having competent jurisdiction of the subject matter and of the parties.

Sec. 12. The right to alter, amend, or repeal this act is hereby expressly reserved.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

BRIDGE ACROSS EAST RIVER BETWEEN BRONX AND WHITESTONE LANDING

The Clerk called the next bill, H.R. 5394, authorizing Charles V. Bossert, his heirs and assigns, to construct, maintain, and operate a bridge across the East River between Bronx and Whitestone Landing.

Mr. BLANCHARD. Mr. Speaker, I object.

CALENDAR WEDNESDAY BUSINESS

Mr. BYRNS. Mr. Speaker, I ask unanimous consent that business in order on Calendar Wednesday, tomorrow, be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

RECEIVERS, TRUSTEES, REFEREES IN BANKRUPTCY, AND RECEIVERS IN EQUITY CAUSES

Mr. SMITH of Virginia. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 110 and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That, when in its judgment such investigations are justified, the Judiciary Committee of the House of Representatives be, and it is hereby, authorized to inquire into and investigate the matter of appointments, conduct, proceedings, and acts of receivers, trustees, referees in bankruptcy, and receivers in equity causes for the conservation of assets within the jurisdiction of the United States district courts.

Sec. 2. The said committee, or subcommittees thereof, to be appointed by the Chairman of the Judiciary Committee, shall specifically inquire into and investigate the selection of receivers and trustees, and the selection and appointment of counsel and assistants to such receivers and trustees, referees, custodians, auctioneers, appraisers, accountants, and other aides to the court in the administration of bankruptcy estates and equity receiverships; and shall inquire into and investigate all other questions in relation thereto that would aid Congress in any necessary remedial legislation.

Sec. 3. The said committee, or any subcommittee thereof, to be appointed by the Chairman of the Judiciary Committee, shall inquire into and investigate the action of any district judge or judges in the setting up and promulgating of any rule or rules of practice of the court appointing the same person or corporation as receiver in all cases or in any class of cases, and to inquire into and investigate the action of any district judge or judges in setting up and promulgating any rule or rules of practice of the court which in effect, directly or indirectly, interferes with or prevents the control of bankruptcy estates by creditors according to the spirit and letter of the bankruptcy statutes; and to inquire into and investigate all other questions in relation thereto that would aid the Congress in any necessary remedial legislation.

Sec. 4. The committee shall report to the House of Representatives not later than the 31st day of January 1934 the result of its investigation, together with such recommendations as it deems advisable.

SEC. 5. The said committee, or any subcommittee thereof, is authorized to sit and act at such times and places within the United States, whether or not the House is sitting, has recessed, or has adjourned, to hold such hearings, to employ suitable counsel, assistants, and investigators in aid of its investigation, as well as such experts, and such clerical, stenographic, and other assistants, to require the attendance of such witnesses and the production of such books, papers, and documents, by subpoena or otherwise, to take such testimony, to have such printing and binding done, and to make such expenditures as it deems necessary; and all such expenses thereof shall be paid on vouchers ordered by said committee and approved by the Chairman thereof. Subpoenas shall be issued under the signature of the chairman of the Judiciary Committee or of the chairman of any subcommittee and shall be served by any person designated by any of them. The chairman of the committee or any member thereof may administer oaths to witnesses. Every person who, having been summoned as a witness by authority of said committee or any subcommittee thereof, willfully makes default, or who, having appeared, refuses to answer any question pertinent to the investigation heretofore authorized, shall be held to the penalties provided by section 102 of the Revised Statutes of the United States.

Mr. SMITH of Virginia. Mr. Speaker—

Mr. COCHRAN of Missouri. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. COCHRAN of Missouri. Is this bill being considered under unanimous consent?

The SPEAKER. This is a privileged resolution from the Committee on Rules.

Mr. COCHRAN of Missouri. This is an innocent-looking proposition on its face, but before we go into it—

Mr. SMITH of Virginia. Mr. Speaker, I prefer not to yield at this time. I will discuss the matter fully.

Mr. BLANTON. Mr. Speaker, I reserve a point of order on the resolution before it is discussed.

Mr. SMITH of Virginia. Mr. Speaker, I yield 30 minutes to the gentleman from Pennsylvania [Mr. RANSLEY] and I yield myself 5 minutes.

Mr. Speaker, this is a resolution for a broad and general investigation of the practice in Federal courts in the matter of the appointment of receivers and trustees in bankruptcy cases and of receivers in equity cases.

The resolution came to the Rules Committee from the Judiciary Committee with a request for a rule. I am informed that the Judiciary Committee unanimously asked for the investigation and asked for the rule upon which the matter now comes before the House.

This resolution in its original form, as first introduced by the gentleman from New York, called for an investigation primarily of the situation in the city of New York with respect to the Irving Trust Co. There is a rule of court in that city under which the Irving Trust Co., and the Irving Trust Co. alone, can be appointed receiver or trustee in any bankruptcy case; and I am informed that they have been appointed in something like 5,000 cases.

When that resolution came before the Rules Committee there was some discussion about it, and it attracted some attention. There came a demand from numerous quarters of the country for a general investigation of this subject because of alleged abuses, both in the matter of the appointment of receivers and trustees, in the matter of favoritism, and in the matter of the allowance of most excessive fees in many of these bankruptcy estates.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. SMITH of Virginia. I yield.

Mr. SNELL. I did not understand the necessity for the consideration of this resolution at the present time. Will the gentleman tell the House the necessity of it?

Mr. SMITH of Virginia. It is necessary because of alleged abuses, if I may so term it, with respect to favoritism in the appointment of receivers, and the allowance of large fees which are regarded as excessive by the bar associations of numerous parts of the country.

Now, I do not know how general it is, but since this resolution has been up there has come to my attention complaint from a number of different cities, complaint from bar associations in several places. The gentlemen who will follow me will go more into detail than I can, but the bar associations of several large cities, I am told, have asked this investigation and have passed resolutions.

Mr. SNELL. Mr. Speaker, will the gentleman yield for another question?

Mr. SMITH of Virginia. I yield.

Mr. SNELL. Is it not a fact that these judges appointed the Irving Trust Co. because they wanted someone who would preserve some of the funds of the creditors? Was not that the original intent?

Mr. SMITH of Virginia. I understand that there was some difficulty in New York with respect to those matters and that as a solution of it the courts thought that the appointment of one trustee in all cases would solve the difficulty, but it is charged that this has led to other conditions that are far from satisfactory.

Mr. BLANTON. Mr. Speaker, the discussion has gone along far enough now that I shall make the point of order. The Speaker may as well rule now as at any other time.

I call the Speaker's attention to section 5 of the resolution, page 3, reading as follows:

The said committee, or any subcommittee thereof, is authorized to sit and act at such times and places within the United States, whether or not the House is sitting, has recessed, or has adjourned—

This shows they can sit any time and anywhere in the United States, from Alaska to the Gulf of Mexico. It is further provided that they may—

Hold such hearings, employ suitable counsel, assistants, and investigators in aid of its investigation, as well as such experts, and such clerical, stenographic, and other assistants, to require the attendance of such witnesses and the production of such books, papers, and documents, by subpoena or otherwise, to take such testimony, to have such printing and binding done, and to make such expenditures as it deems necessary; and all such expenses thereof shall be paid on vouchers ordered by said committee and approved by the chairman thereof.

Mr. Speaker, I make the point of order that the Committee on Rules has no jurisdiction whatever to report to this House a resolution of this kind, because the resolution shows on its face that it is a charge on the Treasury.

Such a resolution as this could cost the Government \$200,000, or even twice that sum. The 25 members of this Committee on the Judiciary, or any subcommittee thereof, between now and the 1st of next January could sit in every big city in the United States from the Atlantic to the Pacific. Their railroad fare, traveling expenses, hotel bills, would be paid by Congress. They could employ as many lawyers as they wished, and pay them any salaries they wished, wholly without limitation. They could employ high-priced experts, clerks, stenographers, wholly without limit. We know how much the Joe Walsh committee cost. We know how much the Graham, of Illinois, committee cost. We know that the coal investigating committee cost, first, \$400,000, and then another \$400,000. We know that the initial cost of the Wickersham Committee was \$500,000. I am going to try to stop all such resolutions that do not provide for a limitation of expenses. This resolution is clearly subject to a point of order, because the Committee on Rules does not have any authority or jurisdiction to report such a measure that carries such a charge on the Treasury.

While the Rules Committee would have the right to bring in a rule to make such a matter in order, it has no right, in the first instance, to favorably report such a resolution. I insist that my point of order is good and should be sustained.

Mr. O'CONNOR. Mr. Speaker, this matter was considered by the Rules Committee, and it was the general opinion of the members that where the resolution carried no appropriation there could be no charge on the Treasury, and that before any money would be available to pay the vouchers mentioned in the resolution, a resolution would have to be introduced and considered by the Accounts Committee and reported by that committee and passed by the House. As a further check on the expenditure of the funds of the Government there is, of course, the Appropriations Committee.

This language is the usual language carried of late in such resolutions. Of course, the privilege would be destroyed if there were a specific amount appropriated to meet these expenses.

I know there has been some question of this kind raised every time one of these resolutions has come up. I raised the question myself, and the matter was discussed in the Rules Committee. It was brought to the attention of the gentleman from New Jersey [Mr. LEHLBACH], whom we consider a very good parliamentarian, and the gentleman from New Jersey felt that the provision as it exists in this resolution, without any appropriation being made, did not take away from the resolution its privilege under the rules of the House.

Mr. SNELL. Will the gentleman yield to me?

Mr. O'CONNOR. Yes.

Mr. SNELL. I appreciate that what the gentleman has said is partly correct, and at times we have reported out of the Rules Committee similar resolutions. But, as a matter of fact, when there was really anything at stake or when any question was raised about it, we never reported such resolutions, because there is absolutely no doubt in my mind but what the section to which the gentleman from Texas has made a point of order is subject to the point of order.

Mr. O'CONNOR. Now, to be practical, what is the efficacy of such vouchers if you have not provided the money? How can anybody enforce a charge on the Government under the language of this resolution?

Mr. SNELL. That is partly true, but in the final analysis the language does authorize something the Rules Committee has not the right to authorize at the present time. I thought the gentleman had brought in a resolution making this in order, the same as was done with respect to the resolution the other day.

Mr. O'CONNOR. The resolution which was made in order by a rule the other day carried some appropriation, as I recall it.

Mr. SNELL. The language was practically the same as the language of this section. It did not specify any particular amount of money.

Mr. COCHRAN of Missouri. If the gentleman will permit, there was no specific amount named in the Sirovich resolution. It was my purpose as a member of the Committee on Accounts to bring up the very question that the gentleman from Texas has now raised. When the House passes a resolution of this character, we are asked to bring in a resolution from the Committee on Accounts providing for the money. The committee that is to act always holds when the House passes a resolution it is a mandate and we are called upon to provide money. It seems to me there should be some limitation placed in resolutions of this character. There is no limitation here whatever. The whole thing is wide open. That is not good business. Lawyers, accountants, clerks, and so forth, cost money. How far do you want to go?

Mr. O'CONNOR. I raised the question myself, I may say, in the Rules Committee as to whether or not this language was in order, and that committee finally felt that it did not strictly violate the rules, because the veto power is in the gentleman's Committee on Accounts. There is no mandate on the Accounts Committee to either report a resolution or to provide one dollar of money.

Mr. COCHRAN of Missouri. But the gentleman will find the members of the Judiciary Committee will come before the Accounts Committee saying that this is a mandate and that it is our duty as an agency of the House to carry out the will of the House. Give us plenty of money, they will say. This is a large proposition and will extend from coast to coast.

Mr. BLANTON. Will the gentleman yield?

Mr. O'CONNOR. Yes.

Mr. BLANTON. As he is a good lawyer, I want to ask the gentleman from New York if it is not a fact that if we pass this resolution, and the Judiciary Committee enters into a contract tomorrow with lawyers to pay them \$10,000 each, or with certain experts to pay them \$5,000 each, does not the gentleman know that that is a moral obligation on the Congress which we must fulfill and that we would not break such a contract as that?

Mr. O'CONNOR. What the gentleman says may be true, but that is the very most it is—"a moral obligation"—and I do not believe the gentleman feels that the Judiciary Committee, headed by the distinguished gentleman from his own State [Mr. SUMNERS], is going to do any such thing as to obligate the Government, even morally, until he presents the facts to the Committee on Accounts.

Mr. BLANTON. I am in favor of stopping these outrageous trustee and receivership fees, but this kind of spending resolution is not going to stop it. It will take proper legislation to do that, and instead of passing resolutions like this to ascertain what most of us already know, we ought to bring in some legislation to stop it. The paying of outrageous fees to receivers and trustees, as has been done in certain cases, is outrageous, and we ought to stop it.

Mr. O'CONNOR. The only purpose the gentleman's point of order would serve would be to delay an investigation which the gentleman admits should be made.

Mr. BLANTON. No; not an investigation. I am not in favor of investigations. I want to stop these junkets. My purpose in making this point of order is to stop a useless junket that will cost a great sum of money and accomplish nothing.

Mr. O'CONNOR. We were advised in the Rules Committee unanimously by the Judiciary Committee that this matter should be gone into. Of course, in every instance when a point of order is made, such as has been made in this case, if the point of order lies, the Rules Committee is confronted with the necessity of bringing in a rule to make it in order.

Mr. SNELL. It has always been the custom to take care of such matters in some other way. I am quite sure that whenever the question has been raised, a point of order has lain against it.

Mr. O'CONNOR. I do not recall the point having been raised in the past 10 years.

Mr. SNELL. Oh, I recall that it has been raised a dozen times, and I have tried sometimes to argue against it.

Mr. O'CONNOR. I think whenever the point was raised, in every instance there was an appropriation.

Mr. SNELL. You do not necessarily have to provide an appropriation of \$5,000, for instance, to make it subject to a point of order. You authorize an appropriation in this resolution.

Mr. BLANTON. This resolution clearly is subject to a point of order. It authorizes this big committee to sit all over the United States, wherever and whenever it wants to sit, between now and next January 1. Who says that will not cost a lot of money? It authorizes this committee to employ high-priced lawyers and fix their salaries, wholly without limit. That could cost a large sum of money. It authorizes this committee to employ experts and clerks and stenographers and to have printing done, and the expenses are to be paid by vouchers approved by the chairman. Certainly that is a charge on the Treasury, and the Committee on Rules does not have authority to report such a measure.

The SPEAKER. The Chair is ready to rule.

The Chair thinks that the provision incorporated in section 5 of the resolution authorizing the committee to employ suitable counsel, assistants, and investigators in the aid of its investigation, and also the provision authorizing all necessary expenses of the investigation to be paid on vouchers approved by the chairman of the committee, is a matter properly within the jurisdiction of the Committee on Accounts. It has been held that where the Committee on Rules reports a resolution of this kind and there is incorporated therein matter which is within the jurisdiction of another committee the matter so included destroys the privilege of the resolution insofar as it prevents consideration at any time by the mere calling up of the report by the Committee on Rules. For this reason the Chair thinks that the point of order is well taken, and the Chair therefore sustains the point of order.

RECESS

Mr. O'CONNOR. Mr. Speaker, I ask unanimous consent that the House stand in recess, at the call of the Speaker, to receive a message from the President of the United States.

Mr. BRITTEN. Reserving the right to object, can the gentleman give us some idea as to the time the message may be expected?

The SPEAKER. The Chair will answer that. The message is expected at any minute.

Mr. BLANTON. The Speaker will give us the 3-bell call.

The SPEAKER. The Chair will have the bells rung 5 minutes before the reconvening of the House. Is there objection?

There was no objection.

Accordingly (at 1 o'clock and 25 minutes p.m.) the House stood in recess, at the call of the Speaker.

AFTER RECESS

The recess having expired, the House was called to order by the Speaker at 1 o'clock and 33 minutes p.m.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Latta, one of his secretaries, who also informed the House that on May 12, 1933, the President approved and signed bills of the House of the following titles:

H.R. 3835. An act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes;

H.R. 48. An act to extend the time for completing the construction of a bridge across the Missouri River at or near Kansas City, Kans.;

H.R. 1596. An act to extend the times for commencing and completing the construction of a bridge across the Pee Dee River and a bridge across the Waccamaw River, both at or near Georgetown, S.C.;

H.R. 4127. An act to extend the times for commencing and completing the construction of a bridge across the Waccamaw River near Conway, S.C.;

H.R. 4491. An act to extend the times for commencing and completing the construction of an overhead viaduct across the Mahoning River at Struthers, Mahoning County, Ohio; and

H.R. 4606. An act to provide for cooperation by the Federal Government with the several States and Territories and the District of Columbia in relieving the hardship and suffering caused by unemployment, and for other purposes.

The SPEAKER laid before the House the following message from the President of the United States, which was read by the Clerk, referred to the Committee on Foreign Affairs, and ordered printed:

WORLD POLITICAL AND ECONOMIC PEACE (H.DOC. NO. 36)

To the Congress:

For the information of the Congress I am sending herewith a message that I have addressed this morning to the sovereigns and presidents of those nations participating in the disarmament conference and the world monetary and economic conference.

I was impelled to this action because it has become increasingly evident that the assurance of world political and economic peace and stability is threatened by selfish and short-sighted policies, actions, and threats of actions.

The sincere wish for this assurance by an overwhelming majority of the nations faces the danger of recalcitrant obstruction by a very small minority, just as in the domestic field the good purposes of a majority in business, labor, or in other cooperative efforts are often frustrated by a selfish few.

The deep-rooted desire of Americans for better living conditions and for the avoidance of war is shared by mass humanity in every country. As a means to this end I have, in the message to the various nations, stressed the practical necessity of reducing armaments. It is high time for us and for every other nation to understand the simple fact that the invasion of any nation, or the destruction of a national sovereignty, can be prevented only by the complete

elimination of the weapons that make such a course possible today.

Such an elimination will make the little nation relatively more secure against the great nation.

Furthermore, permanent defenses are a nonrecurring charge against governmental budgets while large armies, continually rearmed with improved offensive weapons, constitute a recurring charge. This, more than any other factor today, is responsible for governmental deficits and threatened bankruptcy.

The way to disarm is to disarm. The way to prevent invasion is to make it impossible.

I have asked for an agreement among nations on four practical and simultaneous steps:

First. That through a series of steps the weapons of offensive warfare be eliminated.

Second. That the first definite step be taken now.

Third. That while these steps are being taken no nation shall increase existing armaments over and above the limitations of treaty obligations.

Fourth. That subject to existing treaty rights no nation during the disarmament period shall send any armed force of whatsoever nature across its own borders.

Our people realize that weapons of offense are needed only if other nations have them, and they will freely give them up if all the nations of the world will do likewise.

In the domestic field the Congress has labored in sympathetic understanding with me for the improvement of social conditions, for the preservation of individual human rights, and for the furtherance of social justice.

In the message to the nations which I herewith transmit I have named the same objectives. It is in order to assure these great human values that we seek peace by ridding the world of the weapons of aggression and attack.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, May 16, 1933.

MAY 16, 1933.

The following message was cabled today to the sovereigns and presidents of the nations listed below:

His Majesty Zog I, King of the Albanians, Tirana, Albania.

His Excellency Agustin P. Justo, President of the Argentine Nation, Buenos Aires, Argentina.

His Excellency Wilhelm Miklas, President of the Confederation of Austria, Vienna, Austria.

His Majesty Albert, King of the Belgians, Brussels, Belgium.

His Excellency Getulio Vargas, President of the United States of Brazil, Rio de Janeiro, Brazil.

His Excellency Enrique Olaya Herrera, President of the Republic of Colombia, Bogota, Colombia.

His Excellency Daniel Salamanca, President of Bolivia, La Paz, Bolivia.

His Majesty Boris III, King of the Bulgarians, Sofia, Bulgaria.

His Excellency Arturo Alessandri, President of the Republic of Chile, Santiago, Chile.

His Excellency Ricardo Jimenez, President of Costa Rica, San Jose, Costa Rica.

His Excellency Lin Sen, President of the National Government of the Republic of China, Nanking, China.

His Excellency Gerardo Machado, President of the Republic of Cuba, Habana, Cuba.

His Excellency Thomas G. Masaryk, President of Czechoslovakia, Praha, Czechoslovakia.

His Majesty Christian X, King of Denmark, Copenhagen, Denmark.

His Excellency Rafael Leonidas Trujillo, President of the Dominican Republic, Santo Domingo, Dominican Republic.

His Excellency Juan de Dios Martinez Mira, President of the Republic of Ecuador, Quito, Ecuador.

His Majesty Fouad I, King of Egypt, Cairo, Egypt.

His Excellency Konstantin Pats, Head of State, Tallinn, Estonia.

His Imperial Majesty Haile Selassie I, Emperor of Ethiopia, Addis Ababa, Ethiopia.

His Excellency Pehr Evind Svinhufvud, the President of Finland, Helsingfors, Finland.

His Excellency M. Albert Lebrun, President of the French Republic, Paris, France.

His Excellency Field Marshal Paul von Beneckendorff und von Hindenburg, President of the Reich, Berlin, Germany.

His Majesty George V, the King of Great Britain, Ireland, and the British Dominions Beyond the Seas, Emperor of India, etc., etc., London, England.

His Excellency Alexander Zaimis, President of the Hellenic Republic, Athens, Greece.

His Excellency Jorge Ubico, President of the Republic of Guatemala, Guatemala, Guatemala.

His Excellency Stenio Vincent, President of Haiti, Port au Prince, Haiti.

His Serene Highness Admiral Nicholas De Hortby, Regent of the Kingdom of Hungary, Budapest, Hungary.

His Excellency Tiburcio Carias A., Constitutional President of the Republic of Honduras, Tegucigalpa, Honduras.

His Majesty Victor Emanuel III, King of Italy, Rome, Italy.

His Majesty Hirohito, Emperor of Japan, Tokyo, Japan.

His Excellency Alberts Kviesis, President of the Republic of Latvia, Riga, Latvia.

His Excellency Antanas Smetona, President of the Republic of Lithuania, Kaunas, Lithuania.

Her Royal Highness Charlotte, Grand Duchess of Luxembourg, Luxembourg, G.D.

His Excellency General Abelardo L. Rodriguez, President of the United Mexican States, Mexico City, Mexico.

Her Majesty Wilhelmina, Queen of the Netherlands, The Hague, Netherlands.

His Excellency Juan D. Sacasa, President of the Republic of Nicaragua, Managua, Nicaragua.

His Majesty Haakon VII, King of Norway, Oslo, Norway.

His Excellency Harmodio Arias, President of Panama, Panama, Panama.

His Excellency Eusebio Ayala, President of the Republic of Paraguay, Asuncion, Paraguay.

His Majesty Faisal I, King of Iraq, Baghdad, Iraq.

His Excellency Ignace Moscicki, President of the Republic of Poland, Warsaw, Poland.

His Excellency Gen. Oscar Benavides, President of Peru, Lima, Peru.

His Excellency Gen. Antonio Oscar de Frago de Carmona, President of the Republic of Portugal, Lisbon, Portugal.

His Majesty Carol II, King of Rumania, Bucharest, Rumania.

President Michail Kalinin, All Union Central Executive Committee, Moscow, Russia.

His Majesty Prajadhipok, King of Siam, Bangkok, Siam.

His Excellency Alcala Zamora, President of the Spanish Republic, Madrid, Spain.

His Imperial Majesty Reza Shah Pahlevi, Shah of Persia, Teheran, Persia.

His Majesty Gustaf V, King of Sweden, Stockholm, Sweden.

His Excellency Edmond Schulthess, President of the Swiss Confederation, Berne, Switzerland.

His Excellency Gazi Mustafa Kemal, President of the Turkish Republic, Ankara, Turkey.

His Excellency Gabriel Terra, President of the Republic of Uruguay, Montevideo, Uruguay.

His Excellency Juan V. Gomez, President of the United States of Venezuela, Caracas, Venezuela.

His Majesty Alexander I, King of Yugoslavia, Belgrade, Yugoslavia.

THE MESSAGE

A profound hope of the people of my country impels me, as the head of their Government, to address you, and through you the people of your nation. This hope is that peace may be assured through practical measures of disarmament and that all of us may carry to victory our common struggle against economic chaos.

To these ends the nations have called two great world conferences. The happiness, the prosperity, and the very

lives of the men, women, and children who inhabit the whole world are bound up in the decisions which their governments will make in the near future. The improvement of social conditions, the preservation of individual human rights, and the furtherance of social justice are dependent upon these decisions.

The World Economic Conference will meet soon and must come to its conclusions quickly. The world cannot await deliberations long drawn out. The conference must establish order in place of the present chaos by a stabilization of currencies, by freeing the flow of world trade, and by international action to raise price levels. It must, in short, supplement individual domestic programs for economic recovery, by wise and considered international action.

The Disarmament Conference has labored for more than a year and, as yet, has been unable to reach satisfactory conclusions. Confused purposes still clash dangerously. Our duty lies in the direction of bringing practical results through concerted action based upon the greatest good to the greatest number. Before the imperative call of this great duty, petty obstacles must be swept away and petty aims forgotten. A selfish victory is always destined to be an ultimate defeat. The furtherance of durable peace for our generation in every part of the world is the only goal worthy of our best efforts.

If we ask what are the reasons for armaments, which, in spite of the lessons and tragedies of the World War, are today a greater burden on the peoples of the earth than ever before, it becomes clear that they are twofold: First, the desire, disclosed or hidden, on the part of governments to enlarge their territories at the expense of a sister nation. I believe that only a small minority of governments or of peoples harbor such a purpose. Second, the fear of nations that they will be invaded. I believe that the overwhelming majority of peoples feel obliged to retain excessive armaments because they fear some act of aggression against them and not because they themselves seek to be aggressors.

There is justification for this fear. Modern weapons of offense are vastly stronger than modern weapons of defense. Frontier forts, trenches, wire entanglements, coast defenses—in a word, fixed fortifications—are no longer impregnable to the attack of war planes, heavy mobile artillery, land battleships called tanks, and poison gas.

If all nations will agree wholly to eliminate from possession and use the weapons which make possible a successful attack, defenses automatically will become impregnable, and the frontiers and independence of every nation will become secure.

The ultimate objective of the Disarmament Conference must be the complete elimination of all offensive weapons. The immediate objective is a substantial reduction of some of these weapons and the elimination of many others.

This Government believes that the program for immediate reduction of aggressive weapons, now under discussion at Geneva, is but a first step toward our ultimate goal. We do not believe that the proposed immediate steps go far enough. Nevertheless, this Government welcomes the measures now proposed and will exert its influence toward the attainment of further successive steps of disarmament.

Stated in the clearest way, there are three steps to be agreed upon in the present discussions:

First. To take, at once, the first definite step toward this objective, as broadly outlined in the MacDonald plan.

Second. To agree upon time and procedure for taking the following steps.

Third. To agree that while the first and the following steps are being taken, no nation shall increase its existing armaments over and above the limitations of treaty obligations.

But the peace of the world must be assured during the whole period of disarmament, and I therefore propose a fourth step concurrent with and wholly dependent on the faithful fulfillment of these three proposals and subject to existing treaty rights:

That all the nations of the world should enter into a solemn and definite pact of nonaggression; that they should

solemnly reaffirm the obligations they have assumed to limit and reduce their armaments; and, provided these obligations are faithfully executed by all signatory powers, individually agree that they will send no armed force of whatsoever nature across their frontiers.

Common sense points out that if any strong nation refuses to join with genuine sincerity in these concerted efforts for political and economic peace, the one at Geneva and the other at London, progress can be obstructed and ultimately blocked. In such event the civilized world, seeking both forms of peace, will know where the responsibility for failure lies. I urge that no nation assume such a responsibility, and that all the nations joined in these great conferences translate their professed policies into action. This is the way to political and economic peace.

I trust that your Government will join in the fulfillment of these hopes.

FRANKLIN D. ROOSEVELT.

[Applause.]

MOTHER'S DAY

Mrs. NORTON. Mr. Speaker, I ask unanimous consent to extend in the RECORD my own remarks at the Arlington Cemetery on the occasion of the celebration in honor of Mother's Day.

The SPEAKER. Is there objection?

There was no objection.

Mrs. NORTON. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following address delivered by myself at Arlington National Cemetery on the occasion of the celebration in honor of Mother's Day, May 14, 1933:

If I were asked to name the most important career to which any woman might aspire I would without hesitation or qualification name that of motherhood.

A devoted mother gives to her country that which is more necessary than any other contribution—men and women to carry on our glorious traditions, without which there would not be a successful and happy Nation like ours.

Today I am thinking of two mothers of whom it can be said they have lived to see the fulfillment of the fondest wish of any mother's heart—the realization of their dreams for their children. One is the mother of our great President, the other the mother of a beloved priest in my State of New Jersey who is soon to be a bishop, consecrating his life to the service of God. Both are making a great contribution to God and country and achieving results that must have been inspired by the devotion and courage of a wonderful mother. God bless them both.

And I am thinking of another mother, though we know not whether she is here or has passed on to rejoin the son who lies before us—the Unknown Soldier, symbol of courage, sacrifice, and devotion to a great country.

Nothing is truer than that we are what we are today because of our mothers. We owe them a debt that cannot be even approximated, so far as payment in a material sense is concerned. They gave to us life. They suffered that we might enjoy the blessings of God on earth. Their unselfish devotion, their tender care, their unceasing vigilance, their spiritual influence have transported us from the cradle, over the pitfalls of impressionable youth, to whatever measure of success it has been our good fortune to achieve. And what do they ask in return for the sacrifices, the sufferings, and perhaps the tears that we have brought to them? Very little. Surely nothing that is beyond reach of even the humblest of mortals. A little love, a tender embrace, a letter if we are far away to show that we have not forgotten. How many of you good people listening in today have remembered on this day that is set aside for reverence to the mothers of the world? How many of you are so fortunate as to have your mothers with you, find time to pause occasionally, in your life's work, and renew pledges of love and filial gratitude?

Mother's Day is an occasion when the whole world is kin; when all races and all creeds kneel and worship at the common shrine of motherhood. It transcends even the great holidays; holidays set apart for glorification of heroes and heroic deeds. There never was an act of heroism; there never was a valorous deed that could match or even compare with the life's work of the humblest little mother. Mothers are the unsung heroes of the world, the valiant ones in life's battle. No man of arms, no immortal conqueror, though he subdue the entire world, can compare in the eyes of God with a mother. Mothers' battles are waged in the silences, removed from the glitter of popular acclaim. They fight not to kill, to take life, but to give and to perpetuate it.

Their life's work comes nearest to that of the Man of Galilee than any other on the face of the earth. The road they travel is not unlike the road He traveled to Calvary. They, too, have their crosses to bear; crosses that can be lightened by love and devotion from those they bring into the world. They have their Gethsemane too—when children forget; when the little ones they have nour-

ished and reared fly away from the nest like the fledglings, never more to return.

What a world of sentiment is expressed in the word "mother." What tender emotions it stirs in those whose mothers are among the living. What a flood of sweet memories it brings to those whose mothers have passed on. Memories of tender caresses that softened the pain of some childhood hurt; of reassuring embraces that dissipated clouds of disappointment and brought the sunshine again; of soft lullabies at twilight that soothed the aches in tired little bodies. It is the last word of the hardened criminal as he goes to meet his Maker; of the soldier as he breathes his last amid the shambles of the battlefield; of king, commoner, and humble peasant as they start off on the journey to eternity. It is the first word we learn to lip when we start life; the last we gasp as we depart from life.

Mother love is deathless, eternal. It knows no bounds, no limitations. It reaches all the way from earth to heaven. It is the finest and most inspiring of all emotions that influence the mind of man. It is the golden bridge that makes the passage between life and eternity the easier. A man may be an outcast in the eyes of society; the lowest, meanest criminal amid underworld scum; a lonely, harassed fugitive, pursued from pillar to post, hunted like a wild beast; a social and moral leper. He may be all of that, and even more, but not in the eyes of his mother. To her he is still the lovely babe at her breast; the happy boy whose tears she kissed away; the youth about whom she wove such glorious dreams. She is his sanctuary, his haven, when the buffetings of life are beyond human endurance; his last and final refuge in extremity.

Mother love is the greatest of all loves because it is tempered with sympathy. It forgives the error of the wayward child before it has been committed. Through the ages it has been the symbol of mercy and devotion, of self-effacement, of sacrifice, of patience, and fortitude.

God bless the mothers of the world—the builders of future generations. May the golden flame of their deathless love for mankind burn eternally. And may we on this holy day when we meet to pay them reverence and on every day every year prove to them that their devotion and their sacrifices have not been in vain. And sometime when tired and weary of a none-too-easy existence your thoughts turn to your mother for guidance and comfort, say with the poet:

"God make me the man of her vision
And purge me of selfishness.
God keep me true to her standards
And help me to live, to bless.
God hallow the holy impress of the days that used to be
And keep me a pilgrim forever,
To the shrine of my mother's knee."

LEAVE OF ABSENCE

Mr. SHOEMAKER, by unanimous consent, was given leave of absence, indefinitely, on account of illness.

SENATE JOINT RESOLUTION REFERRED

A joint resolution of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S.J.Res. 50. Joint resolution designating May 22 as National Maritime Day; to the Committee on the Judiciary.

ADJOURNMENT

Mr. BYRNS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 1 o'clock and 50 minutes p.m.) the House adjourned until tomorrow, Wednesday, May 17, 1933, at 12 o'clock noon.

COMMITTEE MEETING

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

(Wednesday, May 17, 10 a.m.)

Continuation of the hearings on H.R. 5500, the Emergency Transportation Act, 1933.

REPORT OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. McSWAIN: Committee on Military Affairs. H.R. 5645. A bill to amend the National Defense Act of June 3, 1916, as amended; without amendment (Rept. No. 141). Referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. AYERS of Montana: A bill (H.R. 5646) to amend the Air Mail Act of February 2, 1925, as amended by the acts of June 3, 1926, May 17, 1928, and April 29, 1930, further to encourage commercial aviation; to the Committee on the Post Office and Post Roads.

By Mr. DEAR: A bill (H.R. 5647) to provide for the commemoration of Fort Jesup, in the State of Louisiana; to the Committee on Military Affairs.

By Mr. EICHER: A bill (H.R. 5648) to provide revenue, and for other purposes; to the Committee on Ways and Means.

By Mr. CELLER: Resolution (H.Res. 145) authorizing the Judiciary Committee to inquire into and investigate the matter of appointments, conduct, proceedings, and acts of receivers, trustees, and referees in bankruptcy; to the Committee on Rules.

By Mr. GRIFFIN: Joint resolution (H.J.Res. 182) to raise additional revenue by reinstating the income-tax rates for individuals and corporations in force prior to the enactment of the Revenue Act of 1932, and in place of the increases provided by said Revenue Act of 1932, to provide a special income tax of 1 cent on each dollar of gross income for the calendar years 1933, 1934, and 1935; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BLACK: A bill (H.R. 5649) for the relief of the D. F. Tyler Corporation and the Norfolk Dredging Co.; to the Committee on Claims.

By Mr. BURNHAM: A bill (H.R. 5650) for the relief of Louis Columbus De Perini; to the Committee on Naval Affairs.

By Mr. CARY: A bill (H.R. 5651) granting a pension to Llewellyn J. S. Judice; to the Committee on Pensions.

By Mr. CELLER: A bill (H.R. 5652) to reimburse William McCool amount of pension payment erroneously deducted for period of hospital treatment; to the Committee on Claims.

By Mr. COLMER: A bill (H.R. 5653) authorizing the Administrator of Veterans' Affairs to convey certain lands to Harrison County, Miss.; to the Committee on World War Veterans' Legislation.

By Mr. LUDLOW: A bill (H.R. 5654) for the relief of Louis W. Heagy, Jr.; to the Committee on Claims.

By Mr. SIMPSON: A bill (H.R. 5655) for the relief of Mayme Hughes; to the Committee on Claims.

By Mr. WALLGREN: A bill (H.R. 5656) to authorize the appointment of Master Sgt. Joseph Eugene Kramer as a warrant officer, United States Army; to the Committee on Military Affairs.

By Mr. WILCOX: A bill (H.R. 5657) granting a pension to Hattie Yarwood; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1053. By Mr. CARTER of California: Assembly Joint Resolution No. 25, State of California, petitioning the President of the United States and Congress to accept the cemetery situated at Sawtelle as a national cemetery; to the Committee on the Judiciary.

1054. Also, Senate Joint Resolution No. 9 of the Legislature of the State of California, relative to memorializing Congress to pass Senate bill 1197 known as "The Farmers' Farm Relief Act"; to the Committee on Agriculture.

1055. Also, Senate Joint Resolution No. 18 of the State of California, memorializing Congress to adopt legislation protecting and fostering the rubber industry of the United States; to the Committee on Agriculture.

1056. By Mr. FITZPATRICK: Resolution of Westchester County, New York District Council, United Brotherhood of Carpenters and Joiners of America, John Connelly, secretary, Tarrytown, N.Y., endorsing the 30-hour week bill; to the Committee on Labor.

1057. By Mr. FOSS: Petition of Gardner Chapter of Hadassah, protesting against the outrages and cruel discrimination perpetrated against the Jews in Germany; to the Committee on Foreign Affairs.

1058. By Mr. LEHR: Petition of Lenawee County Pomona Grange of Michigan, urging Congress to pass a law providing that all petroleum products that may be used as a fuel in internal-combustion engines shall be blended 10 percent by volume with ethyl alcohol made from agricultural products grown within continental United States; to the Committee on Ways and Means.

1059. By Mr. LUDLOW: Petition of the Congregation Ezras Achim, of Indianapolis, requesting the Government of the United States to make official protest against the treatment of Jewish citizens in Germany; to the Committee on Foreign Affairs.

1060. Also, petition of Indianapolis Zionist District of Indianapolis, Ind., requesting the Government of the United States to make official protest against treatment of Jewish citizens in Germany; to the Committee on Foreign Affairs.

1061. By Mr. MEAD: Petition of Erie County committee of the American Legion, regarding veterans' compensation; to the Committee on World War Veterans' Legislation.

1062. By Mr. ROGERS of New Hampshire: Concurrent resolution of the New Hampshire Legislature, protesting against lowering of standard of lighthouse station in Portsmouth Harbor, N.H., by the substitution of an unattended light and the elimination of the fog bell; to the Committee on Rivers and Harbors.

1063. By Mr. SWICK: Petition of Shenango & Beaver Valley District Council, United Brotherhood of Carpenters and Joiners of America, R. J. McKim, Ellwood City, Pa., secretary, urging the enactment of the 30-hour-week legislation, a suitable minimum wage, and a Federal building program to include rehabilitation of slums, elimination of grade crossings, and highway construction; to the Committee on Interstate and Foreign Commerce.

1064. Also, petition of Citizens Federation at Ambridge, Beaver County, Pa., Stephen M. Tkatch, president, James R. Istocin, secretary, urging the passage of the 30-hour week bill with substantial minimum wage under Government control; to the Committee on Interstate and Foreign Commerce.

1065. By Mr. WITHROW: Memorial of the Legislature of the State of Wisconsin, relating to allotment to the States of a part of the Federal excise tax on beer; to the Committee on Ways and Means.

1066. Also, memorial of the Legislature of the State of Wisconsin, relating to prompt action on the bill for refinancing home mortgages; to the Committee on Banking and Currency.

1067. By the SPEAKER: Petition of the city of Cleveland, requesting the Reconstruction Finance Corporation to use all reasonable haste in approving applications for loans made for the purpose of embarking upon projects for slum clearance and the providing of housing of the low-income group, if said projects are planned in the spirit of the State housing act and the Emergency Relief and Construction Act, that is, that all elements of speculation are eliminated and that the projects are actually planned for the low-income group; to the Committee on Banking and Currency.

SENATE

WEDNESDAY, MAY 17, 1933

(Legislative day of Monday, May 15, 1933)

The Senate sitting as a court for the trial of articles of impeachment against Harold Louderback, judge of the United States District Court for the Northern District of California, met at 10 o'clock a.m.

The managers on the part of the House of Representatives appeared in the seats provided for them.

The respondent, Harold Louderback, with his counsel, Walter H. Linforth, Esq., and James M. Hanley, Esq., appeared in the seats assigned to them.

The VICE PRESIDENT. The Sergeant at Arms will make proclamation.

The Sergeant at Arms made the usual proclamation.

CALL OF THE ROLL

Mr. ASHURST. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Dickinson	Logan	Stephens
Ashurst	Fess	McGill	Thomas, Utah
Austin	Fletcher	Murphy	Trammell
Bachman	Frazier	Neely	Vandenberg
Bratton	George	Norris	Wagner
Brown	Hale	Patterson	Walsh
Capper	Hebert	Pope	White
Caraway	Kean	Robinson, Ark.	
Clark	Keyes	Robinson, Ind.	
Cutting	King	Smith	

Mr. ROBINSON of Arkansas. I desire to announce that the Senator from North Carolina [Mr. REYNOLDS] is detained from the Senate by illness. I will let this announcement stand for the day.

Mr. FESS. I wish to announce the senior Senator from Oregon [Mr. McNARY] and the junior Senator from Oregon [Mr. STEIWER] are detained on official business.

I desire further to announce that the Senator from Pennsylvania [Mr. REED] is detained by a meeting of a committee of conference between the two Houses.

The VICE PRESIDENT. Thirty-seven Senators have answered to their names. A quorum is not present. The clerk will call the names of the absent Senators.

The legislative clerk called the names of the absent Senators, and Mr. BLACK, Mr. HASTINGS, Mr. SHEPPARD, and Mr. VAN NUYS answered to their names when called.

Mr. GORE, Mr. DUFFY, and Mr. BULKLEY entered the Chamber and answered to their names.

The VICE PRESIDENT. Forty-four Senators have answered to their names. A quorum is not present.

Mr. ASHURST. I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The VICE PRESIDENT. The question is on the motion of the Senator from Arizona.

The motion was agreed to.

The VICE PRESIDENT. The Sergeant at Arms will carry out the order of the Senate sitting as a Court of Impeachment.

Mr. BAILEY, Mr. BARKLEY, Mr. BULOW, Mr. BYRD, Mr. BYRNES, Mr. CAREY, Mr. CONNALLY, Mr. COOLIDGE, Mr. COPELAND, Mr. COSTIGAN, Mr. COUZENS, Mr. DILL, Mr. ERICKSON, Mr. GLASS, Mr. GOLDSBOROUGH, Mr. HARRISON, Mr. HATFIELD, Mr. HAYDEN, Mr. KENDRICK, Mr. LA FOLLETTE, Mr. LEWIS, Mr. LONG, Mr. MCADOO, Mr. MCCARRAN, Mr. MCKELLAR, Mr. METCALF, Mr. NYE, Mr. PITTMAN, Mr. RUSSELL, Mr. SCHALL, Mr. SHIPSTEAD, Mr. TOWNSEND, Mr. TYDINGS, Mr. WALCOTT, and Mr. WHEELER entered the Chamber and answered to their names.

The VICE PRESIDENT. Seventy-nine Senators have answered to their names. A quorum is present. The managers on the part of the House will proceed.

TESTIMONY OF W. S. LEAKE

Mr. Manager BROWNING. Mr. President, we desire at this time to offer the testimony of W. S. Leake as given before the committee last September and about which a stipulation was made. Our purpose in renewing the application is for the sake of orderly presentation of the case and saving of time. We think it is very necessary that this testimony be read at this time, subject to any additional testimony he may want to give or the respondent may want to offer from him when he appears, if he does appear.

The VICE PRESIDENT. Is there any objection on the part of counsel for the respondent?

Mr. HANLEY. Yes, Mr. President. The testimony given by Mr. Leake at the hearing had in San Francisco will not be necessary if he is here as a witness. Why read it? He may be here. If the managers on the part of the House will agree to take the deposition of Leake, as we offered, in San Francisco, we can do it on next Saturday and have it returned on next Tuesday. We are agreeable to that. But

to piecemeal it and to comment on it and put other witnesses on the stand before the witness actually gives all his testimony is not fair on behalf of the managers, from our point of view.

The VICE PRESIDENT. Let the Chair see the stipulation which was entered into. The clerk will read the stipulation.

The legislative clerk read as follows:

It is further stipulated that the testimony of W. S. Leake and Miriam McKenzie, hotel maid, taken at the hearing above referred to, may be read upon said trial by either party hereto with the same force and effect as if said witness were present and testified in person. This stipulation, however, insofar as the said W. S. Leake is concerned, is without waiver by either party hereto to insist upon the attendance of said Leake before the court above referred to, and shall become operative only in the event of the nonappearance of the said Leake at Washington before the said Court of Impeachment.

Dated May 3, 1933.

GORDON BROWNING,
RANDOLPH PERKINS,
For the House Managers.
WALTER H. LINFORTH,
JAMES M. HANLEY,
Attorneys for Respondent.

The VICE PRESIDENT. The Chair overrules the objection. It seems to the Chair that reading the testimony, in view of the fact that Mr. Leake may be present in the Chamber, will not injure the cause of the respondent in any way.

The testimony of Mr. Leake was read by Mr. Manager BROWNING and Mr. Manager PERKINS, as follows:

Mr. W. S. Leake, being first duly sworn by the chairman, testified as follows:

Direct examination by Mr. LA GUARDIA:

Q. What is your name?—A. W. S. Leake.

Q. Where do you live, Mr. Leake?—A. San Francisco, Fairmont Hotel.

Q. What is your business?—A. I am in no business, sir.

Mr. LA GUARDIA. Do you want to adjourn at this time?

Mr. HANLEY. We have had a long day.

Mr. SUMNERS. I understand counsel is tired. May I announce that tomorrow morning when we convene, which I believe it is agreed shall be at 10 o'clock, we shall convene—

Mr. HANLEY (interrupting). Whatever place and time you state is agreeable to us.

Mr. SUMNERS (continuing). We will convene in this chamber. We are now in recess until tomorrow at 10 o'clock.

HOUSE OF REPRESENTATIVES,
SPECIAL COMMITTEE OF THE COMMITTEE ON THE JUDICIARY,
San Francisco, Calif., Wednesday, September 7, 1932.

MORNING SESSION

The hearing reconvened at 10 a.m. in room 214, Federal Building, the place of the previous session, Hon. HATTON SUMNERS presiding.

Mr. W. S. Leake, having previously been sworn, testified on further direct examination, as follows:

By Mr. LA GUARDIA:

Q. Mr. Leake, the last question last night when we adjourned I asked you what was your business. Your reply was, "I am in no business, sir." Is that correct?—A. Yes, sir.

Q. What do you do for a living?—A. I help humanity.

Q. Is that lucrative?—A. It is not.

Q. I can't hear you.—A. I will speak louder, sir.

Q. Please.—A. All right, sir.

Q. Now, just how do you earn a living?—A. I am a metaphysical student.

Q. Do you earn a living by being a student?—A. Yes, sir.

Q. Well, will you explain that, please? Just what do you do? What is your source of income, if any?—A. People come to me for metaphysical treatment.

Q. Yes?—A. I treat them.

Q. Do they pay you?—A. Sir?

Q. Do they pay you?—A. No, sir; I have no fees.

Q. I take it that you are licensed to practice medicine under the authority of the State of California?—A. I am not a medical practitioner.

Q. Oh, I understood you treated people—do you?—A. What is that?

Q. Do you treat sick people?—A. Yes, sir—no, I don't treat sick people, because there is no such thing as a sick person.

Q. No such thing as a sick person?—A. No, sir.

Q. Well, then, just what do you do to these people who come to you?—A. I give them metaphysical treatment.

Q. Explain that. I don't quite understand what it is.—A. It keeps people right thinking.

Q. Right thinking?—A. Yes, sir.

Q. Is Judge Louderback one of your patients?—A. He is not.

Q. Oh. Now, you say you have no fee when you teach these people how to think.—A. I never charge or have any fees at all. People who wish to make donations are welcome to do so.

Q. Therefore your source of income and your livelihood depend on what people want to give you; is that right?—A. That is correct, sir.

Q. And you have been in that habit all your life, have you, Mr. Leake?—A. No, sir.

Q. Now, how much do you average a month in these contributions?

Mr. HANLEY. Gentlemen, is that so material for this record?

Mr. LA GUARDIA. Very, I can assure you, and you, Mr. Chairman. If it is not, I will move to strike it out myself.

Mr. SUMNERS. The chairman will establish the materiality. On that understanding the testimony is admissible; otherwise it will be stricken out.

Mr. LA GUARDIA. Of course.

Q. Is Mr. Hunter one of your subjects?—A. No, sir.

Q. Is Mr. Gilbert one of your subjects?—A. Yes, sir.

Q. How long has he been one of your subjects?—A. Oh, several years.

Q. Does he contribute to you?—A. I think he made one contribution some time ago, 2 or 3 years ago. His wife has been a patient a long time.

Q. Does he pay you for advice to his wife?—A. Does he pay? No; the wife pays her own contribution.

Q. So that you have a source of income from the Gilbert family, have you not?—A. To that extent; yes.

Q. You knew that I examined Mr. Gilbert this morning; did you know that?—A. No, sir.

Q. I will let you have his testimony at noon, if I can, to refresh your memory on that. You realize you are testifying under oath, do you not?

Mr. HANLEY. Oh now, I submit that is a gratuitous insult to a member of one of the oldest families in California. You should be more familiar with our people than that, Mr. LaGuardia.

Mr. LA GUARDIA. I have been here only a few days, and I know him.

Mr. HANLEY. Back in New York you know some people, but you don't know Sam Leake.

Mr. LA GUARDIA. You will be surprised how well I know some people, before this is over.

Mr. HANLEY. Maybe you knew a lot of people when you ran for mayor in New York.

Mr. LA GUARDIA. Why bring that up?

Mr. SUMNERS. Gentlemen, you will not engage in altercation.

Mr. HANLEY. We have heard that bunk before, Brother LaGuardia.

Mr. LA GUARDIA. You did not treat Judge Louderback, did you?

Mr. HANLEY. Object to that on the ground it is a gratuitous insult. I submit that it is incumbent upon a man, who ought to come here simply as a judge advocate to bring out facts, not to criticize, because he may be in the position of a judge in this matter, if anything would go the committee finally to determine, and, therefore, he ought to keep within the bounds of what we consider out in the West as decent.

Mr. SUMNERS. The Chair will endeavor as best he can to properly hear this examination, and if counsel are to engage in private conversation we will not be able to examine in the time that is reasonable for this hearing.

By Mr. LA GUARDIA:

Q. Now, Leake, is Mr. Shortridge, Jr., one of your subjects or patients?—A. He has been; also his mother.

Q. Does the Shortridge family also make contributions for this advice or treatment?—A. They have.

Q. Now, what is your income; how much do you make a year?—A. Oh, probably \$2,400 or \$2,500.

Q. No more than that?—A. I don't know—at times—just now I am not making anything. I treat 20 to 30 people a day and never take anything, because they haven't got it. They tell me in advance they haven't got it.

Q. Is any one of the Hunter family your patients?—A. No, sir.

Q. Have you received any contributions from the Hunter family?—A. I have not.

Q. How long have you known Mr. Hunter?—A. Well, I have known him around the hotel there for several years, but not intimately.

Q. For how many years have you known him?—A. Well, I would say 5 or 6 years.

Q. Where do you live, Mr. Leake?—A. Fairmont Hotel.

Q. How long have you lived there?—A. I believe about 20 or 25 years.

Q. How long has Mr. Hunter been living there?—A. Well, I am not sure about that; I could not tell you the date. The little baby was born there. If I knew how old the baby was, I might be able to tell you.

Q. Now, you say that you have known Mr. Hunter all of the time that he is living at the Hotel Fairmont?—A. Oh, as long as I remember I know him to be there, and finally we got to speaking to each other, but I have never known him intimately.

Q. How long have you known Judge Louderback?—A. Well, I have known him all his life, mostly; when he was away to school; I have known him quite well since the World War—when he came back from the World War.

Q. You have been very intimate with Judge Louderback, haven't you?—A. Yes; recently.

Q. You have seen him very often, have you not?—A. Quite often.

Q. In fact, you are around his office quite a bit; isn't that true?—A. What is that?

Q. You visit him in his chambers, do you not?—A. I have never been in his chambers since the time he was sworn in.

Q. You knew him when he was a superior court judge here in California, did you not?—A. I did.

Q. Did you know him very intimately then?—A. No more than I did most of the other judges.

Q. Would you say that you knew the other judges as well as you knew Judge Louderback?—A. Well, I did not see him as often. I did not know Judge Louderback as well as I knew Judge Gilbert.

Q. Where is Judge Gilbert now?—A. Judge Gilbert is dead.

Q. Now, did you inform Mr. Hunter that he had been selected as receiver in the Russell-Colvin case?—A. I did not.

Q. Did you have any conversation with Mr. Hunter that Judge Louderback wanted to know whether or not he could serve as receiver in that case?—A. I did.

Q. What did you say to Mr. Hunter?—A. I was sitting in the lobby of the Fairmont Hotel. I could not tell you the day of the week nor the month nor the year, but I know about the time of day, because that is my usual habit, to sit in a certain chair there. Judge Louderback came in and seemed to be somewhat disturbed. He sat down and told me of something that he had transacted over in his court or chambers, I don't know which, in reference to the Russell-Colvin case. He told me of the conversation and misunderstanding that he had had with some man by the name of Strong, and he asked me if I knew of anybody who was an expert in stocks and bonds and banking matters of that kind, and I told him that I could not recall anybody at that moment. I said, "How soon must you know?" He said, "I would like to know by tomorrow morning." "Well", I said, "give me time to think, because I don't want to recommend anybody or speak of anybody that I don't know is competent, because I can realize that it must be a man that understands that business."

While we were talking Mr. Hunter walked through the lobby over near the clerk's desk. I said, "There is the man that you should have, if you can get him." He said, "who is he?" I said, "Mr. Hunter", and I said, "He has just been selected by, I think, Cavalier & Co., as their manager or something, and I don't know whether you could get him, but he is a man that would fill the bill if you can get him." He said, "Ask him if he can take it, if he can be spared from his company." I went over and asked Mr. Hunter, after stating briefly what had taken place, I said, "Are you in a position to take the receivership if it is offered to you?" He said, "I don't know; I can't tell until I see the boss." I said, "Who is the boss?" and he told me, "Cavalier." I said, "When can you see him?" He said, "I can see him tomorrow morning." I said, "Will you see him and let me know whether they will permit you to come or not?" I did add this, however, I said, "It looks like a matter that concerns the stock exchange" and I said, "I think your boss would be very glad to loan you if he could."

Some time the next day, I don't know whether it was in the morning or in the afternoon, but some time the next day he called me up and told me that his boss had given him permission, that they would loan him to Judge Louderback, or words to that effect, and I told the man to go and see Judge Louderback, and there my transaction ceased.

Q. That was the only conversation that you had with Judge Louderback concerning Mr. Hunter?—A. That is all, sir.

Q. And that is the only conversation that Judge Louderback had with you concerning Mr. Hunter?—A. I don't recall whether he told me that he had appointed Mr. Hunter or whether I read it in the paper or what, now, sir. It was a matter that did not concern me and I did not tax my memory with it.

Q. Now, Mr. Leake, have you testified everything that you have told Judge Louderback concerning Mr. Hunter?—A. Yes; everything that I can recall. There is nothing else for me to say. Oh, I did say this—I want to be as near correct as I can—he asked if Hunter was the man that had participated in a receivership, I think, across the bay somewhere, and I told him that I had read in the papers something about it or heard about it some way, and he said, "I know about this case", he said, "I know he handled that case well, and he would fill the bill." I told him that he was connected with John Drum's bank—that is the way I put it, because I had heard Hunter tell the audience there many times about buying branch banks, and I heard him talking stocks and bonds until I got dizzy.

Q. It made you dizzy?—A. Well, I don't know anything about stocks and bonds, but I heard so much about it it made me dizzy.

Q. You were not thinking right. Perhaps you needed some of your own treatment.

Mr. HANLEY (interrupting). Don't let's get that nasty way of insulting the witness.

Mr. LA GUARDIA. I heard that last night from you.

Mr. HANLEY. I know, but he is a venerable old man, whom we greatly respect in this town.

Mr. LA GUARDIA. What do you want me to do, hug him?

Mr. HANLEY. No; I don't want you to hug him, I want you to treat him decently.

The WITNESS (interrupting). I have written four volumes on right thinking, Mr. LaGuardia, and I will be very glad to present you with a set of them.

Mr. LA GUARDIA. Well, present a set to the judge, too.

A. What?

Q. Will you give the judge a copy, too?

Mr. SUMNERS (interrupting). Gentlemen, you must cease this.

Mr. LA GUARDIA. Now, prior to that conversation, Judge Louderback had never spoken to you about Mr. Hunter, is that correct?—

A. Never. I don't know that he ever mentioned his name to me.

Q. And you never mentioned his name to Judge Louderback?—
A. No occasion for it.

Q. And Judge Louderback did not know Mr. Hunter up to that time?—A. I didn't know that.

Q. Didn't he say, "Who is that?" when you said, "There is a man passing, there is the man you want?"—A. I don't know. You asked me if he knew him. I don't know if he knew him or not.

Question. Didn't he ask you who Hunter was?—A. He said, "Who is it?" and I said, "Mr. Hunter."

Q. But he did ask you to recommend a man to him?—A. He asked me if I knew a man. I made no recommendation to anybody.

Q. Let's get right to the point. He asked you if you knew a man that would fit the requirements, did he not?—A. Yes, sir.

Q. And then you stated to him, "I don't know for a moment; let me think it over for a day or so", didn't you?—A. No; that was the next morning.

Q. And just as you were thinking it over Mr. Hunter walked through the hotel lobby?—A. Yes, sir.

Q. And you said, "There is your man"; is that correct?—A. That is about correct, and if Mr. Hunter had not walked through there I doubt whether I would ever have thought of him in trying to find a man.

Q. But the fact is, Judge Louderback did appoint Mr. Hunter?—
A. As I understand it; yes, sir.

Q. Now, you informed Judge Louderback that Mr. Hunter was in the employ of Cavalier & Co., did you not?—A. I did.

Q. And you told the judge that Cavalier & Co. were members of the stock exchange, didn't you—didn't you so testify?—A. I don't think I told him that.

Q. Well, I am sorry to—didn't you so testify a moment ago?—
A. No; I testified that I said before Mr. Hunter that I thought that they would be interested in getting the right kind of a man to help this matter out on account of being on the stock exchange.

Q. Exactly.—A. That is what I meant to say, and I think I did say it.

Mr. LA GUARDIA. I think you are right.

The WITNESS (continuing). But I did not say it to Judge Louderback.

Q. But, of course, you would not recommend to Judge Louderback any person you did not think was fit, would you?—A. I certainly would not.

Q. Now, after that time— A. (interrupting). And I wish to state that I did not do it in the capacity of recommending anyone. I told him of his qualifications.

Q. After he requested it?—A. Yes.

Q. He asked you if you had someone in mind?—A. He asked me if I could think of anybody that would fill the bill.

Q. Exactly. Now, did Judge Louderback ask you on any other occasion if you knew of anyone who would fill the bill when he needed receivers?—A. No; I have no recollection of him ever asking me any question about receivers.

Q. But you had known Mr. Gilbert for several years, hadn't you?—A. I had known Mr. Gilbert for some years; yes.

Q. And Mr. Gilbert had been appointed on four occasions receiver by Judge Louderback; you knew that, didn't you?—A. I do not know how many.

Q. You know he had been appointed receiver?—A. Yes.

Q. And you have known Mr. Samuel Shortridge, Jr., for a long time?—A. Since he was born.

Q. And you know that he has been appointed receiver by Judge Louderback?—A. I so understand.

Q. Now, did you ever discuss details of the receivership with Mr. Hunter?—A. No, sir.

Q. Did Mr. Hunter advise you as to investments from time to time?—A. I never had anything to invest. Nobody ever advised me.

Q. I didn't get that.—A. I said I have never been advised about any investments, because I have nothing to invest.

Q. Well, hadn't you had some stock dealings?—A. No, sir.

Q. At no time?—A. I never owned a share of stock in my life, except when I was a telegraph operator. That is when I had bought some Ophir mining stock. That has been a great many years ago. I was nothing but a boy.

Q. So you had no business dealings with Mr. Hunter at all?—
A. None whatever.

Q. Have you a bank account?—A. No, sir.

Q. No bank account at all?—A. No, sir.

Q. Savings or checking, or otherwise?—A. No, sir.

Q. Have you a safe-deposit vault?—A. No, sir.

Q. Where does Judge Louderback live?—A. Where does he live?

Q. Yes.—A. I understand that he lives in—I forget the street—in Contra Costa County, with Prof. George Louderback. I know that he votes there; registers there. He told me he voted there, although I have never been with him.

Q. Well, he doesn't actually live there when court is in session, does he?—A. I don't know where he lives; I don't know what his habits are.

Q. Where does Sam Shortridge, Jr., live?—A. I could not tell you that.

Q. Where does Mr. Gilbert live?—A. Let's see; I forget the name of the apartment house, but I think it used to be called the "Bradbury." It is on California Street somewhere. I have never been in his house.

Q. You have never been there?—A. No, sir.

Q. Don't you visit your patients?—A. When they require it; but it is not necessary for me to even see a patient to treat them. The most successful healings I have ever performed—and, by the way,

when I say "healing" I don't mean I am a healer, but that is a term which is used which is not correct. There is but one health. God is the only healer. But the most successful healing, if you want to call it that—

Mr. SUMNERS (interrupting). You need not go into that.

Mr. LA GUARDIA. I wish he would.

The WITNESS (continuing). Are people that I have never seen. Mr. LA GUARDIA. Mr. Chairman, I should like to ask the question. I think the witness, in all fairness to him, ought to be given every opportunity to describe his means of livelihood. I hope—

Mr. SUMNERS (interrupting). I don't think the method of treatment belongs in this case.

Mr. LA GUARDIA. I know, but it is very important, Mr. Chairman. I will ask that the witness be allowed to state, and to be given all the latitude he needs, to explain his method of treatment, which is his only livelihood, and Mr. Hanley has told us he is a venerable old gentleman of the community—

Mr. SUMNERS (interrupting). If you want to make your statements you can, but you don't have to.

The WITNESS. I don't want to do it, then. I don't want to tell anything I don't have to tell. I am here to answer any questions that are asked me.

By Mr. LA GUARDIA:

Q. Well, Mr. Leake, I have repeatedly referred to healing or treatments. Now, I want to use the right word. Now, what is it that you do; is it healing, or treating, or what, so that I may question you properly?—A. I treat, and treating is to bring people to the state of right thinking.

Q. And that is what you advise when you advise your patients, how to think?—A. Yes.

Q. Do you know John Douglas Short?—A. Yes, sir.

Q. How long have you known him?—A. Not very long.

Q. How did you happen to meet him?—A. I think his father-in-law, Mr. Hathaway, introduced me to him. I think I met him through his little children.

Q. Where do his little children live?—A. At his home, but they visit the grandfather at the hotel quite often.

Q. Oh, Mr. Hathaway?—A. Mr. Hathaway; yes, sir.

Q. Mr. Hathaway is with the Mutual Insurance Co.?—A. Mutual Life Insurance, of New York.

Q. And how long have you known Mr. Hathaway?—A. I would say some time in the eighties in Sacramento.

Q. And Mr. Short is Mr. Hathaway's son-in-law, is he?—A. Yes, sir.

Q. And you know Mrs. Short, then, of course, if you have known Mr. Hathaway since the eighties?—A. Yes, sir; I met her occasionally in the lobby.

Q. Does Mr. Hathaway live at the Fairmont?—A. Mr. Hathaway; yes.

Q. How long has he lived at the Fairmont?—A. Quite a few years, but I would not like to say the length of time.

Q. Now, did you recommend Mr. Short to Judge Louderback?—
A. No, sir.

Q. As a matter of fact, you know that Mr. Short is Mr. Hunter's counsel in this receivership we are talking about?—A. Yes, sir.

Q. You do know that?—A. Yes, sir; I read the papers, and I have known it.

Q. Is Mr. Short one of your—what shall I say—subjects?—A. Say whatever you like, I will know what you mean.

Q. Is he one of your patients?—A. No, sir.

Q. Is Mr. Short one of your patients?—A. No, sir.

Q. Is Mr. Hathaway one of your patients?—A. Yes, sir.

Q. How long has he been one of your patients?—A. Over a period of a good many years.

Q. Does he contribute from time to time?—A. Yes, sir.

Q. Now, do you know Marshall Woodworth?—A. Yes, sir.

Q. How long have you known him?—A. I knew him since he was messenger for Judge Hoffman.

Q. Is he one of your patients?—A. No, sir.

Q. A good friend of yours?—A. He gives me credit for having him appointed United States district attorney. I have never claimed that honor, but he gives me credit for it. I have known him that long and that well.

Q. Oh, at any time were you engaged in politics?—A. Sir?

Q. Were you engaged at any time, or interested, in politics?—A. I have been interested in politics all my life, and I believe the time will come when I never will be disinterested in it.

Q. So he gave you credit for having him appointed, then, United States attorney?—A. Yes, sir.

Q. When was he United States attorney?—A. I forget the year. I was then manager of the San Francisco Call.

Q. That is some time ago?—A. Yes, sir; a long time ago.

Q. Now, he has also been the recipient of Judge Louderback's appointment, hasn't he?—A. I understand so.

Q. Now, do you know the Dinkelspiel boys, of Dinkelspiel & Dinkelspiel?—A. I do not.

Q. You don't know them?—A. I don't remember of ever seeing them.

Q. Does Judge Louderback live at the Hotel Fairmont?—A. Does he live there?

Q. Yes.—A. Well, he sleeps there at times. In order to explain that matter, I have got to remember a little bit of my sorrow, which I regret, but I will have to do it. My wife was ill for over 3 years, deathly ill, and it had been my habit for a long time to take a cat nap at 4 o'clock in the afternoon, and on account of her illness and the nurse being present, she advised me to get a room in the bachelors' quarters of the Fairmont Hotel, with a couch in it, where I could have my rest, and I got the room. Some time

after that—I don't know just how long—Judge Louderback came to me and told me that he had had some difficulty with his wife, Mrs. Louderback, and that he had left home, and that he wished to get in a hotel somewhere where there would be no publicity, because he did not know what the final result might be. I asked him if he could not fix the thing up some way, and he said that he did not know; that he wanted to get somewhere where there would be no publicity. I told him about this room. I said, "I am willing you should keep this room if you like; it is a cheap room, with nothing but a couch in it", and he said, "All right; I will take that room", and he did take it, and he has had it ever since.

My wife's illness got so bad that she would not permit me to leave the room, and I took a couch into the room every night and slept in there with her and the nurse. Since she passed away—(pause)—I have not been in that room, but every month Judge Louderback has given me a check for the price of that room and for his meals, if he took any, or his tailor work, or anything of the kind, and that check I endorsed and turned it into the hotel. I have never paid one nickel for Judge Louderback's staying at the hotel.

Q. That room is room 26, isn't it?—A. Twenty-six; yes, sir.

Q. You took that room in September 1929?—A. I don't recall the date.

Q. The hotel records indicate that?—A. I had been sleeping in other rooms before I took that. For instance, the room next to us. But I could not always get that room, because that would be occupied, so I slept in a number of rooms there.

Q. We are just talking about room 26 now. You took that about September 1929?—A. I could not tell you the date, sir.

Q. Well, it was in 1929, wasn't it?—A. I could not tell you that.

Q. Well, the room is in your name?—A. Yes, sir; it was my room—to my knowledge.

Q. What is the charge on that room?—A. \$75 a month.

Q. And it is charged to you?—A. Yes, sir.

Q. Now, so you were not exactly accurate when you told us a few moments ago that Judge Louderback lives at Contra Costa?—A. I said that was his residence.

Q. But he actually lives at the Hotel Fairmont?—A. He would have to answer that question himself. I don't keep track of him. There are times that I don't see him for a week at a time.

Q. Now, you say that you paid the hotel with Judge Louderback's checks?—A. Yes, sir.

Q. There is no mistake about that?—A. No, sir, Mr. LaGuardia; now there might be 1 or 2 times when Louderback was away on a vacation, or holding court or something, when there might be 1 or 2 cases. I won't be so positive about every time, but that is the general rule. I don't know that there is a single instance, but it could be that way now. I did not tax my memory with it.

Q. But you are quite certain that as Judge Louderback would turn a check over to you, you in turn would endorse it over to the hotel?—A. The minute I came to the hotel.

Q. So that the checks would show that?—A. Yes, sir—should show it.

Q. Exactly. Now, how much is your room?—A. \$100 a month. It has not always been that. When I first went there I paid \$75 a month for it. Prices have been raised on some rooms, but not in mine.

Q. You are in the habit of paying the Hotel Fairmont in cash?—A. Yes, sir.

Q. With the exception of Judge Louderback's checks?—A. Yes. Q. And there is no question about that—you are sure of that, Mr. Leake?—A. Except, I say, there might be one or two instances when he was away on a vacation.

Q. What do your bills run to a month at the Hotel Fairmont?—A. Well, probably, with my paper bill, which is \$2.30, and telephone, and a few things like that, something over \$100 a month.

Q. In addition to your room?—A. Yes, sir.

Q. Mr. Leake, do you keep books of account?—A. No, sir.

Q. Do you keep any memorandum of your income and disbursements?—A. No, sir.

Q. You have an office, have you not?—A. Yes, sir.

Q. How much rent do you pay there?—A. \$72.

Q. Have you any employees?—A. No, sir.

Q. And you keep no rough memorandum of disbursements and expenditures?—A. No, sir. I keep the vouchers, the office rent; they give a receipt for it.

Q. Can you tell me just how much Mr. Hathaway has contributed to you in the last few years?—A. Well, I could not tell you with any degree of accuracy. He has been quite liberal with me. I would say 500 or 600, maybe 700 or 800 dollars, covering quite a period.

Q. Can you tell me approximately how much you got from the Gilbert family?—A. Well, I don't know; probably—Mrs. Gilbert came to me for quite a very long time. I would say, roughly, \$200 or \$300, maybe.

Q. Do your patients or subjects pay you in checks?—A. Sometimes they do and sometimes they do not.

Q. Could you tell which patients paid you in checks and which patients paid you in cash?—A. No; I could not tell you that.

Q. Did Mr. Hathaway pay you in cash or in checks?—A. Well, I don't know; maybe both—I don't know.

Q. Did Gilbert pay you in cash?—A. I think Gilbert gave me a check once, I am quite sure he gave me a check, but I think Mrs. Gilbert always paid in cash.

Mr. LA GUARDIA. Mr. Chairman, I want to reserve the right to recall this witness at a later date.

Mr. SUMNERS. Very well.

Mr. LA GUARDIA. Then I am finished with him at this time.

Mr. HANLEY. We won't ask any questions at this time. We will wait until he is recalled.

The WITNESS. Will I have time to go back and see about some matters?

Mr. SUMNERS. Yes; you are excused, Mr. Leake.

The WITNESS. If you phoned me, I can get over here very quickly.

Mr. SUMNERS. Yes; we will telephone you.

The WITNESS. I thank you.

Mr. Manager PERKINS. At this point a recess was taken for 20 minutes.

Mr. Manager BROWNING. Mr. President—

Mr. HANLEY. Will it be stipulated at this time, so that the Senate will not be asked if there was anything else, that this witness was never recalled at that hearing?

Mr. Manager PERKINS. It will be stipulated that the witness was not recalled by the examiners or recalled in favor of the respondent.

Mr. HANLEY. You know that we introduced no testimony at the hearing out in San Francisco, Mr. Manager, do you not? You understand that, do you not, Mr. Manager?

The VICE PRESIDENT. Counsel for the respondent will address the Chair with reference to statements to be made to the Senate.

Mr. HANLEY. Pardon me, Mr. President.

TESTIMONY OF MIRIAM MCKENZIE

Mr. Manager BROWNING. Mr. President, we desire now, under the stipulation, to read the testimony of Miriam McKenzie, the hotel maid.

The VICE PRESIDENT. Proceed.

The testimony of Miriam McKenzie was read by Mr. Manager Perkins, as follows:

Miriam McKenzie, being first duly sworn by the chairman, testified as follows:

Direct examination by Mr. LA GUARDIA:

Q. What is your name?—A. Miriam McKenzie.

Q. And where do you live, Miss McKenzie?—A. 1272 Waller Street.

Q. Where do you work, Miss McKenzie?—A. I am chambermaid at the Fairmont Hotel.

Q. You are chambermaid at the Fairmont Hotel?—A. Yes.

Q. And what floor have you?—A. The upper California floor.

Q. Is room 26 in that division?—A. Yes, sir.

Q. You take care of room 26?—A. I take care of room 26.

Q. How long have you been a maid in the Fairmont Hotel?—A. Two years past in May of this year.

Q. You were there all of 1930 and all of 1931; is that it?—A. Yes.

Q. Have you had charge of room 26 all of this time?—A. Yes, sir.

Q. Who occupies room 26?—A. Judge Louderback.

Q. The gentleman sitting at the table?—A. Yes, sir.

Q. And he lives in that room?—A. Yes.

Q. And he lived in that room all of the time that you have been there?—A. Yes, sir.

Q. And you make his bed every day and fix the room every day, and it has been occupied every day?—A. Yes, sir.

Mr. LA GUARDIA. That is all.

Cross-examination by Mr. HANLEY:

Q. You don't mean to say, Miss McKenzie, that the judge has occupied that room every day, do you?—A. Not every day. He has been away some days. Not every day; but that is his permanent room.

Q. I don't get that.—A. He is permanent at the Fairmont Hotel.

Q. He is permanent at the hotel?—A. Yes, sir.

Q. In other words, he occupies that room when he is there?—A. Yes.

Q. And how often he occupies it during the week you don't know, do you?—A. Yes, sir; I take a list of that every morning.

Q. And he was in the hotel during all the time—A. (interrupting). Two years past in May, I think.

Q. Were you there when he was over in Japan?—A. Yes, sir.

Q. Well, he didn't occupy it then, did he?—A. No; he didn't occupy it then.

Q. Do you know when he was away then?—A. Sometime in the summer.

Q. What year?—A. Last year.

Q. And do you know that he is away at Eureka and Sacramento?—A. Yes, sir.

Q. Now, do you know what month he was away in any of the times in these 2 years?—A. I take a list of it every morning.

Q. I didn't get that.—A. Every morning I took a note of it.

Mr. SUMNERS. She makes a note every morning?

The WITNESS. I take a note of the rooms every morning.

By Mr. HANLEY:

Q. When he was away?—A. Yes, sir.

Q. Can you tell offhand any time he was away during the last 6 months?—A. Well, I cannot be certain, but I used to take a list of it, you know.

Q. Don't you know that during the last month he was away for about 2 weeks?—A. Yes, sir; and I marked on the list "Away."

Q. What you mean to say is that the judge occupies room 26 when he is there; is that the idea?—A. When he is there; that's the idea.

Mr. HANLEY. That is all.

Redirect examination by Mr. LAGUARDIA:

Q. And nobody else occupies that room?—A. No, sir.

Q. It is Judge Louderback's room?—A. Yes.

Mr. LAGUARDIA. That is all. Thank you.

Mr. Manager BROWNING. Mr. President, unfortunately the hotel auditor of the Fairmont Hotel was operated on this morning at 2 o'clock for appendicitis, and I understand is in a very serious condition. He was subpoenaed here with certain records of the Hotel Fairmont, those of Mr. Leake, from about 1928 up to the present for his personal room, and those of Judge Louderback's room, no. 26, from about the same period; and also the telephone sheets, the originals, from the hotel for the days of March 11, 1930, and March 13, 1930. We should like to inquire if we will not be permitted at this time to produce those records and have them inserted at this point, regardless of the absence of the witness who was to make identification and who brought them along.

The VICE PRESIDENT. Does counsel for the respondent agree to the request made by the managers on the part of the House?

Mr. LINFORTH. We should like to add this, Mr. President, that if counsel will, during the recess, take up with us the question of what they have and let us see just what it is, we no doubt may be able to come to some agreement, but we should not like to say, one way or the other, without first seeing what the managers have in the way of records.

Mr. Manager BROWNING. We shall be very glad to submit them at the first recess.

Call Lloyd W. Dinkelspiel.

EXAMINATION OF LLOYD W. DINKELSPIEL

Lloyd W. Dinkelspiel, having been duly sworn, was examined and testified as follows:

By Mr. Manager BROWNING:

Q. You are Lloyd W. Dinkelspiel?—A. Yes, sir.

Q. Where do you live?—A. San Francisco, Calif.

Q. What is your profession?—A. Attorney at law.

Q. With what firm are you connected?—A. Heller, Ehrmann, White & McAuliffe.

Q. In the early part of March 1930, were you interested in the receivership of the Russell-Colvin Co., in that city?—A. Yes, sir; I was called in by the San Francisco Stock Exchange. In the week preceding March 10, at a meeting of the board of governors, at which the affairs of the Russell-Colvin Co. were discussed, the board of governors stated that they had advised the members of the firm of the necessity of raising capital. They called the members of the firm before the board of governors and told them they had to raise additional capital before a certain date or be suspended.

Q. Were they actually suspended?—A. They were suspended, I believe, on the morning of Monday, March 10, at about 8 or 8:30 o'clock, at the opening of the exchange.

Q. Did you attend court at the time the petition for receivership was presented to Judge Louderback?—A. I did, sir.

Q. What date was that?—A. That was on March 11.

Q. What day of the week?—A. Tuesday.

Q. Why was the suspension made of the firm?—A. The suspension of the firm was because of the insolvency of the firm, insolvency in the sense of being unable to meet obligations which they had, obligations to clients, and for failure to raise the necessary cash capital demanded to meet these requirements.

Q. For whose protection was that action intended?—A. The action was intended, and so stated, for the protection of the creditors of the firm in requiring the Russell-Colvin Co. to have enough liquid capital to meet the demands of customers.

Q. What interest did the stock exchange have in procuring this receivership?

Mr. LINFORTH. Just a minute. We object to that as calling for the opinion and conclusion of the witness and as hearsay, not binding upon the respondent.

Mr. Manager BROWNING. This witness is counsel for the stock exchange, and we think he is in a position to know the facts as to what we ask him.

The VICE PRESIDENT. Let him state the facts, and the Senate, sitting as a court, can draw its own conclusions. The witness should not go too far afield.

The WITNESS. The facts are that the stock exchange requested me to attend to the filing of the petition in the interest of the creditors.

By Mr. Manager BROWNING:

Q. Did the stock exchange have any other interest in it?

Mr. LINFORTH. Just a moment. We object to that as calling for his opinion or conclusion, Mr. President.

The VICE PRESIDENT. The Chair thinks that the question is not admissible.

Mr. Manager BROWNING. Very well. I will withdraw the question.

By Mr. BROWNING:

Q. On the morning of the 11th of March 1930, what was the first conference that you had with the judge—about what time of day?—A. The first conference I had with the judge was the conference attended by the other attorneys and representatives of the firm shortly after 11 o'clock. Before that time, however, I had been with the attorneys for the plaintiff and the attorneys for the defendant when they had called at the judge's chambers when they had first filed the petition, and thereafter called at the judge's chambers and been advised that the judge could not see them until after the court adjourned, which would be early that day, because they were adjourning early out of respect for the late justice of the Supreme Court, Judge Sanford.

The VICE PRESIDENT. Just a moment. The Chair appoints the Senator from Delaware [Mr. HASTINGS] to preside for the day.

Thereupon Mr. HASTINGS took the chair.

By Mr. Manager BROWNING:

Q. What was done at this conference in the way of procuring the appointment of a receiver?—A. At the first conference attended by Mr. Marrin, attorney for the plaintiff; Mr. Brown, attorney for the defendant; Mr. Strong; myself; and, in behalf of the stock exchange, Mr. Max Thelen, partner of Mr. Marrin; and two partners of the firm of Russell-Colvin & Co.

Mr. Marrin presented briefly the situation to the judge, the request that a receiver be appointed, and requested that Mr. Strong be appointed receiver, stating to the judge that Mr. Strong had been in the firm as an accountant in behalf of the stock exchange to look over the firm's affairs and was familiar with it. Mr. Brown took up the thread of the discussion in behalf of the defendant and stated to the judge that Mr. Strong's appointment was acceptable to the defendants, that they would consent to the appointment of a receiver if Mr. Strong was that receiver, and that they felt that Mr. Strong was a desirable man for that position.

I followed with a brief statement to the judge that I was there at the request of the San Francisco Stock Exchange, which was interested in an orderly and inexpensive liquidation of the affairs of the Russell-Colvin Co.

The judge, as I recall, turned to Mr. Strong and mentioned the fact that he did not know him. He asked Mr. Strong if he had engaged counsel, and Mr. Strong said he had not. The judge stated, I believe, at that time, that there were two petitions that had been filed, and it was necessary to dismiss the petition filed and assigned to Judge St. Sure's court before he could act on the petition assigned to his court. He said to Mr. Strong, "If I appoint you, I will expect you to consult me with respect to the appointment of your counsel." Then he said that he would require a \$50,000 bond of Mr. Strong and a \$50,000 bond from the petitioning creditor.

We left the judge's chambers, after a brief conversation, as I recall, between Mr. Max Thelen and the judge and

myself about the Harvard Law School, and as we got in the hall the attorneys started to figure how to get the \$50,000 bond for the petitioning creditor, which seemed somewhat unusual. We went back to see the judge, and the judge said that it was a bond that he required at all times in the interest of the other creditors, and reduced the bond, however, to \$10,000.

Q. In whose favor did this bond run—this petitioner's bond?—A. The bond, as stated by the judge, was to run in favor of the other creditors, anybody who might be injured through the filing of the petition for the appointment of a receiver, and that is the way the bond approved by the judge ultimately did run, as I recall. We returned—do you want me to continue, Mr. Browning?

Mr. Manager BROWNING. Yes.

The WITNESS. We returned in the afternoon, I believe the same group that had been there in the morning, and meanwhile made arrangements for the receiver's bond. We inquired of the judge's secretary and of the clerk of the court as to some form of bond for this petitioner's or plaintiff's bond, and we found no such form there, and were given none and referred to none by either the clerk or the judge's secretary. We were told that the judge was then sitting or in conference with the judges of the circuit court of appeals on that day, but would be in later in the afternoon. Mr. Brown and Mr. Marrin and I took a shot at trying to prepare the type of bond that we thought the judge wanted for the plaintiff. That bond was actually type-written, in the parts thereof that were not printed, by Mr. Brown in the clerk's office as the result of some notes and dictation given by Mr. Marrin and myself. We still did not know what to put in as the condition of the bond, and so we dictated that on a separate sheet of paper. We wrote it out and did not put it in the bond until we went in the judge's chambers. We went back into the judge's chambers at about, I should say, 4:30 or thereabouts, possibly a little later, and presented the bonds in the form of an order and discussed with the judge the question as to the petitioner's bond. We showed him this condition clause written on a piece of paper, and he said that that was satisfactory, as I recall. I believe that I wrote that in in longhand in the bond which was actually executed at that time by the representative of the surety company. The judge approved the bond and signed the order.

I do not believe we had any further conversation until the judge said to Mr. Strong as we were coming out, "After you have qualified I want to see you", or "Come back to see me." We then went to the clerk's office, and I departed almost within a few minutes thereafter, not waiting for the gentlemen to complete their copies and to get certified copies and to insert the ink corrections that the judge had added to the order or suggested our putting in there. I did not wait for the completion of those copies. I did speak to Mr. Strong, however, in the afternoon after his appointment as to the attorneyship.

Q. Who brought up the question?—A. I do not recall whether Mr. Strong or I brought up the question.

Q. Who was discussed in that conversation as his attorney?—A. Mr. Strong said to me in that discussion, which was in the afternoon, as I recall—late in the afternoon, after the appointment—that he had spoken to Mr. Ackerman, Mr. Lloyd Ackerman, with reference to his acting as attorney. He said he was uncertain as to whether to appoint Mr. Ackerman or Mr. McAuliffe one of my partners. He said that he wondered whether there was any interest of the San Francisco Stock Exchange which would preclude appointing Mr. McAuliffe, whom he desired to appoint. I discussed the matter with him and showed him that there could be no conflict of interest between the San Francisco Stock Exchange and the creditors of the firm.

Mr. Strong, as I recall, made no commitment to me as to the appointment of attorneys, nor did I of course press him for any commitment. I went back to the office. I may or may not have spoken to Mr. McAuliffe on the subject. I could not be positive at this time. But I was not present at any discussion in the evening, if any took place.

Q. Did you know whether Mr. Strong would come to the office or not?—A. I did not know positively. I do not recall whether I got the impression he was coming or the statement he was coming. I had to get back to the office. I had been out almost all day and I wanted to get back to the office, and did.

Q. Before the talk you testified to as having occurred after his qualification, was there any discussion to your knowledge with regard to who would be his counsel in that case?—A. Before what time?

Q. Before the time he qualified as receiver.—A. To my knowledge we had no such discussion. I had none with him, I know, and none was had with anybody in my presence or within my hearing.

Q. On the morning of the 11th when you were out there at the court did you see H. B. Hunter?—A. Yes; I saw Mr. Hunter, whom I had known since his previous connection with the San Francisco Stock Exchange. I saw him before we went into the judge's chambers to have this conference with reference to the appointment of receiver. In fact, I saw him just about the time court was adjourning. I saw him in the lobby of the post office building where the court is located. As nearly as I can recall the conversation, he came up to me—

Mr. LINFORTH. Just a moment. I submit the question could have been answered with one word and that the witness is now proceeding to give a conversation that was not asked for by the question. May I have the question read?

The PRESIDING OFFICER. The question will be read. The Official Reporter read as follows:

Q. On the morning of the 11th, when you were out there at the court, did you see H. B. Hunter?

Q. (By Mr. Manager BROWNING.) Did you have a conversation with him at that time?—A. I saw him and had a conversation with him at that time.

Q. In that conversation was the Russell-Colvin receivership discussed?—A. Yes.

Q. In the second conference that the attorneys and Mr. Strong had with the judge in the afternoon of the 11th, when you were leaving the room did Judge Louderback tell Mr. Strong, in words or substance, when he qualified to come back that evening?—A. No, sir; he did not.

Q. What connection has Mr. Hunter had with the stock exchange that you have mentioned?—A. He was, I believe, assistant to the president of the exchange or executive secretary of the exchange. The exact title I am not certain of.

Q. Was William Cavalier & Co. a member of the San Francisco Stock Exchange?—A. It was at that time, and I believe still is.

Q. Was he a partner in that concern?—A. I so understood.

Q. At that time was a member of the Cavalier & Co. a member of the board of governors of the stock exchange of San Francisco?—A. Yes; there was a member of the firm of William Cavalier & Co. a member of the board of governors of the San Francisco Stock Exchange at that time, to the best of my recollection.

Q. What is the relation between any member house in the stock exchange with relation to the obligation of the members to each other or to the exchange?—A. You mean particularly upon a suspension?

Q. Yes.—A. The rules of the San Francisco Stock Exchange provide for the closing of contracts when a member is suspended, notice going out through the secretary that each member must close the contract with any other member. If a balance is owing as a result of the closing of that contract, that constitutes a claim which must be presented to the secretary and for which the seat or membership is security.

Q. If you know, please state how much Russell-Colvin Co. owed to other members of the stock exchange at that time.—A. You are referring particularly to claims for which the seat would be security?

Q. Yes.—A. I do know the total of the claims of members and of the stock exchange and curb exchange themselves arising out of the dues chargeable to members for which the

seat or membership was also security, inasmuch as I ultimately prepared those claims, which were allowed. I believe the total claims prepared and allowed were \$1,254 and some odd cents, which, however, were subsequently augmented to a total of about \$3,300, or slightly in excess of \$3,300, on account of accruing charges, I believe, such as charges for clearing certificates that were being sold out through the membership, and membership dues, and things of that kind. The claims were \$1,254 and a few odd cents, ultimately increased and allowed to about \$3,300.

Q. What was the value of a seat on the stock exchange at that time?—A. The value of a seat on the stock exchange at that time was considered to be in excess of \$100,000, or in the neighborhood possibly of \$125,000.

Mr. Manager BROWNING. Take the witness.

Cross-examination by Mr. LINFORTH:

Q. Mr. Dinkelspiel, have you or the firm with which you are connected taken a very decided interest in this impeachment matter?—A. What do you mean by decided interest, Mr. Linforth? I can explain my answer.

Q. In answer to your suggestion, let me ask you this: Are you the only member of your firm here as a witness?—A. No, sir.

Q. How many members of your firm are here as witnesses in this proceeding?

Mr. LONG. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. LONG. I have just entered the Chamber. What is the firm with which this witness is connected?

Mr. LINFORTH. The firm of Heller, Ehrmann, White & McAuliffe.

The WITNESS. Mr. Ehrmann, Mr. White, and myself have all been subpoenaed as witnesses.

By Mr. LINFORTH:

Q. Has Mr. McAuliffe been subpoenaed also?—A. I do not believe so. He was in Washington and was asked to remain over, but on account of depletion of our office ranks was permitted to be excused.

Q. The seat which was owned by the Russell-Colvin people in the stock exchange was security for any claim of any member of the exchange against the Russell-Colvin people, was it not?—A. Not for any claim of any member. A personal obligation from Russell-Colvin & Co. to a member not arising out of a stock-exchange transaction was not secured by the seat.

Q. Did not article XX, sections 1 and 2, of the stock-exchange constitution provide that the seat of a member could not be sold until the claims of all other members against the defaulting member were paid in full?—A. There was an article and is an article of the constitution stating that in substance, I do not believe in the exact language, and construed within the power of the governing board to mean member claims or claims arising out of ordinary contracts and not personal obligations.

Q. In order to try to end the matter with one question, through your connection with the stock exchange, are you not aware that at the time of this transaction, article XX, sections 1 and 2, provided that no sale of any seat would be complete until the stock exchange gave its consent, and the stock exchange would not give its consent until the proceeds from the seat were used for the payment of 100 cents on the dollar of any claimant who happened to be a member of the stock exchange?—A. I do not believe that is so. There is, if you will permit me to explain my answer, a provision of the constitution of the stock exchange making the seat security for the contracts and obligations of members, and providing that the proceeds of the sale of a seat shall be applied in payment of those claims.

Q. Have you with you a copy of the rules of the San Francisco Stock Exchange that were in force at the time of this transaction?—A. I have not.

Q. I understood you to say that you were positive Mr. Strong did not talk with you on the question of the employment of counsel until after he qualified. Is that right?—A. I did so answer, but in thinking the matter over, I am positive that he did not talk to me about the employment of

counsel until after he had come out of the judge's chambers that second time in the afternoon. Whether he had actually taken the oath or not I am not certain.

Q. Will your memory permit you to say positively that there was no discussion between you and Mr. Strong on the question of appointment of counsel before the order had been made appointing him?—A. My memory is positive to this extent, that there was no discussion with Mr. Strong as to the employment of counsel that I heard or participated in until the afternoon of the 11th of March, and the best of my recollection is not until after the order of the court.

Q. Has your memory been refreshed on that subject since you were a witness before the investigating body in San Francisco in September of last year?—A. Generally by reference to files of correspondence and general office diaries and matters.

Q. Is it a fact that when you were a witness before the investigating committee in San Francisco in September 1932 you were then not positive as to whether you had had any talk with the receiver about the appointment of counsel before the order was made?—A. I wish you would permit me to see my testimony, counsel.

Q. Yes, sir.—A. I believe I can recall what I testified, that I was not—that I could not be positive there was no discussion until after the morning conference with Judge Louderback until some time in the afternoon, and that I believed there was no discussion until after the actual order was made.

Q. At the time and place that I have referred to were these questions asked you, and did you give these answers [reading from page 76 of the record]?

Q. Now, you did not suggest to Strong that afternoon, your firm to be employed, did you?—A. I discussed with Mr. Strong, after his appointment, the question of the appointment of attorneys.

Q. All right.—A. And Mr. Strong mentioned to me that he was uncertain whether to employ Mr. Ackerman or to employ our firm.

Q. When was that?—A. I believe it was after the appointment. I am not positive, but I think it was that afternoon.

Did you give that testimony at that time?—A. I gave that testimony, and I still give it, Mr. Linforth.

Q. And is it the fact that at the time you gave that testimony you were then not positive as to whether or not Strong had talked to you about the appointment of attorneys before he was appointed receiver?—A. No, sir. May I have that question again?

The PRESIDING OFFICER. The question will be read.

The Official Reporter read the question, as follows:

And is it the fact that at the time you gave that testimony you were then not positive as to whether or not Strong had talked to you about the appointment of attorneys before he was appointed receiver?

The WITNESS. At the time I gave that testimony, and now, I was positive and am positive that Mr. Strong did not discuss the matter of the employment of counsel with me until subsequent to the morning conference when the judge announced his intention of appointing Mr. Strong as receiver. I did not discuss that matter until the afternoon of March 11; and the best of my recollection at that time, the time of the prior hearing, and now, was and is that Mr. Strong did not discuss the matter with me until he came out of the judge's chambers for the second time.

Q. About what time was it that the judge signed the order appointing Mr. Strong receiver?—A. I could not be positive. I think it was around 4:30 to 5 o'clock in the afternoon.

Q. Are you positive that up to that time Mr. Strong had not discussed with you the question of attorneyship?—A. I have already answered that question, Mr. Linforth—that to the best of my recollection Mr. Strong did not discuss the matter with me until after that time, and I am positive that he did not discuss the matter with me until the afternoon of March 11.

Q. Did you hear Judge Louderback state to Mr. Strong, at or before the time of his appointment, that he would consider him an officer of the court?—A. I cannot state positively. I believe, however, that such a statement was made.

Q. And did he also state to Mr. Strong that he must confer with the judge on the appointment of his attorneys?—A. I do not think he used those words. As I have already testified, he stated that he should expect him to consult with him with reference to the appointment of his attorneys or his counsel.

Q. And in substance the judge told him that, did he not?—A. I believe that my last answer is the best I can give you on that, Mr. Linforth.

Q. Did not the judge at that time, with you persons present, ask Mr. Strong whether he had selected any attorneys?—A. I do not know whether the word "selected" was used. I think he asked him—I am sure he asked him—a question as to whether he was represented by counsel.

Q. Did he not at that time, and before he made the order of appointment, ask him whether or not any of the lawyers present, and including you by name, had been talked to by Mr. Strong as possible attorneys for the receiver?—A. To that question in its present form I can give a positive answer of "no", because I am quite certain the judge did not even know my name.

Q. Did you tell the judge at that time who you were?—A. Yes, sir; I did.

Q. And that you were there representing the San Francisco Stock Exchange?—A. Yes, sir; I did.

Q. Did the judge, before he made the order of appointment, say to Mr. Strong, "You are not going to arrange with any of the counsel present as your counsel, are you?"—A. No, sir; he did not say that.

Q. And Mr. Strong did not answer that he was not?—A. Well, the question was not asked, so the answer could not have been given, Mr. Linforth.

Q. Now I call your attention to this book, Constitution and Rules of the San Francisco Stock Exchange, and I call your attention to article XX, under the title of "Transfer of Membership", and to subdivisions (1) and (2) of section 2, and also section 1, and ask you if those were the rules in force at the time of these transactions.—A. What particular sections, Mr. Linforth, are you referring to?

The PRESIDING OFFICER. Read the question.

The Official Reporter read the question, as follows:

Now I call your attention to this book, Constitution and Rules of the San Francisco Stock Exchange, and I call your attention to article XX, under the title of "Transfer of Membership", and to subdivisions (1) and (2) of section 2, and also section 1, and ask you if those were the rules in force at the time of these transactions.

The WITNESS. I believe those rules were in effect.

Mr. LINFORTH. We offer these rules as part of the testimony of the witness.

The PRESIDING OFFICER. They will be admitted.

Mr. LINFORTH. And I should like to read this rule into the RECORD, Mr. President:

ARTICLE XX. TRANSFER OF MEMBERSHIP

SECTION 1. The transfer of membership by any member of the exchange shall be made, except as otherwise herein provided, in the following manner:

(a) The application, together with the initial fee of the transferee, shall be filed with the secretary as provided in article III hereof, and the membership committee shall pass upon such application as in said article provided.

(b) The name of the transferee shall be submitted to all members of the exchange at least 10 days prior to the date of election.

The member proposing to transfer his membership shall not after the 9th day after transmittal of such notice make any contracts unless the contract is expressly made on behalf of another member of the exchange.

On the 9th day after the transmitting of notice of a proposed transfer of membership all exchange contracts of the member proposing to make such transfer or of his firm shall mature, and if not settled shall be closed out as in the case of insolvency unless the same are assumed and taken over by another member of the exchange.

(c) The member proposing to transfer his membership shall, at the time such application is filed, deposit with the Secretary a transfer fee of \$1,000.

SEC. 2. Upon any transfer of membership, whether made by a member voluntarily or by the governing board in pursuance of the provisions of the Constitution, the proceeds thereof shall be applied to the following purposes and in the following order of priority, viz:

(1) The payment of all dues, fines, contributions, and charges payable to the exchange by the member whose membership is transferred, and all indebtedness of such member thereto.

(2) The payment to creditors who are members of the exchange, or the firms which they represent.

If a claim based on a contract, the amount that will ultimately be due thereon, cannot for any reason be immediately ascertained and determined, the governing board may, out of the proceeds of the membership, reserve and retain such an amount as it may deem appropriate, pending the determination of the amount due on such claim.

And then jumping to subdivision (4):

(4) The surplus, if any, of said proceeds shall be paid to the person whose membership is transferred or to his legal representative upon the execution by him or them, of releases satisfactory to the governing board.

SEC. 3. A member of the exchange or the firm whom he represents shall forfeit all right, under section 2 of this article, to share in the proceeds of a membership which has been transferred, unless such member or firm files a statement of his or its claim with the governing board, prior to the transfer.

The WITNESS. May I see that, Mr. President?

(The book was exhibited to the witness.)

The WITNESS. May I make a statement in connection with an answer previously given as to this rule that Mr. Linforth has been referring to?

The PRESIDING OFFICER. Yes.

The WITNESS. There is elsewhere in this constitution and rules, I believe—I am quite certain—a provision as to what member claims are; and the governing board of the San Francisco Stock Exchange has construed claims that are charges against a seat as being only claims made in the ordinary course of dealing between members, and has in fact within comparatively a recent time refused to allow a personal claim of members as a claim against the membership.

By Mr. LINFORTH:

Q. At the time of this receivership, do you know whether or not Russell-Colvin & Co. was indebted to various other members of the San Francisco Stock Exchange?—A. I know only this, that we prepared the secured claim—

Mr. LINFORTH. Mr. President, the rule was announced yesterday that if the witness was not answering a question directly, we waived our right to strike it out if we permitted him to continue. Therefore, at this time most respectfully I urge that the witness is not answering the question, and that his attention should be directed to it.

The PRESIDING OFFICER. Will you answer the question?

The Official Reporter read the question, as follows:

At the time of this receivership, do you know whether or not Russell-Colvin & Co. was indebted to various other members of the San Francisco Stock Exchange?

The WITNESS. Yes; to a limited extent. May I explain the answer?

The PRESIDING OFFICER. The Chair thinks that answers the question.

By Mr. LINFORTH:

Q. Was Pierce & Co. at that time a member of the San Francisco Stock Exchange?—A. I do not think so.

Q. Are you positive of that?—A. I am not positive; no, sir.

Q. Were Barneson & Co. members of the San Francisco Stock Exchange at that time?—A. I am not certain. They are not now, and I am not sure whether they were then or not.

Q. Were Miller & Co. members of the San Francisco Stock Exchange at that time?—A. I am not certain.

Q. Do you know how much Russell-Colvin & Co. owed to those three persons whom you are not certain were members of the exchange?—A. I know something about the E. A. Pierce & Co. indebtedness; not the others—the secured indebtedness.

Q. You do not know, do you, how many hundreds of thousands of dollars Russell-Colvin & Co. owed to members of the stock exchange at the time of the appointment of the receiver?—A. Not in dollars and cents; no.

Q. Do you know approximately how much in the hundreds of thousands?—A. I could only hazard a guess. I

know it was a very substantial amount of money, secured by a great volume of stocks.

Q. Do you know of your own knowledge whether or not the amount of indebtedness from Russell-Colvin & Co. to various members of the stock exchange at the time receivership was appointed—do you know of your own knowledge whether or not the security they held in every instance was enough to pay those brokers who were members of the San Francisco Stock Exchange?—A. Only to this extent, that I was asked to prepare in behalf of the members and of the exchange the claim secured by the membership, which claim, as I stated before, was \$1,254, subsequently increased to about \$3,300.

Q. Have you that paper with you?—A. I have seen it—yes, I have it, but not here—at the hotel.

Q. Can you produce it?—A. I think you will find it in the record of the receivership proceedings accounted for in Mr. Hunter's report. I was reading it in the transcript last evening.

Q. Mr. Dinkelspiel, if you could produce it, I would be willing to suspend, and then ask you the one question in regard to it, and the examination would be completed.—A. I have only copies of it. If you have the original file of the Russell-Colvin proceedings, it will be in the original file.

Q. The value of the seat in the exchange you have referred to is about \$100,000?—A. Yes.

Q. Considerably less today?—A. Considerably less today.

Q. What?—A. I do not know.

Q. Do you recall what the price was for the last seat sold?

Mr. Manager PERKINS. Mr. President, we object to the question as being immaterial.

The PRESIDING OFFICER. What is the materiality of that?

Mr. LINFORTH. The reason, Mr. President, is this: Inasmuch as the receivership is attacked, I wanted to show by the witness upon the stand, if I could, the value of the seat today, and then if he knows what the receiver sold it for.

The PRESIDING OFFICER. The witness may answer the question.

The WITNESS. I do not know the value today. It is less than what the receiver sold it for.

By Mr. LINFORTH:

Q. The value today is considerably less than Mr. Hunter, the receiver, sold the seat for?—A. Taking value as the marketable price of the seat.

Mr. LINFORTH. I think that is all, Mr. President.

Mr. Manager BROWNING. That is all.

The PRESIDING OFFICER. Call the next witness.

EXAMINATION OF JEROME B. WHITE

Mr. Manager BROWNING. Call Jerome White.

Jerome B. White, having been duly sworn, was examined and testified as follows:

By Mr. Manager BROWNING:

Q. Mr. White, are you a member of the firm of Heller, Ehrmann, White & McAuliffe, in San Francisco?—A. I am.

Q. Do you recall a controversy that arose over the receivership matter of Russell-Colvin in March 1930?—A. I do.

Q. When was it first brought to your attention?—A. It was first brought to my attention the day after that upon which Mr. Addison Strong had been appointed receiver.

Q. Do you remember the day of the month?—A. He was appointed, I take it, on the 11th, and this was on the 12th that it came to my attention.

Q. Did you have a conference with Judge Louderback that day?—A. I did have a conference with the judge. I went out to see him along toward the middle of the afternoon, and saw him in his chambers.

Q. Was that the first conference you had had with Judge Louderback with regard to this matter?—A. It was.

Q. At that time what transpired between you and Judge Louderback in connection with this case?—A. I told the judge the purpose of my call, that Mr. Strong, whom I had been with at noontime—I had been with Mr. Strong, Mr. Hood, and Mr. McAuliffe for lunch during the noon hour—

that Mr. Strong told me what had transpired up to that time, noontime of that same day, and that Mr. Strong desired that our firm should represent him, and I called to see if I could obtain the judge's approval to the appointment. I told the judge that I had with me in my pocket, or my brief case, I will not be sure, but I had with me—I did not take it out and present it to him, however—the regular formal form of order appointing or confirming the appointment of attorneys for the receiver, the attorneys, of course, being designated in the form as Heller, Ehrmann, White & McAuliffe.

The judge immediately expressed in anger his feelings in the matter, saying that it was very embarrassing to him, that this was a very, very embarrassing situation, and he regretted it very much, that he could not understand the kind of man that Strong—what kind of man he was. He bitterly criticized Strong for not having come back to see him on the afternoon of the day on which he was appointed, no matter how late it was.

I pointed out Mr. Strong's excuse that he had given to me. The judge said that did not matter, he was there, and had Strong come back to his chambers, as he expected he would, he would have found him there, and had he come back this thing would not have happened. I argued with the judge a bit. First he said he was thinking very much that Strong was not the proper kind of man for him to have as receiver in this case, that he did not like his attitude at all, that he thought he was insubordinate in that he had not come back as he had promised. I argued to the judge a bit that that was an oversight and that it was not intentional, that Strong was not that type of man who would willfully disobey a suggestion of the judge. I also argued to the judge a bit about Strong's qualifications for this position. I asked the judge if he had any objection to our firm, if there was any ground why we were not a proper firm to handle the legal affairs, to represent the receiver as counsel.

The judge said that that was not the point, that he had wanted to name the attorney in this matter, that it was his practice, he told me, where the interested parties come before him and make a suggestion, or practically select their own receiver, make a suggestion as to who the receiver should be, and he adopted that suggestion, it had been his practice, he said, in those cases, to make selection himself of the attorneys, and that he expected to do it in this case, and had insisted upon Mr. Strong accepting Mr. John Douglas Short. Mr. Strong apparently had refused to do so, and was refusing to do so, and he considered him insubordinate.

I said to the judge that his refusal—that the refusal to accept our firm under the circumstances would, at least among the parties who knew the facts—because the plaintiff's attorneys and the defendant's attorneys, and the parties on the inside, did know the facts up to that moment—would be a reflection upon the standing of our firm, and I asked the judge if he had any reason for adopting that position. He said, "No." He said, "I have no objection to the firm whatever, and I have known you a great many years; but", he said, "it is Strong that I take exception to—his conduct—and I have asked for his resignation."

I said, "Your Honor, if his attitude in the matter of the selection of an attorney has put him in that position, Mr. Strong has told you, and he has told us, that he would accept Mr. Lloyd Ackerman, and that it would be better for Your Honor, if you prefer him to us, it is perfectly agreeable to us, we would retire rather than have you accept Mr. Strong's resignation."

"No", he said, "that is all the same, the same situation with reference to Mr. Ackerman." He said, "I am not going to decide this matter now." He said, "I will think it over and you might come back tomorrow morning at 9 o'clock and I will talk with you further about it."

Q. In that conversation, did he say anything to you about not conferring with you about it until he had seen Strong again?—A. No; he did not say that I was not to confer with Strong or with anybody.

Q. That is not the question. My question is, Did the judge decline to discuss it with you until he could see Strong himself?—A. Well, he had discussed it with me at considerable length that afternoon, and said at the end of the interview that there was not any use to talk further about it, that he was going to give it some thought, and I could come back the first thing in the morning, I think he said 9 o'clock, and he would make up his mind and would tell us about it.

Q. Did you go out to the judge's chambers and have a conference with him, or call on him, on the morning of the 12th, the next morning after Mr. Strong had been appointed receiver, and before Mr. Strong saw Judge Louderback?—A. The morning of the 12th? I am talking now about the afternoon of the 12th. I did not go at any time to the judge prior to this visit of mine in the afternoon, after I had had lunch with Mr. Hood, who is Mr. Strong's partner, Mr. Strong, and Mr. McAuliffe.

Q. In that conversation did Judge Louderback object to your firm on the ground that you represented the stock exchange?—A. No; he did not give that as his objection. It was as I have indicated, and I cannot give the exact language, but I do know the judge put considerable emphasis upon the circumstance that he did not know Mr. Strong. He said he came to him as a stranger, vouched for by these gentlemen, and he did not question that he was a man of good reputation, but it was a matter of policy which he had followed where the parties make a suggestion as to the receiver, it was his practice to make the suggestion as to attorneys.

Q. Did you have any conference with Judge Louderback the next morning, on the 13th?—A. I did. I went there at 9 o'clock.

Q. What transpired in that conference?—A. In that conference the judge said that he was not going to give me a final answer about this, that he was going to send for Mr. Marrin, Mr. Thelen, and I think Brown, and have a talk with them; that it might be that there would not be any receiver appointed, or that the appointment would be vacated, that there would not be any receivership in this matter. "But", he said, "if I retain Mr. Strong, I do give my consent to you people acting as his attorney." He said, "If he continues as the receiver, I will sign the order appointing your firm attorneys for the receiver."

Q. Was that the last conference you had with him about it?—A. It was.

Mr. Manager BROWNING. That is all.

Cross-examination by Mr. LINFORTH:

Q. Mr. White, how long had you known Judge Louderback at the time of these conversations?—A. I knew Judge Louderback before he went on the bench of the superior court. I would say less than 15 years and not more than 27, since I have been practicing.

Q. And your relations had always been pleasant and agreeable with him up to the time of the happening of these matters?—A. Yes; they had been. I never had any difficulty of any kind with the judge. I had not appeared in his court since he was a Federal judge to any extent.

Q. But your acquaintanceship had run back the years you have stated?—A. Exactly.

Q. The judge told you, did he not, that where he had appointed a person receiver who was unknown to him, at the recommendation of the parties, his rule was to have a check on him by suggesting the attorney who ought to be appointed?—A. That was, in substance, the position which he took.

Q. When you talked with the judge, he frankly told you that he was considering the advisability of removing him?—A. Yes; he said he had asked for his resignation.

Q. And he told you that if after talking with the other attorneys interested in the matter, he should conclude to let him remain, he would then consent to the appointment of your firm?—A. In substance, he said if Mr. Strong was the receiver, we could be his counsel, but he did not. I went away firmly of the impression that he was going to let

Strong remain if there was a receivership at all. That was my conclusion in the matter, and I so notified my partner.

Q. But the judge notified you that he was thinking seriously of removing Mr. Strong?—A. He was dissatisfied with Mr. Strong.

Q. Did you tell the judge on your first visit, the day after the appointment of the receiver, that you had with you a petition for the appointment of the firm of Heller, Ehrmann, White & McAuliffe as attorneys for the receiver Strong?—A. I did.

Q. You told him that petition was for the appointment of the firm?—A. Yes; it was.

Q. And it was for the appointment of the firm, was it not?—A. It was.

Mr. LINFORTH. I have no further questions.

Mr. Manager BROWNING. That is all.

(The witness retired from the stand.)

EXAMINATION OF SIDNEY SCHWARTZ

Sidney Schwartz, having been duly sworn, was examined, and testified as follows:

By Mr. Manager BROWNING:

Q. Is this Mr. Sidney Schwartz?—A. Yes, sir.

Q. Where do you live, Mr. Schwartz?—A. In the city and county of San Francisco, Calif.

Q. What is your occupation?—A. I am a stockbroker.

Q. With what firm are you connected now?—A. With the firm of Sutro & Co.

Q. In what capacity?—A. I am the senior partner.

Q. Have you ever been president of the San Francisco Stock Exchange?—A. Yes, sir.

Q. At what time?—A. From October 1923 until January 8, 1932, inclusive.

Q. In the year 1929, as president of the stock exchange, were you made acquainted with the situation with regard to the Russell-Colvin Co.?—A. Their general condition, yes; and the inadequacy of their capital.

Q. What steps were taken by the exchange with regard to it?—A. In November 1929 the San Francisco Stock Exchange, immediately following the market break, sent out a questionnaire to different members in order to determine the adequacy of capital of all member firms, and the firm of Russell-Colvin was among those firms that then at that time showed a weak capital structure.

Q. Did you have any supervision over the company at the time you went out as president of the exchange?—A. Do you mean me personally, sir?

Q. I mean the exchange itself.—A. The exchange did through its auditor, and as president of the exchange I then, at that time, issued an order to closely watch the developments in the firm of Russell-Colvin, as well as several other firms; and at that time Russell-Colvin became aware that it would be desirable, and almost imperative, to furnish themselves with additional working capital.

Q. Do you know what later steps were taken by the exchange with regard to this concern?—A. It is my recollection that Russell-Colvin did furnish themselves with some amount of additional working capital, and at least I am positive that their working capital was sufficient to permit them to remain as active members of the San Francisco Stock Exchange, at least for the time during which I was president of the exchange.

Q. But later, on March 10 of that year, you were notified or were made aware of the fact that they were suspended?—A. I had retired as president of the exchange on January 8, 1930. Consequently at that time I had no definite knowledge as to their condition or no reason to have any definite knowledge.

Q. Is there any other action except suspension that the stock exchange may take with regard to its members?—A. Yes, sir; there is.

Q. What is it?—A. The stock exchange has the power either to suspend or expel. In the event of insolvency, the exchange suspends a member; in the event of violations or infractions of the rules, bylaws, and constitution of the exchange, the exchange uses the power of expulsion.

Q. What claims of members of the exchange are secured by the seat of a member?—A. All claims of the members of the stock exchange arising from member contracts, and from member contracts alone, are secured by the membership in the exchange of the individual member; and the governing board of the San Francisco Stock Exchange defines member contracts. In the constitution will be found a clause touching on this, article 20, that I heard quoted recently or a few moments ago, defining the powers given to the governing board to define member contracts. I know that rule to my own sorrow, because the attorney for the exchange decided a case against my own firm, ruling that certain transactions for individual partners of the exchange did not come under the rule of constituting a member contract; and consequently in this particular matter, did not furnish my own firm with the security normally given by the value of a seat on the exchange.

Q. Is there any other financial interest that the exchange has with regard to membership except the security of other members for their claims, as you have described?

The WITNESS. May I have that question repeated?

Mr. Manager BROWNING. Will the reporter please read the question?

The Official Reporter read as follows:

Q. Is there any other financial interest that the exchange has with regard to membership except the security of other members for their claims, as you have described?

The WITNESS. There is no other financial interest; there is an ethical interest, but no other financial interest.

By Mr. Manager BROWNING:

Q. Do you know H. B. Hunter?—A. I do, sir.

Q. What connection have you had with him, if any?—A. I met Mr. Hunter for the first time—and I must give you this date out of my memory—in November 1928, when the resignation of the assistant to the president of the stock exchange, which is an appointive office, was accepted, vacating the office; and when I requested applications for that position, among the applications was an application from Mr. H. B. Hunter. That was the time that I first became acquainted with him. He held that position, if my memory serves me correctly, until approximately May or June 1929. I give you those dates out of memory and they may not be correct.

Q. Do you know with whom he was connected in March 1930?—A. In March 1930 and from the time of his resignation he was a partner in the firm of William Cavalier & Co., members of the San Francisco Stock Exchange.

Q. Did they have a member of that firm on the board of governors of the exchange?—A. They did—will you give me the date?

Q. In March 1930.—A. They did—Mr. Robert Willis, and I believe he is still a governor of that exchange; he is.

Q. Do you recall the occasion when the receivership was applied for in the Russell-Colvin case?—A. Pardon me.

Q. Do you recall the occasion when the receivership was instituted in the Russell-Colvin case?—A. My knowledge of that, Mr. BROWNING, comes from the newspapers. I had been East and subsequently South and arrived back in San Francisco, I would say, approximately a week before reading in the newspaper of the insolvency of the Russell-Colvin Co. and of the appointment of a receiver, Mr. Addison Strong.

Q. Did you get any information from anyone about the selection of the receiver in that case?—A. I should like to have that question repeated.

Q. Did you get any information from anyone about who would be the receiver in that case or who was the receiver?—A. From the newspapers I read that Mr. Addison Strong had been appointed receiver. Subsequently I had a phone call from Mr. Hunter.

Q. What time of the day was that?—A. To the best of my recollection, it was sometime prior to 2:30 o'clock on that day. I fix that time for the reason that I had a rather lengthy conversation with Mr. Hunter, who stated to me that he thought he was to be appointed receiver in the Russell-Colvin matter. I said to Mr. Hunter, in surprise, that I had read in the paper that Mr. Strong had been ap-

pointed the receiver, and he told me, "Well, there is some understanding there, and I am inclined to believe that I am going to be the receiver; and if I require your recommendation, may I have it?" I said to him that I did not want to get into any controversy between Mr. Strong and Mr. Hunter for the receivership, which he could appreciate, but also told him at the time that my connections with Mr. Strong through his having been auditor of the San Francisco Stock Exchange for a great many years were of the most friendly character and such that I certainly felt that Mr. Strong was better qualified as a receiver; but, in the event of Mr. Strong being the receiver and in the event of my recommendation not doing any damage to Mr. Strong, that I should be very glad to recommend Mr. Hunter.

Q. When did you next hear from him?—A. It is my recollection it was the following day—and if not on the following day, then on the day after—that Mr. Hunter called at my office and told me that he had been appointed receiver. We had a very brief conversation. I congratulated him, but I went into none of the details beyond that, because it was at an hour and a time when I was quite busy.

Q. Did you recommend him to Judge Louderback for receiver?—A. I did not.

Q. Did the judge ever speak to you about him?—A. He did not.

Q. Did you send him any word directly or indirectly concerning it?—A. I sent him no word directly, Mr. BROWNING, and indirectly only if Mr. Hunter had conveyed my conversation to the judge.

Mr. Manager BROWNING. Take the witness.

The PRESIDING OFFICER. Do counsel for the respondent desire to cross-examine the witness?

Mr. LINFORTH. Mr. President, the respondent does not deem it necessary to cross-examine this witness.

The PRESIDING OFFICER. Call the next witness.

OFFER OF SUPERIOR COURT RECORDS

Mr. Manager PERKINS. Mr. President, we offer in evidence a certified copy of an order made by Judge Harold Louderback appointing W. S. Leake, Fairmont Hotel, and G. H. Gilbert, 16 California Street, appraisers in the matter of the estate of Howard Brickell, dated April 5, 1927.

(See U.S.S. Exhibit 4.)

The PRESIDING OFFICER. Is there any objection on the part of counsel for the respondent?

Mr. HANLEY. Mr. President, we object to it; first, on the ground of lack of jurisdiction of this body to go into any matter that occurred prior to Judge Louderback being appointed a Federal judge, because the cases hold—and the full set-up of the whole matter is expressed in volume 9, and the authorities are there collated by Mr. Hughes in his Federal Practice—that the moment the Senate of the United States confirm a Federal judge apparently it is like absolution and wipes out his former transgressions; and in any matter that has to do with his conduct and acts prior to being appointed a Federal judge, that the Senate of the United States would be impeaching their own integrity, so the cases say, if they attempted to go back of that. So we say to you, Mr. President, and to the Senate sitting as judges and jurors, that the conduct of Superior Judge Louderback, if it be misconduct, has nothing to do in any way, shape, manner, or form with the impeachment articles.

Very frankly I say to you, Mr. President, that upon the hearing had in this Chamber upon the 18th day of April, Mr. Manager SUMNERS then said, "We do not rely upon it as an impeaching matter, and you could not impeach," said he on that occasion—

The PRESIDING OFFICER. Will counsel suspend for a moment until we ascertain the purpose for which the offer is made?

Mr. Manager PERKINS. It is the intention of the managers on the part of the House, with your permission, to introduce evidence in the nature of certified copies of court records for the purpose of showing the close and intimate relationship that existed between Judge Louderback and Mr. Leake and Mr. Gilbert.

The PRESIDING OFFICER. Do counsel for the respondent deny that that is material? Do they deny that this is material evidence for the purpose stated by the House manager?

Mr. HANLEY. Yes; we do, for this reason: The mere fact that a court appoints a member of the bar or a citizen of his community an appraiser does not show an intimate relationship.

The PRESIDING OFFICER. The present occupant of the chair is very clear that it is admissible for whatever it may be worth for the purpose stated by the manager on the part of the House.

Mr. Manager PERKINS. We also offer a certified copy of an order signed by Judge Harold Louderback on May 24, 1927, appointing W. S. Leake receiver in the case of Heath against Heath, with the requirement of a bond of \$25,000.

Mr. HANLEY. For all the reasons heretofore urged, we make similar objection.

The PRESIDING OFFICER. The Chair understands the managers of the House have offered this for the same purpose, and the offer is being made for that sole purpose?

Mr. Manager PERKINS. For the sole purpose of showing the relationship between the respondent and W. S. Leake and Mr. Gilbert, and the course of conduct which culminated in the conspiracy charged and other charges made in the impeachment.

The PRESIDING OFFICER. Let them be admitted. (See U.S.S. Exhibit 5.)

Mr. Manager PERKINS. We offer a certified copy of an affidavit or verification made by W. S. Leake in the case of Heath against Heath, dated May 24, 1927.

(See U.S.S. Exhibit 6.)

Mr. Manager PERKINS. We offer a certified copy of the oath of appraisers and the bill for services rendered by W. S. Leake and G. H. Gilbert in the sum of \$1,750 in the matter of the estate of Howard Brickell, dated December 20, 1927.

(See U.S.S. Exhibit 7.)

Mr. HANLEY. Is not the name of Mr. R. F. Mogan on that bill? The manager has not read it all.

Mr. Manager PERKINS. I merely identified the paper so far as it relates to this proceeding. There is another name of another appraiser named Mogan, but the managers on the part of the House did not conceive it necessary to mention that name in order to identify the paper offered.

The PRESIDING OFFICER. May the Chair inquire whether the House managers desire these papers printed as a part of the record or that just that which counsel states shall be made a part of the record?

Mr. Manager PERKINS. May I confer with the other managers?

The PRESIDING OFFICER. Certainly.

Mr. Manager PERKINS (after conference). The opinion of the managers on the part of the House is that they ought to go in the record.

The PRESIDING OFFICER. Do you mean the entire paper?

Mr. Manager PERKINS. With the permission of the President and of the Senate we could delete some of them, perhaps, but the substance of them ought to appear in the record.

Mr. HANLEY. I understand that they are in for one purpose, to show familiarity of Leake with the judge, and not for the purpose of commenting upon their text, because the managers may not, under the guise of getting them in for one purpose, then use them for another purpose. The purpose is evident to the Chair that they ought to be limited to the purpose for which they were offered, namely, to show the relationship of the parties which in the answer has not been denied. The object of the managers is not, from our viewpoint, to limit it to that purpose, but to use in argument, viciously as we claim, the contents of the documents spoken of and to then charge that because it was introduced for one purpose it was introduced for all.

I make this statement at this time because we do not want to be misunderstood. If we had to try that issue we

could try it, but it is not an issue before the Senate. Therefore I say to the President of this body, sitting as the presiding officer of the court, that he should limit its introduction with the understanding that it is for the purpose for which it is introduced and not for some secret purpose at the end of the trial, when our mouths are closed, to say this and that when we have no chance to reply.

The PRESIDING OFFICER. May the Chair inquire of the managers on the part of the House whether it would not be satisfactory to state from the documents and whether it would not be satisfactory to counsel for the respondent to state from the documents briefly what they show that would be material under the ruling of the present occupant of the chair?

Mr. Manager PERKINS. On behalf of the managers on the part of the House, we deem it important to have sufficient of these records in to apprise the trial body of the nature of the course of conduct between the respondent in this case and Mr. Leake and Mr. Gilbert. It would be quite impossible for us merely to state briefly the nature of the paper, because it is important for all the trial body to be able to see what the papers are insofar as they are admissible in evidence, in order to set out the course of conduct in which the respondent month by month appointed Mr. Gilbert receiver and appointed Mr. Leake receiver, and paid them fees, and to show that the fees were exorbitant fees.

The PRESIDING OFFICER. How do you propose to show they were exorbitant fees?

Mr. Manager PERKINS. I might take one case. We will show that in a certain case the respondent allowed a fee of \$500 to one of these receivers for appraising a piece of property that he never looked at, but all he did was to sign the affidavit of value.

The PRESIDING OFFICER. Do you propose to call witnesses to show that fact?

Mr. Manager PERKINS. We will show it by the witnesses already subpoenaed here. We will show it by Mr. Leake when he appears, if he does appear. We will show it by Mr. Gilbert, who will appear and I understand is in town.

The PRESIDING OFFICER. The present occupant of the chair does not think we ought to go into collateral issues involved in any of the cases in which the respondent was acting as judge of some State court. He thinks it might be material to show the various appointments of the men who are involved in the present complaint, and that is the extent to which the papers are pertinent to this issue. It is always difficult, of course, to admit a paper for one purpose and prevent it being used for another purpose. If a paper is admissible at all and counsel insist upon it being considered in evidence, the Chair does not quite know how it can be excluded if it is admissible for any purpose.

Mr. HANLEY. The point I make is this. Very often, for instance, an affidavit reciting a lot of facts is put forth in a paper introduced for one purpose for identification. We cannot argue the truthfulness of that affidavit when it was limited to the purpose to which it was directed. The point we make is that we are not trying any State court cases. If we were, we would meet them. The point is that these papers are not being introduced for the purpose stated, but for the purpose of hammering us at the close when we are concluded in our defense with relation to this matter. I want to warn the Senate right now that that is the purpose, and I predict that is the purpose, and therefore it is irrelevant and incompetent. It is not jurisdictional to this body and therefore, if the paper is admitted at all, it ought to be for the purpose of showing the intimacy and none other.

The PRESIDING OFFICER. Will counsel for the respondent agree that there may be read into the record the various times these men were appointed and the amount of fees paid them, and then have the papers excluded?

Mr. HANLEY. For that purpose we have no objection.

The PRESIDING OFFICER. Is that satisfactory to the managers?

Mr. Manager PERKINS. That is not satisfactory to the managers on the part of the House. The papers are not very long. If this were a trial before a jury it would be a different thing, but we must take into consideration that all the members of the trial body are not here all the time and this record must be perused by them before decision can be had. It is of prime importance on the part of the managers to show the course of dealing between Judge Louderback and Gilbert and Leake that runs through the years in which he constantly appointed these men receivers.

The PRESIDING OFFICER. The Chair has stated two or three times that the paper is admissible and has suggested that there be read into the record the date, the name of the case, and the amount. The Chair inquires whether that is not all that is in these records that is pertinent to this issue? If you can later by subsequent witnesses show that in some particular case there was paid an excessive fee, that is an entirely different matter, but that can be done without introducing the records.

Mr. McKELLAR. Mr. President, may I make an inquiry of the Presiding Officer? Have these records or documents been offered in evidence? Has there been a motion to offer them in evidence?

The PRESIDING OFFICER. The understanding of the Chair is that they are now being offered in evidence.

Mr. McKELLAR. Does the Chair hold they cannot be admitted in evidence except for a specific purpose?

The PRESIDING OFFICER. That is correct.

Mr. McKELLAR. That is the holding of the Chair?

The PRESIDING OFFICER. That they may be offered for a specific purpose.

Mr. McKELLAR. What recourse have those of us who are members of the court who believe that these records ought to go in for whatever they are worth?

The PRESIDING OFFICER. The statement by the managers will be a part of the record and it will be admitted by counsel for the respondent that it constitutes a part of the record.

Mr. ASHURST. Mr. President, a point of order.

The PRESIDING OFFICER. The Senator from Arizona will state the point of order.

Mr. ASHURST. Rule VII, at page 89, prescribes particularly and definitely just how a ruling may be appealed from. I ask that the clerk may read rule VII.

Mr. McKELLAR. I hope the clerk will do so, because I want some information about it.

Mr. ASHURST. The point of order is not debatable.

Mr. McKELLAR. A point of order is always in order and I think members of the court ought to know something about it when these questions arise. We ought to know what the facts are and what the rule is.

The PRESIDING OFFICER. The clerk will read the rule. The Chief Clerk read as follows:

VII. The Presiding Officer of the Senate shall direct all necessary preparations in the Senate Chamber, and the Presiding Officer on the trial shall direct all the forms of proceedings while the Senate is sitting for the purpose of trying an impeachment and all forms during the trial not otherwise specially provided for. And the Presiding Officer on the trial may rule all questions of evidence and incidental questions, which ruling shall stand as the judgment of the Senate, unless some Member of the Senate shall ask that a formal vote be taken thereon, in which case it shall be submitted to the Senate for decision; or he may, at his option, in the first instance, submit any such question to a vote of the Members of the Senate. Upon all such questions the vote shall be without a division, unless the yeas and nays be demanded by one fifth of the Members present, when the same shall be taken.

Mr. McKELLAR. Mr. President, I desire, if it is now in order, to have a vote by the Senate, sitting as a Court of Impeachment, on the admissibility of these papers.

Mr. BRATTON. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. BRATTON. Do I understand that the managers on the part of the House have requested that these documents be printed in the Record?

The PRESIDING OFFICER. That is the Chair's understanding.

Mr. BRATTON. That is the question about to be submitted?

The PRESIDING OFFICER. The Chair has reached a very definite conclusion about the question so far as the admissibility of these papers is concerned. They are admissible for one purpose. The Chair was seeking to have counsel on each side agree by suggesting to the counsel for the respondent whether they would consent that there might be read into the record from these papers the names of the cases, the names of the persons appointed, and the amount of fees paid them, the thought of the Chair being that if that were done it would not then be necessary to admit the papers themselves.

Mr. BRATTON. Mr. President, a further parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. BRATTON. The precise question pending is whether the documents shall be printed in the Record?

The PRESIDING OFFICER. That is the offer made by the managers on the part of the House.

Mr. McKELLAR. Mr. President, I think we should have the yeas and nays on that subject.

The PRESIDING OFFICER. The Chair thinks this question is of considerable importance and ought to be submitted to the Senate. Is there a second to the demand for the yeas and nays?

The yeas and nays were ordered.

Mr. ASHURST. Let the question be stated.

Mr. McKELLAR. Will the Chair state the question?

The PRESIDING OFFICER. The question is—

Mr. TOWNSEND. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Costigan	Kean	Reed
Ashurst	Couzens	Kendrick	Robinson, Ark.
Austin	Cutting	Keyes	Robinson, Ind.
Bachman	Dickinson	King	Russell
Bailey	Dill	La Follette	Schall
Barkley	Duffy	Logan	Sheppard
Black	Erickson	Long	Shipstead
Bratton	Fess	McAdoo	Smith
Brown	Fletcher	McCarran	Steiner
Bulkley	Frazier	McGill	Stephens
Bulow	George	McKellar	Thomas, Utah
Byrd	Glass	McNary	Townsend
Byrnes	Gore	Metcalf	Tydings
Capper	Hale	Murphy	Vandenberg
Carey	Harrison	Neely	Van Nuys
Clark	Hastings	Norris	Wagner
Connally	Hatfield	Nye	Walcott
Coolidge	Hayden	Patterson	Wheeler
Copeland	Hebert	Pope	White

The PRESIDING OFFICER. Seventy-six Senators having answered to their names, a quorum is present.

The question to be submitted to the Senate is whether the certified copies of certain records offered by the managers on the part of the House shall be printed in the Record.

Mr. McKELLAR. Mr. President, a parliamentary inquiry. As I understand, the papers were offered in evidence and a request was made that they be printed in the Record. Am I correct about that?

The PRESIDING OFFICER. That is the question.

Mr. McKELLAR. The Chair stated it as simply a question of their being printed in the Record. The question is whether they shall be received in evidence and printed in the Record, as I look at it.

Mr. BRATTON. I call for the yeas and nays.

Mr. LOGAN. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Kentucky will state it.

Mr. LOGAN. As I understand, these records have been offered, and it was suggested that they showed the relationship between the respondent and Mr. Gilbert and Mr. Leake; and the Chair ruled that so far as they showed that either of these parties had been appointed receiver, and the amount of fee, they should go in the record as evidence, but that the remainder of the records should not be admitted in evidence. Are we voting on whether the remainder of the records shall be admitted as evidence or whether they shall simply be printed in the Record?

The PRESIDING OFFICER. The managers on the part of the House offered these papers for the RECORD. Objection was made, and, after argument, the Chair held that these records were pertinent for one purpose, namely, to show the connection between the persons named in the papers and the respondent. The Chair sought to have the counsel on both sides agree that the material parts should be read into the record; but that was not satisfactory to the managers on the part of the House, who insisted that the whole records should be admitted. Counsel for the respondent objects to that because there are many things in the records themselves that are not in any sense material; and the question is whether or not the papers offered for the RECORD shall be admitted.

Mr. LOGAN. Mr. President, a further parliamentary inquiry. Is not the question before the court whether the ruling of the Chair shall be sustained?

The PRESIDING OFFICER. No; the Chair has not ruled upon it. The Chair is submitting the question, being unable to have counsel on both sides agree with respect to it, and it being a matter of some importance.

Mr. LOGAN. Just one further question.

The PRESIDING OFFICER. The Senator will state it.

Mr. LOGAN. I understood that the Chair did rule, and that the Senator from Tennessee [Mr. McKellar], under rule VII, questioned the ruling and asked that the vote of the Senate be taken on it. Am I wrong about that?

The PRESIDING OFFICER. The Chair did not make any definite ruling. The Senator from Arizona [Mr. Ashurst] called attention to the rule, which is to the effect that the question may be submitted to the Senate.

Mr. LONG. Mr. President—

Mr. McKellar. Mr. President, I think the Chair should state that the Senator from Tennessee did understand that the Chair had made a ruling, and under rule VII he asked for a vote of the Senate on that ruling.

The PRESIDING OFFICER. The Chair did not understand the Senator from Tennessee to make any such statement.

Mr. McKellar. The RECORD will show for itself.

The PRESIDING OFFICER. The Chair did not make any definite ruling upon the question. If the Senator from Tennessee made that statement with respect to the ruling of the Chair, the Chair will correct his statement.

Mr. LONG. Mr. President, a point of order.

Mr. LA FOLLETTE. Mr. President, a point of order. Is this matter debatable?

The PRESIDING OFFICER. Not at all.

Mr. LONG. A point of order. I desire to propound a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. LONG. Is it not permissible for a member of the court to move now that we disregard all rules of evidence and just let them put in what they want to? That will be better, and will save time.

Mr. LA FOLLETTE. I submit that that is not a parliamentary inquiry.

The PRESIDING OFFICER. The clerk will call the roll. The Chief Clerk proceeded to call the roll.

Mr. BAILEY (when Mr. REYNOLDS' name was called). I desire to announce that my colleague the junior Senator from North Carolina [Mr. REYNOLDS] is detained by illness. The roll call was concluded.

Mr. HEBERT. I desire to announce that the Senator from Maryland [Mr. GOLDSBOROUGH], the Senator from New Jersey [Mr. BARBOUR], and the Senator from Vermont [Mr. DALE] are detained on official business, and that the Senator from Pennsylvania [Mr. DAVIS] is detained on account of illness.

The result was—yeas 67, nays 4, as follows:

YEAS—67

Adams	Brown	Clark	Dill
Ashurst	Bulkley	Connally	Duffy
Austin	Bulow	Cooldge	Erickson
Bachman	Byrd	Copeland	Fess
Barkley	Byrnes	Costigan	Fletcher
Black	Capper	Couzens	Frazier
Bratton	Carey	Cutting	George

Glass	Long	Nye	Steiger
Hastings	McAdoo	Patterson	Stephens
Hatfield	McCarran	Pope	Thomas, Utah
Hayden	McGill	Reed	Townsend
Hebert	McKellar	Robinson, Ark.	Vandenberg
Kean	McNary	Robinson, Ind.	Van Nuys
Kendrick	Metcalf	Russell	Wagner
Keyes	Murphy	Sheppard	Walcott
King	Neely	Shipstead	Wheeler
La Follette	Norris	Smith	

NAYS—4

Bailey	Dickinson	Logan	Schall
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NOT VOTING—19

Bankhead	Davis	Lewis	Trammell
Barbour	Goldsborough	Norbeck	Tydings
Bone	Gore	Pittman	Walsh
Caraway	Hale	Reynolds	White
Dale	Harrison	Thomas, Okla.	

The PRESIDING OFFICER. On this vote the yeas are 67 and the nays are 4, so the papers are admitted.

Mr. Manager PERKINS. Mr. President, we offer in evidence a certified copy of an order made by the respondent, Judge Harold Louderback, dated August 23, 1927, appointing W. S. Leake, of the Fairmont Hotel, and two other appraisers.

(See U.S.S. Exhibit 8.)

Mr. Manager PERKINS. We offer a certified copy of appraisement of value, signed by W. S. Leake and two others, and dated the 1st of September 1927.

(See U.S.S. Exhibit 9.)

Mr. Manager PERKINS. We offer a certified copy of an order made by the respondent, Judge Harold Louderback, dated October 18, 1927, appointing W. S. Leake receiver.

(See U.S.S. Exhibit 10.)

Mr. Manager PERKINS. We offer a certified copy of order made by Judge Harold Louderback dated October 27, 1927, appointing W. S. Leake receiver.

(See U.S.S. Exhibit 11.)

Mr. Manager PERKINS. We offer a certified copy of order made by the respondent, Harold Louderback, dated November 8, 1927, appointing W. S. Leake receiver.

(See U.S.S. Exhibit 12.)

Mr. Manager PERKINS. We offer a certified copy of receiver's report dated November 29, 1927, signed by W. S. Leake, receiver.

(See U.S.S. Exhibit 13.)

Mr. Manager PERKINS. We offer a certified copy of oath of W. S. Leake as receiver, dated December 8, 1927, and order signed by Judge Harold Louderback, respondent, settling and allowing first and final account of receiver, dated January 14, 1928.

(See U.S.S. Exhibit 14.)

Mr. Manager PERKINS. We offer a certified copy of bill dated December 21, 1927, by W. S. Leake for \$500 for appraising the estate of Howard Brickell.

(See U.S.S. Exhibit 15.)

Mr. Manager PERKINS. We offer a certified copy of order made by the respondent, Harold Louderback, dated December 30, 1927, appointing W. S. Leake receiver.

(See U.S.S. Exhibit 16.)

Mr. Manager PERKINS. We offer a certified copy of bill of G. H. Gilbert for \$500, dated December 21, 1927, for acting as appraiser of the estate of Howard Brickell under the appointment of Judge Louderback.

(See U.S.S. Exhibit 17.)

Mr. Manager PERKINS. Mr. President, earlier in this morning's session it was stated by the managers on the part of the House that the witness Dittmore, subpoenaed duces tecum to produce the records of the Hotel Fairmont, in San Francisco, was present in this city, was suddenly attacked by illness, was taken to the hospital, and that an operation was performed upon him. We now ask counsel for the respondent whether they will admit, without the presence of Mr. Dittmore to identify them, the records produced by Mr. Dittmore under the subpoena duces tecum.

Mr. LINFORTH. Mr. President, we announced this morning that if we were afforded an opportunity of examining the papers to which counsel refers, no doubt we could come to some satisfactory arrangement; but we have not

been able as yet to examine the papers to which he refers, and do not know what they are.

The PRESIDING OFFICER. Will the papers referred to be submitted to counsel for the respondent for their examination?

Mr. Manager PERKINS. In response to the inquiry of the President, we are now submitting the papers in question to the counsel for the respondent.

Mr. President, we desire to call Mr. J. A. Wainwright as a witness.

RECESS

Mr. LINFORTH. Mr. President, if it may be in order, may we have a recess for about 10 minutes? We have been here for 3 hours without interruption.

Mr. KING. Mr. President, I take the liberty of moving that the Senate, sitting as a Court of Impeachment, order a recess for 10 minutes.

The PRESIDING OFFICER. The question is on the motion of the Senator from Utah.

The motion was agreed to; and (at 12 o'clock and 57 minutes p.m.) the Senate, sitting as a Court of Impeachment, took a recess. On the expiration of the recess the Senate, sitting as a court, reassembled.

CALL OF THE ROLL

Mr. McNARY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Kendrick	Russell
Ashurst	Costigan	Keyes	Schall
Austin	Couzens	King	Sheppard
Bachman	Cutting	La Follette	Shipstead
Bailey	Dickinson	Lewis	Smith
Bankhead	Dill	Logan	Stelwer
Barbour	Duffy	Long	Stephens
Barkley	Erickson	McAdoo	Thomas, Okla.
Black	Fess	McCarran	Thomas, Utah
Bone	Fletcher	McGill	Townsend
Bratton	Frazier	McKellar	Trammell
Brown	George	McNary	Tydings
Bulkley	Glass	Metcalf	Vandenberg
Bulow	Goldsborough	Murphy	Van Nuys
Byrd	Gore	Neely	Wagner
Byrnes	Hale	Norris	Walcott
Capper	Harrison	Nye	Walsh
Caraway	Hastings	Patterson	Wheeler
Carey	Hatfield	Pope	White
Clark	Hayden	Reed	
Connally	Hebert	Robinson, Ark.	
Coolidge	Kean	Robinson, Ind.	

The PRESIDING OFFICER. Eighty-five Senators having answered to their names, a quorum is present.

EXAMINATION OF HARRY L. FOUTS

Mr. Manager PERKINS. Mr. President, we have subpoenaed duces tecum the deputy clerk of the United States District Court for the Northern District of California to produce papers in the case of Waukesha Motor Co. against Fageol Motors. I should like to have him sworn just for the purpose of identifying the record.

The PRESIDING OFFICER. The witness may be called and sworn.

Harry L. Fouts, having been duly sworn, was examined and testified as follows:

By Mr. Manager PERKINS:

Q. Please state your full name and place of residence.—A. Harry L. Fouts, San Francisco, Calif.

Q. Are you connected with the United States District Court for the Northern District of California?—A. Yes, sir.

Q. In what capacity?—A. Deputy clerk.

Q. Have you been subpoenaed to produce the papers in the case of Waukesha Motor Co. against Fageol Motors Co.?—A. Yes, sir.

Q. Have you produced them?—A. Yes, sir.

Q. I show you four papers. Are they from the file in that case?—A. They are.

Q. Do they constitute the original bill of complaint, the answer, the order appointing a receiver, and the order approving bond in that case?—A. Yes, sir.

Mr. Manager PERKINS. That is all.

Mr. HANLEY. We have no questions.

The PRESIDING OFFICER. The witness is excused.

Mr. Manager PERKINS. I offer in evidence the bill of complaint in the case of Waukesha Motor Co. against Fageol Motors Co. in the United States District Court for the Northern District of California, the answer to the bill of complaint, the order appointing G. H. Gilbert receiver, and the order approving the receiver's bond in the sum of \$50,000.

The PRESIDING OFFICER. Is there objection to the admission of the papers?

Mr. HANLEY. No objection.

The PRESIDING OFFICER. They will be admitted in evidence.

(See U.S.S. Exhibits 18, 19, 20, and 21.)

EXAMINATION OF JAMES A. WAINWRIGHT

James A. Wainwright, having been duly sworn, was examined and testified as follows:

By Mr. Manager PERKINS:

Q. Mr. Wainwright, state your full name, address, and business.—A. My name is James A. Wainwright. I live in the city of Oakland, State of California. I am vice president of the Central Bank of Oakland, Calif.

Q. Have you a profession in addition to the present business?—A. No, sir.

Q. Are you an attorney at law?—A. I am not practicing law; no.

Q. Have you been admitted to the bar?—A. No, sir.

Q. In your official position with the Central Bank of Oakland have you any knowledge of the claim your bank had against the Fageol Motors Co.?—A. Yes, sir.

Q. Do you know how much your claim was?—A. Approximately \$174,000.

Q. Was your bank the largest claimant?—A. The largest unsecured claimant.

Q. Did you have a conference with various attorneys with reference to putting the Fageol Motors Co. into the hands of receivers?—A. Yes, sir.

Q. As the result of that conference, please state what took place.—A. We had, 4 or 5 days prior to the filing of the petition for a receiver, conferences with representatives of the creditors and the attorneys for the company.

Q. Did you attend at the office of Judge Louderback with any attorneys in reference to the filing of a bill of complaint and answer just admitted in evidence a moment ago?—A. Yes, sir.

Q. When was that?—A. On the morning of February 17, 1932.

Q. Who were present?—A. Mr. Harvey Frame, chief counsel of the Waukesha Motor Co.; Mr. Licking, associate counsel for the Waukesha Motor Co., of Oakland, Calif.; Mr. Roy Bronson, attorney for the Fageol Motors Co. Those are the attorneys.

Q. What time did you appear there on that day?—A. It was between 11 and 12 o'clock.

Q. Do you know the purpose of the visit of this group of men to the office of Judge Louderback?—A. Yes, sir.

Q. What was the object?—A. To advance our nominee for receiver of the Fageol Motors Co., and to discuss the qualifications of our nominee.

Q. Had you gentlemen previously had conferences with reference to the proper person or a proper person to be appointed receiver of the Fageol Motors Co.?—A. Yes, sir.

Q. How large a corporation was Fageol Motors?—A. The Fageol Motor Corporation—there are two corporations involved. One is the Fageol Motors Co., the assembly corporation, or the corporation doing the manufacturing and assembly work. Then there was the Fageol Motor Sales Co., which was the sales organization, both California corporations.

Q. Were they both put in the hands of receivers?—A. They were both put in the hands of receivers.

Q. How large corporations were they?—A. The Fageol Motor Sales Co. was of a nominal capitalization, I believe \$10,000. The Fageol Motors Co. was of \$3,000,000 capitalization, about eight hundred and some odd thousand of which had been paid in in cash.

Q. Where was the business of the Fageol Motors Co.?—A. The main plant was in Oakland, Calif., with branches in Seattle, Portland, Los Angeles, San Francisco, and a sales agency in Honolulu.

Q. Can you tell us approximately the amount of the assets of the Fageol Motors Co.?—A. I should like to refer to the auditor's report. If my memory serves me right, \$2,500,000 was the book value of the assets as of the date of the appointment of the receiver. (After referring to papers.) The total assets of the Fageol Motors Co. and the Fageol Motor Sales Co. as of February 17, 1932, was \$2,538,581.87.

Q. Can you tell us the amount of the indebtedness of that company at that time?—A. The liabilities of the company, outside of its capital stock, \$2,199,617.52.

Q. You appeared with attorneys there for the purpose of having a receiver appointed?—A. Yes, sir.

Q. Had the persons interested in the assets of this corporation previously discussed who would make a suitable receiver?—A. For about 4 or 5 days prior to the filing of the petition.

Q. Had you any difficulty in arriving at the name of a nominee?—A. Yes, sir.

Q. Did you finally agree upon a man suitable, in your judgment?—A. Yes, sir.

Q. What was his name?—A. Edward Tuller, of Oakland, Calif.

Q. When you appeared at Judge Louderback's office, did the group see the judge then?—A. No, sir.

Q. What was done?—A. We made three trips to the judge's office.

Q. Tell us about the first trip.—A. The first trip, if my memory serves me right, was timed to reach him as he came off the bench at 12 o'clock. We went to his secretary, who informed us that the judge would sit through to 1 o'clock, and to come back a few minutes before 1, when we could see the judge.

Q. Were the papers left there?—A. Yes, sir.

Q. What is the name of the secretary to Judge Louderback?—A. I think it is Miss Berger.

Q. Was she informed of the purpose of the visit?—A. Yes, sir.

Q. And of the name of this person who was suitable as receiver?—A. Yes, sir.

Q. What previous connection did Mr. Tuller have with the automotive industry?—A. He was an official of the Durant Motor Car Co.; a man of wide business acquaintance and ability, considerable ability; a man who was pretty well fixed financially.

Q. Did this group return at 1 o'clock, or later?—A. We returned about 5 minutes to 1.

Q. Did you see Judge Louderback then?—A. No, sir.

Q. What were you informed then?—A. The secretary said the judge got through a little early, and to come back at 2:30.

Q. Did the group return at 2:30?—A. About 2:20.

Q. Did you see Judge Louderback then?—A. I saw Judge Louderback pass us in the hall a short way from the entrance to the secretary's office.

Q. You saw him pass you on the way in or out?—A. As we were going in the judge was leaving.

Q. What did you find, upon arriving at the clerk's office, with reference to the appointment of a receiver?—A. The secretary said, "What is it you want?" Mr. Bronson said, "We called with reference to the Fageol case." She said, "The judge has already appointed a receiver." Mr. Bronson said, "Who is it?" She said, "Mr. Gilbert." "What are Mr. Gilbert's initials?" "I do not know." "What is his address?" "I do not know." "What is his phone number?" "I do not know, but I will let you know later on."

Q. Did you know, or later ascertain, what Mr. Gilbert's business was?—A. Not until the following morning at 10 o'clock.

Q. Well, did you?—A. Yes, sir.

Q. What was his business?—A. I really did not finally determine what his business was until—

Q. Never mind when. What was his business?—A. He was working for the Western Union Telegraph Co.

Q. In what capacity?—A. Night superintendent, I believe.

Q. What was done to ascertain Mr. Gilbert's place of business or telephone number in addition to what you have stated?—A. When we left the Federal Building at 2:30, on being advised that Mr. Gilbert had been appointed, we then walked to Mr. Bronson's office. We proceeded to look through the phone book and the city directory to try and ascertain where Mr. Gilbert lived, or who he was; and, while we were making inquiry as to Mr. Gilbert, a phone call came from Mr. Dinkelspiel stating that he was the attorney for Mr. Gilbert.

Q. Is that the Mr. Dinkelspiel that appeared on the witness stand today?—A. No; no relation at all. This is Dinkelspiel & Dinkelspiel, attorneys in the Pacific National Bank Building, San Francisco.

Q. Did the group that attended at Judge Louderback's office at any time have an opportunity to see him and present the papers to him?

Mr. LINFORTH. Just a moment, Mr. President. We want to object to that question as calling for the witness's opinion or conclusion as to whether they had an opportunity. He can state the facts, but we maintain that his conclusions should not be given.

The PRESIDING OFFICER. The reporter will read the question.

The Official Reporter read the question, as follows:

Did the group that attended at Judge Louderback's office at any time have an opportunity to see him and present the papers to him?

The PRESIDING OFFICER. The Chair thinks the witness may answer the question if he knows—if he can answer it.

The WITNESS. We thought we were given the opportunity when we came back on two different occasions, but we did not have the opportunity of talking to him.

By Mr. Manager PERKINS:

Q. How did you ascertain who Mr. Gilbert was?—A. When Mr. Dinkelspiel phoned Mr. Bronson, the suggestion was made to Mr. Dinkelspiel that he have Mr. Gilbert meet with the creditors' committee the following morning in Mr. Bronson's office. At that meeting I was delegated by the creditors to question Mr. Gilbert as to his experience and his qualifications.

Q. Did you interrogate him?—A. Yes, sir.

Q. Did Mr. Gilbert know anything about the automotive business?

Mr. LINFORTH. Wait a minute. We object to that, Mr. President, as calling for the opinion or conclusion of the witness. He can state the facts, and the Senators, as jurors, will draw their conclusions.

The PRESIDING OFFICER. The question is an inquiry about a fact which the witness may or may not be able to answer.

The WITNESS. I will tell you what I said to Mr. Gilbert. I told Mr. Gilbert that I was representing the largest creditor of the Fageol Motors Co., and as such I was particularly interested as to his qualifications to carry on that work; that we creditors had been 4 or 5 days debating and determining upon a proper man. I questioned him at length; and as a result of that questioning I learned that he had been connected with the Sonora receivership, the Prudential, and he did state some connection with an apartment house. His remarks did not satisfy us. We did not get a great deal of information from him.

I then asked him if he would cooperate with the creditors in the operation of the company.

Q. Did Mr. Gilbert state that he ever had any connection with the automotive business at any time in his life?—A. On a direct question from me, he answered "No."

Q. Did you ask him whether he knew anything about the business?—A. Yes, sir.

Q. What did he say?—A. "No."

Q. Had he ever been in business for himself in any industry?—A. I do not believe he had. I do not recall his stating that he had.

Q. As a matter of fact, he had been a telegrapher for thirty-odd years; had he not?—A. We did not learn that until later.

Q. Did you learn it later?—A. About 4 or 5 days later one of the other large creditors communicated to me that they had learned that he was associated with the Western Union Telegraph Co.

Q. As a result of your talk with Mr. Gilbert, was anything said about putting the Fageol Motors Co. into bankruptcy to get away from his being a receiver?—A. Yes, sir.

Q. What was stated?—A. We stated to Mr. Gilbert very frankly that unless we got cooperation from him we would proceed to put the company in bankruptcy, because in bankruptcy we could control the election of a trustee. When I say "we", I am speaking as the chairman of the creditors' committee.

Q. Did he agree to cooperate with you?—A. Yes, sir.

Q. What did Mr. Gilbert do, so far as you know, in operating this Fageol Motors Co.?—A. He gave us the utmost cooperation, but he possessed no ability to carry on the work.

Q. What do you mean by "cooperation"?—A. Everything that was suggested to him by the creditors' committee he willingly and cheerfully did.

Q. Did he do anything else?—A. Well, I know of no original ideas of his.

Q. Did the Fageol Motors Co. have a large amount of insurance on its plant and property at the time of the appointment of the receiver?—A. Considerable insurance.

Q. What did Mr. Gilbert do with reference to that?—A. I do not know whether it was Mr. Gilbert or Mr. Dinkelspiel that arranged the insurance. I did not at that particular time pay a great deal of attention to the insurance.

Q. Do you know whether Mr. Gilbert employed certain accountants to go over the books of the company?—A. Yes, sir.

Q. Who were the accountants?—A. Lybrand, Ross Bros. & Montgomery.

Q. Why did he employ these accountants?—A. He employed the accountants at my suggestion, or the suggestion of a member of the creditors' committee.

Q. What was the nature of the work that was suggested to be done?—A. An audit of the affairs of the Fageol Motors Co.

Q. Embracing what period?—A. I do not believe that we put any particular stress as to operations. It was more to determine the value of the assets.

Q. How much was the bill for these accountants' services?—A. Fifteen thousand dollars, and another \$2,000 in the ancillary proceedings in Portland, Oreg.; or a total of seventeen thousand and some odd dollars.

Q. What was the final disposition of the Fageol Motors case?—A. It was put in bankruptcy on July 19 or 20, 1932.

Q. Why?—A. It was shown that the company could not operate successfully in receivership, because it was difficult to sell a motor car with a company in receivership.

Q. Did the company operate, manufacture, under the receivership?—A. Yes, sir.

Q. For how long a period?—A. From February 17 to the date of bankruptcy.

Mr. Manager PERKINS. You may cross-examine.

Cross-examination by Mr. LINFORTH:

Q. Mr. Wainwright, you have stated that the Central National Bank, with which you were connected, was the largest unsecured creditor.—A. Yes, sir.

Q. Who was the next largest unsecured creditor?—A. The Waukesha Motor Co.

Q. Do you recall the amount of its claim?—A. Approximately \$92,000.

Q. Is it the fact that its claim and the claim of your bank embraced about 25 percent of the unsecured debts of the Fageol Motors Co.?—A. I believe you are right.

Q. At the meeting which you had in Mr. Bronson's office at which Mr. Dinkelspiel and Mr. Gilbert were present, I understood you to say that you, representing the meeting of

the creditors or the committee of the creditors, desired to know of him and his counsel whether they would cooperate with you?—A. Yes, sir.

Q. Cooperate with you to what extent? Did you advise them?—A. Follow the advice and counsel of the creditors in the operation of the company.

Q. And you have stated that it was a going concern under the receivership down to the time of the bankruptcy proceeding?—A. Correct.

Q. Did you, from that time down to the time of the termination of the receivership, come in daily contact with Mr. Gilbert and his attorneys, Dinkelspiel & Dinkelspiel?—A. Yes, sir.

Q. And during that period of time was there any matter of policy suggested by you as the head of the committee of creditors that the receiver and his counsel did not act upon?—A. Not one single matter.

Q. So that so far as cooperation is concerned, you received in the running of this business under the receiver and his attorney 100-percent cooperation all the time, did you not?—A. Correct.

Q. You had no complaint whatever to make in regard to Mr. Gilbert or in regard to his counsel during any part of that time?—A. No, sir.

Q. Who was the president of that company at the time Mr. Gilbert went in as receiver?—A. Mr. L. H. Bill.

Q. And did he have some relative also connected with the company?—A. Yes, sir.

Q. Do you recall what the salary was that Mr. Bill and his relative were drawing from the company at the time the receiver was appointed?—A. I do not recall. I did have something to do with cutting their salaries prior to the receivership.

Q. You had cut them, had you not, down to the time of the appointment of the receiver, to the point of a thousand dollars a month for the two?—A. I do not know the exact amount. I think that is approximately what it was.

Q. You think a thousand dollars, approximately, was the amount at the time of the receivership?—A. I think so.

Q. Did the receiver discharge Mr. Bill and his relative?—A. Yes, sir.

Q. How soon after his appointment did he discharge both of them?—A. There was a considerable lapse of time.

Q. Within a month?—A. I think it was a little bit longer than a month.

Q. What is your best recollection?—A. I would say it was about some time in the early part of April. I may be wrong.

Q. And that effected a saving of a thousand dollars a month for the company?—A. Well, it eliminated an accumulation of salaries, of course.

Q. Did Mr. Gilbert, soon after his appointment, appoint a Mr. Lundstrom as assistant to him?—A. Yes, sir.

Q. Did you recommend the appointment of Mr. Lundstrom?—A. Yes, sir.

Q. And he was appointed by Mr. Gilbert?—A. Yes, sir.

Q. At a salary of what?—A. I believe he put him in at \$200 a month and shortly thereafter raised him to \$400 a month.

Q. Was anyone else appointed in the place of Bill and his relative except Mr. Lundstrom?—A. Yes, sir.

Q. Who else?—A. Mr. Solatchi.

Q. And he was an accountant?—A. He was connected with Lybrand, Ross Bros. & Montgomery.

Q. If Mr. Tuller, the gentleman whom you had recommended, had been appointed receiver, could you have gotten any better cooperation from him than you obtained from Mr. Gilbert and his attorneys?—A. I do not believe so, because Mr. Gilbert cooperated with us in everything we asked him to do.

Q. Upon the severance of Mr. Gilbert's relations with the company as receiver, did you give to him or his attorneys, Dinkelspiel & Dinkelspiel, any letters?—A. Yes, sir.

Q. I call your attention to a photostat of a letter of date May 4, 1932. Is that the letter which you gave him at that time?—A. (Examining.) Yes, sir.

Mr. LINFORTH. We offer the letter as part of the cross-examination of the witness.

Mr. Manager PERKINS. The managers on the part of the House object to that. It is not evidence in this case, but is merely corroborative of what the witness has said, that this Mr. Gilbert gave them cooperation. The fact that he wrote a letter cannot be evidence in this matter.

The PRESIDING OFFICER. What is the purpose of it?

Mr. LINFORTH. The purpose is to show this: It is claimed and maintained here by the gentlemen representing the House that Mr. Gilbert was an incompetent person to act as receiver. It appears from the testimony of the witness now upon the stand that he was the head or chairman of the creditors' committee, who came in constant and daily touch with Mr. Gilbert and his attorneys during the entire time of their activity. We propose to show how the witness upon the stand regarded both the attorneys and the receiver at the end of the receivership, and for that purpose we offer the letter, which may be submitted to the President, if he desires to see it.

Mr. Manager PERKINS. The letter offered is only the product of the witness, and the witness is on the stand. Certainly something he wrote a year or two ago cannot be evidence in this case, when he is here himself to testify.

Mr. LINFORTH. It is a letter written at the time of the completion of the service.

The PRESIDING OFFICER. Has it been identified by the witness?

Mr. LINFORTH. Yes; it has been identified.

The PRESIDING OFFICER. Let it be admitted.

Mr. LINFORTH. The letter is upon the letterhead of the Central National Bank, of Oakland, dated May 4, 1932, and is as follows:

U.S.S. EXHIBIT No. 22

Mr. JOHN WALTON DINKELSPIEL,
Attorney at Law, San Francisco, Calif.

DEAR SIR: In view of the recent publicity in connection with the Fageol Motors Co. receivership, I feel it is only fair that you receive this expression of our feelings as to the attitude of your office and Mr. G. H. Gilbert thus far in this receivership.

You both have shown a desire to cooperate and have cooperated with the creditors to the fullest extent, and I feel that as a result of this mutual cooperation a businesslike administration will obtain.

Yours truly,

JAS. A. WAINWRIGHT.

By Mr. LINFORTH:

Q. Mr. Wainwright, following that did you give a letter to Mr. Gilbert?—A. Yes, sir.

Q. I have not the original of that letter, but I call your attention—A. (Interrupting.) I have a copy of it.

Q. Have you a copy of it?—A. Yes, sir.

Q. I will thank you if I may take it. This letter is of date July 28, 1932, and is addressed to G. H. Gilbert, Esq. Is that a true copy of the letter which you gave Mr. Gilbert at that time?—A. Yes, sir.

Q. Your signature being attached to the original?—A. Yes, sir.

Mr. LINFORTH. We offer this letter as part of the cross-examination of the witness, Mr. President.

The PRESIDING OFFICER. The same objection will be made, I assume?

Mr. Manager PERKINS. Assuming the same ruling will be made, there is no objection.

The PRESIDING OFFICER. Let it be admitted.

Mr. LINFORTH. I will read it. It is as follows:

U.S.S. EXHIBIT No. 23

JULY 28, 1932.

G. H. GILBERT, Esq.,
Fageol Motors Co., Oakland, Calif.

DEAR SIR: It is my pleasure at this time to acknowledge my appreciation for the cooperation extended me as a representative of this bank in the matter of the Fageol receivership.

You at all times were willing and did listen to and heed the advice and counsel of the writer and other representatives of the large creditors.

I wish you success in any future undertaking and trust that, though your connection with the Fageol Co. is at an end, I may have the pleasure of seeing you in the future whenever you have occasion to be in Oakland.

With my kindest well wishes, I am, yours sincerely,

JAS. A. WAINWRIGHT.

By Mr. LINFORTH:

Q. In your talk with Mr. Gilbert, he advised you that he was the night superintendent, I think you said, of the Western Union Telegraph Co.?—A. No; Mr. Gilbert did not at that time. At the first meeting with Mr. Gilbert, the morning after, that would be on the 18th of February, we did not hear from him that he had any connection with the Western Union Telegraph.

Q. Did you subsequently ascertain that his connection with that company was as you have stated?—A. I believe that was night superintendent.

Q. Did you also ascertain that he had been with that company for 35 years continuously?—A. He told me that he had been with them a great number of years. I figured that it was 22, as I remember.

Q. Your recollection is 22?—A. Yes.

Q. Did he also tell you that in the capacity in which he was then employed by that company he had under him more than 100 employees?—A. No, sir.

Q. Did you ask him the number of employees who were under him during the time he occupied that position with the Western Union Telegraph Co.?—A. No, sir.

Q. Did you ascertain that, in order to enable him to act as receiver, the Western Union Telegraph Co. had given him a furlough or a leave of absence of 6 months?—A. No; we did not at that time. In fact, it was sometime later I heard that he had been working for a week or so for the Western Union after he had taken the position as receiver of the Fageol.

Q. During the time he was acting as receiver of the Fageol Motors Co., do you know what hours he was devoting to those duties?—A. He spent considerable time at the plant.

Q. The entire day?—A. I did not spend the entire day there myself, but every day that I went out Gilbert was there.

Q. Do you recall an application being made for his compensation and for the compensation of his attorneys in that case?—A. Yes, sir.

Q. Do you remember what was the amount each desired, according to their application?—A. We creditors agreed that a fee of \$10,000 for Dinkelspiel & Dinkelspiel as attorneys would not be contested by the creditors, and a fee of \$6,000 for Gilbert would not be contested by the creditors.

Q. That is, you and the other creditors agreed that such amounts would be reasonable, did you?—A. Yes, sir.

Q. For the services the attorneys and the receiver had rendered?—A. We felt that was a pretty good deal for us.

Q. When the matter came on for hearing before Judge Wyman, holding court in Oakland, were you present?—A. Yes, sir.

Q. And were various other creditors present?—A. Yes, sir.

Q. Did you announce, representing the creditors, that you were agreeable to the allowance to the attorneys and to the receiver in the amounts I have stated?—A. I did not personally express any idea, but the attorneys for the trustee, or the receiver in bankruptcy, at the suggestion of the creditors, stated to the court that we, the creditors, had agreed upon those fees.

Q. And you were present in court when that was stated?—A. Yes, sir.

Q. And you voiced no objection to it?—A. None at all.

Q. Was the representative of the Waukesha Motor Co., the next largest creditor, Mr. Ross, in court at that time also?—A. I am not certain whether Mr. Ross was there or not.

Q. After you gentlemen had announced, representing the creditors, that \$6,000 would be reasonable to the receiver and \$10,000 to the attorneys, what did the court award?—A. The court awarded \$6,000 to Dinkelspiel & Dinkelspiel and \$4,500 to the receiver.

Mr. LINFORTH. I have no further questions.

The PRESIDING OFFICER. Is it the desire to ask the witness any further questions?

Redirect examination by Mr. Manager PERKINS:

Q. Mr. Wainwright, the letters which have been read in evidence were written by you at the request of the recipients of the letters?—A. Yes, sir.

Q. Did they ask you for better and stronger letters?—A. Not directly. There was the inference, that is all.

Q. What did they ask you for?—A. Well, as I recall it, inasmuch as they had agreed to cooperate with us and had cooperated, that an expression from me that they had done so would be appreciated, and I was glad to do it.

Q. In other words, the word "cooperation" meant they did what the creditors' committee told them to do?

Mr. LINFORTH. I object to that as calling for the opinion and conclusion of the witness, not a statement of anything that took place.

The PRESIDING OFFICER. The Chair sustains the objection.

Mr. Manager PERKINS. I withdraw the question.

Q. What did you mean by "cooperation"?—A. That the receiver did everything that we ordered him to do.

Q. By reason of fact that a man who knew nothing about the automotive industry was appointed receiver it was necessary to employ somebody who did know how to operate this plant?—A. I thought so and so acted.

Q. Who was employed?—A. Mr. Lundstrom.

Mr. Manager PERKINS. That is all.

Recross-examination by Mr. LINFORTH:

Q. Mr. Wainwright, was there any meeting between Mr. Gilbert and Mr. Lundstrom before he was employed at your suggestion?—A. Yes, sir.

Q. And do you know if in addition to the meeting between Gilbert and Mr. Lundstrom that Mr. Gilbert made investigation as to who Mr. Lundstrom was and as to his ability?—A. He told me he had later on.

Mr. LINFORTH. That is all.

The PRESIDING OFFICER (to the witness). That will do. The managers may call the next witness.

Mr. Manager BROWNING. Call Mr. Roy Bronson.

EXAMINATION OF ROY A. BRONSON

Roy A. Bronson, having been duly sworn, was examined and testified as follows:

By Mr. Manager BROWNING:

Q. State your full name, your place of residence, and your occupation.—A. My name is Roy A. Bronson. I reside at Piedmont, Calif.; my office is in San Francisco, and I am an attorney-at-law.

Q. Did you represent the Fageol Motors Co. in 1932?—A. Yes; I did.

Q. About what time of the year was it that they got into difficulties?—A. They were in financial difficulties along in the fall of 1931, and they became critical in the early part of 1932—in January or February.

Q. What steps were taken with regard to it?—A. There was a bond house, Grant, Knowlton & Co., that had been out picking up, under contract with Fageol, some bonds for the purpose of retiring \$75,000 that had to be retired on the 1st of February 1932, but Fageol was unable to pick them up, and the result was that they levied an assessment for some forty-odd thousand dollars of bonds that they had purchased and which Fageol was unable to pick up. The result was that something had to be done very quickly with the affairs of the company in order to protect the interests of all creditors.

Prior to this time, I might state, that all during January there had been a number of meetings with the officers of that company in my office, and the situation was anticipated, and we tried to negotiate with both the Pacific National Bank and Grant & Knowlton, who were the two parties who had picked up the bonds, to have them give us an extension of time, but they refused to do it, and the result was that we decided upon an equity receivership.

Q. At the time the decision was made, did you select someone whom you wanted to recommend to the court for receiver?—A. When that was determined upon, a meeting of the board of directors was held, and the board of directors decided that in the protection of the interests of both the

creditors and stockholders it would be necessary to conserve the assets by a Federal equity receivership, and, of course, in order to do that, it was necessary, first, to have some creditor act in order to invoke the jurisdiction of the Federal court. The matter was discussed by me with the counsel of the Waukesha Motor Co., a large creditor, and they authorized their attorneys in Oakland to institute the proceeding, and the attorney, Mr. Licking, came over to my office, and together we prepared the petition.

Prior to that time, or at least after the petition was drawn, or at least a rough draft of it, a number of principal creditors had been gotten hold of, amongst whom were the Central National Bank and the Timken Roller Bearing Co., and also the C.I.T. Corporation, a large creditor—not a particularly large creditor, but upon a contingent liability mostly—and then Mr. Harvey Frame, of the firm of Frame & Blackstone, of Waukesha, Mich., came out to California prior to the time that this receivership was filed, and we had a number of conferences in my office in reference to who the receiver should be who would be recommended to the court. We believed at that time that any of the court would take a recommended receiver; that is, it might be that they might want to name a counsel; but in any event, if we were all agreed upon who was to be the receiver, that the chances were that such receiver would be appointed. Do you want me to continue with the story of the matter?

Q. Who was it that you agreed on?—A. We finally agreed upon a man by the name of Edward Tuller, of Oakland, a man who had been an official or connected in a managerial capacity with the Chevrolet Motor Car Co., and also a successful business man in other lines of endeavor. In these particular conversations occurring in my office the discussions centered around the nature of this particular problem.

Q. What kind of business was the Fageol Motor Co.?—A. I was just going to get to that. We were all agreed upon this fact, that it was an executive and financial undertaking, also requiring a knowledge of the automotive industry; at least, we felt that, and so we decided that in this particular case the important thing would be the kind of receiver, because at that particular time it was believed by all that the Fageol Motor Co. could be rehabilitated. What they were suffering from was an unbalanced inventory, and they did not have enough liquid capital. As a matter of fact, we had been discussing that for some time previous in getting rid of the branches which were scattered over several States; and so a large amount of money was tied up. So, of course, there were conflicting interests there. The C.I.T. Corporation at one time, the interests of the open-account creditors at another time, and the company, on the other hand, did not want to let the thing get too far out of their hands, so there was quite a squabble for a period of a couple of days before we finally arrived at an agreement among ourselves as to whom we could all join in recommending to the court. There were a great number of names discussed during these few days, and all the creditors and the company were not always agreed, but finally the result was that we did agree upon Mr. Edward Tuller.

Q. What was the nature of the business of the Fageol Motor Co.?—A. It was a manufacturing company, engaged in manufacturing motor trucks and motor busses, and is quite well known throughout the West.

Q. What size concern was it?—A. Their book resources, I think, were at that time something over \$3,000,000; the capital was \$3,000,000, but I remember that about only half of the preferred stock was covered and then the equity behind the common stock was about \$1,000,000. The net worth of the company on the books at that time was around \$2,000,000.

Q. Over what territory did this extend—how extensive was it?—A. They had branches in the States of Washington, Oregon, Utah, and California, of course, and then they had a manufacturing contract with the Fageol Motor Co., of Kent, Ohio, which was absorbed by the American Car & Foundry Motors Co.

Q. What different kinds of enterprises did they carry on besides manufacturing, if any?—A. They had their own dis-

tribution system. They had a subsidiary corporation known as the "Fageol Motors Sales Co.", which was the distributing concern, with a low capitalization in order to qualify in the various States; and the distributing organization sold at retail these various units, so that they were both a manufacturing and distributing concern.

Q. At the time the petition was drafted and was presented to Judge Louderback, were you present?—A. Yes; I was—that is, I was not present in front of the judge, no; but I was present at the time of the filing of the subsequent presentation.

Q. Who went with you to present the petition?—A. We left my office, and there were present Mr. Wainwright, of the Central Bank; Mr. Flannigan, and I think Mr. Bill, of the factory; Mr. Licking; Mr. Frame; and myself.

Q. Did you go to the judge's chambers with it after it was filed?—A. We went to the court in order to get there about 12 o'clock when the judge or the judges had come off the bench. We filed our petition, and in the northern district of California they have a system of selecting the judge to whom you go by having a group of envelopes and you do not know which particular judge it is to be assigned to.

Q. Did you see the drawing for this case?—A. Yes; there was a young lady clerk who opened the drawer and pulled out the envelope. She pulled out an envelope and the envelope was opened—these little envelopes are sealed ordinarily—and she asked one of the men over at the other end of the room if this was to be used. He apparently said, "yes", because she pulled out the number and affixed the number upon the document, and it was assigned to Judge Louderback. We then were permitted by the clerk, as a matter of courtesy, to take the petition and order appointing the receiver.

Q. Had this application received any publicity before the filing?—A. No; not to my knowledge, at least.

Q. All right; go ahead.—A. We then took the documents in to Judge Louderback's secretary, whose office is just a couple of doors down from the clerk's office, and stated that we had a petition we desired to present to Judge Louderback.

Q. Did you have any other papers except the petition?—A. We had the petition and the blank order appointing the receiver.

Q. Was any answer presented at that time?—A. Yes; the answer was also prepared, admitting the allegations of the petition and consenting to the appointment of a receiver.

Q. What occurred between you and the judge's secretary on that occasion?—A. I think that I was the one that presented the papers to her, and I advised her that we had here a petition for the appointment of a receiver for the Fageol Motor Co. and the Fageol Motor Sales Co., and that we would like to speak to Judge Louderback. I also stated that there were present representatives of the largest creditors and the representative of the plaintiff; that we had all agreed upon a person to be named as a receiver, and described briefly the nature of the business, and that we would very much like to see the judge at the earliest opportunity. She stated that the judge was not going to be off the bench at 12 o'clock, and my recollection is not perfectly clear as to whether or not he was to get off the bench at 12:30 or that he had some type of appointment, but, in any event, the upshot of it was that we could not see the judge until 1:30. I gave her the name of the man whom we had agreed upon, and she wrote it down on a piece of paper. When she took it down on the paper somebody said that we would like to discuss the matter and this man's qualifications with the judge.

Q. Did you discuss his qualifications with her at that time?—A. Yes; in a brief way we advised her that this man was an experienced man in the industry and a capable business executive. I do not remember the exact conversation, but I know that we did give her in a general way the importance which we felt the matter had—that is, the receiver—that it was a complicated business enterprise.

Q. When you left the judge's chambers on that occasion, did you have the promise of a hearing before the judge when you returned?

Mr. LINFORTH. We object to that question as calling for the opinion and conclusion of the witness instead of a statement of any fact.

The WITNESS. I can give the balance of the conversation.

Mr. Manager BROWNING. Did I understand the Presiding Officer to rule?

The PRESIDING OFFICER. The objection is overruled.

The WITNESS. I will give you the balance of the conversation which I had, or we had. I do not know whether I did all the talking. The secretary told us that the judge would be back somewhere along 1:30, is my recollection of it, and that he would be able to take the matter up at that time with us, and that we could not see him before this second appointment. Then we left the office.

By Mr. Manager BROWNING:

Q. What time was the second appointment fixed?—A. My recollection is 1:30.

Q. Did you go back at 1:30?—A. We came back at that time, yes; and we were informed by the secretary at that time that Judge Louderback had changed his plans suddenly and that he would not be back until 2:30 in the afternoon, at which time he would see us; and she advised us that she had mentioned the matter to him, and that he had set the time to return at 2:30.

Q. State whether or not you had an appointment to meet him at 2:30 when you left.—A. We had this conversation and we left at that time and came back at 2:30.

Q. In either of these conversations was there anything said by any of you to indicate that you wanted the judge to appoint a receiver or to indicate whether you wanted a hearing?

Mr. LINFORTH. We object to that question as asking for an opinion and conclusion of the witness, and not a statement of any fact.

The PRESIDING OFFICER. Will you reframe the question? The Chair thinks it is somewhat objectionable in its present form.

By Mr. Manager BROWNING:

Q. What, if anything, was said by you or any of those in your group to Miss Berger indicating that you expected the judge to act on this petition?—A. I do not think that we would have given her the name of the receiver or, at least, the party whom we desired to have backed as receiver unless she had requested it. The whole purpose of all of our visits, which were three in number at noon time, was for the purpose of having an audience with the judge in order to inform the judge of the nature and character of this particular problem because the mere legal allegations of the petition itself would not disclose that.

Q. After you left at 1:30 and were told that you could not see the judge until 2:30, when did you come back next?—A. We came back a little prior to 2:30, probably 5 or 10 minutes beforehand.

Q. Did you see the judge?—A. The judge passed us in the hallway as we were going to his office.

Q. How far from his office?—A. It is about the width of this Chamber, I would say.

Q. Were you at that time acquainted with Judge Louderback?—A. I was.

Q. Did you recognize him?—A. I did.

Q. Did he speak to you?—A. No.

Q. State what you found when you got to his chambers on that occasion.—A. When we got in there to the secretary's office we asked Miss Berger whether or not we would be able to see the judge. She stated that the judge had already appointed a receiver in this case. We asked her whom he had appointed and she said a Mr. Gilbert. We asked her who he was, and she did not know anything about it. We asked her for his initials, and my recollection is that she did not know the initials. We asked for his address, and she did not know his address. We asked her if she had his telephone number and she said no, but that she would

get his telephone number from the judge and phone it to us as soon as she had obtained it. She then took down my office telephone number and said as soon as she could get hold of it she would phone me.

Q. Where did you go from there?—A. We went directly to my office and we walked down there, I imagine quite a little distance. We walked rather leisurely, discussing the matter, and I should say it was probably a little after 3 o'clock by the time we got to my office.

Q. What did you do when you got to the office in regard to telephoning, if anything?—A. I got the telephone directory and looked for Mr. Gilbert's name. I recall now that he did give us his initials. I asked for his name, and she gave us the initials. I believe that is true. It may be that she phoned them; I do not know; but in any event, as soon as we had his initials, we looked it up in the telephone book and could not find it listed. I then got the city directory and looked for it, and I could not find it in the city directory.

Shortly after that—it could only have been a few minutes—Mr. Dinkelspiel called me on the phone and stated that they had been appointed attorneys for the receiver in the Fageol Motors case. I asked him whether or not the receiver had qualified, and he said "yes." I said, "You do not mean to say that the bond is up already?" He said, "Yes; the bond is up and approved and of record." I said that we would like very much to have a talk with Mr. Gilbert and with himself that afternoon if possible.

Q. What was your idea of asking whether he had qualified?

Mr. LINFORTH. We object to that as being incompetent, not binding upon the respondent, calling for an opinion or conclusion.

The PRESIDING OFFICER. The question might be asked in a little different form. What is the question? Let it be read.

The Official Reporter read as follows:

Q. What was your idea in asking whether he had qualified?

The PRESIDING OFFICER. The Chair does not think that is objectionable. The objection is overruled.

The WITNESS. Prior to the time Mr. Dinkelspiel had phoned and during our walk down to my office and while we were in my office, we had been discussing the possibility of dismissing the receivership or putting the company into bankruptcy. There was considerable discussion between the lawyers as to whether or not we could make a dismissal after the qualification of the receiver on the theory that the action was brought for the benefit of a great number of people. Consequently we had come to the conclusion that we would dismiss the petition in the event the receiver did not measure up to what we felt was necessary for the handling of this problem.

By Mr. Manager BROWNING:

Q. What further was said between you and Mr. Dinkelspiel?—A. Mr. Dinkelspiel stated he would be unable to see us that afternoon.

Q. Had you requested to see him?—A. Yes. We asked if we could see him and Mr. Gilbert, and he said not that afternoon, but that he could see us in the morning, and we fixed the time, which I think was 9 o'clock in the morning.

Q. When did Mr. Gilbert take possession of the Fageol Motors Co.?—A. He did not go over to the Fageol Motors plant until after the conversation the following morning in my office, so far as I know.

Q. Did they appear the next morning for the conference?—A. Yes.

Q. Who was present?—A. There were present Mr. Dietz, of the C. I. T. Corporation; Mr. Flannigan and Mr. Bill, of the Fageol Motors Co.; Mr. Wainwright, Mr. Licking, Mr. Frame, and myself, and the two Dinkelspiels, and Mr. Gilbert.

Q. What are the names of the two different members of the Dinkelspiel firm?—A. John is the only one I know. I do not know the other one's name.

Q. What took place at this conference?—A. At that time the conversation related in the first place to the business experience of Mr. Gilbert; and while almost every one of the

creditors and company representatives at one time or another asked questions, most of the examination or conversation was conducted by Mr. Wainwright.

Q. What did you find out about his experience?—A. As nearly as I can recall it, about all that we could find out was that he had managed an apartment house or two and had dealt in real estate at one time or another, and most of his experience related to a couple of receiverships that he had had, as I recall it. One of them was a phonograph company, and I do not recall the nature of the other one.

Q. Had he had any experience with the automotive industry or any branch of it?—A. None at all, and he admitted that.

Q. Was this conference friendly or otherwise?—A. It was rather spirited from the standpoint of the creditors, I would say; that is to say, the questions which were asked at that conversation were very pointed in character. By the time that they were through with the questions on his business experience the conversation then turned to what fees were expected by the receiver and his attorney. The creditors prior to the time of this meeting had all been in conference and decided upon a course of conduct, and then questions were asked to see whether or not this arrangement which we had would be agreeable and would be followed out.

Q. What course of conduct had you agreed upon?—A. That in the event the receiver and his attorneys were willing to permit the creditors' committee to control the management during receivership and would abide by their decision as to fees, that we would permit the receivership to stay; otherwise we had decided that we would put it in bankruptcy.

Q. Was any agreement made by them with regard to it?—A. Yes. At that meeting both Mr. John Dinkelspiel, speaking for the two Dinkelspiels, said that any arrangement that the creditors would agree to would be agreeable to him; that he felt they were fair and that he was fair, and that he would have no objection to coming to an amicable arrangement in reference to amount; and Mr. Gilbert said that he would likewise be willing. The matter was then to be discussed with the creditors' committee later as to the exact amount of the rate of remuneration.

Q. Did you ascertain at that time what Mr. Gilbert was doing?—A. At that time?

Q. Yes.—A. No. I found that out later. Mr. Dietz, of the C.I.T. Corporation, when we could not find him in the directories, volunteered to have an investigator look into the situation, and that he would give the creditors' committee a full report.

Q. I understand you were the regular counsel for the Fageol Motors Co.—A. Yes; I was their counsel, and also a member of their board of directors.

Q. Did you continue to represent them throughout this receivership?—A. I did.

Q. What arrangement was made with regard to the conduct of the business under the receivership? Was it turned over to Mr. Gilbert?—A. Mr. Gilbert went into possession; but the active managing head was to be selected by the creditors' committee—that is, the man who would attend to the detail of operation—and the only thing that I know of that was left to Mr. Gilbert was the matter of insurance.

Q. What happened in that?—A. All of the existing insurance policies were canceled and new policies taken out in the name of the receiver. There was a contract between the Fageol Motors Co. and the Fageol Motors Securities Co., which is an independent organization and not a wholly owned subsidiary and did not go into receivership, by which they had the right under contract to place all of the insurance upon trucks sold where the paper was discounted with the securities company. All of those contracts were canceled, and there was some settlement of that matter at a later date.

Q. Did it involve any loss to the estate, or any extra expense to it?—A. Well, it resulted in a greater amount of claims among the creditor group.

Q. Were they claims that were allowed?—A. In connection with the Fageol Securities claim; yes. That claim was lumped in with another matter, my recollection of it is.

Q. He could have had this insurance that was in force transferred to him?—A. Why, I presume that he could. It is customary; and, of course, so far as the expense of administration is concerned, it did increase the expense of administration, because the new policies were taken out on the full rate, whereas the old policies would have continued along.

Q. Do you know what the amount of insurance was?—A. No; I do not. I am not familiar with that.

Q. Throughout the conduct of the receivership under the nominal head, at least, of Mr. Gilbert, were you acquainted with the proceedings that went on afterward?—A. Well, only in a general way, and as reported to me by the officers of the company.

Q. Did you come in contact with Mr. Gilbert when he was in that capacity very much?—A. No; I did not. I did come in contact with Mr. John Dinkelspiel on a number of occasions; but I never saw Mr. Gilbert from the time that he was in the office that morning until, I think, last September.

Q. Who was put there to have active charge of the business during the receivership?—A. A man by the name of—

Mr. LINFORTH. Just one moment, Mr. President. We object to that question on the ground that it has affirmatively appeared that the witness never saw Mr. Gilbert from the time of his appointment down to the time he left; and this question, therefore, as to who was put in active charge of the business must be based upon hearsay so far as the witness is concerned.

Mr. Manager BROWNING. Mr. President, the witness has heretofore testified that such a thing was done.

The PRESIDING OFFICER. What is the question?

The Official Reporter read the question, as follows:

Q. Who was put there to have active charge of the business during the receivership?

The PRESIDING OFFICER. If he knows, he may answer the question.

The WITNESS. I must say that I only know that by hearsay.

Mr. Manager BROWNING. Take the witness.

Cross-examination by Mr. LINFORTH:

Q. Mr. Bronson, the office and the plant of the company were located in Oakland?—A. Yes.

Q. And the receivership lasted about how long?—A. About 6 months.

Q. Were you at the plant or the office of the company at any time during that period?—A. I was not.

Q. Then is it the fact that the only information you had as to what Mr. Gilbert did or did not do is information obtained by you from others?—A. Well, the only thing that I have testified to, Mr. Linforth, is the matter of the insurance; and that I have personal knowledge of, because the claim was placed in my hands by the Fageol Securities Co.

Q. Do you know what Mr. Gilbert was doing at the plant and at the office during those 6 months, of your own knowledge?—A. I do not.

Q. Now with reference to this insurance, is it the fact that a good deal of the insurance had been permitted to lapse before Mr. Gilbert became receiver, and had been canceled for nonpayment of premiums?—A. I cannot answer that.

Q. You have no personal knowledge what Mr. Gilbert did in regard to that situation?—A. I do not know that the situation exists, so I could not answer that.

Q. You prepared the order for the appointment of this receiver, did you not?—A. Yes, sir.

Mr. LINFORTH. May I have that, please? I think it was one of the four papers offered.

(The paper was handed to Mr. Linforth.)

By Mr. LINFORTH:

Q. I am handing you a document endorsed "Filed February 17, 1932", in this case of Waukesha Motor Co. against The Fageol Motors Co., and ask you if that is the order that you prepared for the appointment of the receiver.—A. Yes; as nearly as I can recall.

Q. And with the order before you, does it appoint the receiver temporarily, for a period of 30 days only?—A. For a period of 90 days.

Q. Thirty days, does it not—not 90?—A. Well, he has corrected it here to "within 30 days" to cause to be mailed notice of the appointment. I do not find the portion that you have in mind. Perhaps you could expedite it.

Mr. LINFORTH. I will try to.

Mr. HANLEY. Will you go on to something else, Mr. Linforth? I will look it up.

Mr. LINFORTH. I am trying to avoid putting the long order in the record, Mr. President.

By Mr. LINFORTH:

Q. Do you recall that the order which you prepared provided that within 30 days the receiver should, if he saw fit, apply for an order appointing him permanently?—A. My recollection of the 30 days—I would say now that it was more than that. It may be; but in conformity with our equity practice, of course, he was made temporary receiver, with the idea of making it permanent at a later date.

Q. Calling your attention to this language in the order:

Decreed, That the receiver be, and he hereby is, directed, within 30 days from the date of this decree, to cause to be mailed to each and every creditor of the defendants known to said receiver a copy of this order and a notice of a motion to make the receivership herein permanent, such mailing to be in a securely sealed envelope, postage prepaid, and to be addressed to said creditor at his last post-office address known to the said receiver, and such service by mail is hereby decreed to be—

And so forth.

Do you recall that language in the order as you prepared it, Mr. Bronson?—A. Yes; I recall that; but that is not an appointment for 30 days. That is simply that he must make his motion within a period of 30 days.

Q. To make the appointment permanent?—A. That is correct.

Q. Did you receive a copy of a motion to make his appointment permanent?—A. I did.

Q. And was a copy of that notice, to your knowledge, sent to each of the creditors of the company as shown upon the books?—A. I have no knowledge of that.

Q. Did the notice that you received specify the time and place of the hearing of the application to make the appointment of the receiver permanent?—A. Yes; it did.

Q. Did you oppose it?—A. I did not.

Q. Did anyone oppose it, so far as you know?—A. Not to my knowledge.

Mr. LINFORTH. I think that is all, Mr. President.

The PRESIDING OFFICER. Are there any further questions?

Redirect examination by Mr. Manager BROWNING:

Q. Just a moment. Why did you not oppose the motion?

Mr. HANLEY. We object to that, Mr. President, on the ground that there is nothing in the evidence that calls for his opinion as to why he did not do it. It would not be binding on what was in his head that he did not put out.

The PRESIDING OFFICER. The objection is overruled.

The WITNESS. The reason that I did not oppose it was that my clients were satisfied with the arrangement that had been effected between the creditors' committee and Mr. Gilbert for the administration of the estate.

Q. And that agreement was what?—A. That agreement was, as agreed to in my office that next morning when Mr. Gilbert and the two Dinkelspiels came in, that the creditors' committee was to have the control of the policies to be followed and to appoint the particular man who was to administer the affairs, and that the fees of the receiver and the attorney would be agreed to between them and the creditors' committee.

Q. Mr. Bronson, do you know anything about the later development with regard to the accountants that were employed by Mr. Gilbert in this matter?—A. I had a conversation with Mr. John Dinkelspiel in my office sometime along the first of March, I would say—it may have been the latter part of February—in which he came in with a—

Q. What year?—A. Of 1932, shortly after the order appointing a receiver was made; and he presented a stipula-

tion for me to sign authorizing an audit of the books of the company, a complete audit. In this conversation I objected very strenuously to a complete audit on the ground that it would be very expensive, and deplete the assets of the estate, and would not help anybody, and that an inventory could be taken under proper supervision, and a sort of a revision of the books, a verification of the books, as to accounts payable and receivable, and I thought that that was sufficient for the purposes, my position being at that conversation that all the receiver had to do was to make his inventory as of the date of his appointment, and that it was not necessary to do anything further. Mr. Dinkelspiel stated to me that the creditors' committee wanted it. I said I would take it up with the creditors' committee and see whether or not I could modify their views, and he agreed with me at that time that the fees would not exceed \$1,500, and if they were going to go any more than that, he would advise me, so that I could make proper application to the court. I think that is about all that was said on that.

Q. Was an audit made?—A. Yes.

Q. How much did it cost?—A. I only know that by hearsay, Mr. BROWNING.

Q. You have not seen the record?—A. My recollection is that the bill—

Mr. LINFORTH. The witness has answered already that he only knows by hearsay, Mr. President.

The PRESIDING OFFICER. Unless you know of your own knowledge, do not answer.

The WITNESS. I do not know of my own knowledge.

Q. (By Mr. Manager BROWNING.) Were you present when there was a hearing on it of any kind, or an allowance on it?—A. I was in bankruptcy court one day on which the matter of the auditor's bill came up, but it was put over until a later date, and there was nothing disclosed there that gave me particular knowledge of the amount. That I only know by hearsay.

Q. You did not learn the amount of the bill rendered at that time by the auditor?—A. No; it has been given to me by somebody. The bill was not presented to me, so I only know by hearsay.

Mr. Manager BROWNING. That is all.

Recross examination by Mr. LINFORTH:

Q. Did you ascertain that Mr. Dinkelspiel had made an arrangement with Lybrand, Ross & Montgomery for the doing of the audit for \$4,000?—A. No. As a matter of fact, Mr. Dinkelspiel told me that any auditors that I might suggest would be agreeable to him, and I said, "I am not interested in that. I am interested only in saving the expense."

Q. Mr. Bronson, I do not think you are answering my question, if you will permit the interruption. Did you know, or have you ascertained, that Mr. Dinkelspiel did make an arrangement with Lybrand, Ross & Montgomery for \$4,000 as the outside figure for the audit?—A. I know of no such arrangement, and at this conversation he had with me he stated that he had made no arrangements with anybody.

Q. And do you not know that the bill of that company has not been paid, but is in dispute?—A. That I do not know. I know that it was disputed.

Mr. LINFORTH. That is all.

The PRESIDING OFFICER. Call the next witness.

EXAMINATION OF WILLIAM C. CROOK

Mr. Manager BROWNING. Call Mr. W. C. Crook. William C. Crook was sworn as a witness.

The VICE PRESIDENT. The Chair lays before the Senate the following communication, which the clerk will read.

The legislative clerk read as follows:

SENATE OF THE UNITED STATES,
OFFICE OF THE SERGEANT AT ARMS,
Washington, D.C., May 17, 1933.

Hon. JOHN N. GARNER,

Vice President and President of the Senate,
Washington, D.C.

MY DEAR MR. VICE PRESIDENT: I was commanded to serve and return a subpoena issued in the impeachment trial of Harold Louderback on one W. S. Leake, of San Francisco, Calif. Said subpoena was personally served by me on the said W. S. Leake on May 2, 1933, at San Francisco, and a return was duly made by me.

W. S. Leake was commanded to appear and testify on the 15th day of May 1933, at 1 p.m. at the Senate Chamber in the city of Washington, and he has not appeared and refuses to appear and testify for the reason as stated by him to me personally on this day, that he is physically unable to do so.

This information is given to you so that the Senate of the United States may be officially informed in the matter.

Respectfully,

CHESLEY W. JURNNEY,
Sergeant at Arms.

Mr. ASHURST. Mr. President, I present an order, and I request that the same be read for the consideration of the Senate. I ask the attention of the senior Senator from Oregon [Mr. McNARY].

The VICE PRESIDENT. The clerk will report the order for the information of the Senate.

The legislative clerk read as follows:

Whereas the Senate of the United States pursuant to House Resolution 403, Seventy-second Congress, second session, and orders of the Senate of the United States adopted in relation thereto, has authorized that witnesses be summoned as required by the rules of procedure and practice of the Senate; and

Whereas it appears from the letter of Chesley W. Jurnney, Sergeant at Arms of the United States Senate, to Hon. John N. Garner, Vice President and President of the Senate, dated May 15, 1933, that one W. S. Leake, of San Francisco, Calif., was duly served with a subpoena on May 2, 1933, to appear on Monday, May 15, 1933, at 1 p.m., before the Senate of the United States at Washington, D.C., and then and there to testify his knowledge in the cause which is before the Senate in which the House of Representatives have impeached Harold Louderback, district judge of the United States for the Northern District of California; and

Whereas it appears from a letter of Chesley W. Jurnney, Sergeant at Arms of the United States Senate to Hon. John N. Garner, Vice President and President of the Senate, dated May 16, 1933, that said W. S. Leake has not appeared in response to said subpoena duly issued and served, and the said W. S. Leake has failed, in disobedience of such subpoena, so to appear and answer; and

Whereas the appearance and testimony of said W. S. Leake is material and necessary in order that the Senate of the United States may properly execute the functions imposed upon it by the Constitution of the United States, and other action as the Senate may deem necessary and proper: Therefore be it

Ordered, That the Vice President and President of the Senate issue his warrant commanding the Sergeant at Arms or his deputy, to take into custody the body of the said W. S. Leake, wherever found, to bring the said W. S. Leake before the bar of the Senate, then and there to answer such questions pertinent to the matter under inquiry; and to keep the said W. S. Leake to await the further order of the Senate.

The VICE PRESIDENT. Without objection, the order will be entered. The Chair hears no objection. Proceed with the witness.

By Mr. Manager PERKINS:

Q. State your full name, your business, and place of residence.—A. William C. Crook; I am a public accountant, with office in San Francisco.

(Mr. HASTINGS took the chair.)

By Mr. Manager PERKINS:

Q. Did you have any connection with the Fageol Motors?—A. I was the auditor for the Fageol Motors Co. from 1917 until the receiver was appointed in 1932.

Q. Do you know the respondent, Harold Louderback?—A. Yes; I have known Judge Louderback for a good many years.

Q. Previous to the appointment of a receiver, did you ascertain that a receiver was about to be appointed?—A. Yes; I understood that a receiver was asked for, and I was given the assurance that my name would be proposed.

Q. Did you have a conversation with Judge Louderback previous to the appointment of a receiver with reference to the appointment, and if so, state it.—A. I called at Judge Louderback's office—

Mr. Manager PERKINS. Mr. President, may I ask the President to direct the witness to speak a little louder?

The PRESIDING OFFICER. The witness will please speak loud enough so as to be heard in the Chamber by all the Senators.

The WITNESS. I called at Judge Louderback's chambers the day before a receiver was appointed.

By Mr. Manager PERKINS:

Q. What conversation did you have with the judge?—A. I told the judge—

Mr. ASHURST. Mr. President, I regret to make this observation, but we are unable to hear at this point in the Chamber.

The PRESIDING OFFICER. Let us have order in the Chamber, and the witness is requested to speak loud enough so that all Members of the Senate may be able to hear.

The WITNESS. I called at the chamber of the judge on the day before a receiver was appointed, and knowing the judge very well, I asked him if it were possible for him to appoint me as receiver, advising him that I was fully conversant with all of the affairs of the company from the time it started business; that the company was at present—at that time—in difficulty, through the recent depression, and the fact that a subsidiary company of the American Car & Foundry Co. failed to pay a \$75,000 payment upon a contract which the company had bonded, and that one of the bondholders, holding about \$40,000 in bonds, had attached the Fageol Motors Co. because of the nonpayment; that the president of the Fageol Motors Co., Mr. L. H. Bill, thought it advisable to have a receiver appointed, so that the party bringing the action against the company would not have a first claim on the affairs of the company, and for that matter that a receiver was to be asked.

The judge told me at that time, when I first spoke, that he would make no promises, but he questioned me as to the company, how much the indebtedness of the company was and what the assets were, and I told him. He also asked me if there was anything unusual about the company. I told him no; that as far as I knew—and I thought that I knew very well—everything was as straight as a string.

By Mr. Manager PERKINS:

Q. What did you state the assets were?—A. That the company had a capitalization of \$3,000,000, one million in preferred stock and two million in common stock; that the current assets would run over \$1,000,000, and that the liabilities would be in the neighborhood of four or five hundred thousand.

Q. Were you a stockholder in the company?—A. I was.

Q. When did you next receive any information, if at any time, from Judge Louderback, about the appointment of a receiver?—A. The next day I called up Mr. Bronson, the attorney for the company, and asked him if a receiver had been appointed, and he told me that there was, giving me the name of Mr.—

Q. Gilbert?—A. Gilbert.

Q. Did you see the judge thereafter?—A. I called on the judge the next morning.

Q. What conversation did you have with him with reference to the matter?—A. I waited out in the hall until the judge came, and I met him before he entered his chambers, and I said, "Judge, what happened?" He said, "The attorneys double crossed you, and I double crossed them."

Q. What matter were you speaking about when he said that?—A. That was the receivership of the Fageol Motors.

Q. Had you offered the receiver to make an accounting or audit of the company?—A. I do not understand the question.

Q. Did you afterwards make an offer to the receiver appointed by Judge Louderback to make an audit of the affairs of the company?—A. I would say "yes" but I should like to explain that when the receiver took over the affairs of the Fageol Motor Co. I was then completing the annual audit, and he told me to go ahead and submit him a statement, which I did. During that period, which was only a few days, he asked me what it would cost to bring the audit up to date and supply him with a certified statement as to the affairs of the company, on the 17th day of February, up to that date. I gave him a figure of \$800 speaking of the Fageol Motors Co., but not of the subsidiary companies.

Q. Were you engaged to make such an audit?—A. No, sir.

Q. Do you know whether an audit was made by some other concern?—A. I drew that from hearsay. I have heard that one was.

Q. Did you have a conversation with the judge previous to the appointment of the receiver as to the reason for your desiring to be receiver?—A. Yes; when I was told that my services were not longer required as they wished to cut

down expenses, Mr. Gilbert told me that he went over to see the judge and asked him if he would ask the receiver to appoint me the auditor, as I could do that at much less cost than anybody else, for the reason that I was so familiar with all the affairs of the company, and he told me that he could not interfere with the receiver or that he could not interfere with the receiver's appointment of an auditor, as he would want somebody who was independent of the affairs of the company.

Mr. Manager PERKINS. Take the witness.

Cross-examination by Mr. HANLEY:

Q. Mr. Crook, who told you that you were to be proposed as the receiver?—A. Mr. L. H. Bill.

Q. Anybody else?—A. And a Mr. Flannigan.

Q. Anyone else?—A. They were the only two.

Q. Did you have any talk with Roy Bronson or with Mr. Wainwright about it?—A. No, sir.

Q. Did Mr. Bill and Mr. Flannigan tell you that you had been selected; that you were the one to be proposed to the judge in the event that a receiver was to be appointed?—A. Yes, sir.

Q. You had that absolute assurance, did you?—A. Well, Mr. Bill told me I was the first choice.

Q. Did they tell you they also had a second choice?—A. No, sir.

Q. Well, was there not a man who had business in what is known as the San Leandro country, who was suggested at that time as being the second choice?—A. Mr. Bill told me that afterward—it was Mr. Chichester.

Q. Did you know that at the time you visited the judge?—A. Not at the time when I went to the judge first.

Q. When you went to the judge the receivership had not yet been applied for; it was about to be applied for, was it?—A. Yes.

Q. Did the judge tell you at that time that he did not know whether the matter would come before him or not?—A. Certainly.

Q. He told you that there were three judges of that court and that he might not be the judge who was drawn in this?—A. That is quite correct.

Q. I was going to say lottery, but in this drawing of the numbers?—A. That is quite correct.

Q. And you told the judge that the parties to the action, or the ones you thought would be the parties to the action, had firmly agreed upon you as a first choice for receiver, did you not?—A. I told him that I thought that they had.

Q. Mr. Flannigan was occupying what position then?—A. Mr. Flannigan was the president of the Fageol Securities Co., and he was also in the Fageol Motors Sales Co.; he was the internal auditor for the Fageol Motors Co.

Q. You knew at that time that Roy Bronson was the attorney for Bill & Co., did you not?—A. Yes, sir.

Q. You had received this information from Bill and from Flannigan the day before you went to the judge's chamber, had you not?—A. Yes, sir.

Q. So that as late as the day before the appointment, Mr. Flannigan and Bill had told you you were no. 1 choice?—A. Yes, sir.

Q. And then they told you on the next day that you were the no. 2 choice?—A. No; I learned that after the receiver had been appointed.

Q. The next day?—A. Yes, sir.

Q. When you went to see the judge the next day after the receiver had been appointed you met him in the corridor, did you not?—A. Yes, sir.

Q. And you said to the judge, "I see you have appointed a receiver?"—A. No, sir.

Q. What did you say?—A. I said, "Judge, what happened?"

Q. Did you open up the conversation?—A. With those words.

Q. Did you say that you had been "double crossed"?—A. No, sir.

Q. What did you say?—A. I said, "Judge, what happened?" That is all.

Q. Is that all?—A. Yes.

Q. And was the next word the judge's?—A. Yes, sir.

Q. You are sure that you did not say that you had been "double crossed"?—A. No, sir; I did not.

Q. You felt that the understanding that you had with Bill and with Flannigan did not go through? Is not that true?—A. I was amazed that I had not been appointed.

Q. And you were amazed because of the promises of the parties representing the Fageol Motors Co.?—A. I was amazed, because the judge had definitely promised to appoint me.

Q. If they had suggested you—is that right?—A. No; he did not. The fact of the matter is that I was cut off before I narrated my full conversation with the judge.

Q. Who cut you off—the counsel?—A. Yes.

Q. You say now that the judge told you that you would be appointed; is that it?—A. When I first entered the chambers the judge told me that he would not—when I asked him if he would appoint me the receiver he said that he would not definitely tell me that. Then, later on—I was with him for probably two hours or two hours and a half—discussing this matter with him, and he told me then that if he appointed me the receiver that he would insist upon appointing the attorneys, and I told him that was all right if I got good sound advice.

Q. In other words, if he appointed you he would reserve the right to suggest to you the appointment of an attorney?—A. Yes, sir.

Q. And that was the beginning and end, except that you went into the details of the particular transaction with him?—A. Yes, and he went a little further than that; he told me, he says, "I am going to appoint you for two reasons; first, that I like you; the next is that I have got confidence in you", and he told me what I would have to do when I was appointed, and he went on and spoke of other cases that he had had and why they were unsatisfactory because of certain things. One thing was, he said, "If I allow you a commission of ten to fifteen thousand dollars, I do not want you to split that", he says, "because I have no use for anybody that will split a commission."

Q. In other words, he said if he appointed you receiver he wanted no one to interfere with the amount that you would be awarded in the event you were awarded a fee?—A. Yes, sir. He told me further that if I had any difficulty with the attorney he wanted me to come straight to him and he was going to give the same instructions to the attorney. I told him that was quite all right.

Q. The point is that you were not appointed; is not that true?—A. That is very true.

Q. And you were quite disappointed over it, were you?—A. I was.

Q. And you were quite disappointed over the fact that you had been taken away from completing the audit, were you not?—A. No; I completed my audit up to the first of the year.

Q. But you said that Mr. Gilbert did not allow you to continue in the place, did you not?—A. Yes, sir.

Q. And it was because of that fact that you went to the judge again complaining of the matter; is that right?—A. That is correct.

Q. And the judge told you at that time that as the receiver was appointed he did not want to interfere with the internal work of the receiver, did he not?—A. Yes; something to that effect.

Q. Did you not testify at the opening, in answer to a question of one of the managers, and say actually this:

The judge said that he would make no promises whom he would appoint?

A. I said, and I repeated it afterwards, that the judge told me that he would not make any promises right then. Since that he made two other promises very definitely, but they cut me off before I finished the full interview.

Q. So that the reason you did not tell it in the start was that the managers cut you off?—A. Yes, sir.

Q. Were your relations pleasant with Flannigan and Bill and Roy Bronson?—A. I had nothing to do with Mr. Bronson; I did not interview him at all.

Q. When is the first time, Mr. Crook, that you told anybody of this?—A. What do you mean, "told anybody"?

Q. What you are now telling us after it occurred.—A. After it occurred I went to Mr. Bill the next morning and asked him why my name had not been given in to the judge, and he said, "I thought it had." "Well", I said, "no; and furthermore", I said, "the judge might have thought that I was trying to slip something fast over on him, and I want a letter from you stating that I did not make a misstatement to the judge." I brought that letter and I showed it to the judge and he read it carefully. It was in that letter that there was the first intimation I had that there was a second choice. That letter I have in the hotel; unfortunately I did not bring it with me, not knowing I was going on this afternoon.

Q. Mr. Crook, this matter was under investigation last September in San Francisco when Mr. LaGuardia and Mr. Browning and also Mr. Summers were there. Were you present at that meeting?—A. No, sir; I purposely avoided it. I did not want to appear in this case at all.

Q. You did not want to do so?—A. No, sir.

Q. Outside of last September, when did you first tell anybody about it?—A. I beg pardon.

Q. When did you next mention it?—A. When the gentlemen called on me, around the first part of the month.

Q. In other words, when they came to San Francisco in the latter part of April or the first of this month, they called upon you, did they?—A. Yes, sir.

Q. And then you related to them for the first time there in September what took place, did you?—A. You mean to whom?

Q. To anyone?—A. I cannot say that.

Q. Well, can you tell me another soul that you mentioned it to from September 1932, outside of Bill, until you mentioned it to Mr. Perkins and to Mr. Browning—can you tell me one person?—A. Yes; I told it to Mr. Alex Bill.

Q. I say, outside of Mr. Bill, tell me one that you mentioned it to?—A. Yes; I told it to Mr. Flannigan.

Q. These are the two that promised you. Was there anyone else?—A. I do not recall it.

Mr. HANLEY. I think that is all.

Redirect examination by Mr. Manager PERKINS:

Q. Mr. Crook, how many conversations did you have with Judge Louderback with reference to the appointment of a receiver?—A. One, the day before he appointed the receiver.

Q. In what conversation did he agree to appoint you receiver?—A. In the conversation when I first talked to him he said that he would not make a promise. Later he did definitely make a promise.

Q. Did you at any time say to Judge Louderback, "We are very anxious not to allow anybody to get in on that company except someone of our own organization"?—A. No, sir.

Q. You had a later conversation with Judge Louderback—is that right—with reference to the appointment of a receiver after the receiver was appointed?—A. The very next morning.

Q. What did he say to you?

Mr. HANLEY. That question has been asked and already been answered and the witness has been fully interrogated regarding it.

The PRESIDING OFFICER. The Chair thinks the witness may answer the question.

The WITNESS. Will you read that question?

The PRESIDING OFFICER. The Official Reporter will read the question.

The Official Reporter read as follows:

Q. You had a later conversation with Judge Louderback—is that right—with reference to the appointment of a receiver after the receiver was appointed?

The WITNESS. The very next morning.

Q. What did he say to you?

The WITNESS. "The attorneys double-crossed you and I double-crossed them."

Mr. Manager PERKINS. That is all.

Mr. HANLEY. That is all.

The PRESIDING OFFICER. The witness is excused.

EXAMINATION OF FRED C. PETERSON

The PRESIDING OFFICER. Call the next witness.

Mr. Manager BROWNING. We will call Mr. Peterson.

Fred C. Peterson, having been duly sworn, was examined and testified as follows:

By Mr. Manager BROWNING:

Q. State your name, place of residence, and occupation.—

A. Fred C. Peterson, Oakland, Calif., attorney at law.

Q. Have you been in any way connected with the proceedings in the Fageol Motor Co. trouble?—A. I have.

Q. In what way?—A. I was attorney for the petitioning creditors who filed the involuntary petition of bankruptcy, and I am also one of the attorneys for the receiver and trustee in bankruptcy who are now administering the assets of the estate.

Q. Do you know anything about the claim filed by the auditors in that case for the work they had done for the receiver in the equity receivership?—A. I do, sir. I partially tried the hearing before the bankruptcy court on those fees.

Q. Do you know what the original agreement was as to the charge for fees?—A. I do not know.

Mr. LINFORTH. Just a moment. If the agreement is in writing, it ought to be produced. If it is not in writing, we have no objection to secondary testimony.

The PRESIDING OFFICER. Was it in writing?

The WITNESS. I think it is partially in writing and partially by parol. The entire agreement was not in writing. I believe I have a letter in my pocket—no, I have a letter in my brief case outside which covers a part of the agreement. It was not all oral and not all in writing.

By Mr. Manager BROWNING:

Please state what the agreement was.—A. The agreement was that the auditors should be employed on a per-diem basis, and there was a discussion as to the maximum fee not to exceed \$5,000.

Q. With what firm was that contract made?—A. Ross Bros., Lybrand & Montgomery.

Q. Was that agreement for the entire auditing work that was done for the concern?—A. I personally did not sit in on that agreement. I came in at the time of the trial, and I believe that the actual details of that agreement can best be obtained from the gentlemen who were present in Mr. Dinkelspiel's office at that time.

Q. What was the size of the bill submitted by this auditing concern?—A. If you will permit me to refer to a note which I took from the bill, I can give the exact figure. The auditing bill for California and Washington was \$15,083.10. The auditing bill for the ancillary receivership in Oregon was \$2,207.03, making a total of \$17,290.13.

Q. What amount was allowed?—A. We contested on behalf of the trustee in bankruptcy the entire claim. We tried the matter for about a day before the bankruptcy court and a compromise was reached under which they were paid \$2,207.03 in the Oregon proceeding and \$9,000 in the California proceeding, making a total of \$11,207.03 allowed, or a difference of \$6,083.10. That was reached by compromise in the bankruptcy court after a day's trial.

Q. Who authorized this work to be done for which this bill was submitted and for which the allowance was made?—A. There is an order in the file for the employment of the auditors, signed by Judge Louderback, in the equity matter. There is an order on file.

Q. Was this service rendered in the equity matter, or was part of it in the bankruptcy case?—A. Entirely in the equity matter; none of it in the bankruptcy matter.

Mr. Manager BROWNING. I believe you may take the witness.

Cross-examination by Mr. LINFORTH:

Q. Mr. Peterson, did you succeed Messrs. Dinkelspiel & Dinkelspiel when the company went into bankruptcy?—A. No; I did not succeed them. The bankruptcy proceeding superseded the equity proceeding, and my client, Mr. E. C. Street, became first the bankruptcy receiver and then the bankruptcy trustee.

Q. The hearing to which you have referred was before the referee in bankruptcy in Oakland?—A. It was.

Q. That was Judge Wymore?—A. No; Wyman—W-y-m-a-n—W. J. Wyman.

Q. At the time the order was made to which you have referred in the equity proceeding, do you know whether or not it specified what particular work was to be done?—A. I would say that the order simply specified that auditors should be employed to make an accounting, and that the fees were to be fixed by the court.

Q. In other words, it was subject to adjustment by the court?—A. It was subject to adjustment by the court.

Q. Did you understand from Mr. Dinkelspiel that the firm of Lybrand, Ross & Montgomery had been employed under an agreed arrangement?—A. In investigating the facts—I have the letter of confirmation in my possession now, in which there were daily rates specified according to the type of auditor employed.

Q. Did that memorandum fix an outside limit at which the fee should be?—A. The written memorandum did not.

Q. Were you informed and advised that there was such an arrangement and that an outside limit was fixed?—A. I was, by several people.

Q. Did you have the cooperation of Messrs. Dinkelspiel & Dinkelspiel and Mr. Gilbert in resisting that bill?—A. Yes; I would say that there was no lack of cooperation in the resistance.

Q. Both on the part of Mr. Gilbert, the former receiver and Messrs. Dinkelspiel & Dinkelspiel, his attorneys?—A. Mr. Gilbert was present in court and was not called as a witness. My contacts were practically all with Mr. John Dinkelspiel.

Q. The matter was adjusted by saving the amount of six thousand and odd dollars?—A. It was.

Q. That matter you knew of prior to the 31st day of August 1932, did you not?—A. I did not know much about the auditing bill until I got ready to try the case. My petition was filed on the 6th of June. I do not think the adjudication was taken until some time in July, and the actual trial of this case involving these facts did not take place until, I believe—my recollection is—it was around the first of this current year that it was tried.

Q. Mr. Peterson, you knew on and prior to the 31st of August 1932, did you not, that this controversy had arisen over the amount of the bill of Lybrand, Ross & Montgomery?—A. Oh, I knew there was a controversy; yes, sir.

Q. You were in the court, were you not, on that day, August 31, 1932, in the court of Judge Wyman, at the time the application for compensation of Mr. Gilbert, as receiver in that matter, and Dinkelspiel & Dinkelspiel came on for hearing?—A. No; you are mistaken. I was not in court at that time. I was in New York City taking care of some Fageol matters. I did not appear at the time the compensation hearing took place.

Q. I did not get your initials.—A. Fred C. Peterson. You may have been confused with a Mr. Patterson who was also attorney for the trustee.

Q. I have before me the record certified to by the official reporter and Judge Wyman, which recites that Fred C. Peterson appeared as attorney for the trustee. Is that an error?—A. I think that is an error. Let me get this straight. May I see which hearing that is?

Q. Yes; I would be glad to show it to you. If there is an error of name, I would like to know the fact. [Handing the witness a paper.]—A. I can tell you the exact date I was in the East. I think that is an error—yes; that is an error. I did not appear. I did not return from New York City until September 3. That is an error. I was not in the court room.

Q. The Fred C. Peterson referred to in this record is not yourself?—A. There is no other Fred C. Peterson that I know of connected with the case; but the record itself is incorrect, because I left New York City on September 3.

Q. Did you at any time prior to this hearing at which the fees of Mr. Gilbert and Mr. Dinkelspiel were fixed by the referee in bankruptcy—did you, after you became the attor-

ney for the referee, take up the question of those fees?—A. I did not personally. That you may get the picture, there was a bond issue in default in this matter, and I was in New York on that bond-issue question during the entire time that Mr. Dinkelspiel's account and that matter was taken up. That was adjusted before I returned to the West.

Q. I may be able to sum the matter up with one question, Mr. Peterson. Were you in court before Burton J. Wyman as referee in bankruptcy at the time that Mr. Wainright and the committee of creditors were there, when the application for compensation of the attorneys for the receiver was on hearing?—A. I was not. I was in New York City.

Mr. LINFORTH. That is all.

Mr. Manager BROWNING. That is all.

The PRESIDING OFFICER. The witness is excused.

OFFERS OF DOCUMENTS

Mr. Manager PERKINS. Mr. President, we offer in evidence the original order appointing G. H. Gilbert receiver, dated January 25, 1929, signed by the respondent, Harold Louderback, in the matter of Stempel & Cooley.

The PRESIDING OFFICER. Is there any objection?

Mr. HANLEY. Upon the same ground and for the limited purpose that we urged this morning, upon which the Senate took the vote, if it is for the one purpose, all right. If the purpose is to go into detail, we object to it. If it is limited to the purpose that the President then designated, all right.

The PRESIDING OFFICER. What is the purpose of this offer?

Mr. Manager PERKINS. The purpose is to show the course of conduct of the judge with respect to the appointment of receivers, particularly Gilbert, and as evidence on the charge of a conspiracy between them.

The PRESIDING OFFICER. Do the managers propose to go into a detailed hearing upon this particular appointment?

Mr. Manager PERKINS. No; I think not.

Mr. HANLEY. I withdraw the objection. I thought it was the State court. This is the Federal court?

Mr. Manager PERKINS. This is the Federal court.

The PRESIDING OFFICER. Let it be admitted without objection.

(See U.S.S. Exhibit 24.)

Mr. Manager PERKINS. Mr. President, we offer in evidence an original order signed by the respondent, Harold Louderback, in the matter of Stempel & Cooley, dated January 28, 1929, authorizing the receiver, G. H. Gilbert, to appoint the firm of Keyes & Erskine as attorneys.

The PRESIDING OFFICER. Is there any objection?

Mr. HANLEY. No objection.

The PRESIDING OFFICER. It is admitted.

(See U.S.S. Exhibit 25.)

Mr. Manager PERKINS. We offer an order dated September 1, 1928, signed by the respondent, Harold Louderback, in the matter of H. G. Lane & Co., appointing Samuel Shortridge, Jr., receiver.

The PRESIDING OFFICER. Is there any objection?

Mr. HANLEY. It is not one of the articles charged. There is nothing charged, either by way of reference in article V or otherwise, with relation to it. We object, and I will state the reason.

We are prepared to meet that which they alleged in the articles, and we are also prepared to meet that which they alleged in their amended article V. If there is any evidence to be introduced with reference to the Lane case, it is not stated in the article. It was stated by Mr. Manager SUMNERS upon the hearing here in this Chamber on the 18th day of April that the only matters intended to be referred to were those in the amended article and the stipulation; and the understanding was explicit in the Senate upon that day that he referred only to those matters set forth in the four articles of impeachment and the three in article V. So that we say it is not competent, not relevant, not material, and not within the issues as framed.

The PRESIDING OFFICER. What do the managers on the part of the House say in reply to that?

Mr. Manager PERKINS. Mr. President, it is not the intention of the managers on the part of the House to go into the detail of the Lane case; but we deem it relevant and important to show the continued appointment of various receivers and their attorneys by Judge Louderback under article V of the impeachment.

Mr. HANLEY. There is no claim of continued appointment of Shortridge. He was appointed only in two matters during the entire 5 years, and they know that; and both of them were upon the request of both parties. They cannot do it for that reason. There is some ulterior motive that the managers have in putting in something that is not in the record, if that is the issue we have to face, because they cannot claim in fairness that there was any great appointment of Samuel M. Shortridge, Jr.

The PRESIDING OFFICER. Will the managers on the part of the House call the Chair's attention to the particular article that makes this particular paper admissible?

Mr. Manager PERKINS. Mr. President, at the present moment I do not think I can refer to a specific allegation in the articles of impeachment referring to the Lane matter; but the broad general allegations of article V certainly would, in my judgment, permit us to introduce in evidence any act of the judge bearing upon his conduct as a judge, and the result it has upon the administration of justice in his district, and the general reputation he has acquired in the conduct of his judgeship.

The PRESIDING OFFICER. But you would not contend, would you, that the order appointing a receiver in every case would be admissible here?

Mr. Manager PERKINS. No; I would not.

The PRESIDING OFFICER. Will you point out how this particular paper differs from the general class that the Chair has mentioned?

Mr. Manager PERKINS. In article V, appearing on page 7 of Senate Document No. 38, there is a reference to the appointment by the respondent of Samuel Shortridge, Jr., as receiver.

Mr. HANLEY. Mr. President, that is in the Lumbermen's Reciprocal case. I have before me, if the President of the Senate desires it, the CONGRESSIONAL RECORD of the Senate at page 1883, and the statement that I then made upon the 18th day of April. I will read it to the President if he desires. I will state that which Mr. Manager SUMNERS said was the intent of it, if you wish to hear it.

Mr. Manager PERKINS. In order that we may proceed we will for the moment withdraw the offer.

The PRESIDING OFFICER. The offer is withdrawn. You may proceed.

Mr. Manager PERKINS. Mr. President, we offer in evidence an order appointing ancillary receivers, signed by Judge Louderback December 20, 1929, in the matter of Sonora Phonograph Co., Inc., in which it is ordered that G. H. Gilbert be appointed ancillary receiver, and furnish a bond in the sum of \$75,000.

The PRESIDING OFFICER. Is there any objection?

Mr. HANLEY. No. That is admitted in the pleadings.

(See U.S.S. Exhibit 26.)

Mr. Manager PERKINS. We offer an order made by the respondent in the same matter, dated December 20, 1929, authorizing the receiver, Guy H. Gilbert, to employ Messrs. Dinkelspiel & Dinkelspiel as attorneys.

The PRESIDING OFFICER. It is admitted.

(See U.S.S. Exhibit 27.)

Mr. Manager PERKINS. We offer an order made in the matter of Sonora Phonograph Co., Inc., by the respondent, Harold Louderback, dated February 24, 1930, approving the first report and account of G. H. Gilbert, ancillary receiver.

The PRESIDING OFFICER. It is admitted.

(See U.S.S. Exhibit 28.)

Mr. Manager PERKINS. We offer an order signed by the respondent, dated the 17th of May, 1930, in the matter of Sonora Phonograph Co., allowing compensation on account to attorneys for ancillary receiver, which provides that the court allows the firm of attorneys the sum of \$15,000 on account of services.

The PRESIDING OFFICER. It is admitted.
(See U.S.S. Exhibit 29.)

Mr. Manager PERKINS. We offer an order made by the respondent, dated May 12, 1930, in the matter of the Sonora Phonograph Co., approving the second report and account of the ancillary receiver, and ordering that Guy H. Gilbert, receiver, receive the sum of \$2,502.83 commissions on account of services.

The PRESIDING OFFICER. It is admitted.
(See U.S.S. Exhibit 30.)

Mr. Manager PERKINS. We offer an order made by the respondent on the 30th day of July 1930 in the matter of Sonora Phonograph Co., Inc., allowing the third and final account of the ancillary receiver, and allowing final compensation to attorneys for ancillary receiver, which provides that the sum of \$5,000 is a reasonable, proper, and final allowance for Messrs. Dinkelspiel & Dinkelspiel, attorneys.

The PRESIDING OFFICER. It is admitted.
(See U.S.S. Exhibit 31.)

Mr. Manager PERKINS. We offer an order dated August 18, 1931, made by the respondent in the matter of Character Finance Co. of Santa Monica against Prudential Holding Co., authorizing the receiver, Guy H. Gilbert, to employ Messrs. Dinkelspiel & Dinkelspiel as attorneys.

The PRESIDING OFFICER. It is admitted.
(See U.S.S. Exhibit 32.)

Mr. Manager PERKINS. We offer, but not to be printed, the bill of complaint in the case of Character Finance Co. of Santa Monica, plaintiff, against Prudential Holding Co. of Los Angeles, received and filed in the United States District Court for the Northern District of California August 15, 1931.

The PRESIDING OFFICER. What does the manager mean when he says "not to be printed"?

Mr. Manager PERKINS. We do not ask to have the entire bill of complaint printed, but we have no objection to having it printed. I thought we might save some expense.

The PRESIDING OFFICER. That is what the Chair had in mind this morning with respect to those matters. It seems to the Chair that if documents are admitted in evidence, they must become a part of the record and be printed as a part of the record.

Mr. Manager PERKINS. We recognize that that is true, Mr. President.

(See U.S.S. Exhibit 33.)

Mr. Manager PERKINS. We offer an order signed by the respondent, Harold Louderback, dated August 15, 1931, in the matter of Character Finance Co. against Prudential Holding Co., appointing G. H. Gilbert receiver, and requiring of the receiver a bond in the sum of \$50,000.

The PRESIDING OFFICER. It is admitted without objection.
(See U.S.S. Exhibit 34.)

Mr. Manager PERKINS. We offer the petition in involuntary bankruptcy in the matter of Prudential Holding Co. of Los Angeles, filed in the same court September 5, 1931.

The PRESIDING OFFICER. What is that?

Mr. Manager PERKINS. This is the petition that throws the concern into bankruptcy.

The PRESIDING OFFICER. How does that become material?

Mr. Manager BROWNING. Mr. President, that is material, because in this case we propose to show that there was pending before Judge Louderback's court the equity receivership. Then there was a petition filed in bankruptcy, and there was a motion to dismiss the equity receivership. The petition filed in bankruptcy was assigned to Judge St. Sure, who was absent. Judge Louderback, in Judge St. Sure's absence, made the appointment of Gilbert as receiver in bankruptcy, and Dinkelspiel & Dinkelspiel as his attorneys in bankruptcy, and the sole ground of bankruptcy alleged was the existence of the equity receivership, and then 2 days after that dismissed the equity receivership for lack of jurisdiction.

Mr. HANLEY. Mr. President, these matters are all admitted in the pleadings. It seems to me that we have fully

answered and admitted these matters, and explained them, so that the mere formal putting of them in the record seems to us not to be proper.

Mr. LINFORTH. Mr. President, may I add a word? So far as the filing of these complaints is concerned, so far as the making of the orders appointing receivers is concerned, so far as the making of the orders approving the appointment of attorneys is concerned—those matters are all admitted by the pleadings; and unless there is some special or particular purpose in asking for the offer in the record of some one of these papers, it seems to me that it is a useless encumbering of the record here.

Mr. Manager PERKINS. Mr. President, there is no desire on the part of the managers to encumber the record, but it is of prime importance to show the contents of some of these papers. As was stated a moment ago, the Prudential Holding Co. had an equity receiver appointed by Judge Louderback. A motion was made to dismiss that receivership. Before that motion was determined, a petition in bankruptcy was filed, and the respondent, on the sole ground that the receiver in equity had been appointed, threw the concern into bankruptcy, and 2 days later dismissed the very basis of the bankruptcy, namely, the equity receivership.

The PRESIDING OFFICER. The paper will be admitted.
(See U.S.S. Exhibit 35.)

Mr. Manager PERKINS. We offer order signed by the respondent, Harold Louderback, September 30, 1931, in the matter of the Prudential Holding Co., ordering that G. H. Gilbert, of San Francisco, Calif., be appointed receiver.

The PRESIDING OFFICER. The paper will be admitted.
(See U.S.S. Exhibit 36.)

Mr. LINFORTH. Mr. President, may I ask the manager please to identify in what case that was?

Mr. Manager PERKINS. It is identifiable by No. 21022-S in Bankruptcy.

Mr. President, we offer petition for receiver and order appointing receiver made by Judge Louderback October 10, 1931, appointing Dinkelspiel & Dinkelspiel, and others, attorneys of Gilbert, receiver in bankruptcy, in the Prudential Holding Co. matter.

The PRESIDING OFFICER. It will be admitted.
(See U.S.S. Exhibit 37.)

Mr. Manager PERKINS. We offer order signed by Judge St. Sure, United States district judge in the southern division of the United States District Court, Northern District of California, dismissing the bankruptcy matter of the Prudential Holding Co.

Mr. HANLEY. What is the date, Mr. President?

Mr. Manager PERKINS. Filed November 4, 1931, dated the same date.

The PRESIDING OFFICER. Without objection, it is admitted.
(See U.S.S. Exhibit 38.)

Mr. Manager PERKINS. We offer an order made in the District Court of the United States, Northern District of California, dated the 2d of October 1931 by Judge Louderback, granting defendant's motion to dismiss the bill of complaint.

The PRESIDING OFFICER. Without objection, it is admitted.

(See U.S.S. Exhibit 39.)

EXAMINATION OF HENRY H. McPIKE

Mr. Manager BROWNING. Call Mr. H. H. McPike.

Mr. H. H. McPike, having been duly sworn, was examined and testified as follows:

By Mr. Manager BROWNING:

Q. State your full name, place of residence, and profession.—A. Henry H. McPike; I reside in the city of Oakland, Calif., and I am an attorney at law.

Q. Do you hold any official position under the United States Government?—A. Well, I expect to in a few days. I expect to be the United States district attorney for the northern district of California, having received the appointment but not having yet qualified.

Q. Have you been confirmed?—A. I have.

Q. Were you, in 1931, the attorney for the Prudential Holding Co.?—A. In that year I was the attorney for the company in two specific matters, one the case of Character Finance Co. against Prudential Holding Co., and another in the matter of the bankruptcy, an involuntary petition in bankruptcy against the Prudential Holding Co., both pending in the Northern District of California.

Q. What judge had the cases pending before him?—A. The Character Finance Co. against Prudential Holding Co. was before Judge Louderback.

Q. What is the nature of the Prudential Holding Co.; what kind of a business was it, or is it?—A. It was a financial company.

Q. What do they finance?—A. They were dealing in real properties, buildings, and borrowing and lending money. I was not connected with its business affairs at all.

Q. Do you know what the size of the concern was, what the financial size of it was?—A. The complaint in the case, I think, alleged that it was a corporation having an authorized capital of \$5,000,000, and assets of about a million dollars.

Q. What was the first information you had, as attorney for this company, of the beginning of this suit of the Character Finance Corporation?—A. The suit of the Character Finance Co. against Prudential Holding Co. was commenced on Saturday, the 15th day of August, 1931, and I was employed on the following Monday—that would be the 17th day of August 1931—to defend that case, or make any motions I thought advisable.

Q. What course did you take in regard to defending the company in that suit?—A. A glance at the complaint showed me that the court had no jurisdiction, and I filed a motion to dismiss the action on the ground that the court had no jurisdiction.

Q. On what ground did you allege lack of jurisdiction?—A. The complaint in the first two paragraphs showed that the Prudential Holding Co. was a foreign corporation, organized under the laws of the State of Nevada, and that the plaintiff, the Character Finance Co., had its residence in the southern district of California, in Los Angeles County.

Q. What motion did you make?—A. I made a motion to dismiss the action on the ground of lack of jurisdiction.

Q. How soon did you file that motion?—A. If I may look at a memorandum, I could give you the date of it.

Q. Please refer to it.—A. (Referring to paper.) The complaint was filed on Saturday, August 15, 1931, and on the 20th day of August 1931 we filed a motion to dismiss the action.

Q. How soon did you have a hearing on that motion, or how soon did you ask for a hearing?—A. We asked for a hearing on the 24th day of August 1931.

Q. When were you granted a hearing?—A. The matter was heard on the 29th day of August 1931.

Q. What action, if any, was taken by the court at that hearing?—A. The matter was taken under submission by the court after argument, after oral argument.

Q. Were any briefs filed, or was there any request for briefs to be filed?—A. The counsel for the plaintiffs asked for a brief time, a day or two, to file additional points and authorities. My recollection is that they did not file any.

Q. Was there any time set in which they could file them?—A. It was expected—I do not remember that it was stated specifically, but it was expected—that it would be done within a day or two.

Q. Who was appointed receiver in the case?—A. Guy Gilbert.

Q. Do you know who were appointed his attorneys?—A. A firm of lawyers called Dinkelspiel & Dinkelspiel.

Q. When did they take charge?—A. They took charge on the same day that the receiver was appointed, Saturday, the 15th day of August.

Q. Did they continue to have charge of it throughout this period you have described that the matter was being heard by the court?—A. They did.

Q. What other steps did you take, if any, after the matter was submitted to the court on the last date you men-

tioned?—A. I telephoned to the secretary of the judge and asked if any disposition had been made of the matter, and I was told that it would be necessary for me to go into court and make a formal motion that it be submitted, which I did.

Q. When was that made?—A. Sometime, I could not say, but approximately a week or 10 days after the 29th of August.

Q. How soon after you received the notice of the necessity for doing it?—A. On the 2d day of October a motion was granted to dismiss.

Q. How long was it after it was submitted to the court before the motion was granted?—A. My memorandum here says, submitted August 29 and motion granted October 2.

Q. In the meantime, was there a bankruptcy petition filed against the Prudential Holding Co.?—A. A petition in involuntary bankruptcy was filed on the 5th day of September, 1931.

Q. What attorneys filed the original equity petition?—A. Messrs. Gold, Quittner & Kearsley, a firm of Los Angeles attorneys.

Q. What firm of attorneys filed the petition in bankruptcy?—A. Messrs. Janeway, Beach & Hankey.

Q. State whether or not there was any connection between the petitioners in each of these two cases.—A. Of my own knowledge, I could not say. I could say from information obtained from others that there was some relationship, but just what it was I do not know.

Q. When the petition in bankruptcy was filed, in whose court was it filed?—A. It was assigned to Judge St. Sure's court in the same district.

Q. Who acted on the petition?—A. Judge Louderback.

Q. What action did he take?—A. He appointed Guy Gilbert as receiver of the property.

Q. Whom did he appoint as his attorneys?—A. Messrs. Dinkelspiel & Dinkelspiel.

Q. What was the ground of bankruptcy alleged in the petition?—A. Only one ground of bankruptcy was alleged, and that was the appointment of the receiver in the equity case of Character Finance Corporation against Prudential Holding Co.

Q. When were the appointments made of the receiver in bankruptcy and his attorney—what date, if you know?—A. The date of the appointment of the receiver in bankruptcy?

Q. Yes.—A. I have not a memorandum of that, but I believe it was the same day.

Q. Was it before or after the dismissal of the equity petition?—A. It was before the dismissal of the equity petition.

Q. How long before?—A. Two or three days.

Q. Then, who acted on the equity petition to dismiss?—A. Judge Louderback made the order dismissing the equity suit.

Q. After the appointment of the receiver and his attorneys in the bankruptcy matter, what court then acted on it to the termination of the suit?—A. Judge St. Sure.

Q. What action did he take?—A. On behalf of the Prudential Holding Co. we made a motion to dismiss the bankruptcy proceeding on the ground that the only act of bankruptcy set forth was the appointment of a receiver in the Character Finance Co. case against the Prudential Holding Co., and that as the court in that matter had no jurisdiction to appoint a receiver, the proceedings being null and void, there was no act of bankruptcy.

Q. What action did the court take?—A. Judge St. Sure granted our motion to dismiss the bankruptcy.

Q. Did he make a statement about it at the time he granted your motion?

Mr. LINFORTH. I submit that any such statement, Mr. President, would be hearsay and not binding on the respondent here.

The PRESIDING OFFICER. Will the reporter please read the question?

The Official Reporter read as follows:

Q. Did he make a statement about it at the time he granted your motion?

The PRESIDING OFFICER. How is that material?

Mr. Manager BROWNING. This matter was pending in Judge St. Sure's court. Judge Louderback, in Judge St. Sure's absence, under the agreement which they had, appointed the receiver and his attorney in Judge St. Sure's court. After he returned, Judge St. Sure, in acting upon the matter and dismissing the bankruptcy proceeding, made a statement in open court in connection with his action, and that is the statement which we submit should go into the record.

Mr. LINFORTH. May I add this word: Whatever order Judge St. Sure made upon the hearing of that application, of course, is competent evidence here; whatever he may have said which did not form the basis of his order, which did not enter into the making of his order, surely cannot be binding evidence against the respondent here.

The PRESIDING OFFICER. May I inquire of the witness whether that statement was made from the bench?

The WITNESS. It was.

The PRESIDING OFFICER. Then the question is admissible.

By Mr. Manager BROWNING:

Q. State what it was.—A. It was upon the motion of the petitioners in bankruptcy to set aside the order of Judge St. Sure dismissing the bankruptcy, and the ground of that motion was that the court had not sufficiently considered certain authorities filed by the petitioners in bankruptcy, and the judge said that he did examine the authorities and he found the authorities against them and that he found a bad smell about the case.

Q. After that time what has been the status of the Prudential Holding Co.?—A. After that time I ceased to be connected with the company.

Q. Do you know whether or not it is in receivership now?—A. That is my information. There is an equity receivership in the State of Nevada.

Q. Do you know what brought on the equity receivership in Nevada?—A. I could only say that I have been informed that it was the result of these proceedings in San Francisco that I have mentioned.

Q. I will ask if you know whether suit has been brought against the parties who instituted this suit in California?

Mr. LINFORTH. One minute. May it please you, Mr. President, we maintain that such a question as that cannot be binding evidence against this respondent.

Mr. Manager BROWNING. We withdraw it, Mr. President, if there is any objection to it.

The PRESIDING OFFICER. The question is withdrawn.

Mr. Manager BROWNING. You may take the witness.

Cross-examination by Mr. LINFORTH:

Q. Mr. McPike, when Judge St. Sure made the remark that you have just referred to, to whom did you understand he was referring—to Judge Louderback?—A. I only know what he said, and I cannot say whether he referred to the judge or the counsel and party. My own impression, if I were to give that, would be that he was referring to the parties and their attorneys.

Q. In the proceedings that you took, the motion to dismiss, the receiver and his attorneys took part, did they?—A. Not in open court.

Q. And when you made the motion to dismiss in the bankruptcy proceedings they did not appear in opposition to your motion?—A. No.

Q. Were the counsel who appeared and offered resistance to your motion the counsel for the plaintiff in the action?—A. There were a number of attorneys who came in in that matter besides the attorneys for—no; not the attorneys for the plaintiff. Excuse me; I missed your question.

Q. Afterward were there certain interventions that were filed in that matter?—A. There were two.

Q. And other counsel appeared in those intervention matters?—A. In the intervention matters, and I think representing the petitioners in bankruptcy.

Q. I understood you to say that the motion to dismiss the matter before Judge Louderback came on to be heard on the 29th of August.—A. Excuse me; I will look at the memorandum again. [A pause.] My memorandum shows motion

to dismiss filed August 20; August 24 the date of hearing; August 29 submitted.

Q. At that time were some applications granted to file briefs and authorities?—A. At the time of the hearing, the oral argument, an application was granted for that purpose.

Q. To refresh your memory, Mr. McPike, merely, do you recall whether or not after you made the motion to have the case submitted or your motion submitted, it was submitted as of the 19th of September?—A. I do not recall the date.

Q. Calling your attention to page 311 of the record, you were a witness upon the preliminary hearing out in San Francisco?—A. Yes, sir.

Q. I call your attention to this language found at page 311 of the record of the hearing:

The bankruptcy receiver was appointed on September 30 and qualified October 2. The motion to dismiss the equity proceedings was submitted September 19 and granted by the judge on October 2, so that the bankruptcy receiver was appointed 2 days before the dismissal of the equity suit.

Does the reading of that refresh your memory as to when the motion to dismiss the equity matter was submitted?—A. It does not, because at that time I testified as to the date from a memorandum handed to me by my associate counsel in the matter, Mr. Hawkins, and I am now testifying from a memorandum submitted by him to me in the last few days as to the date, and it says August 29. So it is not a matter of recollection with me.

Q. When was it, Mr. McPike, if you recall, that you made the motion to have the matter stand submitted—after your telephone message to the secretary of the judge?—A. After telephoning to the judge, or telephoning to his secretary, rather, I think I went out promptly the next morning.

Q. Are you prepared to say, then, with any degree of certainty, when the motion itself was submitted?—A. No; I am not—not from recollection.

Redirect examination by Mr. Manager BROWNING:

Q. Was this equity receivership ex parte or was your company present at the hearing?

Mr. HANLEY. Just a moment. The question calls for hearsay testimony. It calls for the opinion of the witness as to what was done. It is a matter of record, if there is a record of it. It is incompetent, irrelevant, and immaterial.

The PRESIDING OFFICER. Will the reporter please read the question?

The Official Reporter read as follows:

Q. Was this equity receivership ex parte or was your company present at the hearing?

Mr. LINFORTH. May I add to what has been said, Mr. President, that the witness has already declared that he did not become associated with the company or employed in the matter until 2 days after the appointment of the receiver.

The PRESIDING OFFICER. If the witness knows of his own knowledge, he may answer the question.

The WITNESS. I do not know of my own knowledge.

Mr. Manager BROWNING. That is all.

The PRESIDING OFFICER. Call the next witness.

EXAMINATION OF C. M. HAWKINS

C. M. Hawkins, having been duly sworn, was examined and testified as follows:

By Mr. Manager BROWNING:

Q. Please state your name and place of residence and your profession.—A. My name is C. M. Hawkins, I live in Oakland, Calif., and I am a lawyer.

Q. In 1931 did you represent, in association with other attorneys, the Prudential Holding Co. of Oakland, Calif.?—A. I represented the Prudential Holding Co. of Los Angeles at Oakland.

Q. Were you their retained counsel or did you just represent them in the one case?—A. I was their retained counsel.

Q. When did you first hear of the suit of the Character Finance Co. against the Prudential Holding Co.?—A. About 2 o'clock on Saturday, the 15th of August 1931—2 o'clock in the afternoon.

Q. Where were you when you heard of it?—A. I was in Los Angeles.

Q. How did you get the message?—A. By a telephone call from the secretary of the company.

Q. What was the information you received?—A. The information was that there was a padlock on the door. I asked what it was, and was told the Character Finance Corporation. I said, "Well, I will be home tonight and see you tomorrow."

Q. Did you get back that evening?—A. I got back the next morning; I came through that night.

Q. What did you find the condition to be when you got back?—A. I found a padlock on the front door and the company supposedly in the hands of a receiver.

Q. Who was the receiver?—A. Mr. G. H. Gilbert.

Q. Did the company have any notice before Saturday afternoon, when Mr. Gilbert took charge, of the suit of the Character Finance Co. against it?

Mr. HANLEY. We object on the ground that the question calls for his opinion with reference to that matter and it does not call for any testimony of his own knowledge. It only calls for something that had been told him.

The PRESIDING OFFICER. Do you know of your own knowledge? Can you answer the question from your own knowledge?

The WITNESS. I know what the facts are; yes.

The PRESIDING OFFICER. State what the facts are.

The WITNESS. The company did not have any notice.

By Mr. Manager BROWNING:

Q. Was the company represented at the hearing when the petition was granted?

Mr. HANLEY. We object to that because it calls for his opinion again.

Mr. Manager BROWNING. He is attorney for the company. He ought to know.

Mr. HANLEY. If he was not present in San Francisco when the receiver was appointed, it necessarily calls for hearsay testimony.

The PRESIDING OFFICER. It is all subject to cross-examination. If the witness says he knows, he may answer the question. Do you know and can you answer the question of your own knowledge?

The WITNESS. I should like to have it read.

The PRESIDING OFFICER. The Official Reporter will read the question.

The Official Reporter read the question as follows:

Q. Was the company represented at the hearing when the petition was granted?

The WITNESS. Not legally.

Mr. HANLEY. That calls for a legal conclusion and opinion which this very Senate is to determine.

The PRESIDING OFFICER. That is subject to cross-examination.

By Mr. Manager BROWNING:

Q. What steps were taken by the company, if you know?—A. Do you mean following the appointment?

Q. Following this situation.—A. On the 20th of August we filed a motion to dismiss the case in the department in which the case was in the United States court in San Francisco.

Q. What was the ground of your motion?—A. That the court was without jurisdiction of the case.

Q. Before that let me ask you what was the nature of the business of the Prudential Holding Co. which it carried on?—A. The Prudential Holding Co. owned stock in other corporations. It owned real estate. It owned some notes, some unsecured accounts, and was a general trading or brokerage company.

Q. What were the capital and the assets of the company?—A. The authorized capital was \$5,000,000. The assets at that time had a book value of something like \$1,150,000 to \$1,250,000, as I recall the figures.

Q. What were the liabilities, if you know?—A. On the books something less than \$1,000,000—around \$600,000.

Q. Was the company solvent or insolvent at that time?—A. The company was at that time like most other companies were at the same time. It was pressed for money, but it was going on and running its business and operating its business.

Q. What action was taken on the motion which you filed on the 20th of August?—A. The final action was that the motion was granted.

Q. When?—A. October 2.

Q. How many questions were involved in the motion?—A. Two.

Q. What were they?—A. One was as to whether or not under code section 51 the court had jurisdiction. The other question was whether or not, under equity rule 25, the complaint was verified properly.

Q. What was the nature of the verification of the petition?—A. The verification was made by the attorney for the company on information and belief.

Q. The attorney for what company?—A. For the Character Finance Corporation.

Q. That is the plaintiff?—A. The plaintiff.

Q. Did the person who made the verification pretend to know the facts of his own knowledge?—A. He did not.

Q. Did you contact Mr. Gilbert as receiver of the company at any time near the appointment?—A. Yes; I met Mr. Gilbert on the morning of August 17, Monday morning following the appointment.

Q. What transpired between you?—A. Mr. Gilbert came into the office with Mr. John Walton Dinkelspiel and asked what we were going to do with reference to turning over all records and business to him. We talked about that and I finally directed that the company turn the matters over to him under protest and have him sign a receipt showing that we had turned the records and files to him under protest.

Q. Was that done on Monday the 17th?—A. That was Monday morning the 17th.

Q. What did he do as a receiver, if you know?—A. He just sat around there and he collected the moneys that came in. He opened the mail that came in, and he had charge of the affairs there until the 2d of October.

Q. After the motion to dismiss petition was made, what happened in court with regard to it?—A. I was not in court. I could not answer of my own knowledge.

Q. You did not go into court on the motion?—A. No. That was handled by Mr. McPike entirely.

Q. Do you know whether or not the petition for bankruptcy was filed?—A. Yes.

Q. Did you have anything to do with that in court?—A. No; not in court.

Q. What time was this petition filed?—A. The bankruptcy?

Q. Yes.—A. I think September 5, 1931.

Q. In whose court was that?—A. That fell in Judge St. Sure's court.

Q. Who acted on that, if you know?—A. Judge St. Sure acted on it and Judge Louderback acted on it.

Q. Who appointed the receiver and his attorney in bankruptcy?—A. Judge Louderback.

Q. Whom did he appoint?—A. He appointed Mr. Gilbert, the same Mr. G. H. Gilbert.

Q. Did he appoint any counsel for him?—A. Dinkelspiel & Dinkelspiel.

Q. You stated that the motion to dismiss the petition in equity was acted on October 2 by Judge Louderback?—A. Yes.

Q. What was his action?—A. He granted the motion to dismiss.

Q. When did he appoint Gilbert and Dinkelspiel as receiver and attorney, respectively, in the bankruptcy proceeding?—A. September 30, 1931.

Q. And they qualified on October 2?—A. That is what I understand.

Q. What kind of bond was given by the receiver when he took charge of this business?—A. You mean in the equity case?

Q. Yes.—A. The receiver gave a bond conditioned to obey the orders of the court and perform his duties as receiver, and running to the United States of America.

Q. Was there any indemnity bond given to the company itself?—A. There was not.

Q. Any to the creditors of the company?—A. There was not.

Q. What was the nature of the complainant company, the Character Finance Corporation?—A. I really do not know.

Q. Was the complainant company a creditor of the corporation?—A. The complainant company claimed to be a creditor, which was denied by the Prudential Holding Co., and in my judgment was not a creditor.

Q. Were they a stockholder in the Prudential Holding Co.?—A. Yes; it was a stockholder.

Q. After the dismissal of the equity receivership by Judge Louderback, what action, if you know, did Judge St. Sure take in the bankruptcy matter?

Mr. HANLEY. He said he was not present in court and did not know except from hearsay.

The PRESIDING OFFICER. Do you know of your own knowledge?

The WITNESS. The only way I know is based on court records. I know of my own knowledge what they show.

By Mr. Manager BROWNING:

Q. Do you know from the court records what actually transpired with regard to the bankruptcy matter?—A. Do you mean in the St. Sure department?

Q. Yes.—A. Yes; I have read the court records on that.

Q. What was the action taken?—A. The action was that it was dismissed.

Q. After dismissal of the bankruptcy matter and of the equity receivership, what has been the legal status of the Prudential Holding Co. since that time?—A. The Prudential Holding Co. then operated uninterruptedly until the 14th of March 1932, when it was placed in an equity receivership in the district court of Nevada.

Q. What precipitated that receivership, if you know?—A. It was the claims of creditors who filed the suit, and the general reason for it was the interference of these various receiverships.

Q. Receiverships in California?—A. Yes.

Q. You refer to the receiverships in which Mr. Gilbert was appointed receiver by Judge Louderback?—A. I do; yes.

Mr. Manager BROWNING. Take the witness.

Cross-examination by Mr. LINFORTH:

Q. Mr. Hawkins, how long have you been attorney for the Prudential Holding Co.?—A. From August 1930.

Q. Did you have personal knowledge as to its financial condition at the time of the filing of the application for the appointment of a receiver in the equity suit?—A. To some extent I did, and to some extent, no.

Q. At that particular time was not the company hopelessly insolvent?—A. I do not think so.

Q. How much did it owe at that time?—A. Oh, somewhere between \$500,000 and \$600,000, I would say.

Q. Did it not at that time owe in excess of \$1,000,000?—A. No, sir.

Q. Did it have any assets of any kind at the time of the making of the application for the appointment of a receiver that were not encumbered by mortgages and trust deeds and pledged?—A. Yes; it had some.

Q. Did it have any that had any value?—A. Yes.

Q. Any cash value?—A. Yes.

Q. What property did it have at that time that was unencumbered that had any value?—A. It had some cash in the bank.

Q. How much did it have in the bank at that time?—A. I do not know.

Q. Was it a few hundred dollars?—A. Yes.

Q. No more?—A. No.

Q. In no one of its bank accounts?—A. No, sir.

Q. Did it have a bank account in Oakland, even, its headquarters?—A. I do not know as to that.

Q. Is it not a fact that the only bank account it had at the time of the application for the appointment of a receiver in the equity proceeding was a bank account of about \$80 in the city of Reno, in the State of Nevada?—A. No. It had a bank account in the city of Reno and had more money than \$80 in the bank account. Whether it had

any other bank account or not I am not certain at that time.

Q. Do you say at the time of the filing of the petition that it had more than \$80 to its credit in the bank in the city of Reno?—A. I think so; yes.

Q. Do you know or are you stating from what someone has said to you?—A. No; I am giving what is my present recollection of the fact at that time.

Q. How much did it have in the account in the bank of Reno at that time?—A. My recollection is something over \$300.

Q. How many pieces of real estate did it own?—A. Four that I know about, and I am not certain as to others.

Q. Three were in the city of Oakland?—A. Yes.

Q. Apartment houses?—A. Yes.

Q. And second mortgages on each?—A. Yes; I think they were.

Q. And under foreclosure at that particular time?—A. I do not think so.

Q. Were any of them under foreclosure at that particular time?—A. That depends on what you mean by "foreclosure", Mr. Linforth. I do not know what you mean.

Q. Under notice of sale under trust deeds, or under notice in foreclosure suits?—A. I think in one of them, at San Jose, a notice of intention to foreclose had been filed before this time; in the others, I think not.

Q. How about the three in the city of Oakland? Was not each one under foreclosure sale or suit at that time?—A. No; I do not think so.

Q. Was there any equity in either piece of property?—A. Well, I am not qualified as a real-estate expert, and I cannot answer that.

Q. Did it have any other property except stocks in companies that it had taken in exchange?—A. It had some real estate in Los Angeles County. It had some notes and accounts. I guess all of those had been taken in for exchange with stock except a property in Stanislaus County, for which an apartment house had been traded.

Q. It is a fact, is it not, that during the time that you knew of this company it was a company that was operating in taking in properties of other encumbered companies and giving in part payment therefor stock in its own company?—A. Yes, sir; to some extent that is its business, or was its business.

Q. It held stock, did it not, in the Character Finance Co.?—A. I do not think so; no.

Q. The stock of the Character Finance Co. was of no value, was it?—A. I could not say. I do not know.

Q. Do you know of any assets that were of any value at all that this company owned or possessed at the time of the equity receiver except the real estate that you have referred to, encumbered as you say it was?—A. Yes; I think they had some value—not very much.

Q. What property did it have that had any value, to your knowledge?—A. Well, it had some causes of action against the bank in Bakersfield that we figured had some value.

Q. That is, it had some lawsuits? Is that it?—A. Yes.

Q. But did it have any tangible property of any value at the time of the filing of this equity receivership except these three apartment houses in Oakland and the one in San Jose?—A. It had a ranch in Stanislaus County which, I think, had some tangible value.

Q. Do you remember talking with Mr. John Dinkelspiel and Mr. Gilbert in Oakland on the 17th of August 1931?—A. Yes; I recall talking to them.

Q. Did you tell those gentlemen at that time that there were no less than six lawsuits against the Prudential Holding Co. pending in Los Angeles County?—A. I told them the number. I do not recall what the number was.

Q. Did you tell them also at that time that the assets taken over at Bakersfield were given at a highly fictitious value, and were not worth as much as \$250?—A. I do not recall that I did.

Q. You do not recall that you did?—A. No.

Q. Did you also tell them at that time that the Prudential Holding Co. had made a failure of liquidating any of the assets that it had received from the Character Finance Co.,

and so far as that branch of its business was concerned that it was totally of no value?—A. I do not recall that we discussed that at all, Mr. Linforth.

Q. Is it not a fact that you told Mr. Gilbert and Mr. Dinkelspiel, at the time to which I have called your attention, that there were no tangible assets of any kind except the 3 apartment houses and the 1 apartment house in San Jose?—A. No.

Q. And did you not tell them at that time that each one of the four was in process of foreclosure, and there was no equity in either one?—A. No.

Q. You were not present at the time the application for the receiver was made?—A. No, sir.

Q. Did you know, at that time, Mr. J. H. Stephens?—A. Yes; I knew him.

Q. Was he vice president of this company at that time?—A. Yes.

Q. Did you know that he appeared before Judge Louderback at the time the application for receiver was made, and announced that he was the vice president of the company?—A. I never knew that until you took his deposition in San Francisco last week, or week before.

Q. How long had he been vice president of the company prior to that?—A. Probably 6 or 7 months.

Mr. LINFORTH. I think that is all.

The PRESIDING OFFICER. Are there further questions?

Redirect examination by Mr. Manager BROWNING:

Q. Just one question. Did any of the rest of the firm, or the attorneys for the firm, know that James H. Stephens was appearing there in court?

Mr. LINFORTH. One moment, Mr. President. We object to that as calling for hearsay. How can this witness state what anyone else knew or did not know?

The PRESIDING OFFICER. The witness may answer the question if he knows of his own knowledge.

The WITNESS. I cannot answer that.

By Mr. Manager BROWNING:

Q. As counsel for it, was he authorized by you to do so?—A. He was not.

Q. After the dismissal of these equity and bankruptcy receiverships, state whether or not that company has taken any legal steps against those who brought these receiverships.

Mr. LINFORTH. Just a moment, Mr. President. We object to that as being utterly immaterial and not binding on this respondent.

The PRESIDING OFFICER. How would that be material?

Mr. Manager BROWNING. It would show, of course, the inexcusableness of the matter, and the fact that these people resented these actions that were brought against them, and thought they had legal redress.

The PRESIDING OFFICER. The objection is sustained.

By Mr. Manager BROWNING:

Q. What part did Mr. Stephens have in the direction of this concern?—A. None.

Mr. Manager BROWNING. Stand aside.

The PRESIDING OFFICER. Call the next witness.

Mr. LINFORTH. Mr. President, if it is in order, may I suggest that we have a recess or an adjournment? This matter has been on since 10 o'clock this morning.

Mr. McNARY. Mr. President, I desire to propound a question to the Senator from Arizona [Mr. ASHURST]. Does the Senator contemplate night sessions this week for the impeachment trial?

Mr. ASHURST. Mr. President, so far as I know at this time, night sessions are not contemplated, although it is earnestly hoped that the trial will be finished by Saturday night. It may be necessary on Friday and Saturday nights to hold night sessions in order to finish the trial at that time. No night sessions are contemplated at this time.

Mr. McNARY. I have asked the Senator the question because a number of inquiries have come to me, and I had hoped that if the Senator desired to have a night session

tomorrow night he would give the customary 1 day's notice.

Mr. ASHURST. Senators are entitled to that courtesy. As soon as I can find out tomorrow, I will advise the able Senator from Oregon.

EXHIBITS ADMITTED IN EVIDENCE

The documents this day admitted in evidence, marked, respectively, "U.S.S. Exhibit 4" to "U.S.S. Exhibit 39", both inclusive, are as follows:

U.S.S. EXHIBIT 4

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA IN AND FOR THE CITY AND COUNTY OF SAN FRANCISCO

Extra sessions no. 1

IN THE MATTER OF THE ESTATE OF HOWARD BRICKELL, DECEASED
(No. 46618, order appointing appraisers and inheritance-tax appraiser)

It is ordered that W. S. Leake, Fairmont Hotel; G. H. Gilbert, 1600 California Street; R. F. Mogan, Phelan Building; three disinterested persons, competent and able to act, be and they are hereby, appointed appraisers of the estate of Howard Brickell, deceased; and good cause appearing therefore.

It is further ordered that said R. F. Mogan, duly appointed, qualified and acting inheritance-tax appraiser in and for the said city and county above named be, and he is hereby, appointed and directed to fix the clear market value of the property of said estate at the death of said decedent above named, and to appraise all interests, inheritances, transfers, and property in said estate subject to the payment of inheritance tax under the laws of the State of California.

Done in open court this 5th day of April 1927.

HAROLD LOUDERBACK,
Judge of the Superior Court.

OFFICE OF THE COUNTY CLERK
OF THE CITY AND COUNTY OF SAN FRANCISCO.

I, H. I. Mulcrevy, county clerk of the city and county of San Francisco, and ex officio clerk of the superior court thereof, do hereby certify the foregoing to be a full, true, and correct copy of the order appointing appraisers and inheritance-tax appraiser in the matter of the estate of Howard Brickell, deceased, now on file and of record in my office.

Witness my hand and the seal of said court this 2d day of May A.D. 1933.

H. I. MULCREVY,
County Clerk.
By S. I. HUGHES,
Deputy County Clerk.

U.S.S. EXHIBIT 5

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, IN AND FOR THE CITY AND COUNTY OF SAN FRANCISCO

LAURA A. HEATH, PLAINTIFF, v. FRANK E. HEATH, S. E. BIDDLE, GENEVIEVE BRENNAN, ELIZABETH MOWRY, CARRIE BAKER, DELBERT WESTOVER, IDA WESTOVER, WALTER HOFF, AND IRMA HOFF, DEFENDANTS. ORDER APPOINTING RECEIVER

Upon reading the verified complaint and affidavit of Laura A. Heath, this day filed herein, and good cause appearing therefor, and on motion of A. L. O'Grady, attorney for the plaintiff.

It is ordered that W. S. Leake be, and is hereby, appointed a receiver to take and keep possession of all the community property of the plaintiff and the defendant, including the income, rents, issues, and profits thereof, to collect debts, to compound for and compromise the same, to make transfers, and generally to do such acts respecting the said property as the court may authorize, the said receiver to act as such until further order of the court.

That a bond under section 566 C.C.P. for \$25,000 be given and filed.

It is further ordered that before entering upon his duties the said receiver shall be sworn to perform them faithfully, and shall execute an undertaking to the State of California, approved by the court or judge, in the sum of \$5,000, to the effect that he will faithfully discharge the duties of receiver in the said action and obey the orders of the court therein.

HAROLD LOUDERBACK, Judge.

Dated May 24, 1927.

(Endorsed:) Filed May 25, 1927.

H. I. MULCREVY, Clerk.
By H. BRUNNER, Deputy Clerk.

STATE OF CALIFORNIA,
City and County of San Francisco, ss:

I, H. I. Mulcrevy, county clerk of the city and county of San Francisco, State of California, and ex officio clerk of the superior court, in and for said city and county, hereby certify the foregoing to be a full, true, and correct copy of the original order appointing receiver in the above-entitled cause, filed in my office on the 25th day of May A.D. 1927.

Attest my hand and seal of said court this 2d day of May A.D. 1933.

[SEAL]

H. I. MULCREVY, Clerk.
By E. R. GREEN, Deputy Clerk.

U.S.S. EXHIBIT 6

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, IN AND FOR
THE CITY AND COUNTY OF SAN FRANCISCO

LAURA A. HEATH, PLAINTIFF, v. FRANK E. HEATH, S. E. BIDDLE, GENE-
VIEVE BRENNAN, ELIZABETH MOWRY, CARRIE BAKER, DELBERT WEST-
OVER, IDA WESTOVER, WALTER HOFF, AND IRMA HOFF,
DEFENDANTS

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

W. S. Leake, being duly sworn, deposes and says:

That he is the person who was appointed as a receiver in the
above-entitled action by an order of this court, dated the 24th
day of May 1927; and that he will faithfully perform his duties
as such receiver to the best of his ability.

W. S. LEAKE.

Subscribed and sworn to before me this 24th day of May 1927.
[SEAL] MAUDE REYNOLDS,

*Notary Public in and for the City and County of
San Francisco, State of California.*

My commission expires June 23, 1927.

(Endorsed:) Filed May 25, 1927.

H. I. MULCREVY, Clerk.
By H. BRUNNER, Deputy Clerk.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

I, H. I. Mulcrevy, county clerk of the city and county of San
Francisco, State of California, and ex officio clerk of the superior
court, in and for said city and county, hereby certify the foregoing
to be a full, true, and correct copy of the original oath of receiver
in the above-entitled cause, filed in my office on the 25th day of
May A.D. 1927.

Attest my hand and seal of said court this 2d day of May
A.D. 1933.

[SEAL]

H. I. MULCREVY, Clerk.
By E. R. GREEN, Deputy Clerk.

U.S.S. EXHIBIT 7

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, IN AND FOR
THE CITY AND COUNTY OF SAN FRANCISCO

IN THE MATTER OF THE ESTATE OF HOWARD BRICKELL, DECEASED.
NO. 46618. EXTRA SESSIONS NO. 1. INVENTORY AND APPRAISEMENT

Oath of appraisers

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

R. F. Mogan (inheritance-tax appraiser), W. S. Leake, and G. H.
Gilbert, duly appointed appraisers of the estate of Howard Brick-
ell, deceased, being duly sworn, each for himself says:

That he will truly, honestly, and impartially appraise the prop-
erty of said estate which shall be exhibited to him, according to
the best of his knowledge and ability.

R. F. MOGAN.
G. H. GILBERT.
W. S. LEAKE.

Subscribed and sworn to before me this 19th day of July 1927.

[SEAL]

CHARLES SAMUELS,
*Court Commissioner of the City and County of
San Francisco, State of California.*

ESTATE OF HOWARD BRICKELL, DECEASED, TO R. F. MOGAN (INHERITANCE-
TAX APPRAISER), W. S. LEAKE, AND G. H. GILBERT

To services in appraising foregoing, — days, at \$5 per day
each, services, and costs..... \$1,750

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

R. F. Mogan (inheritance-tax appraiser), W. S. Leake, and G. H.
Gilbert, the appraisers named above, being duly sworn, each for
himself says: That the foregoing bill of items is correct and just,
and that the services have been duly rendered as therein set forth.

R. F. MOGAN.
G. H. GILBERT.
W. S. LEAKE.

Subscribed and sworn to before me this 20th day of December
1927.

[SEAL]

CHARLES SAMUELS,
*Court Commissioner of the City and County of
San Francisco, State of California.*

We, the undersigned duly appointed appraisers of the estate of
Howard Brickell, deceased, hereby certify that the property men-
tioned in the foregoing inventory has been exhibited to us and
that we appraise the same at the sum of \$1,020,804.38.

R. F. MOGAN.
G. H. GILBERT.
W. S. LEAKE.

(Endorsed:) Filed December 21, 1927.

H. I. MULCREVY, Clerk.
By E. B. GILSON, Deputy Clerk.

OFFICE OF THE COUNTY CLERK

OF THE CITY AND COUNTY OF SAN FRANCISCO.

I, H. I. Mulcrevy, county clerk of the city and county of San
Francisco, and ex officio clerk of the superior court thereof, do
hereby certify the foregoing to be a full, true, and correct copy of
the oath of appraisers and certificate of appraisers in the matter

of the estate of Howard Brickell, deceased, now on file and of
record in my office.

Witness my hand and the seal of said court this 2d day of May
A.D. 1933.

[SEAL]

H. I. MULCREVY, County Clerk.
By S. I. HUGHES, Deputy County Clerk.

U.S.S. EXHIBIT 8

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, IN AND FOR
THE CITY AND COUNTY OF SAN FRANCISCO

IN THE MATTER OF THE APPLICATION OF ANTONIO DRAGA, A JUDGMENT
CREDITOR, FOR APPOINTMENT OF APPRAISERS TO APPRAISE HOMESTEAD.
NO. 182347. EX. SESSION NO. 1

Order appointing appraisers

It appearing to the satisfaction of the court that a copy of the
petition filed herein and a copy of the notice of the hearing of the
appointment of appraisers was served according to law on Frank
Machkota and Fannie Machkota, the claimants herein;

It is hereby ordered that W. S. Leake, Fairmont Hotel; W. H.
Homer, 1921 Ocean Avenue; and John F. Mooney, 1012 Clayton
Street, residents of the city and county of San Francisco, State of
California, three disinterested persons, competent and able to act,
be, and they are hereby, appointed appraisers to appraise the
value of the real property described in the petition filed herein,
and hereinafter described and claimed as a homestead by Frank
Machkota and Fannie Machkota, as set forth in said petition; the
following is a description of the real property herein referred to:
All that certain real property situate, lying, and being in the city
and county of San Francisco, State of California, and more
particularly described as follows, to wit:

Beginning at a point on the northerly line of Bosworth Street,
distant thereon 75 feet westerly from the northwesterly corner of
Bosworth and Rousseau Streets, and running thence westerly
along said line of Bosworth Street 32 feet and 6 inches; thence
northwesterly at an angle of 103 degrees 27 minutes, with said
line of Bosworth Street 131 feet and 1½ inches more or less to
the right of way of the Southern Pacific Railroad Co.; thence
northeasterly along said right of way 42 feet and 8¼ inches;
thence at a right angle southeasterly 76 feet more or less to a
point which is perpendicularly distant 86 feet and 8 inches
westerly from the westerly line of Rousseau Street, and is also
perpendicularly distant 63 feet northerly from the northerly line
of Bosworth Street; thence easterly parallel with Bosworth Street
11 feet and 8 inches to a point which is perpendicularly distant
75 feet westerly from the westerly line of Rousseau Street; and
thence southerly parallel with Rousseau Street 63 feet to the point
of beginning.

Done in open court this 22d August 1927.

HAROLD LOUDERBACK,
Judge of the Superior Court.

(Endorsed:) Filed August 23, 1927.

H. I. MULCREVY, Clerk.
By H. BRUNNER, Deputy Clerk.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

I, H. I. Mulcrevy, county clerk of the city and county of San
Francisco, State of California, and ex-officio clerk of the superior
court in and for said city and county, hereby certify the foregoing
to be a full, true, and correct copy of the original order appointing
appraisers in the above-entitled cause, filed in my office on the
23d day of August A.D. 1927.

Attest my hand and seal of said court this 2d day of May A.D.
1933.

[SEAL]

H. I. MULCREVY, Clerk.
By E. R. GREEN, Deputy Clerk.

U.S.S. EXHIBIT 9

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, IN AND FOR
THE CITY AND COUNTY OF SAN FRANCISCO

IN THE MATTER OF THE APPLICATION OF ANTONIO DRAGA, A JUDGMENT
CREDITOR FOR APPOINTMENT OF APPRAISERS TO APPRAISE HOMESTEAD.
NO. 182347. EXTRA SESSION NO. 1

Appraisement of value of homestead

I, H. I. Mulcrevy, county clerk of the city and county of San
Francisco, State of California, and ex-officio clerk of the superior
court thereof, do hereby certify that W. S. Leake, W. H. Homer,
and John F. Mooney were appointed appraisers according to the
provisions of sections 1245 to 1259, inclusive, of the Civil Code of
the State of California to appraise the value of the homestead
claimed by Frank Machkota and Fannie Machkota in and to the
hereinafter-described property, by order of said court made on the
22d day of August 1927.

Witness my hand and the seal of said court this 1st day of
September 1927.

[SEAL]

H. I. MULCREVY,
Clerk.
By H. BRUNNER,
Deputy Clerk.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

W. S. Leake, W. H. Homer, and John F. Mooney, the duly ap-
pointed appraisers to appraise, according to the provisions of
sections 1245 to 1259, inclusive, of the Civil Code of the State of
California, the value of the homestead claimed by Frank Machkota

and Fannie Machkota in and to the real property described in the petition on file herein and hereinafter described, each being duly sworn, deposes and says: That he is a resident of the city and county of San Francisco, State of California; that he will faithfully and impartially appraise the value of the said homestead and perform the services appertaining thereto according to law, and faithfully and impartially perform the same according to the best of his knowledge and ability.

JOHN F. MOONEY.
W. S. LEAKE.
W. H. HOMER.

Subscribed and sworn to before me this 2d day of September 1927.

[SEAL]

RAY SOPHIE FEDER,
Notary Public in and for the City and County
of San Francisco, State of California.

The following is a description of the said real property described in the petition filed herein, and herein referred to: All that certain piece, parcel, or tract of land situate, lying, and being in the city and county of San Francisco, State of California, and more particularly described as follows, to wit:

Beginning at a point on the northerly line of Bosworth Street, distant thereon 75 feet westerly from the northwesterly corner of Bosworth and Rousseau Streets; and running thence westerly along said line of Bosworth Street 32 feet and 6 inches; thence northwesterly at an angle of 103° 27' with said line of Bosworth Street 131 feet and 1½ inches, more or less, to the right of way of the Southern Pacific Railroad Co.; thence northeasterly along said right of way 42 feet and 8¼ inches; thence at a right angle southeasterly 76 feet, more or less, to a point which is perpendicularly distant 86 feet and 8 inches westerly from the westerly line of Rousseau Street, and is also perpendicularly distant 63 feet northerly from the northerly line of Bosworth Street; thence easterly parallel with Bosworth Street 11 feet and 8 inches to a point which is perpendicularly distant 75 feet westerly from the westerly line of Rousseau Street; and thence southerly parallel with Rousseau Street 63 feet to the point of beginning.

We, the undersigned appraisers duly appointed to appraise, according to the provisions of sections 1245 to 1259, inclusive, of the Civil Code of the State of California, the value of the said homestead, hereby certify that the said premises were viewed by us, and each of us, and that the value of the said premises exceeds the value of the homestead exemption, and we hereby appraise the value of the said premises claimed as the said homestead at the sum of \$5,500.

We further certify that the said premises claimed as the said homestead cannot be divided without material injury, and that it is to the best interests of all that the said premises be sold as a whole.

Dated: September 2, 1927.

JOHN F. MOONEY, Appraiser.
W. S. LEAKE, Appraiser.
W. H. HOMER, Appraiser.

(Endorsed:) Filed September 2, 1927.

H. I. MULCREVY, Clerk.
By G. J. ROMANI, Deputy Clerk.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

I, H. I. Mulcrevy, county clerk of the city and county of San Francisco, State of California, and ex-officio clerk of the superior court in and for said city and county, hereby certify the foregoing to be a full, true, and correct copy of the original appraisement of value of homestead in the above-entitled cause filed in my office on the 2d day of September A.D. 1927.

Attest my hand and seal of said court this 2d day of May A.D. 1933.

[SEAL]

H. I. MULCREVY, Clerk.
By E. R. GREEN, Deputy Clerk.

U.S.S. EXHIBIT 10

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, IN AND FOR THE CITY AND COUNTY OF SAN FRANCISCO

LOUIS FRIEDMAN AND SAMUEL GERSON, PLAINTIFFS, v. ANNA FARRISCE, ALSO KNOWN AS "ANNA FARRISEE", FIRST DOE, SECOND DOE, FIRST ROE CO., A CORPORATION, AND SECOND ROE CO., A CORPORATION, DEFENDANTS. NO. 187453. DEPT. NO. EXTRA SESSION NO. 1

Order appointing receiver

Upon reading and filing the verified complaint of Louis Friedman and Samuel Gerson, plaintiffs in the above-entitled action, and it appearing therefrom to the satisfaction of this court that this is a proper case to appoint a receiver for the purpose and with the powers hereinafter mentioned;

It is ordered and decreed that W. S. Leake be, and he is hereby, appointed receiver in the above-entitled action to take and keep possession of the mortgaged personal property described in the complaint in the above-entitled action pending the trial of and judgment in said action and the further order of the court herein;

That before entering upon the duties of said trust, the said receiver shall execute an undertaking in the amount of \$1,000 with two sufficient sureties to be approved by this court to the effect that he will faithfully discharge the duties of receiver in the above-entitled action and obey the orders of the court herein, and must be sworn by the clerk of this court to perform his duties

faithfully, and that prior to this order becoming operative the above-named plaintiffs Louis Friedman and Samuel Gerson shall execute an undertaking in the amount of \$2,500, with two sufficient sureties, to the above-named defendant Anna Farrisce to the effect that said Louis Friedman and Samuel Gerson will pay to said defendant all damages said defendant may sustain by reason of the appointment of said receiver and the entry by him upon his duties in case the said plaintiffs shall have procured such appointment wrongfully, maliciously, or without sufficient cause. Order made this 18th day of October 1927.

HAROLD LOUDERBACK, Judge.

(Endorsed): Filed October 18, 1927.

H. I. MULCREVY, Clerk.

By G. J. ROMANI, Deputy Clerk.

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA IN AND FOR THE CITY AND COUNTY OF SAN FRANCISCO

LOUIS FRIEDMAN AND SAMUEL GERSON, PLAINTIFFS, v. ANNA FARRISCE, ALSO KNOWN AS ANNA FARRISEE, FIRST DOE, SECOND DOE, FIRST ROE CO., A CORPORATION, AND SECOND ROE CO., A CORPORATION, DEFENDANTS. NO. 187458. EXTRA SESSION NO. 1

Oath of receiver

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

W. S. Leake, being first duly sworn, deposes and says: That he is the person who was appointed by order of this court, dated the 18th day of October 1927, receiver in the above-entitled action now pending in said court, and that he will faithfully discharge the duties as such receiver in said action and obey the order of the court, so help him God.

W. S. LEAKE.

Subscribed and sworn to before me this 19th day of October 1927.

[SEAL]

J. J. KERRIGAN,
Notary Public in and for the City and
County of San Francisco, State of California.

(Endorsed:) Filed October 19, 1927.

H. I. MULCREVY, Clerk.

By G. J. ROMANI, Deputy Clerk.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

I, H. I. Mulcrevy, county clerk of the city and county of San Francisco, State of California, and ex-officio clerk of the superior court in and for said city and county, hereby certify the foregoing to be a full, true, and correct copy of the original order appointing receiver and oath of receiver in the above-entitled cause on file in my office on the 6th day of May A.D. 1933.

Attest my hand and seal of said court this 6th day of May A.D. 1933.

[SEAL]

H. I. MULCREVY, Clerk.
By H. BRUNNER, Deputy Clerk.

U.S.S. EXHIBIT 11

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, IN AND FOR THE CITY AND COUNTY OF SAN FRANCISCO

CHARLES MONSON, PLAINTIFF, v. HELEN LOUISE THOMAS, WALTER TOWNE, MRS. LEE J. FRANCIS, LEE J. FRANCIS, FIRST DOE, SECOND DOE, THIRD DOE, FOURTH DOE, AND FIFTH DOE, DEFENDANTS. NO. 187493. EXTRA SESSION NO. 1

Order appointing receiver

The motion of the plaintiff above named for appointment of a receiver came up regularly to be heard on this 27th day of October 1927, before the above-entitled court, Hon. Harold Louderback, judge, presiding therein, and it appearing that this is a proper case for said order, it is hereby

Ordered that W. S. Leake be, and he is hereby, appointed receiver to take possession of that certain apartment house and apartment-house business, consisting of the three upper floors, and all garages, store rooms, and basement, and other equipment thereof, situated at the northwesterly corner of Seventh Avenue and K Street, city and county of San Francisco, State of California, and known and designated as "No. 1495 Seventh Avenue", together with all the property appertaining thereto, and to continue the business thereof and to have power to collect and sue for any and all rentals accrued or accruing thereto, and to do any and all other acts that he may deem necessary in the course of and for the best interest of said business, and to sell the said business and the whole thereof, and he shall be vested with all the usual powers and rights of receivers appointed by this court.

It is further ordered that said W. S. Leake, upon taking the oath of said receivership, shall forthwith give a surety bond in the usual form in the sum of \$1,000, and that plaintiff herein shall give bond in favor of the defendant, Mrs. Lee J. Francis, in the sum of \$3,000, to the effect that the plaintiff will pay to the defendant, Mrs. Lee J. Francis, all damages she may sustain by reason of the appointment of such receiver, and the entry by him upon his duties, in case the plaintiff shall have procured such appointment wrongfully, maliciously, or without sufficient cause. Done in open court this 27th day of October 1927.

HAROLD LOUDERBACK,

Judge of the Superior Court.

(Endorsed:) Filed October 27, 1927.

H. I. MULCREVY, Clerk.

By E. R. GREEN, Deputy Clerk.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

I, H. I. Mulcrevy, county clerk of the city and county of San Francisco, State of California, and ex-officio clerk of the superior court in and for said city and county, hereby certify the foregoing to be a full, true, and correct copy of the original "order appointing receiver" in the above-entitled cause filed in my office on the 27th day of October A.D. 1927.

Attest my hand and seal of said court this 6th day of May A.D. 1933.

[SEAL]

H. I. MULCREVY, Clerk.
By H. BRUNNER, Deputy Clerk.

U.S.S. EXHIBIT 12

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, IN AND FOR THE CITY AND COUNTY OF SAN FRANCISCO

SAMUEL GERSON AND LOUIS FRIEDMAN, PLAINTIFFS, v. ANNA FARRISEE, DEFENDANT. NO. 188200. EXTRA SESSION NO. 1

Order appointing receiver

Upon reading and filing the verified complaint of Samuel Gerson and Louis Friedman in the above-entitled action, and it appearing therefrom to the satisfaction of this court that this is a proper case to appoint a receiver, for the purpose and with the powers hereinafter mentioned,

It is ordered and decreed that W. S. Leake be, and he is hereby, appointed receiver in the above-entitled action, to collect all rentals due and to become due to the above-named defendant from the subtenants occupying apartments in that certain apartment house known as No. 805 Bush Street, contained in that certain building at the southwest corner of Bush and Mason Streets, in said city and county of San Francisco, pending the trial of, and judgment in this action, and the further order of the court herein; and that out of said moneys so collected said receiver shall pay any and all expenses necessarily and properly incurred in the operation and conduct of said apartment house, and due and payable, and that the surplus of said moneys shall be by said receiver held subject to the order of this court.

That before entering upon the duties of said trust the said receiver shall execute an undertaking in the amount of \$1,500, with two sufficient sureties to be approved by this court, to the effect that he will faithfully discharge the duties of receiver in the above-entitled action and obey the orders of the court herein, and must be sworn by the clerk of this court to perform his duties faithfully; and that prior to this order becoming operative the above-named plaintiffs, Samuel Gerson and Louis Friedman, shall execute an undertaking in the amount of \$3,000 with two sufficient sureties to the above-named defendant Anna Farrisee, to the effect that said Samuel Gerson and Louis Friedman will pay to said defendant all damages she may sustain by reason of the appointment of said receiver and the entry by him upon his duties in case the said plaintiffs shall have procured such appointment wrongfully, maliciously, or without sufficient cause.

It is further adjudged and decreed that the said defendant, Anna Farrisee, be, and she hereby is, enjoined and restrained from the date hereof until the further order of this court from collecting or receiving, personally or through her agent or employee or interfering with the collection and receipt by said receiver, of such rentals from any of said subtenants.

Order made this 8th day of November 1927.

HAROLD LOUDERBACK, Judge.

(Endorsed:) Filed November 8, 1927.

H. I. MULCREVY, Clerk.

By H. BRUNNER, Deputy Clerk.

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, IN AND FOR THE CITY AND COUNTY OF SAN FRANCISCO

SAMUEL GERSON AND LOUIS FRIEDMAN, PLAINTIFFS, v. ANNA FARRISEE, DEFENDANT. NO. 188200. EXTRA SESSION NO. 1

Oath of receiver

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

W. S. Leake, being first duly sworn, deposes and says:

That he is the person who was appointed by order of this court dated the 8th day of November 1927, receiver in the above-entitled action now pending in said court and that he will faithfully discharge the duties of said receiver in said action and obey the orders of the court; so help him God.

W. S. LEAKE.

Subscribed and sworn to before me, this 9th day of November 1927.

[SEAL]

J. J. KERRIGAN,

Notary Public in and for the City and County of San Francisco, State of California.

(Endorsed:) Filed November 9, 1927.

H. I. MULCREVY, Clerk.

By E. R. GREEN, Deputy Clerk.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

I, H. I. Mulcrevy, county clerk of the city and county of San Francisco, State of California, and ex-officio clerk of the superior court in and for said city and county, hereby certify the foregoing to be a full, true, and correct copy of the original order appointing receiver and oath of receiver in the above-entitled cause on file in my office on the 6th day of May A.D. 1933.

Attest my hand and seal of said court this 6th day of May A.D. 1933.

[SEAL]

H. I. MULCREVY, Clerk.
By H. BRUNNER, Deputy Clerk.

U.S.S. EXHIBIT 13

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, IN AND FOR THE CITY AND COUNTY OF SAN FRANCISCO

CHARLES MONSON, PLAINTIFF, v. HELEN LOUISE THOMAS ET AL., DEFENDANTS. NO. 187498. EXTRA SESSION NO. 1

Receiver's report

W. S. Leake, the receiver appointed by the above-entitled court in the above-entitled action, hereby makes his report, as follows: That he is chargeable with the following items:

RECEIPTS

Nov. 14. Rent	\$237.50
15. " "	182.50
21. " "	296.00
25. " "	152.50
	<hr/> 868.50

DISBURSEMENTS

Check No. 1, Nov. 14. Mrs. J. W. Bacon, housekeeper, sundries	11.98
3, 14. Salary	31.64
2, 15. Janitor	15.90
4, 21. S. V. Water	11.64
5, 23. Shell Oil Co., fuel oil	62.00
6, 25. Court costs as per stipulation	31.00
7, 25. Premium on bonds, per stipulation	25.00
8, 25. Mrs. J. W. Bacon, sundries	30.84
9, Scavenger	10.00
Total	<hr/> 230.00

NOTE.—Gas and electric charges have not been paid, but have been assumed by the defendant.

RECAPITULATION

Balance on hand	\$638.50
Receiver's fees, Oct. 27—Nov. 23 (28 days, at \$10 per day)	280.00
Balance on hand to be turned over to defendants, as per stipulation, subject to payment of gas and electric services	<hr/> 358.50

W. S. LEAKE, Receiver.

It is hereby stipulated that the above account is correct and may be approved, allowed, and settled by the court.

THEODORE L. BRESLAUER,
Attorney for Plaintiff.

GERALD T. HALSEY & F. T. LEO,
Attorneys for Defendant.

November 29, 1927. The account is hereby approved, settled, and allowed.

Dated November 30, 1927.

HAROLD LOUDERBACK,
Judge of the Superior Court.

(Endorsed:) Filed November 30, 1927.

H. I. MULCREVY, Clerk.
By H. BRUNNER, Deputy Clerk.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

I, H. I. Mulcrevy, county clerk of the city and county of San Francisco, State of California, and ex-officio clerk of the superior court in and for said city and county, hereby certify the foregoing to be a full, true, and correct copy of the original receivers report in the above-entitled cause, filed in my office on the 30th day of November A.D. 1927.

Attest my hand and seal of said court this 6th day of May A.D. 1933.

[SEAL]

H. I. MULCREVY, Clerk.
By H. BRUNNER, Deputy Clerk.

U.S.S. EXHIBIT 14

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA IN AND FOR THE CITY AND COUNTY OF SAN FRANCISCO

A. W. JOHNSON AND GRACE P. JOHNSON, HIS WIFE, PLAINTIFFS, v. FRANK P. CRAIG AND HATTIE B. CRAIG, HIS WIFE, DEFENDANTS. NO. 189245. EXTRA SESSION NO. 1

Oath of receiver

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

I, W. S. Leake, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of California, and that I will faithfully discharge the duties of receiver in the above-entitled action and obey the orders of the above-entitled court.

W. S. LEAKE.

Subscribed and sworn to before me this 8th day of December 1927.

[SEAL]

ETTA LAIDLAW,
Notary Public in and for the City and County of San Francisco, State of California.

My commission expires June 14, 1929.
(Endorsed:) Filed December 8, 1927.

H. I. MULCREVY, Clerk.
By E. R. GREEN, Deputy Clerk.

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA IN AND FOR THE CITY AND COUNTY OF SAN FRANCISCO

A. W. JOHNSON AND GRACE P. JOHNSON, HIS WIFE, PLAINTIFFS, v. FRANK P. CRAIG AND HATTIE B. CRAIG, HIS WIFE, DEFENDANTS. NO. 189245. DEPARTMENT NO. 11

Order settling and allowing first and final account of receiver and discharging receiver

W. S. Leake, the receiver in the above-entitled matter, heretofore, by order of the above-entitled court, duly given and made herein, duly appointed as such receiver, having heretofore filed herein his first and final report and account as such receiver, together with his application for allowance for receiver's compensation for services rendered and for an allowance with which to pay counsel fees incurred by him, and his petition for discharge as such receiver, and the matter coming on duly and regularly for hearing before this court on this 14th day of January 1928, after having been duly and regularly continued from January 13, 1928; and

It appearing that due notice of the hearing of said applications and of said account and report has been duly given to all persons who have appeared herein in accordance with law and the order of this court; and

It further appearing that said receiver performed services as such during the period commencing December 8, 1927, and ending January 9, 1928, inclusive, being a period of 33 days, and that in connection with such services it was necessary for said receiver to consult and hire attorneys to represent him in performance of his trust; and

It further appearing that judgment in the above-entitled matter was duly entered in the above-entitled matter in favor of the plaintiffs and against the defendants terminating the lease on the 31st day of December 1927; and

It further appearing that the receiver herein has collected the sum of \$907.77 total rentals, of which amount the sum of \$317.50 was collected by him as rental for the period subsequent to December 31, 1927, the date of termination of said lease aforesaid, leaving a balance of \$590.27 collected by said receiver for the account of defendants herein, and that out of said sums said receiver has expended the sum of \$246.87 as necessary disbursements for the proper management of said Clinton Court Apartments, being the property involved, leaving a balance in the hands of said receiver for the account of said defendants amounting to the sum of \$343.40, plus the sum of \$317.50, which he is holding for the account of plaintiffs aforesaid; and

It further appearing that all of the statements, allegations, and accounts contained in said first and final account and report of said receiver are, and each of them is, true and correct and fully sustained by the evidence adduced; and

It further appearing that possession of the premises has been turned over to the plaintiffs herein and that there is no longer any necessity for maintaining a receiver in possession thereof, and that the duties and responsibilities of said receiver terminated on January 9, 1928.

Now, therefore, it is hereby ordered, adjudged, and decreed as follows:

That due and legal notice of the hearing of said report and account of said receiver was given in all respects in accordance with law and the order of this court;

That the application of said receiver for compensation for services rendered for the period commencing December 8, 1927, and ending January 9, 1928, be, and the same is hereby, granted, and the said W. S. Leake, as such receiver, is hereby allowed the sum of \$10 per day, or a total of \$330, for his services as such receiver for said period;

That application of said receiver for an allowance for attorney's fees incurred by him be, and the same is hereby, granted at the sum of \$50, and said receiver be, and he is hereby, allowed said additional sum of \$50 with which to pay Messrs. Haswell & Leo for said legal services particularly itemized in said report;

That said receiver collected the sum of \$590.27 for the account of defendants, less the sum of \$246.87 necessarily expended by him, leaving a balance of \$343.40; that said allowance as receiver's compensation hereinbefore mentioned and said allowance for attorney's fees aforesaid and said disbursements as set forth in said account, amounting to the sum of \$246.87, be charged to the defendants herein, and that the deficiency of \$36.60, being the difference between the amount of said disbursements and said receipts for the account of said defendants, be added to the judgment in favor of the plaintiffs herein and against said defendants;

That the balance of cash on hand as shown by said report, amounting to the sum of \$606.90, less the allowance herein authorized for receiver's compensation and attorney's fees, be paid to the plaintiffs herein without any accounting to defendants or without any credit to defendants upon the judgment heretofore rendered herein;

That said W. S. Leake as such receiver, upon payment to plaintiffs herein of said balance, amounting to the sum of \$280.90, be, and he is hereby, discharged as such receiver.

Done in open court this 14th day of January 1928.

HAROLD LOUDERBACK,
Judge of Superior Court.

(Endorsed:) Filed January 13, 1928.

H. I. MULCREVY, Clerk,
By HENRY BASTEIN, Deputy Clerk.

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, IN AND FOR THE CITY AND COUNTY OF SAN FRANCISCO

A. W. JOHNSON AND GRACE P. JOHNSON, HIS WIFE, PLAINTIFFS, v. FRANK P. CRAIG AND HATTIE B. CRAIG, HIS WIFE, DEFENDANTS. NO. 189245. EXTRA SESSION NO. 1

Order appointing receiver

The motion of the plaintiffs herein for the appointment of a receiver to take charge of the premises described in the complaint on file in this action coming on before this court on the 7th day of December 1927, and it duly appearing that the defendants herein are lessees under a lease dated October 25, 1923, which lease was transferred to the plaintiffs herein on or about the 31st day of January 1927; and

It appearing that the defendants herein have defaulted in the payment of the rental due under said lease and remain in possession of the demised premises, after the expiration of 3 days succeeding the service upon them of a notice directing them to either pay the rent so in default within a period of 3 days after such date of service or to surrender possession of said premises; and

It appearing that this matter is within the exclusive original jurisdiction of this court and that the amount of the monthly rental of said property, in accordance with the terms of said lease, is the sum of \$1,000; and

It further appearing that the premises so leased as aforesaid constitute that certain building situate on the southwest corner of Stockton and California Streets, in San Francisco, said premises being known as the "Clinton Court Apartments"; and

It further appearing that upon the 7th day of December 1927 the plaintiffs herein by their verified complaint have commenced an action in unlawful detainer to recover possession of said premises and cancel and forfeit said lease; and

It further appearing that said overdue rental has not been paid to plaintiffs, or either of them, and that the same is still due, owing, and unpaid;

Now, therefore, be it, and it is hereby, ordered that W. S. Leake be, and he is hereby, appointed receiver to take charge of said demised premises and to collect the rents, issues, profits, and income thereof upon his taking the oath required by law and upon giving an undertaking in the amount of \$1,000, to the effect that he will faithfully discharge the duties of receiver in the action and obey the orders of the court therein, and upon the plaintiffs furnishing an undertaking, in the amount of \$3,000, to the effect that plaintiffs will pay to the defendants all damages they may sustain by reason of the appointment of such receiver and the entry by him upon his duties in case plaintiffs shall have procured such appointment wrongfully, maliciously, or without sufficient cause.

Done in open court this 7th day of December 1927.

HAROLD LOUDERBACK, Judge.

(Endorsed:) Filed December 8, 1927.

H. I. MULCREVY, Clerk,
By E. R. GREEN, Deputy Clerk.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

I, H. I. Mulcrevy, county clerk of the city and county of San Francisco, State of California, and ex officio clerk of the superior court in and for said city and county, hereby certify the foregoing to be a full, true, and correct copy of the original oath of receiver, order settling, etc., and order appointing receiver in the above-entitled cause on file in my office on the 6th day of May A.D. 1933.

Attest my hand and seal of said court this 6th day of May A.D. 1933.

[SEAL]

H. I. MULCREVY, Clerk,
By H. BENNETT, Deputy Clerk.

U.S.S. EXHIBIT 15

SAN FRANCISCO, CALIF.,
December 21, 1927.

ESTATE OF HOWARD BRICKELL, DECEASED, TO W. S. LEAKE

For services in appraising estate of Howard Brickell, deceased, \$500.

Received of Crocker First Federal Trust Co., the sum of five hundred and ⁰⁰/₁₀₀ dollars (\$500.00), in full payment of the above account.

(Sign here) W. S. LEAKE.

December 21, 1927.

Please receipt and return to Crocker First Federal Trust Co., San Francisco, Calif.

OFFICE OF THE COUNTY CLERK
OF THE CITY AND COUNTY OF SAN FRANCISCO.

I, H. I. Mulcrevy, county clerk of the city and county of San Francisco, and ex officio clerk of the superior court thereof, do hereby certify the foregoing to be a full, true, and correct copy of the voucher no. 75 in the matter of the estate of Howard Brickell, deceased, now on file and of record in my office.

Witness my hand and seal of said court this 2d day of May, A.D. 1933.

[SEAL]

H. I. MULCREVY, County Clerk.
By S. I. HUGHES, Deputy County Clerk.

U.S.S. EXHIBIT 16

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA IN AND FOR
THE CITY AND COUNTY OF SAN FRANCISCO

EDWARD DRELLER, PLAINTIFF, v. SIGMUND J. JANUS, BERNARD T. TOUTHEY,
CRYSTAL LAUNDRY CO., A CORPORATION; UNITED SERVICE CORPORA-
TION, A CORPORATION; J. N. KELLEY, R. J. DONOHUE, FIRST DOE,
SECOND DOE, THIRD DOE, AND FOURTH DOE, DEFENDANTS. NO. —,
DEPT. —

Order appointing receiver

The plaintiff in the above-entitled action having commenced an action in the superior court of the State of California, in and for the city and county of San Francisco, against the above-named defendants, praying that a receiver be appointed to take charge of the property, as more particularly set forth in those certain acts in the complaint mentioned, to which reference is hereby made;

Now, on reading and filing the complaint in such action, duly verified by the oath of the said plaintiff, and it satisfactorily appearing to me that it is a proper case for the appointment of a receiver;

It is ordered that W. S. Leake be, and he is hereby, appointed a receiver to take charge of the business now being conducted by the defendant, Crystal Laundry Co., a corporation, in the city and county of San Francisco, and to conduct said business and to preserve the assets thereof, until the further order of this court; and this court having required upon the making of said application, that the plaintiff execute to the defendants a bond in the sum of \$5,000, and the bond having been duly given by the plaintiff as required by law, and approved by me and filed in this action;

It is further ordered that said receiver, before entering upon the discharge of his duties, give a bond, as required by law, in the sum of \$500.

Done in open court this 30th day of December 1927.

HAROLD LOUDERBACK,
Judge of the Superior Court.

(Endorsed:) Filed December 31, 1927.

H. I. MULCREVY, Clerk.
By E. R. GREEN, Deputy Clerk.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

I, H. I. Mulcrevy, county clerk of the city and county of San Francisco, State of California, and ex officio clerk of the superior court, in and for said city and county, hereby certify the foregoing to be a full, true, and correct copy of the original order appointing receiver in the above-entitled cause, filed in my office on the 31st day of December A.D. 1927.

Attest my hand and seal of said court this 6th day of May A.D. 1933.

[SEAL]

H. I. MULCREVY, Clerk.
By H. BRUNNER, Deputy Clerk.

U.S.S. EXHIBIT 17

SAN FRANCISCO, CALIF.,
December 21, 1927.

ESTATE OF HOWARD BRICKELL, DECEASED, TO G. H. GILBERT

For services as appraiser of estate of Howard Brickell, deceased ————— \$500

Received of Crocker First Federal Trust Co. the sum of \$500 in full payment of the above account.

G. H. GILBERT.

December 21, 1927.

Please receipt and return to Crocker First Federal Trust Co., San Francisco, Calif.

OFFICE OF THE COUNTY CLERK OF THE CITY AND COUNTY OF SAN FRANCISCO

I, H. I. Mulcrevy, county clerk of the city and county of San Francisco, and ex officio clerk of the superior court thereof, do hereby certify the foregoing to be a full, true, and correct copy of the voucher no. 76, in the matter of the estate of Howard Brickell, deceased, now on file and of record in my office.

Witness my hand and the seal of said court this 2d day of May A.D. 1933.

[SEAL]

H. I. MULCREVY, County Clerk.
By S. I. HUGHES, Deputy County Clerk.

U.S.S. EXHIBIT 18

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT
OF CALIFORNIA, SOUTHERN DIVISION

WAUKESHA MOTOR CO. (A CORPORATION ORGANIZED AND EXISTING UNDER AND BY VIRTUE OF THE LAWS OF THE STATE OF WISCONSIN), COMPLAINANT, v. FAGEOL MOTORS CO. (A CORPORATION ORGANIZED AND EXISTING UNDER AND BY VIRTUE OF THE LAWS OF THE STATE OF CALIFORNIA) AND FAGEOL MOTORS SALES CO. (A CORPORATION ORGANIZED AND EXISTING UNDER AND BY VIRTUE OF THE LAWS OF THE STATE OF CALIFORNIA), DEFENDANTS. IN EQUITY NO. 3191

Bill of complaint

To the Honorable the District Court of the United States for the Northern District of California, Southern Division:

Waukesha Motor Co., a corporation duly organized and existing under and by virtue of the laws of the State of Wisconsin and a citizen of that State, brings this, its bill of complaint, on its

behalf and on behalf of all other creditors of Fageol Motors Co., a corporation organized and existing under and by virtue of the laws of the State of California, and Fageol Motors Sales Co., a corporation organized and existing under and by virtue of the laws of the State of California, and citizens of said State, and thereupon your orator alleges as follows:

First. That your orator is a corporation duly organized and existing under and by virtue of the laws of the State of Wisconsin and a citizen of said State.

Second. That each of the defendants is a corporation duly organized and existing under and by virtue of the laws of the State of California, and that each of them is a citizen of the State of California; each of said defendants having its principal place of business within the northern district of the State of California.

Third. That the defendant, Fageol Motors Co., a corporation, is engaged in the business of manufacturing and selling motor trucks and busses and parts therefor, and the defendant Fageol Motors Sales Co., a corporation, is engaged in the business of selling and distributing motor trucks and busses.

Fourth. That Fageol Motors Sales Co., a corporation, had at all times herein mentioned and now has an authorized capital stock of \$10,000, divided into 100 shares of the par value of \$100 each; that all of said shares are now issued and outstanding; that all of the stock of said Fageol Motors Sales Co. is owned and held by the defendant Fageol Motors Co.; that 997 shares thereof stand in the name of Fageol Motors Co.; that the remaining 3 shares stand in the name of 3 qualifying directors, but the beneficial right, title, and interest therein and thereto is vested in the defendant Fageol Motors Co.; that the said Fageol Motors Sales Co. is a wholly owned subsidiary of Fageol Motors Co. and is used and operated as an agency for the transaction of a certain branch of the business of Fageol Motors Co., to wit, the sale and distribution of certain trucks and busses.

That the defendant Fageol Motors Co. has transferred, loaned, and advanced to the defendant Fageol Motors Sales Co. from time to time large sums of money and other assets indiscriminately and without adequate security or protection as if the said two corporations were in fact one; that defendant Fageol Motors Co. has continuously, since the formation and organization of the defendant Fageol Motors Sales Co., issued and published a consolidated balance sheet, in which all of the assets and liabilities of both the defendant corporations were mingled together indiscriminately without segregation or classification as to ownership, and with recognition of and showing identity of interest and liability.

That the corporate entity of defendant Fageol Motors Sales Co. should be disregarded and the assets and liabilities of said Fageol Motors Sales Co. should be deemed and considered the assets and liabilities of defendant Fageol Motors Co.

Fifth. That the assets of the defendants consist of cash in bank, notes and trade acceptances receivable, accounts receivable, inventories of parts and raw materials and new and used trucks and busses, real estate and buildings, machinery, and fixtures of an aggregate value of upward of \$2,000,000 if liquidated in the usual and ordinary course of the company's business.

Sixth. That within 2 years last passed defendants became indebted to your orator upon an open book account for goods, wares, and merchandise to the reasonable value of \$22,734.49, sold and delivered by your orator to the defendants at defendants' special instance and request; that no part of said sum has been paid; that in addition thereto the defendants are indebted to your orator in the sum of \$15,000 principal and \$300 interest upon a promissory note executed and delivered to your orator by the defendant, Fageol Motors Co., dated October 19, 1931, bearing interest at the rate of 6 percent per annum, maturing on January 12, 1932; that no part of said principal or interest has been paid; that, furthermore, defendants are indebted to your orator upon a promissory note executed by the defendant, Fageol Motors Co., maturing on the 4th day of March 1932 in the principal sum of \$54,459.77; that no part of said sum has been paid; that demand has been made by your orator of defendants for the payment of the first two sums hereinabove referred to, but payment thereof has been refused.

Seventh. That the defendants are indebted to your orator and other creditors for moneys borrowed and for merchandise purchased and delivered to them in a sum in excess of the sum of \$935,000, of which said amount the sum of \$375,000 is secured by a certain contract dated October 31, 1925, between the defendant Fageol Motors Co. and The Fageol Motors Co., a corporation, of Ohio; that the said \$375,000 is evidenced by the 6½ percent sinking fund debenture bonds of the defendant Fageol Motors Co. dated February 1, 1928; that in addition to the foregoing indebtedness the said defendants have a contingent liability, the exact amount of which is unknown to your orator, upon conditional sale contracts covering the sale on the installment plan of trucks and busses, which contracts are unconditionally guaranteed by the said defendants, and have heretofore been sold, discounted, and/or hypothecated with banks and finance companies.

Eighth. That the defendants are at the present time without funds sufficient to meet their present obligations or their obligations due or shortly to mature, although if the assets of the companies can be liquidated in the usual and ordinary course of the defendants' business, and under proper management, their assets will be more than sufficient to cover all of their lawful obligations.

Ninth. That certain of the creditors of the defendants are pressing their claims for payment; that one of them has instituted suit against the defendants for a claim upward of \$40,000, which

said creditor has levied an attachment against the real estate and plant of the defendants located in the city of Oakland, county of Alameda, State of California; that other creditors have threatened to and will, unless otherwise restrained by this honorable court, file actions and levy attachments against the property and assets of the defendants; that any such further actions on the part of creditors will, as your orator believes, result in judgments, attachments, executions, and seizures by sheriffs and other like officers and forced sales of the property and assets of the defendants at less than the fair value thereof; and that, as a necessary consequence thereof, defendants will be compelled to cease the conduct of said business and their assets will be dissipated and sacrificed and there may not be realized an amount sufficient to pay the creditors of defendants in full, and that such action on the part of such creditors will cause great and irreparable loss and injury to the defendants and their creditors, including your orator.

Tenth. That the defendants are possessed of a large and varied stock of new and used trucks and busses, both completed and uncompleted, raw materials, and machinery, located at its factory in the city of Oakland, county of Alameda, State of California, and elsewhere; that this large stock of merchandise, parts, and materials if forced onto sale in bulk will necessarily be sacrificed for a small portion of its real value; and that a forced sale of the real property, plant, and equipment of the defendants would bring only a small fraction of the real value thereof, whereas if the business can be continued free from interruption and seizure under judgments, the said stock of merchandise, parts, and raw materials can be liquidated at its fair market value and the defendants enabled to discharge their obligations.

Eleventh. That if the defendants' assets are not taken into judicial custody, actions at law will be instituted by some of the creditors who are pressing for payment of their claims, and through such actions such creditors will obtain judgments and executions, and inequitable preference as against your orator and other creditors of the defendants will result. Likewise, unless the assets of the defendants are administered by a court of equity and all actions and proceedings of law, including executions, attachments, and other proceedings enjoined, your orator feels that the defendants will be subjected to a multiplicity of suits, which will result in an interruption of their business and a consequent serious dissipation of their assets.

Twelfth. That in order that the property of the defendants may be preserved for equitable distribution among those entitled thereto, your orator believes that this honorable court should intervene and appoint a receiver to take charge of all of the assets of the defendants, who shall conduct, manage, and administer the same under the power to be conferred upon him in the proposed decree herewith submitted.

Thirteenth. Your orator shows that the amount of the controversy in this action is in excess of \$3,000, exclusive of interest and costs.

Fourteenth. That your orator has no plain, speedy, adequate, or any remedy in the ordinary course of law.

Inasmuch, therefore, as your orator has no plain, speedy, adequate, or any remedy at law, and can have relief only in equity, your orator files this bill of complaint on behalf of itself and other creditors of the defendant who may thereafter join herein and prays for equitable relief as follows:

1. That this honorable court will administer all the properties, assets and effects, rights, and business belonging to the defendant, and will adjudicate, enforce, adjust, and determine the rights, equities, and claims of all the creditors of the defendants, including the claim of your orator.

2. That this honorable court will forthwith appoint a receiver or receivers of all and singular the property of the defendants, of whatsoever nature, with full power to take into their possession, hold, and manage the same under the direction of this court, with such powers as this court may from time to time grant; to continue the business in his or their discretion; to bring suit for, collect, receive, and take into their possession all the property and assets of defendant, including books, records, vouchers, checks, moneys, real estate, and all other property, real, personal, and mixed; to institute, prosecute, become parties to, intervene in, compromise, or defend any actions at law or in equity or under any statute for the recovery, protection, and maintenance of any of the assets or properties of defendant as they may deem necessary or proper, including the institution and prosecution of any such ancillary proceedings as they may deem advisable; to settle, collect, compound, adjust, or make allowance upon any debts that may be due or owing to the defendant as they may deem proper; to pay any such claims or wages, or otherwise, as may have priority; and, in general, with all the usual powers of receivers in such cases.

3. That the officers, managers, employees, creditors, and stockholders of the defendant, and all other persons, firms, and corporations be required forthwith to transfer, convey, and deliver up to such receiver or receivers possession of all property of the defendant wheresoever situate.

4. That all persons, firms, and corporations be enjoined from instituting, commencing, prosecuting, or continuing the prosecution of any actions, suits, or proceedings at law or in equity or under any statute against defendant, or from levying or serving any attachments or executions or other processes upon the defendant or upon or against any of the property of the said defendant, save and except the filing of mechanic's or other statutory liens, and generally that all persons, firms, and corporations be enjoined from doing any act to interfere with said receivers in their possession of the property of defendant.

5. That a writ of injunction issue out of and under the seal of this honorable court or issue by one of your honors directing, enjoining, and restraining defendant and its officers, directors, agents, and employees and all other persons whatsoever from interfering with, transferring, selling, or disposing of any of the property of said defendant.

6. That this honorable court will grant a writ of subpoena under the seal of this honorable court, directed to defendant and commanding it on a date certain therein named, before this honorable court, to answer (but not under oath, answer by oath being expressly waived) all and any of premises and to stand by, perform, and abide by such orders and decrees as may be made by this honorable court.

7. That a decree appointing a receiver or receivers of the property of the defendant and granting the relief prayed for in this bill of complaint may be granted by this honorable court in the form herewith submitted.

8. That at such time as may be found just and proper the properties of the defendant may be ordered to be sold, in whole or in part, for cash or on credit, in such manner and upon such conditions as this court may deem just and equitable, and that any such decree of sale shall make proper and equitable provision for the preservation of all equities, rights, properties, claims, and liens of all creditors and shall provide for the sale of the property of the defendant subject to or free of liens and encumbrances, in whole or in part, as this court may direct, and that the proceeds of any such sale be distributed among those entitled thereto, as this honorable court shall adjudicate, or that the properties of the defendant, in whole or in part, may be returned to it; and that your orator may have such other and further relief in the premises as may be just and equitable, and that the defendant may be directed to make such bills of sale, assignments, transfers, and conveyances of any such property as may be directed to be sold by this court.

9. That such order shall be made by this honorable court, as to the service of this bill of complaint and of any order that may be made in this suit as may be deemed sufficient and proper by this court.

10. That your orator may have such other and further relief as may be just and proper.

And your orator will ever pray.

WAUKESHA MOTOR CO.,

Complainant.

By H. J. FRAME,

General Attorney.

L. R. WEINMANN,

WILLIAM E. LICKING,

Solicitors for Complainant.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

William E. Licking, being first duly sworn, deposes and says:

That he is an attorney at law duly admitted and licensed to practice in all the courts of the State of California; that he is one of the attorneys for the complainant in the above-entitled action; that all of the officers of said complainant are out of the county of Alameda, State of California, the place where affiant has and maintains his offices as such attorney; that for this reason affiant makes this verification for and on behalf of said complainant; that he has read the foregoing bill of complaint and knows the contents thereof; that the same is true of his own knowledge except as to those matters therein stated on information and belief and as to those matters he believes it to be true.

WILLIAM E. LICKING.

Subscribed and sworn to before me this 15th day of February A.D. 1932.

ETTA LAIDLAW,

Notary Public in and for the City and County of San Francisco, State of California.

U.S.S. EXHIBIT 19

IN THE UNITED STATES DISTRICT COURT IN AND FOR THE NORTHERN DISTRICT OF CALIFORNIA, SOUTHERN DIVISION

WAUKESHA MOTOR CO. (A CORPORATION ORGANIZED AND EXISTING UNDER AND BY VIRTUE OF THE LAWS OF THE STATE OF WISCONSIN), COMPLAINANT, v. FAGEOL MOTORS CO. (A CORPORATION ORGANIZED AND EXISTING UNDER AND BY VIRTUE OF THE LAWS OF THE STATE OF CALIFORNIA) AND FAGEOL MOTORS SALES CO. (A CORPORATION ORGANIZED AND EXISTING UNDER AND BY VIRTUE OF THE LAWS OF THE STATE OF CALIFORNIA), DEFENDANTS. IN EQUITY NO. 3191

Answer to bill of complaint

To the Honorable District Court of the United States in and for the Northern District of California, Southern Division:

Now come the above-named defendants by Bronson & Slaven, as attorneys, and for answer to the bill of complaint herein, or so much thereof as defendant is advised that it is necessary or material for it to answer, says:

First. The allegations and each of them contained in the said bill of complaint are true.

Second. The defendants consent to the relief prayed for in the bill of complaint.

Wherefore the defendants pray that the relief prayed for in the bill of complaint be granted.

Dated this 17th day of February 1932.

BRONSON, BRONSON & SLAVEN,

Solicitors for Defendants,

Mills Tower, 220 Bush Street, San Francisco, Calif.

U.S.S. EXHIBIT 20

IN THE UNITED STATES DISTRICT COURT, NORTHERN DISTRICT OF CALIFORNIA, SOUTHERN DIVISION

WAUKESHA MOTOR CO. (A CORPORATION ORGANIZED AND EXISTING UNDER AND BY VIRTUE OF THE LAWS OF THE STATE OF WISCONSIN), COMPLAINANT, v. FAGEOL MOTORS CO. (A CORPORATION ORGANIZED AND EXISTING UNDER AND BY VIRTUE OF THE LAWS OF THE STATE OF CALIFORNIA) AND FAGEOL MOTORS SALES CO. (A CORPORATION ORGANIZED AND EXISTING UNDER AND BY VIRTUE OF THE LAWS OF THE STATE OF CALIFORNIA), DEFENDANTS. IN EQUITY 3191

Order appointing receiver

And now on this 15th day of February 1932 this cause came on to be heard upon the bill of complaint duly filed herein and the answer of the defendants hereto this day likewise filed, and upon a motion of the complainant for the appointment of a receiver, and after hearing, William E. Licking, representing the complainant, and after due deliberation, it is adjudged that the complainant, upon the facts contained in the said bill and upon said answer, is entitled to the relief hereby granted; and it is

On motion of William E. Licking, solicitor for the complainant, Ordered, adjudged, and decreed as follows: That G. H. Gilbert be, and he is hereby, appointed temporary receiver of the above-named defendants and all the property, assets, and effects of said defendants or in which the said defendants have any ownership or interest, whether such property be real, personal, and/or mixed, and of whatsoever kind and description and wheresoever situate and of all office furniture, fixtures, books of account, records, and other books, papers and accounts, cash on hand or in bank or on deposit, things in action, credits, stocks, bonds, securities, shares of stock, notes or bills receivable, muniments of title, as well as all other property of every character and description whatsoever of the defendants; and it is further

Ordered, adjudged, and decreed that the said receiver be, and he is hereby, authorized forthwith to take possession and control and custody of all said property, assets, and effects of said defendants; that said receiver is authorized to do all and any things and enter into all or any agreements as may be deemed by him necessary or advisable to preserve and protect the said property or assets; in his discretion to employ and discharge and to fix the compensation of such officers, agents, and employees as may, in his judgment, be necessary or advisable in the administration of this estate; and to make such payments and disbursements as may be needful or proper in the preservation of the assets of the defendants.

Said receiver is further authorized and empowered to institute, prosecute, defend, compromise, adjust, intervene in or become party to such suits, actions, or proceedings at law or in equity, including ancillary proceedings in State or Federal courts, as may in his judgment be necessary or proper for the protection and preservation of the assets of the defendants or the carrying out of the terms of this decree; and likewise to defend, compromise, or adjust, or otherwise dispose of all or any suits, actions, or proceedings now pending in any court by or against the said defendants where such prosecution, compromise, defense, or other disposition of such suit or action will in the judgment of said receiver be advisable or proper for the protection of the assets of the above-named defendants, and such receiver is authorized to settle with, compromise, collect from, or make allowance to debtors of the above-named defendants; to enter into such arrangements, compositions, extension, or otherwise with debtors of the defendants as the said receiver may deem advisable; and generally said receiver is authorized to do all acts, enter into any agreements, and accept, adopt, or abandon any or all contracts as may be deemed by such receiver advisable for the protection or preservation of the assets of the above-named defendants; and it is further

Ordered that the bond of the receiver in the sum of \$50,000, conditioned that he will well and truly perform the duties of his office and duly account for all moneys and property which come into his hands and abide by and perform all things which he shall be directed to do, with sufficient sureties to be approved by a judge of this court, be filed with the clerk of this court within 2 days from the date of this order; and it is further

Ordered, adjudged, and decreed that said defendants, their officers and directors, agents, and employees, and all other persons claiming to act by, through, or under, or for said defendants and all other persons, firms, and corporations, including creditors of the defendants, and including all sheriffs, marshals, constables, and their agents and deputies, and all other officers are hereby enjoined from transferring, removing, disposing of or attempting in any way to remove, transfer, or dispose of or in any way interfere with any of the properties owned by or in the possession of said defendants, and all said persons, firms, and corporations are enjoined from doing any act whatsoever to interfere with the possession and management by said receiver of the properties of the defendants, or in any way to interfere with said receiver in the discharge of his duties, or to interfere in any way with the administration and disposition in this suit of the affairs and properties of the defendants, and all creditors of the said defendants are hereby enjoined from instituting or prosecuting or continuing the prosecution of any pending actions, suits, or proceedings at law or in equity, or under any statute, against the said defendants, and from levying any attachments, executions, or other processes upon or against any of the properties of the said defendants, or from taking or attempting to take into their possession any of the

properties of the said defendants, and from issuing or causing the execution or issuance out of any court of any writ, process, summons, subpoena, replevin, or attachment; and it is further

Decreed that the receiver be, and he hereby is, directed within 30 days from the date of this decree to cause to be mailed to each and every creditor of the defendants known to such receiver a copy of this order and a notice of a motion to make the receivership herein permanent, such mailing to be in a securely sealed envelope, postage prepaid, and to be addressed to said creditor at the last post-office address known to the said receiver, and such service by mail is hereby decreed to be due, timely, sufficient, and complete service of notice of this decree and this suit and of such notice and all proceedings had or to be had herein and upon all such creditors for all purposes; and it is further

Decreed that all such creditors of the defendants be, and they hereby are, directed to file with the receiver or any permanent receiver, at such office or place of business as said receiver may designate at, within 90 days from the date of this order, a duly sworn statement of all or any such claims as they, such creditors, may have or assert against the defendants, and such statement shall be verified before any officer authorized to administer oaths by the laws of the State where said claim is verified, and such statements of claims shall, where the same is evidenced by any written instrument, have such written instrument attached thereto; and it is further

Decreed that notice of the time and place for the filing of the said claim shall be published at least four times before the expiration of said period of 90 days in the Inter-City Express, a newspaper of general circulation published in the city of Oakland, county of Alameda, State of California; and it is further

Decreed that all such creditors as shall fail to file their claims with said receiver, as herein provided and within the time fixed, shall be debarred from any share of, in, or to the properties of the said defendants, and shall not be entitled to receive any share thereof or of the proceeds thereof; and it is further

Decreed that the receiver shall have leave to apply for such other or further orders as may to him from time to time seem advisable or necessary in the administration of this fund.

HAROLD LOUDERBACK,

Judge of the United States District Court.

FEBRUARY 15, 1932.

U.S.S. EXHIBIT 21

IN THE SOUTHERN DIVISION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA, SOUTHERN DIVISION

WAUKESHA MOTOR CO., A CORPORATION, PLAINTIFF, v. FAGEOL MOTORS CO., A CORPORATION, AND FAGEOL MOTOR SALES CO., A CORPORATION, DEFENDANTS. NO. 3191-L IN EQUITY

Order approving bond of receiver

This day came G. H. Gilbert, having been heretofore appointed receiver herein, and accepted said appointment, and was duly sworn, and also presented his bond in the sum of \$50,000 with the National Surety Co., as surety, which is hereby approved, and ordered filed. Said receiver is therefore found to be duly qualified.

Dated February 17, 1932.

HAROLD LOUDERBACK,

District Judge.

U.S.S. EXHIBIT 22

[Central National Bank of Oakland, capital, surplus, and undivided profits \$3,500,000]

OAKLAND, CALIF., May 4, 1932.

MR. JOHN WALTON DINKELSPIEL,

Attorney at Law, San Francisco, Calif.

DEAR SIR: In view of the recent publicity in connection with the Fageol Motors Co. receivership, I feel it is only fair that you receive this expression of our feelings as to the attitude of your office and Mr. G. H. Gilbert thus far in this receivership.

You both have shown a desire to cooperate, and have cooperated, with the creditors to the fullest extent, and I feel that as a result of this mutual cooperation a businesslike administration will obtain.

Yours truly,

JAS. A. WAINWRIGHT.

U.S.S. EXHIBIT 23

JULY 28, 1932.

G. H. GILBERT, Esq.,

Fageol Motors Co., Oakland, Calif.

DEAR SIR: It is my pleasure at this time to acknowledge my appreciation for the cooperation extended me as a representative of this bank in the matter of the Fageol receivership.

You at all times were willing and did listen to and heed the advice and counsel of the writer and other representatives of the large creditors.

I wish you success in any future undertaking, and trust that, though your connection with the Fageol Co. is at an end, I may have the pleasure of seeing you in the future whenever you have occasion to be in Oakland.

With my kindest well wishes, I am, yours sincerely,

JAS. A. WAINWRIGHT.

U.S.S. EXHIBIT 24

IN THE SOUTHERN DIVISION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA, SECOND DIVISION
IN THE MATTER OF STEMPER & COOLEY, A COPARTNERSHIP CONSISTING OF EDNA B. STEMPER, RAY J. STEMPER, BESSIE COOLEY, AND AARON COOLEY, DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF STEMPER & COOLEY, ALLEGED BANKRUPTS. NO. 17807-L IN BANKRUPTCY

Order appointing receiver

Upon the petition of A. G. Isaacs verified this 23d day of January 1929, and the petition of bankruptcy filed herein against the above alleged bankrupts in the office of the clerk of this court on the 17th day of January 1929, and upon the bond of the petitioning creditor duly filed and approved herewith, and it appearing that a subpoena has been duly issued against said alleged bankrupts as required by law, and the appointment of a receiver is absolutely necessary for the preservation of this estate, now on motion of Jefferson E. Peyser, Esq., attorney for the petitioning creditors herein:

It is ordered that G. H. Gilbert be, and he hereby is, appointed receiver of the property, assets, and effects of the above-named alleged bankrupts with all the usual rights and powers thereof until the further order of this court in the premises; and it is further

Ordered that the said receiver give a bond to the people of the United States in the sum of \$5,000, conditioned for the faithful discharge of his duties as such receiver prior to entering upon his duties hereunder; and it is further

Ordered, that said alleged bankrupts forthwith deliver to said receiver all of their property, assets, and effects now in their possession or under their control, and the said alleged bankrupts and all other persons, firms, corporations, and creditors of the said alleged bankrupts, as well as their and each of their attorneys, agents, and servants, and all sheriffs, marshals, and other officers, deputies and their employees are hereby jointly and severally restrained and enjoined from removing, transferring, or otherwise interfering with the property, assets, and effects of the above-named alleged bankrupts and from prosecuting, executing, or suing out of any court any process, attachment, replevin, or other writ for the purpose of taking possession, impounding, or interfering with any property, assets, or effects of the above-named alleged bankrupts and from molesting, disturbing, or interfering with the receiver herein appointed in the discharge of his duties.

Dated January 25, 1929.

HAROLD LOUDERBACK, Judge.

U.S.S. EXHIBIT 25

IN THE SOUTHERN DIVISION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA, SECOND DIVISION
IN THE MATTER OF STEMPER & COOLEY, A COPARTNERSHIP CONSISTING OF EDNA B. STEMPER, RAY J. STEMPER, BESSIE COOLEY, AND AARON COOLEY, DOING BUSINESS UNDER THE FIRM NAME AND STYLE OF STEMPER & COOLEY, ALLEGED BANKRUPTS. NO. 17807-L IN BANKRUPTCY

Order authorizing employment of counsel by receiver

Upon reading and filing the petition of G. H. Gilbert, receiver in the above-entitled matter, dated this day, and good cause appearing therefor, it is hereby

Ordered that the said receiver may employ legal counsel in connection with his duties as such receiver, and that the firm of Keyes & Erskine, attorneys at law, may be employed by said receiver as his counsel, and the selection by said receiver and appointment herein is hereby confirmed.

Dated January 28, 1929.

HAROLD LOUDERBACK,
Judge of the United States District Court.

U.S.S. EXHIBIT 26

IN THE SOUTHERN DIVISION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA, SECOND DIVISION
IN THE MATTER OF SONORA PHONOGRAPH CO., INC., A CORPORATION, ALLEGED BANKRUPT. NO. 18804-L IN BANKRUPTCY

Order appointing ancillary receivers

Upon the petition of Arrow-Hart Electric Co., a corporation, Harvey Hubbell, Inc., a corporation, and Gavitt Manufacturing Co., a corporation, verified the 18th day of December 1929 praying for the appointment of ancillary receivers in bankruptcy in this jurisdiction, and it appearing that an involuntary petition in bankruptcy was filed on the 18th day of December 1929 and is now pending in the District Court of the United States for the Southern District of New York against the above-named bankrupt, and that the Irving Trust Co., a corporation, has been appointed receiver, duly qualified, and is now acting as such receiver; that the said alleged bankrupt owns and possesses certain property consisting of goods, wares, and merchandise and fixtures in this State and district; that it is absolutely necessary for the preservation of this property and in aid of the receiver heretofore appointed in said Southern District of New York, that ancillary receivers be appointed herein, now, upon motion of Martin J. Dinkelspiel, of the firm of Dinkelspiel & Dinkelspiel, attorneys for said petitioners.

It is ordered that the prayer of said petition be, and hereby is, granted, and Irving Trust Co., a corporation, and G. H. Gilbert

be, and they are hereby, appointed ancillary receivers of the above-named bankrupt in and for this district, with all the rights and powers to carry into force and effect the orders of the original court of jurisdiction; and it is further

Ordered that said receiver, G. H. Gilbert, furnish a bond in the sum of \$75,000 for the faithful discharge of his duties as such receiver; and it is further

Ordered that said alleged bankrupt forthwith deliver to said receivers all of its property, assets, and effects now in its possession or under its control, and that said alleged bankrupt, and all other persons, firms, corporations, and creditors of said alleged bankrupt, as well as their and each of their attorneys, agents, and servants, and all sheriffs, marshals, and other officers, deputies, and their employees are hereby jointly and severally restrained and enjoined from removing, transferring, or otherwise interfering with the property, assets, and effects of the above-named alleged bankrupt; and from prosecuting, executing, or suing out of any court any process, attachment, replevin, or other writ for the purpose of taking possession, impounding, or interfering with any property, assets, or effects of the above-named alleged bankrupt; and from molesting, disturbing, or interfering with the ancillary receivers herein appointed in the discharge of their duties.

Dated December 20, 1929.

HAROLD LOUDERBACK,
District Judge.

U.S.S. EXHIBIT 27

IN THE SOUTHERN DIVISION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA, SECOND DIVISION
IN THE MATTER OF SONORA PHONOGRAPH CO., INC., A CORPORATION, ALLEGED BANKRUPT. NO. 18804-L

Order authorizing ancillary receiver to employ counsel

The ancillary receiver herein, Guy H. Gilbert, having filed his petition for authority to employ counsel at the expense of said estate; and

It appearing satisfactory therefrom for the reasons shown therein that it is necessary for said ancillary receiver to employ counsel, and the names of the counsel proposed to be employed by this ancillary receiver being shown in said petition and the affidavit of the proposed counsel being filed herewith:

It is ordered that said ancillary receiver, Guy H. Gilbert, be, and he is hereby, authorized to employ Messrs. Dinkelspiel & Dinkelspiel, attorneys at law, of the city and county of San Francisco, State of California, as counsel at the expense of said estate to represent him in the matters mentioned in said petition, said authority to be effective as of the date of the appointment of the ancillary receiver herein.

Dated December 20, 1929.

HAROLD LOUDERBACK,
District Judge.

U.S.S. EXHIBIT 28

IN THE SOUTHERN DIVISION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA, SECOND DIVISION
IN THE MATTER OF SONORA PHONOGRAPH CO., INC., A CORPORATION, ALLEGED BANKRUPT. NO. 18804-L IN BANKRUPTCY

Order approving first report and account of ancillary receiver

The report and account of G. H. Gilbert, ancillary receiver herein, having been duly filed and coming on for hearing before this court on the 21st day of February 1930; and

It appearing that no creditors of said alleged bankrupt are present or exist within this district, and good cause appearing therefor,

It is hereby ordered, adjudged, and decreed and this court does hereby order, adjudge, and decree that the said first report and account of said G. H. Gilbert, ancillary receiver herein, be, and the same is hereby, approved, and that the petition of said ancillary receiver for compensation and reimbursement of expenses incurred in the administration of the said estate be, and the same is hereby, granted.

Dated February 24, 1930.

HAROLD LOUDERBACK,
United States District Judge.

U.S.S. EXHIBIT 29

IN THE SOUTHERN DIVISION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA, SECOND DIVISION
IN THE MATTER OF SONORA PHONOGRAPH CO., INC., ALLEGED BANKRUPT. NO. 18804-L IN BANKRUPTCY

Order allowing compensation on account to attorneys for ancillary receiver

Upon reading and filing the petition of Dinkelspiel & Dinkelspiel, attorneys for the ancillary receiver herein, heretofore filed, and it appearing that notice of the hearing of said petition has been duly and properly served in accordance with the order heretofore made by this court on the 29th day of April 1930 and good cause appearing:

It is hereby ordered, adjudged, and decreed, and this court does hereby order, adjudge, and decree, that said firm of attorneys as attorneys for said ancillary receiver do receive the sum

of \$15,000 on account as and for services rendered to said ancillary receiver and that said G. H. Gilbert, said ancillary receiver be and he is hereby authorized to compensate said attorneys on account in the aforesaid sum and to reimburse said attorneys for those certain expenses incurred by said attorneys for and on behalf of said ancillary receiver and said estate, as appears more specifically in exhibit B of the petition of said attorneys on file herein.

Done in open court this 17th day of May 1930.

HAROLD LOUDERBACK,
United States District Judge.

U.S.S. EXHIBIT 30

IN THE SOUTHERN DIVISION OF THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

IN THE MATTER OF SONORA PHONOGRAPH CO., INC., ALLEGED BANKRUPT
NO. 18804-L IN BANKRUPTCY

Order approving second report and account of ancillary receiver

The second report and account of G. H. Gilbert, ancillary receiver herein, having been duly filed and coming on for hearing before this court on the 10th day of May 1930; and

It appearing that notice of the hearing of said petition having been duly given in accordance with the order of this court made and entered on the 29th day of April 1930, and good cause appearing therefor, it is hereby

Ordered, adjudged, and decreed, and this court does hereby order, adjudge, and decree, that the second report and account of G. H. Gilbert as ancillary receiver be, and the same is hereby, approved, and that said G. H. Gilbert as ancillary receiver do receive the sum of \$2,502.83 as and for commissions on account for services rendered and the sum of \$60 for expenses incurred by said ancillary receiver and heretofore advanced by said ancillary receiver for and on behalf of said estate.

Dated May 12, 1930.

HAROLD LOUDERBACK,
District Judge.

U.S.S. EXHIBIT 31

IN THE SOUTHERN DIVISION OF THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA, SECOND DIVISION

IN THE MATTER OF SONORA PHONOGRAPH CO., INC., A CORPORATION,
BANKRUPT. NO. 18804-L IN BANKRUPTCY

Order allowing third and final account of ancillary receiver and order allowing final compensation to attorneys for ancillary receiver

The third and final report and account of G. H. Gilbert, the ancillary receiver of the Sonora Phonograph Co., Inc., a corporation, having been duly filed, and the petition for final compensation for services rendered to said ancillary receiver of Messrs. Dinkelspiel & Dinkelspiel, the attorneys for said ancillary receiver having been duly filed, and due notice thereon having been made in accordance with an order of this court made on the 23d day of June 1930 and the said report and petition having duly come on for hearing before this court on the 26th day of July 1930 and being continued by this court until the 28th day of July 1930, and Messrs. McCutchen, Olney, Mannon & Greene appearing at said hearing for and on behalf of the Irving Trust Co., the duly appointed, qualified, and acting trustee in bankruptcy of said Sonora Phonograph Co., Inc., and on behalf of said creditors committee, and Messrs. Dinkelspiel & Dinkelspiel appearing as attorneys for said ancillary receiver, and in propria persona for the petition for compensation for legal services rendered to said ancillary receiver, and both oral and written evidence having been introduced and heard by this court; and whereas a supplemental report to said third and final account of said ancillary receiver and a supplemental report of said attorneys for said ancillary receiver having been duly filed and a hearing thereon being had as aforesaid, and good cause appearing,

It is hereby ordered, adjudged, and decreed, and this court does hereby order, adjudge, and decree, that the third and final report and account of G. H. Gilbert, ancillary receiver herein be, and the same is hereby, approved as filed; and

It is further ordered, adjudged, and decreed, and this court does hereby order, adjudge, and decree, that the sum of \$5,000 is a reasonable and proper and final allowance to be made to Messrs. Dinkelspiel & Dinkelspiel as and for compensation for legal services rendered to said G. H. Gilbert, ancillary receiver herein; and

It is further ordered, adjudged, and decreed, and this court does hereby order, adjudge, and decree, that said G. H. Gilbert be, and he is hereby, allowed and authorized to make the following disbursements in accordance with the foregoing order, to wit:

G. H. Gilbert, final compensation as ancillary receiver	\$2,855.64
Lybrand Ross Bros. & Montgomery, certified public accountants	100.00
Russell L. Wolden, assessor of the city and county of San Francisco	705.11
G. H. Gilbert	17.40
F. R. Rogers	20.00
G. K. Brown (Western Union Telegraph Co.)	15.55
San Francisco Water Co.	5.31
Dinkelspiel & Dinkelspiel, final allowance for attorneys' fees	5,000.00
Dinkelspiel & Dinkelspiel, expenses	194.38

It is further ordered, adjudged, and decreed that upon the distribution by G. H. Gilbert of the amounts as above set forth, that

the balance of all moneys and assets remaining in the possession of said G. H. Gilbert be remitted, turned over, and delivered to the Irving Trust Co. as trustee in bankruptcy of said Sonora Phonograph Co., Inc.

Dated July 30, 1930.

HAROLD LOUDERBACK,
United States District Judge.

U.S.S. EXHIBIT 32

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
NORTHERN DISTRICT OF CALIFORNIA, SOUTHERN DIVISION

CHARACTER FINANCE CO. OF SANTA MONICA, A CALIFORNIA CORPORATION, PLAINTIFF, v. PRUDENTIAL HOLDING CO. OF LOS ANGELES, A NEVADA CORPORATION, DEFENDANT. IN EQUITY, NO. —

Order authorizing receiver to employ counsel

This cause coming on to be heard upon the petition of G. H. Gilbert, receiver herein, for leave to employ counsel for said receiver, and it appearing to the court that there are numerous legal questions presented in the administration of said receivership and that it is necessary for said receiver to employ counsel to aid him in said administration, and that Messrs. Dinkelspiel & Dinkelspiel, practicing attorneys of the city and county of San Francisco, State of California, are competent to act as attorneys for said receiver, it is therefore

Ordered that leave be, and it is hereby, granted to said G. H. Gilbert, as receiver, to retain and employ Messrs. Dinkelspiel & Dinkelspiel as attorneys for said receiver in the above-entitled cause; and it is further

Ordered that said Dinkelspiel & Dinkelspiel be, and they are hereby, appointed as attorneys for said G. H. Gilbert.

Dated August 18, 1931.

HAROLD LOUDERBACK, Judge.

U.S.S. EXHIBIT 33

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
NORTHERN DISTRICT OF CALIFORNIA, SOUTHERN DIVISION

CHARACTER FINANCE CO. OF SANTA MONICA, A CALIFORNIA CORPORATION, PLAINTIFF, v. PRUDENTIAL HOLDING CO. OF LOS ANGELES, A NEVADA CORPORATION, DEFENDANT. IN EQUITY NO. 2984. BILL OF COMPLAINT

To the Honorable Judges of the United States District Court in and for the Northern District of California, Southern Division:

The complainant above named herein by its bill of complaint and on its own behalf and on behalf of all other stockholders of the defendant who may elect to come in and contribute to the expense of these proceedings, or who may hereafter join in the prosecution of this suit shows and submits to the court as follows:

I. That the complainant, Character Finance Co. of Santa Monica, is a corporation organized and existing under and by virtue of the laws of the State of California and having its office and principal place of business in the city of Santa Monica, county of Los Angeles, in said State, and a citizen and resident of said State.

II. That the defendant, Prudential Holding Co. of Los Angeles, is a corporation organized and existing under and by virtue of the laws of the State of Nevada, and a citizen of said State of Nevada, and a resident thereof, having its principal place of business in the city of Oakland, county of Alameda, State of California.

III. That the grounds upon which the jurisdiction of the court depends is the diversity of citizenship and the fact that the defendant has property in California within the jurisdiction of this court, and is a corporation organized and existing under and by virtue of the laws of the State of Nevada. The amount involved is in excess of \$3,000. That this suit is brought for the appointment of a receiver, the determination of claims, the determination as to creditors and stockholders of the defendant corporation, and to obtain the assistance of this court in the preservation of the assets of the defendant corporation for the benefit of the creditors and stockholders of the said corporation.

IV. That at all times herein mentioned there was issued to your petitioner 6,400 shares of the capital stock of defendant corporation known as "class B preferred stock" and 3,200 shares of the common capital stock of said defendant corporation.

That your petitioner acquired the aforesaid shares of stock of said defendant corporation by reason of an agreement duly made and entered by and between your petitioner and said defendant on the 12th day of September 1929, wherein and whereby your petitioner did transfer to said defendant corporation all of its assets of whatsoever kind and character in exchange for the issuance to your petitioner by said defendant of the aforesaid shares of stock, and for the further consideration that said defendant agreed to assume all of the outstanding obligations of your petitioner existing at the said time; that the said assets transferred by petitioner to defendant by reason thereof consisted of personal and real property of the reasonable value of \$96,000; that at the date of the said transfer your petitioner did have liabilities in the sum of approximately \$15,000; that your petitioner has made demand upon said defendants to pay said obligations of your petitioner, in accordance with said agreement, but that said defendant has at all times refused, and now does refuse, to pay said obligations, except the sum of \$10,000, and that there now remains owing and unpaid to divers and various creditors of your petitioner the sum of approximately \$5,000, which said defendant refuses to pay, and your petitioner is informed and believes, and therefore alleges, that at the date hereof is unable to pay for the reasons herein-after set forth.

V. That your petitioner is informed and believes, and therefore alleges, the fact to be that the authorized capital stock of said defendant corporation is the sum of \$5,000,000, and that at the date hereof there is outstanding and issued 88,938 shares of class B preferred stock of said corporation of the par value of \$10 per share, and 288,128 shares of common no-par stock.

VI. That defendant is and was at all times herein mentioned engaged in the buying, selling, exchanging, and general dealing in real properties, improved and unimproved, office buildings, and store buildings, dwelling houses, ranch properties, apartment houses, and operating, maintaining, leasing dwelling houses, apartment houses, and business blocks of all kinds and description, and maintaining a general real-estate agency and broker's business, including the right to manage estates, to act as agent, and broker, for any person or corporation; to make and obtain loans on real estate, improved or unimproved, and to supervise, manage, and protect such property and loans, and all interests and claims affecting the same; to have the same insured against fire and other casualties; to investigate the credit, financial solvency, and sufficiency of borrowers, mortgagors, and sureties upon bonds, mortgages, and undertakings; to improve, manage, operate, sell, mortgage, lease, or otherwise dispose of any property, real or personal, and to take mortgages, deeds of trust, assignments of mortgages, and deeds of trust upon the same; and to operate and conduct a general finance and discount business.

VII. That defendant corporation is possessed of large assets and holds and owns properties throughout the State of California.

VIII. That your petitioner is informed and believes and therefore alleges the fact to be that, in addition to the foregoing, said defendant corporation was organized and is organized for the purpose of acquiring the capital stock, both preferred and common, and assets in numerous and divers finance companies, each of which finance companies was respectively organized with the powers and purposes as set forth specifically in the preceding paragraph.

IX. That said defendant corporation has from time to time within the last several years past acquired numerous and divers finance and mortgage companies and thrift banks in various parts of the State of California and elsewhere, and has assumed the obligations of each and every one of the said finance and mortgage companies and thrift banks so taken over by said defendant, and that at the date hereof said defendant owns and operates said numerous and divers finance and mortgage companies and thrift banks and is operating each of said companies.

X. That plaintiff is informed and believes and therefore alleges that the defendant is indebted to various creditors in the aggregate sum of approximately \$1,100,000.

XI. That plaintiff is informed and believes and therefore alleges that defendant is without sufficient funds to meet its present obligations, a majority of which are past due, although defendant has assets sufficient to cover its said obligations and a substantial surplus, if said assets can be liquidated, but not through forced attachment, execution, foreclosure, or bankruptcy sale.

XII. Plaintiff is informed and believes and therefore alleges that defendant is in possession of assets of a fair and reasonable value of approximately \$1,150,000 consisting of real and personal property and accounts receivable.

XIII. Plaintiff is informed and believes and therefore alleges that various creditors of the defendant are pressing their claims against it and that one creditor has commenced a suit and levied attachment proceedings against the defendant, and that unless a receiver is appointed, further suits will be commenced against the defendant, and that attachments and executions will be levied against the property of the defendant, and that such suits will result in forced sales of the assets and property of the defendant, which forced sales would result in hardship and damage to the creditors, the plaintiff, and other creditors and stockholders of the defendant.

XIV. Plaintiff is informed and believes and therefore alleges that if sales of the assets or some part thereof were forced at the present time it would result in a severe and irreparable loss to the plaintiff, creditors, and other shareholders of defendant, as well as to defendant, prevent the orderly liquidation of the outstanding loans of the defendant and the orderly disposition of the real and personal property belonging to said defendant, and the fair value of such assets would not be realized, but if said assets can be preserved against a forced sale and can be withheld from sale until such time as market conditions improve a sufficient amount of money will be realized to pay all the debts of the defendant in full with assets remaining over which would enure to the benefit of plaintiff and the other shareholders of said defendant.

Plaintiff is informed and believes and therefore alleges that there are numerous liens against the assets of defendant by way of mortgages and deeds of trust and unless a receiver is appointed a great number of actions will be commenced against defendant which litigation will be long continued and expensive and will inevitably result in greatly depreciating the value of defendant's assets, to the great detriment of all of its creditors and shareholders.

XV. That plaintiff is informed and believes and therefore alleges that if defendant's assets are not taken into judicial custody in equitable preferences against your petitioner and other stockholders and creditors of the defendant will result, and unless the assets of the defendant are administered upon in a court of equity and all acts or proceedings at law, including executions, attachments, and other proceedings enjoined, plaintiff feels that the defendant corporation will be subject to a multiplicity of

litigation which will result in an interruption of its business, with consequent serious dissipation of its assets.

XVI. That your petitioner is informed and believes and therefore alleges that through the mismanagement of the board of directors of defendant and its officers that certain mortgages and deeds of trust securing certain loans have been allowed to be improperly foreclosed, with the result that the mortgagors and lenders of the said loans secured by said mortgages and deeds of trust against the properties and assets of said defendant have instituted and are about to institute suits for deficiency judgments against said corporation. That one of said suits has been brought by the First National Bank of Bakersfield, Kern County, State of California, in the sum of approximately \$60,000, against said corporation, which suit is now pending against said corporation, and by reason thereof certain properties and assets of said defendant are now under attachment and are in great danger of being sold under execution sale to satisfy this judgment and to satisfy any judgments or attachments which might subsequently in the same manner be levied, which sales, as hereinabove set forth, would result in a severe and irreparable loss to the plaintiff and to other creditors and stockholders of the defendant as well as to the defendant.

XVII. That your petitioner is further informed and believes and therefore alleges the fact to be that if the affairs of said defendant were properly managed that said foreclosures and deficiency suit would not have been brought nor would other suits be threatened, which might result in a severe and irreparable loss to plaintiff and to other stockholders of defendant, as aforesaid.

XIX. That your petitioner is informed and believes and therefore alleges the fact to be that the defendant owned a large equity in certain real property located in the county of Santa Clara, State of California, which property is subject to a deed of trust, and that the beneficiaries thereunder have begun foreclosure proceedings. That your petitioner is further informed and believes and therefore alleges that the directors and officers of said defendant have taken no step to prevent said foreclosure or to refinance said properties; that if the beneficiaries under said deed of trust are allowed to foreclose said property it will cause a severe and irreparable loss to plaintiff and to stockholders of defendant corporation and to defendant.

XX. That plaintiff is informed and believes and therefore alleges that defendant, through its board of directors and president, has not paid the taxes which have accrued and are maturing against the various and divers real properties belonging to said defendant and that by reason thereof there is great danger that said properties subject to said taxes will be lost to said plaintiff and other stockholders of defendant and defendant.

XXI. That your petitioner is further informed and believes and therefore alleges the fact to be that without the proper authority or legal authority the president of said corporation has transferred certain of the assets, namely, certain accounts receivable to various parties, for the purpose of handling and adjusting; that in this manner these accounts receivable have passed beyond the direct control of the said defendant, which in effect, as plaintiff is informed and believes and, therefore alleges, has allowed a liquidating agent to take control of said assets.

XXII. That plaintiff and other stockholders have often made demand of the directors, and particularly of F. W. Beck, president of the corporation, and C. M. Hawkins, a director of said corporation, who are actively in charge of the affairs and conduct of said corporation, for information pertaining to the affairs of said defendant, but that said F. W. Beck and C. M. Hawkins have refused at all times to give or divulge any information pertaining to the affairs of said corporation to your petitioner.

XXIII. That plaintiff is informed and believes and therefore alleges the fact to be that by reason of the mismanagement, carelessness, and negligence of the directors and officers of said defendant corporation, said defendant corporation has been allowed to become involved financially in the manner as hereinabove set forth, and that said officers and directors of said defendant will take no steps or actions to economize or to properly conduct the said business, taking into consideration its present circumstances; that plaintiff is unable to obtain any relief from the directors of the defendant corporation now in office, and if demand were made upon them for such relief from the said acts and mismanagement herein mentioned, said relief would not be granted. That demand has been made upon the directors of said corporation as to a statement of their condition by petitioner herein but that said directors have at all times refused to give to petitioner herein any information pertaining to the affairs of said defendant.

XXIV. That inasmuch as plaintiff has no adequate remedy at law and can only have relief in equity, plaintiff files this bill of complaint on behalf of itself and other stockholders and creditors of defendant corporation who may hereafter join herein for judgment.

XXV. That it will be necessary for any receiver appointed herein to issue receiver's certificates for the payment of current obligations of the defendant corporation, and plaintiff prays for equitable relief pending the final determination of this action, as follows:

1. That this honorable court will forthwith appoint a receiver of all and singular the property and assets of every nature whatsoever situated, held, owned, or controlled by the defendant corporation with full power and authority to take into his possession, hold, manage, and conduct the business now being conducted by defendant corporation, with such powers as this honorable court may from time to time grant, including the power to borrow

money on receiver's certificates or otherwise for that purpose to incur such expense as may be necessary or advisable in connection therewith; to purchase for cash or credit such merchandise, supplies, materials, or other property as may be necessary or advisable in connection with the administration of the assets of the defendant; to sell in the regular course or conduct of the business, or otherwise, all or any part of the assets and merchandise of the defendant; to bring suit for, collect, and receive and take to his possession all the property and assets, real or personal, goods, chattels, credits, moneys, rights, claims and effects, books, papers, securities, and all other property and assets, whatsoever and wheresoever situated, of the defendant; to institute, prosecute, become party to, intervene in, compromise, or defend suits and actions at law or in equity or otherwise, either for the recovery or the protection or maintenance of any of the property and assets of the defendant as he may deem necessary or proper, including the institution and prosecution of such ancillary proceedings as said receiver may deem advisable, and including any other suits or actions or proceedings at law or in equity or otherwise in which the defendant may have any interest as plaintiff, defendant, or otherwise, and including the power to continue any such pending suits; defend or otherwise dispose of any such proceedings, suits, or actions; to settle at compound or make allowance on any or all debts that may now or hereafter be due or owing to the defendant as he may deem advisable or proper, subject to the further authorization of this honorable court; to pay any claims for wages, taxes, interest, or other debts that may be entitled to priority and with the other usual powers of receivers in such cases; and that the officers, managers, superintendents, agents, and employees of the defendant be required forthwith to deliver up to said receiver possession of all or every part of the properties of the defendant, wherever situated, including the several books, vouchers, and papers in any way relating to the business of the defendant.

2. That this honorable court will administer all and singular the property rights and business belonging to the defendant and adjudicate and adjust any decree and enforce the several and respective liens and priorities existing thereon and the rights, liens, equities, and claims of all creditors of the defendant as the same may be finally ascertained and decreed by this court.

3. That all creditors, stockholders, and other persons be enjoined from instituting or prosecuting any actions, suits, or proceedings at law or in equity or under any statute against the defendant, and from levying any attachments, executions, or other processes upon or against any of the properties of the defendant or from taking or attempting to take into their possession the property or any part of the property of the defendant.

4. That all creditors of the defendant and all persons interested in the defendant be permitted to intervene and become parties to this suit if and as permitted and authorized to do by this honorable court.

5. That an order be made herein enjoining and restraining the defendant corporation and the officers, directors, agents, and employees of the defendant corporation from interfering with, transferring, selling, or disposing of any of the property or income of the defendant corporation, or from taking possession of or levying upon or attempting to sell or dispose of in any manner any part of the property of the defendant corporation.

6. That at such time as may be found just and proper the properties of the defendant may be ordered to be sold, in whole or in part, in such manner, upon such terms and conditions as this honorable court shall deem just and equitable, and that any such order of sale shall make suitable provision for the preservation of all equities, rights, priorities, claims, and liens of the creditors of the defendant corporation and shall provide for the sale of the property of the defendant, subject to or free from all and any liens and incumbrances in whole or in part, and in such manner and upon such terms as this honorable court may direct, and that the proceeds of any such sale be distributed among those entitled thereto as this honorable court shall adjudicate, or that the properties of the defendant corporation may be returned to it and that claimant corporation may have such other further relief in the premises as to this honorable court may seem proper and as may be necessary fully to enforce and protect the rights and equities of complainant and of all the creditors of defendant corporation and that in case of any sale herein of the property of the defendant corporation it may be directed to make, execute, and deliver to the accepted purchaser or purchasers upon any such sales such releases, bill of sale, and conveyances as may be necessary or proper to vest in such purchaser or purchasers the title to all such several properties.

7. That such order shall be made by this honorable court as to the services of this bill of complaint and of any order that may be made in this suit as may be deemed sufficient and proper to this honorable court.

8. That plaintiff may have such other and further relief in the premises as the nature and circumstances of this case may require and as to this honorable court may seem just and proper.

9. That the defendant corporation be required, pursuant to the rules and practice of this court, to answer all and singular the matters hereinbefore stated but not under oath, an answer under oath being expressly waived, and further to perform and abide by such order, direction, and decree herein as to the court shall seem meet.

May it please the court to grant unto your complainant a writ of subpoena to be issued out of and under the seal of this court

and directed to the defendant requiring it to appear on a certain day before the court and make answer as aforesaid.

GOLD, QUITTNY & KEARSLEY,
By BRICE KEARSLEY, Jr.,
Attorneys for Complainant.

UNITED STATES OF AMERICA,

NORTHERN DISTRICT OF CALIFORNIA,

STATE OF CALIFORNIA,

City and County of California, ss:

Brice Kearsley, Jr., being first duly sworn, deposes and says that he is the attorney for the petitioner above named; that he has read and knows the contents of the foregoing petition and that the statements therein contained are true to the best of his knowledge, information, and belief; that the reason why this verification is made by deponent and not by the petitioner, Character Finance Co. of Santa Monica, is because the said petitioner and all of its officers and directors are residents of the county of Los Angeles, State of California, and that none of its officers and directors are within the northern district of California, and all of said officers and directors are at a great distance from this district; that affiant has been authorized by the said petitioner to verify and file this petition herein, and to conduct the proceedings herein on behalf of said petitioner.

BRICE KEARSLEY, Jr.

Subscribed and sworn to before me this 15th day of August 1931.

MARK E. LEVY,
Notary Public in and for the City and
County of San Francisco, State of California.

U.S.S. EXHIBIT 34

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
NORTHERN DISTRICT OF CALIFORNIA, SOUTHERN DIVISION

CHARACTER FINANCE CO. OF SANTA MONICA, A CALIFORNIA CORPORATION, PLAINTIFF, v. PRUDENTIAL HOLDING CO. OF LOS ANGELES, A NEVADA CORPORATION, DEFENDANT. IN EQUITY NO. 2984-L. ORDER APPOINTING RECEIVER IN EQUITY

Upon reading the bill of complaint herein verified on the 14th day of August 1931,

Now, on motion of Brice Kearsley, Jr., solicitor for the complainant, it is

Ordered and decreed as follows:

1. That the complainant is entitled to the relief herein granted and that the complainant has no adequate remedy save through the granting of this decree, and that it is necessary for the protection and preservation of the respective rights and equities of the complainant and the other stockholders and the creditors of the defendant that the property and business of the defendant be preserved through a receiver to be appointed in this suit by this court, and that it is necessary that a receiver of the defendant and its property, assets, and effects should be appointed by this court.

2. That G. H. Gilbert be, and he hereby is, appointed receiver of the defendant, Prudential Holding Co. of Los Angeles, a Nevada corporation, and of all the property, assets, and effects of said defendant, real, personal, and mixed, of whatever kind and description, including all real estate, chattels, rights, credits, choses in action, stock, bonds, securities, accounts, bills receivable, cash in bank on deposit and in hand, money, things in action, books of account, deeds, leases, contracts, correspondence, papers, and memoranda of the above-named defendant, and said receiver is hereby authorized, empowered, and directed to take possession of the same, with all the authority usually granted to receivers and to retain counsel, which shall be subject to the approval of this court.

3. That said receiver be and he hereby is, until the further order or direction of this court, authorized, empowered, and directed to continue, manage, and operate the business of the defendant and manage the properties of the defendant; to buy and sell merchandise, supplies or stock in trade, for cash or credit, as may be deemed advisable by said receiver; to employ such managers, agents, employees, servants, accountants, mechanics, and laborers, and such other help as may in his judgment be advisable or necessary in the management, conduct, control, operation, or custody of the defendant's properties, assets, and effects and to apply to this court for leave to issue such receiver's certificates for the purpose of meeting the current obligations of said defendant as may be authorized from time to time by this court.

4. That said receiver be and he hereby is authorized and empowered to make such payments and disbursements as may be necessary or proper for the preservation or operation of the properties of the defendant, including the authority to make payment for wages and salaries accrued within 1 month past for services and taxes.

5. That the said receiver shall have the full power to demand, sue for, collect, receive, and take into his possession all the goods, chattels, rights and credits, moneys and effects, lands and tenements, books, papers, choses in action, bills, notes, and property of every description and to institute suits at law or in equity for the recovery of any estate, property, damages, or demands existing in favor of said corporation, and in his discretion to compound and settle with any debtor of the corporation or with persons having possession of its property, or in any way responsible at law or

in equity to the corporation upon such terms and in such manner as he shall deem just and beneficial to the corporation, and perform all duties imposed upon him as required by law.

6. That said defendant and any person or persons or corporation acting under its direction or having any possession or control over any of its assets of every name and nature shall upon presentation of a certified copy of this decree deliver to said receiver all of the property of said defendant, real, personal, and mixed, of whatsoever kind and description, including all real estate, chattels, raw materials, material in process of manufacture, rights, credits, choses in action, accounts, bills receivable, cash in bank or deposit and in hand, moneys, things in action, books of account, vouchers, deeds, leases, contracts, notes, correspondence, books, papers, and memoranda of the above-named defendant, in their possession and under their control, and each of the directors, officers, agents, and employees of the defendant is hereby commanded and required to obey and perform such orders as may be given to them from time to time by the said receiver in the discharge of his duties as receiver; and it is further

Ordered, That the defendant company and each and every one of its officers, agents, directors, and employees, and all other persons, including sheriffs, marshals, and constables, be, and they hereby are, enjoined and restrained from selling, transferring, levying, attaching, disposing of, or in any manner interfering with any of the property, assets, or effects of the defendant company, or from taking possession of or interfering with any part thereof, or from in any manner obstructing or interfering with the possession or management of any part of the property over which the receiver is hereby appointed, or doing any act or thing to prevent the discharge by the receiver of his duties for the operation of said properties under the order of the court; and it is further

Ordered, That all persons, firms, and corporations be, and they are hereby, enjoined and restrained from suing, instituting actions, levying executions upon, or securing judgments, attaching, intermeddling with, or taking possession of any property of the defendant; and it is further

Ordered, That said receiver forthwith file in the office of the clerk of this court his bond to the United States of America with sufficient sureties, duly approved by this court, in the sum of \$50,000, conditioned that he will well and truly perform the duties of his office and duly account for all moneys or property which may come into his hands and abide by and perform all things which he shall be directed to do; and it is further

Ordered, That said receiver report to this court within 30 days from the date hereof and every 30 days thereafter as to the operation of the business, the condition of the assets and liabilities of said defendant, and the advisability of continuing the business and his administration thereof.

Done and ordered this 15th day of August 1931, at San Francisco, Calif.

HAROLD LOUDERBACK,
United States District Judge.

U.S.S. EXHIBIT 35

IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF CALIFORNIA, SOUTHERN DIVISION

IN THE MATTER OF THE APPLICATION OF CATHERINE ARMSTRONG, REALTY MORTGAGE INSURANCE CO., A CALIFORNIA CORPORATION, AND PARKER LINTON FOR THE ADJUDICATION OF PRUDENTIAL HOLDING CO. OF LOS ANGELES, A NEVADA CORPORATION, ALLEGED BANKRUPT. NO. — IN BANKRUPTCY. PETITION IN INVOLUNTARY BANKRUPTCY

To the Honorable Judges of the United States District Court in and for the Northern District of California:

The petition of Catherine Armstrong, Realty Mortgage Insurance Co., a California corporation, and Parker Linton, respectfully represents:

I. That Prudential Holding Co. of Los Angeles is a corporation duly organized under the laws of the State of Nevada and has, for the greater portion of the 6 months next preceding the date of the filing of this petition, had its principal place of business at Oakland, county of Alameda, and State of California, in the Northern District of California, and owes debts to the amount of \$1,000 and more, and is a business corporation, and is not a municipal railroad, insurance, or banking corporation, and is insolvent, and is not a wage earner nor a person engaged in farming or tillage of the soil.

II. That your petitioners are creditors of the said Prudential Holding Co. of Los Angeles, a Nevada corporation, having provable claims amounting in the aggregate in excess of securities held by them to the sum of \$500 and more.

III. That the nature and amount of your petitioners' claims are as follows:

The claim of Catherine Armstrong is based upon a promissory note dated September 21, 1930, made, executed, and delivered to the petitioner herein by the alleged bankrupt for value received in the sum of \$2,975. That said note was due on demand. That default has been made in the payment of said promissory note and demand made upon the alleged bankrupt for payment. That said alleged bankrupt failed, neglected, and refused to pay said amount due on said note, or any part thereof.

The claim of Realty Mortgage Insurance Co. is based upon a promissory note dated April 1, 1931, made, executed, and delivered to the petitioner herein by the alleged bankrupt for value received

in the sum of \$7,500. That said promissory note was due 2 years from date.

The claim of Parker Linton is an account stated within 2 years last past between the alleged bankrupt and the petitioner herein in the sum of \$2,500. Said sum is agreed to be due, owing and payable from the alleged bankrupt to the petitioner herein. That at the time said account was stated the alleged bankrupt promised to pay the amount thereof to the petitioner herein. The alleged bankrupt has failed, neglected, and refused and does now fail, neglect, and refuse to pay said amount, or any part thereof, and that neither said amount, nor any part thereof, has been paid.

IV. Your petitioners further represent that the said Prudential Holding Co. of Los Angeles did within 4 months next preceding the date of the filing of this petition commit an act of bankruptcy, in that heretofore, to wit, on or about the 15th day of August 1931, while insolvent, a receiver in equity, G. H. Gilbert, was appointed by a judge of the United States District Court in and for the Northern District of California, Southern Division, in that certain case entitled "*Character Finance Co. of Santa Monica, a California corporation, plaintiff, v. Prudential Holding Co. of Los Angeles, a Nevada corporation, defendant*", in Equity No. 2934-L; that said receiver was put in charge of the alleged bankrupt's property; that said receiver has duly qualified by filing his bond in the penal sum of \$50,000 and is now in possession of the alleged bankrupt's property.

Wherefore your petitioners pray that service of this petition, with subpoena, may be made upon the alleged bankrupt, as provided in the acts of Congress relating to bankrupts, and that the said alleged bankrupt may be adjudged by this court to be a bankrupt within the purview of said acts.

PARKER LINTON,
CATHERINE S. ARMSTRONG,
REALTY MORTGAGE INSURANCE CORPORATION,
By J. H. ENGELHART, Vice President.
JANEWAY, BEACH & HANKEY,
By EARL C. JANEWAY,
Attorneys for Petitioning Creditors.

STATE OF CALIFORNIA,

County of Los Angeles, ss:

Parker Linton, being first duly sworn, deposes and says that he is one of the petitioners above named and does hereby make solemn oath that the statements contained in the above and foregoing petition subscribed by him are true.

PARKER LINTON.

Subscribed and sworn to before me this 4th day of September 1931.

[SEAL]

B. M. HARTMAN,
Notary Public in and for the County
of Los Angeles, State of California.

STATE OF CALIFORNIA,

County of Los Angeles, ss:

J. H. Engelhart, being first duly sworn, deposes and says that he is vice president of Realty Mortgage Insurance Co., one of the petitioning creditors above named. That the statements contained in the foregoing petition subscribed by him are true. That he is duly authorized by the Realty Mortgage Insurance Co. to sign this petition and make this verification.

J. H. ENGELHART.

Subscribed and sworn to before me this 1st day of September 1931.

[SEAL]

M. A. LYDON,
Notary Public in and for the County
of Los Angeles, State of California.

STATE OF CALIFORNIA,

County of Los Angeles, ss:

Catherine Armstrong, being first duly sworn, deposes and says: That she is one of the petitioners above named and does hereby make solemn oath that the statements contained in the above and foregoing petition subscribed by her are true.

CATHERINE ARMSTRONG.

Subscribed and sworn to before me this 2d day of September 1931.

M. A. LYDON,
Notary Public in and for the County
of Los Angeles, State of California.

U.S.S. EXHIBIT 36

IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF CALIFORNIA, SOUTHERN DIVISION

IN THE MATTER OF PRUDENTIAL HOLDING CO. OF LOS ANGELES, A NEVADA CORPORATION, ALLEGED BANKRUPT. NO. 21022-S IN BANKRUPTCY. ORDER APPOINTING RECEIVER

On verified petition duly filed, asking for the appointment of a receiver in the above-entitled matter, and upon the filing of a bond by petitioning creditors herein, as required by section 3 (e) of the Bankruptcy Act, in the sum of \$10,000, which bond has been approved by this court, and it appearing satisfactorily therefrom that it is absolutely necessary for the preservation of the assets of said alleged bankrupt that a receiver should be appointed, upon motion of Janeway, Beach & Hankey, attorneys for said petitioner,

It is ordered that G. H. Gilbert, of San Francisco, Calif., be, and he is hereby, appointed receiver of all property of whatsoever

nature and wheresoever situated, now owned by or in possession of said alleged bankrupt, and of all and any property wheresoever located and of whatsoever nature, being the property of said alleged bankrupt and in the possession of any agent, servant, officer, or representative of said alleged bankrupt, with authority to take possession of, hold, preserve, care for, inventory, insure, segregate, and move all assets of said alleged bankrupt, until the appointment and qualification of the trustee herein, and with the further authority to collect such accounts receivable as are found due to said estate, and with the further authority to conduct the business and sell the same as a going concern if it can be done with benefit to said estate, and said receiver is authorized to do all and any such acts and take all and any such proceedings as may enable him forthwith to obtain possession of all and any such property; and

It is further ordered that the duties and compensation of said receiver are hereby extended beyond those of a mere custodian within the meaning of section 48 of the Bankruptcy Act to embrace the conduct of the business and marshaling of the assets, preparation of inventories, collection, sale, and disposition of accounts and notes receivable, and the conduct of the business of the said alleged bankrupt as hereinabove specifically authorized; and

It is further ordered that all persons, firms, and corporations, including the said alleged bankrupt, and all attorneys, agents, officers, and servants of the said alleged bankrupt forthwith deliver to said receiver all property of whatsoever nature and wheresoever located, including merchandise, accounts, notes, and bills receivable, drafts, checks, moneys, securities, and all other choses in action, account books, records, chattels, lands, and buildings, life and fire and all other insurance policies in the possession of them, or any of them, and owned by the said alleged bankrupt, and the said alleged bankrupt is ordered forthwith to deliver to said receiver all and any such property now in the possession of the said alleged bankrupt; and

It is further ordered that all persons, firms, and corporations, including all creditors of the said alleged bankrupt, and the representatives, agents, attorneys, and servants of all such creditors, and all sheriffs, marshals, and other officers, and their deputies, representatives, and servants are hereby enjoined and restrained from removing, transferring, disposing of, or selling, or attempting in any way to remove, transfer, or dispose of, sell, or in any way interfere with any property, assets, or effects in the possession of the said alleged bankrupt, or owned by the said alleged bankrupt, and whether in the possession of any officers, agents, attorneys, or representatives of said alleged bankrupt, or otherwise, and all said persons are further enjoined from executing or issuing, or causing the execution or issuance or the suing out of any court of any writ, process, summons, attachment, replevin, or other proceeding for the purpose of impounding or taking possession of or interference with any property owned by or in the possession of the said alleged bankrupt or owned by said alleged bankrupt, and whether in the possession of any agents, servants, or attorneys of said alleged bankrupt, or otherwise; and

It is further ordered that said receiver is directed and authorized, as provided under the Postal Laws and Regulations of the United States, to receive all mail matter addressed to the above-named alleged bankrupt; and

It is further ordered that before entering upon his duties said receiver shall furnish a bond conditioned for the faithful performance of his duties with a good and sufficient surety or sureties in the sum of \$10,000, which bond shall be approved by the clerk of this court.

Dated this 30th day of September 1931.

HAROLD LOUDERBACK,
District Judge.

U.S.S. EXHIBIT 37

IN THE SOUTHERN DIVISION OF THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

IN THE MATTER OF PRUDENTIAL HOLDING CO. OF LOS ANGELES, A NEVADA
CORPORATION, ALLEGED BANKRUPT. NO. 21022-S IN BANKRUPTCY

Petition for order appointing attorneys for the receiver

To Hon. Harold Louderback, judge of the above-entitled court:

Now comes G. H. Gilbert, of the city and county of San Francisco, State and Northern District of California, and respectfully shows and alleges:

That on the 30th day of September 1931, by an order duly made and entered in the above-entitled proceedings, your petitioner was appointed receiver, prior to adjudication, of the estate and effects of the above-named bankrupt, and has duly qualified as such receiver; that your petitioner as such receiver has been duly authorized to take and hold possession of the assets of said alleged bankrupt until the appointment and qualification of a trustee herein, and with further authority to collect the accounts receivable and conduct the business of said bankrupt.

That your petitioner is informed and verily believes, and on that ground alleges, that the assets of said bankrupt approximate the sum of \$1,000,000 and are situated in various portions of the State of California.

That ancillary proceedings are necessary to be taken in the Southern District of California, and that it will be necessary to examine the officers of said bankrupt corporation and other witnesses relative to the acts, conduct, and property of said bankrupt for the purpose of ascertaining the extent and whereabouts

of such property subject to administration by your petitioner as such receiver.

That various suits are pending against the above-named bankrupt and it will be necessary for your receiver to appear in such suits for the protection of the estate herein; that various proceedings in foreclosure and sale under deeds of trust covering property of said bankrupt are threatened and that it will be necessary to apply both to this court and to other courts having ancillary jurisdiction for restraining orders in order to protect the interests of the general unsecured creditors of the estate of said bankrupt, and that it will be necessary to commence plenary and summary proceedings for the purpose of collecting the assets of said bankrupt estate and to conserve and protect the same until the election and qualification of a trustee herein; that in aid of his administration of said bankrupt estate your petitioner will require the services and advice of counsel relative to necessary legal proceedings to be taken by him to collect and conserve and protect the assets of said bankrupt estate and to conduct examinations of witnesses as aforesaid; your petitioner alleges that Messrs. Martin J. Dinkelspiel, Ernest J. Torregano, Charles M. Stark, and A. B. Kreft, attorneys at law, duly licensed and admitted to practice in the above-entitled court, are proper and competent attorneys to be retained by your petitioner, with the approval of this court, in aid of his administration of said bankrupt estate; and that said attorneys, and each of them, do not represent adverse interests to the general creditors, and that said attorneys are familiar and experienced with the laws in reference to the administration of bankrupt estates and the National Bankruptcy Act, and that such services which will be rendered by said attorneys to your petitioner will be beneficial to the general creditors of said bankrupt estate, and the appointment of such attorneys is sought for the reason of a large number of matters requiring services of counsel, and the appointment of such counsel will enable your petitioner to subdivide among them the various matters required to be attended to and the legal proceedings required to be instituted.

Wherefore your petitioner prays that an order be made and entered herein appointing as your petitioner's attorneys the said Martin J. Dinkelspiel, Ernest J. Torregano, Charles M. Stark, and A. B. Kreft in aid of his administration of said bankrupt estate in the above-entitled court and in such ancillary proceedings as may be brought by your petitioner. Your petitioner has annexed hereto the affidavit of said attorneys, as required by the general orders of the United States Supreme Court, and your petitioner prays that the court make such further and other order as may be just and proper in the premises.

G. H. GILBERT, Petitioner.

UNITED STATES OF AMERICA,

NORTHERN DISTRICT OF CALIFORNIA,

City and County of San Francisco, ss:

G. H. Gilbert, being first duly sworn, deposes and says that he is the petitioner named and described in the foregoing petition, and hereby makes solemn oath that the statements therein contained are true according to the best of his knowledge, information, and belief.

G. H. GILBERT.

Subscribed and sworn to before me this 6th day of October 1931.

[SEAL]

MARK E. LEVY,

Notary Public in and for the City and County of
San Francisco, State of California.

UNITED STATES OF AMERICA,

NORTHERN DISTRICT OF CALIFORNIA,

City and County of San Francisco, ss:

Martin J. Dinkelspiel, Ernest J. Torregano, Charles M. Stark, and A. B. Kreft, being each first duly sworn, depose and say that they are the attorneys named in the foregoing receiver's petition; that they do not represent, or are connected with, the bankrupt or any person having an adverse interest to the receiver or creditors herein, and will consent to act as attorneys for said receiver pursuant to any order made by the above-entitled court.

MARTIN J. DINKELSPIEL,

ERNEST J. TORREGANO,

CHARLES M. STARK,

A. B. KREFT.

Subscribed and sworn to before me this 6th day of October 1931.

CHARLES E. KEITH,

Notary Public in and for the City and County of
San Francisco, State of California.

IN THE SOUTHERN DIVISION OF THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

IN THE MATTER OF PRUDENTIAL HOLDING CO. OF LOS ANGELES, A NEVADA
CORPORATION, ALLEGED BANKRUPT. NO. 21022-S IN BANKRUPTCY

Order appointing attorneys for the receiver

Upon the reading, filing, and consideration of the verified petition of G. H. Gilbert, the receiver herein, accompanied by the affidavit of Martin J. Dinkelspiel, Ernest J. Torregano, Charles M. Stark, and A. B. Kreft, Esqs.,

It is hereby ordered that Martin J. Dinkelspiel, Ernest J. Torregano, Charles M. Stark, and A. B. Kreft be, and they are hereby, appointed as attorneys for said receiver in aid of the administration of the estate of the above-named bankrupt.

Dated this 10th day of October 1931.

HAROLD LOUDERBACK,
United States District Judge.

U.S.S. EXHIBIT 38

IN THE SOUTHERN DIVISION OF THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

IN THE MATTER OF THE APPLICATION OF CATHERINE ARMSTRONG, REALTY MORTGAGE INSURANCE CO., A CALIFORNIA CORPORATION, AND PARKER LINTON, FOR THE ADJUDICATION OF PRUDENTIAL HOLDING CO. OF LOS ANGELES, A NEVADA CORPORATION, ALLEGED BANKRUPT. BANKRUPTCY, 21022-S

Ordered:

1. That the motion to strike from the files and dismiss the proceeding of the Prudential Holding Co. of Los Angeles be, and the same is hereby, granted.
2. That the several motions to strike the petition to intervene of John P. Sheather be, and the same are hereby, granted.
3. That the several motions to strike from the files the petition of Parker Linton, Realty Mortgage Insurance Co., a California corporation, and Catherine Armstrong be, and the same are hereby, granted.
4. That all petitions to intervene be, and the same are hereby, denied.
5. That the application for leave to file amended involuntary petition in bankruptcy be, and the same is hereby, denied.

Dated November 4, 1931.

A. F. ST. SURE,
United States District Judge.

U.S.S. EXHIBIT 39

DISTRICT COURT OF THE UNITED STATES, NORTHERN DISTRICT OF
CALIFORNIA, SOUTHERN DIVISION

At a stated term of the Southern Division of the United States District Court for the Northern District of California, held at the court room thereof, in the city and county of San Francisco, on Friday, the 2d day of October A.D. 1931.

Present: The Honorable Harold Louderback, district judge.

Character Finance Co. of S.M. v. Prudential Holding Co. of L.A. Equity No. 2984-L.

Defendant's motion to dismiss the bill of complaint, having heretofore been submitted and now being fully considered, it is ordered that the said motion to dismiss bill of complaint be, and the same is hereby, granted.

I hereby certify that the foregoing is a full, true, and correct copy of an original order made and entered in the above-entitled cause.

Attest my hand and seal of said district court, this 12th day of April A.D. 1933.

WALTER B. MALING, Clerk.
By HARRY L. FOUTS, Deputy Clerk.

RECESS

Mr. ASHURST. I move that the Senate sitting as a Court of Impeachment take a recess until 10 o'clock tomorrow morning.

The PRESIDING OFFICER. The question is on the motion of the Senator from Arizona.

The motion was agreed to; and (at 4 o'clock and 38 minutes p.m.) the Senate sitting as a Court of Impeachment took a recess until tomorrow, Thursday, May 18, 1933, at 10 o'clock a.m.

LEGISLATIVE SESSION

The Senate, pursuant to the order for a recess entered yesterday, resumed legislative session.

MESSAGE FROM THE PRESIDENT—PUBLIC-WORKS PROGRAM FOR RELIEF OF UNEMPLOYMENT (H.DOC. NO. 37)

During the impeachment proceedings, on motion of Mr. ROBINSON of Arkansas, and by unanimous consent, the Senate sitting as a Court of Impeachment took a recess in order to receive, as in legislative session, a message in writing from the President of the United States, which was communicated to the Senate by Mr. Latta, one of his secretaries.

On request of Mr. ROBINSON of Arkansas, the Presiding Officer (Mr. HASTINGS in the chair) laid before the Senate the message from the President of the United States, which was read, referred to the Committee on Finance, and ordered to be printed, as follows:

To the Congress:

Before the special session of the Congress adjourns, I recommend two further steps in our national campaign to put people to work.

My first request is that the Congress provide for the machinery necessary for a great cooperative movement throughout all industry in order to obtain wide reemployment, to shorten the working week, to pay a decent wage for the shorter week, and to prevent unfair competition and disastrous overproduction.

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Employers cannot do this singly or even in organized groups, because such action increases costs and thus permits cutthroat underselling by selfish competitors unwilling to join in such a public-spirited endeavor.

One of the great restrictions upon such cooperative efforts up to this time has been our antitrust laws. They were properly designed as the means to cure the great evils of monopolistic price fixing. They should certainly be retained as a permanent assurance that the old evils of unfair competition shall never return. But the public interest will be served if, with the authority and under the guidance of Government, private industries are permitted to make agreements and codes insuring fair competition. However, it is necessary, if we thus limit the operation of antitrust laws to their original purpose, to provide a rigorous licensing power in order to meet rare cases of noncooperation and abuse. Such a safeguard is indispensable.

II

The other proposal gives the Executive full power to start a large program of direct employment. A careful survey convinces me that approximately \$3,300,000,000 can be invested in useful and necessary public construction, and at the same time put the largest possible number of people to work.

Provision should be made to permit States, counties, and municipalities to undertake useful public works, subject, however, to the most effective possible means of eliminating favoritism and wasteful expenditures on unwarranted and uneconomic projects.

We must, by prompt and vigorous action, override unnecessary obstructions which in the past have delayed the starting of public-works programs. This can be accomplished by simple and direct procedure.

In carrying out this program it is imperative that the credit of the United States Government be protected and preserved. This means that at the same time we are making these vast emergency expenditures there must be provided sufficient revenue to pay interest and amortization on the cost, and that the revenue so provided must be adequate and certain rather than inadequate and speculative.

Careful estimates indicate that at least \$220,000,000 of additional revenue will be required to service the contemplated borrowings of the Government. This will of necessity involve some form or forms of new taxation. A number of suggestions have been made as to the nature of these taxes. I do not make a specific recommendation at this time, but I hope that the Committee on Ways and Means of the House of Representatives will make a careful study of revenue plans and be prepared by the beginning of the coming week to propose the taxes which they judge to be best adapted to meet the present need and which will at the same time be least burdensome to our people. At the end of that time, if no decision has been reached, or if the means proposed do not seem to be sufficiently adequate or certain, it is my intention to transmit to the Congress my own recommendations in the matter.

The taxes to be imposed are for the purpose of providing reemployment for our citizens. Provision should be made for their reduction or elimination—

First. As fast as increasing revenues from improving business become available to replace them.

Second. Whenever the repeal of the eighteenth amendment, now pending before the States, shall have been ratified and the repeal of the Volstead Act effected. The prohibition revenue laws would then automatically go into effect and yield enough wholly to eliminate these temporary reemployment taxes.

Finally, I stress the fact that all of these proposals are based on the gravity of the emergency, and that therefore it is urgently necessary immediately to initiate a reemployment campaign if we are to avoid further hardships, to sustain business improvement, and to pass on to better things.

For this reason I urge prompt action on this legislation.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, May 17, 1933.

Mr. WAGNER. As in legislative session, I ask unanimous consent to introduce a bill to carry out the recommendations contained in the message of the President just read.

The PRESIDING OFFICER. Without objection, as in legislative session, the bill will be received and appropriately referred.

The bill (S. 1712) to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes, was read twice by its title and referred to the Committee on Finance.

Mr. LEWIS. Mr. President, I ask unanimous consent that any amendments desired to be offered on the subject matter of the bill may also be submitted and printed.

The PRESIDING OFFICER. The bill and any proposed amendments thereto will be printed and referred to the Committee on Finance.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, communicated to the Senate the intelligence of the death of Hon. CHARLES H. BRAND, late a Representative from the State of Georgia, and transmitted the resolutions of the House of Representatives thereon.

The message announced that the House had passed the following bills and joint resolution, in which it requested the concurrence of the Senate:

H.R. 5091. An act to amend section 289 of the Criminal Code;

H.R. 5152. An act granting the consent of Congress to the State Highway Commission of Virginia to replace and maintain a bridge across Northwest River in Norfolk County, Va., on State highway route no. 27;

H.R. 5173. An act granting the consent of Congress to the State Highway Commission of Virginia to maintain a bridge already constructed to replace a weak structure in the same location, across the Staunton and Dan Rivers, in Mecklenburg County, Va., on United States Route No. 15;

H.R. 5208. An act to amend the probation law;

H.R. 5329. An act creating the St. Lawrence Bridge commission and authorizing said commission and its successors to construct, maintain, and operate a bridge across the St. Lawrence River at or near Ogdensburg, N.Y.;

H.R. 5476. An act to extend the times for commencing and completing the construction of a bridge across the Savannah River at or near Burtons Ferry, near Sylvania, Ga.; and

H.J.Res. 159. Joint resolution granting the consent of Congress to a compact or agreement between the State of Kansas and the State of Missouri authorizing the acceptance for and on behalf of the States of Kansas and Missouri of title to a toll bridge across the Missouri River from a point in Platte County, Mo., to a point at or near Kansas City, in Wyandotte County, Kans., and specifying the conditions thereof.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 5081) to provide for the common defense; to aid interstate commerce by navigation; to provide flood control; to promote the general welfare by creating the Tennessee Valley Authority; to operate the Muscle Shoals properties; and to encourage agricultural, industrial, and economic development.

The message further announced that the House had disagreed to the amendment of the Senate to the bill (H.R. 4220) for the protection of Government records; asked a conference with the Senate on the disagreeing votes of the two Houses thereon; and that Mr. McKEOWN, Mr. CELLER, and Mr. KURTZ were appointed managers on the part of the House at the conference.

SENATE ENROLLED BILLS

The message also announced that the Speaker had affixed his signature to the following enrolled bills:

S. 73. An act to authorize the Comptroller General to allow claim of district no. 13, Choctaw County, Okla., for payment of tuition of Indian pupils;

S. 1410. An act to amend section 207 of the Bank Conservation Act with respect to bank reorganizations;

S. 1415. An act to amend sections 5200 and 5202 of the Revised Statutes, as amended, to remove the limitations on national banks in certain cases; and

S. 1582. An act to amend section 1025 of the Revised Statutes of the United States.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following joint resolution of the Legislature of the State of Maryland, which was referred to the Committee on Finance:

Joint Resolution 5

A joint resolution requesting the Congress of the United States to repeal the tax on checks

Whereas the present national administration is meeting with remarkable success in restoring public confidence in our banking system and in preventing the hoarding of currency; and

Whereas one of the contributory causes of this hoarding was the tax of 2 cents on each check passing through the clearing houses and banks; and

Whereas the repeal of this tax would aid greatly in the resumption of normal banking transactions by the use of checks and thereby decrease the amount of currency withheld from circulation: Therefore be it

Resolved by the General Assembly of Maryland, That the Congress of the United States be, and it is hereby, urgently requested to repeal as speedily as possible the 2-cent tax on checks; and be it further

Resolved, That the secretary of state of Maryland be, and he is hereby, requested to send a copy of this resolution to the Speaker of the House of Representatives, to the President of the Senate, and to all the Representatives from Maryland in the Senate and House of Representatives of the United States Congress.

Approved April 21, 1933.

STATE OF MARYLAND,
EXECUTIVE DEPARTMENT.

I, David C. Winebrenner, 3d, secretary of state of the State of Maryland, do hereby certify that the foregoing is a true and correct copy of Joint Resolution No. 5 of the acts of the general assembly of 1933.

In testimony whereof I have hereunto set my hand and affixed my official seal at Annapolis, Md., this 16th day of May 1933.

[SEAL]

DAVID C. WINEBRENNER, 3d,
Secretary of State.

The VICE PRESIDENT also laid before the Senate the following resolutions of the Senate of the State of Massachusetts, which were referred to the Committee on Naval Affairs:

THE COMMONWEALTH OF MASSACHUSETTS,
OFFICE OF THE SECRETARY,
Boston.

Resolutions relative to the United States Naval Hospital and the United States Marine Hospital at Chelsea

Whereas the United States Naval Hospital and the United States Marine Hospital in the city of Chelsea have for many years rendered invaluable service in the care and treatment of veterans and employees of the Federal Government, and are equipped with excellent medical and surgical facilities and apparatus and skilled personnel; and

Whereas said hospitals have established a notable record for efficient and humanitarian work in this section of the United States, and have made an indelible impression upon the citizens of our Commonwealth for the admirable service rendered during a long period of years: Therefore be it

Resolved, That the senate respectfully petitions the President of the United States, in the interests of the public health and convenience, to continue these hospitals as necessary institutions of our Federal Government in the performance of the efficient and humanitarian functions for which they are especially adapted and fitted because of location, equipment, and personnel, as clearly demonstrated by their long record of public service; and be it further

Resolved, That copies of these resolutions be forwarded forthwith by the secretary of the Commonwealth to the President of the United States, to the presiding officers of both branches of Congress, and to the Members thereof representing this Commonwealth.

In senate, adopted May 11, 1933.

IRVING N. HAYDEN, Clerk.

A true copy.
Attest:

F. W. COOK,
Secretary of the Commonwealth.

The VICE PRESIDENT also laid before the Senate the following joint resolution of the Legislature of the State of California, which was referred to the Committee on the Judiciary:

STATE OF CALIFORNIA,
DEPARTMENT OF STATE.

I, Frank C. Jordan, secretary of state of the State of California, do hereby certify that I have carefully compared the transcript, to which this certificate is attached, with the record on file in my office of which it purports to be a copy, and that the same is a full, true, and correct copy thereof. I further certify that this authentication is in due form and by the proper officer.

In witness whereof I have hereunto set my hand and have caused the great seal of the State of California to be affixed hereto this 9th day of May 1933.

[SEAL]

FRANK C. JORDAN,
Secretary of State.
By CHAS. J. HAGERTY,
Deputy.

Senate Joint Resolution 22

Adopted in senate May 4, 1933.

J. A. BEEK,
Secretary of the Senate.

Adopted in assembly May 4, 1933.

ARTHUR A. OHNIMUS,
Chief Clerk of the Assembly.

This resolution was received by the Governor this 8th day of May A.D. 1933, at 4 o'clock p.m.

WM. A. SMITH,
Private Secretary of the Governor.
Chapter 66

Senate Joint Resolution No. 22, relative to memorializing Congress to exempt from the provisions of legislation limiting hours of labor to 30 hours a week people engaged in the mining industry

Whereas there is now pending before the Congress of the United States a bill introduced by Senator BLACK, known as S. 158, requiring the hours of labor of all persons to be limited to 30 hours per week; and

Whereas it is the opinion of this legislature that persons engaged in the gold-mining industry should be exempt from the provisions of such a bill by reason of the peculiar circumstances surrounding the operation of that industry: Now, therefore, be it

Resolved by the Senate and Assembly of the State of California, jointly, That the Congress of the United States be and it is hereby urgently requested and memorialized to adopt amendments to Senate bill 158, introduced by Mr. BLACK, so that all persons engaged in the mining industry will be exempt from the operation of such a bill and will not be restricted in any manner as to the number of hours during which the mining industry may be carried on and conducted; and be it further

Resolved, That the Governor is requested to forward a copy of this resolution to the President and Vice President of the United States, the Speaker of the House of Representatives, and to each Member from the State of California in Congress.

FRANK F. MERRIAM,
President of the Senate.
WALTER J. LITTLE,
Speaker of the Assembly.

Attest:
[SEAL]

FRANK C. JORDAN,
Secretary of State.

Endorsed: Filed in the office of the secretary of state of the State of California, May 8, 1933, at 5 o'clock p.m.

FRANK C. JORDAN,
Secretary of State.
By CHAS. J. HAGERTY,
Deputy.

The VICE PRESIDENT also laid before the Senate the following memorial of the Legislature of the State of Florida, which was referred to the Committee on the Judiciary:

House Memorial 3

A memorial to the Congress of the United States requesting the passage of House Resolution 3083

Whereas a large percentage of the municipalities and other taxing districts within the State of Florida are hopelessly insolvent, due to the amount of bonds issued by said municipalities and other taxing districts within the State of Florida; and

Whereas said municipalities and other taxing districts are without sufficient sources of revenue to pay off and discharge the bonded indebtedness owing by the respective municipalities and other taxing districts; and if it were undertaken to levy a sufficient tax against the properties located within said respective municipalities and taxing districts, and enforce the collection of same, it would amount to a confiscation of the properties located within said municipalities or other taxing districts: Now, therefore, be it

Resolved by the Legislature of the State of Florida, That the Congress of the United States of America is hereby respectfully petitioned and requested to pass House Resolution No. 3083, introduced in the House of Representatives on March 11, 1933, by the Honorable J. MARK WILCOX, and a companion measure introduced

in the Senate by the Honorable DUNCAN U. FLETCHER, and that the secretary of the State of Florida be directed to transmit a copy of this memorial under the great seal of the State to the President of the United States, and to the United States Congress, and to the Members of Congress from the State of Florida.

Approved by the Governor of Florida May 12, 1933.

STATE OF FLORIDA,
Office Secretary of State, ss:

I, R. A. Gray, secretary of state of the State of Florida, do hereby certify that the foregoing is a true and correct copy of House Memorial No. 3, as passed by the Legislature of Florida, session 1933, and filed in this office.

Given under my hand and the great seal of the State of Florida at Tallahassee, the capital, this the 15th day of May A.D. 1933.

[SEAL] R. A. GRAY, Secretary of State.

The VICE PRESIDENT also laid before the Senate a resolution adopted by the Waco (Texas) Chamber of Commerce, endorsing the program of President Roosevelt, and favoring the inauguration of a public-works program providing highway construction in the State of Texas, which was referred to the Committee on Education and Labor.

He also laid before the Senate two letters in the nature of memorials from citizens of the State of Louisiana, endorsing Hon. HUEY P. LONG, a Senator from the State of Louisiana, condemning attacks made upon him and remonstrating against a senatorial investigation of his alleged acts and conduct, which were referred to the Committee on the Judiciary.

He also laid before the Senate a petition of sundry citizens of New Orleans, La., praying for the passage of legislation establishing a 30-hour workweek of not more than 6 hours per day, with a flexible provision permitting the employment of a worker for not more than 40 hours per week or 8 hours per day during a period not to exceed 10 weeks in a year in cases of extraordinary need, which was referred to the Committee on the Judiciary.

He also laid before the Senate resolutions adopted by the Hoboken National Memorial Association, of Hoboken, N.J. (endorsed by other organizations of Hudson County, N.J.), favoring the adoption of measures setting aside a suitable plot of ground in Hoboken, N.J., at the entrance of the piers, now in control of the United States Shipping Board, as a national memorial to commemorate the egress and ingress of the sons and daughters of the Nation who left for Europe or returned through this portal during the World War, which were referred to the Committee on the Library.

He also laid before the Senate resolutions adopted by Vincent B. Costello Post, No. 15, the American Legion, department of the District of Columbia, favoring a recess only rather than an adjournment of Congress after the conclusion of pending business "because of the serious probability that during the period from June to next January there will be a real need and demand from the country for the repeal, modification, or possible extension of the authority of the President of the United States, and in such event it is important that the Congress be able to take necessary action immediately and independently of the wishes or views of the Chief Executive should he fail to call another special session", which was ordered to lie on the table.

Mr. ROBINSON of Indiana presented a petition of sundry citizens of the State of California, praying that Congress restore to service-connected disabled veterans their former benefits, rights, privileges, ratings, schedules, compensation, presumptions, and pensions, which was referred to the Committee on Finance.

Mr. COPELAND presented a memorial of sundry citizens, being employees of the post office at Plattsburg, N.Y., remonstrating against the passage of legislation providing for the compulsory retirement of Federal employees who have served for 30 years or reached the age of 60 years, which was referred to the Committee on Appropriations.

He also presented resolutions adopted by the Westchester County (N.Y.) District Council of the United Brotherhood of Carpenters and Joiners of America, favoring the passage of legislation providing for a 6-hour working day, which were referred to the Committee on Education and Labor.

He also presented a resolution adopted by Progressive Council, No. 66, Sons and Daughters of Liberty, of Freeport,

N.Y., favoring the passage of the so-called "Dies bill", providing a fixed quota for the admission of alien immigrants to the United States, which was referred to the Committee on Immigration.

He also presented resolutions adopted by the executive board of Retail Jewelers' Associations of Greater New York, N.Y., favoring the passage of legislation designed to permit trade associations to promulgate fair rules for economic industrial production and distribution, which were referred to the Committee on the Judiciary.

REGULATION OF BANKING

Mr. GLASS, from the Committee on Banking and Currency, submitted a report (No. 77) to accompany the bill (S. 1631) to provide for the safer and more effective use of the assets of Federal Reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, heretofore reported by him from that committee with amendments.

REPORT OF A COMMITTEE—ASSISTANT CLERK TO THE COMMITTEE ON PATENTS

Mr. BYRNES, from the Committee to Audit and Control the Contingent Expenses of the Senate, to which was referred the resolution (S.Res. 63) authorizing the Committee on Patents to employ an assistant clerk during the Seventy-third Congress, reported it without amendment.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. WHEELER:

A bill (S. 1710) to authorize appropriations for the completion of the public high school at Frazer, Mont.; and

A bill (S. 1711) for the relief of certain homeless Indians in the State of Montana, and for other purposes; to the Committee on Indian Affairs.

(Mr. WAGNER introduced Senate bill 1712, which was referred to the Committee on Finance, and appears under a separate heading.)

By Mr. LA FOLLETTE:

A bill (S. 1713) for the relief of Wayne Bert Watkins; to the Committee on Naval Affairs.

By Mr. COPELAND:

A bill (S. 1714) granting an increase of pension to Kate O'Donnell Wood; to the Committee on Pensions.

A bill (S. 1715) authorizing Charles V. Bossert, his heirs and assigns, to construct, maintain, and operate a bridge across the East River between Bronx and Whitestone Landing; to the Committee on Commerce.

By Mr. REED:

A bill (S. 1716) for the relief of Leonard J. Mygatt; to the Committee on Military Affairs.

By Mr. McNARY:

A bill (S. 1717) to extend the provisions of the Forest Exchange Act to lands adjacent to the national forests in the State of Oregon; to the Committee on Public Lands and Surveys.

CHANGE OF REFERENCE OF A RESOLUTION

On motion of Mr. KING, the Committee to Audit and Control the Contingent Expenses of the Senate was discharged from the further consideration of the resolution (S.Res. 79) authorizing an additional expenditure in connection with a general survey of Indian conditions in the United States, and it was referred to the Committee on Indian Affairs.

HOUSE BILLS AND JOINT RESOLUTION REFERRED

The following House bills and joint resolution were severally read twice by their titles and referred as indicated below:

H.R. 5091. An act to amend section 289 of the Criminal Code; and

H.R. 5208. An act to amend the probation law; to the Committee on the Judiciary.

H.R. 5329. An act creating the St. Lawrence Bridge Commission and authorizing said commission and its successors

to construct, maintain, and operate a bridge across the St. Lawrence River at or near Ogdensburg, N.Y.; ordered to be placed on the calendar.

H.R. 5152. An act granting the consent of Congress to the State Highway Commission of Virginia to replace and maintain a bridge across Northwest River, in Norfolk County, Va., on State Highway Route No. 27;

H.R. 5173. An act granting the consent of Congress to the State Highway Commission of Virginia to maintain a bridge already constructed to replace a weak structure in the same location, across the Staunton and Dan Rivers, in Mecklenburg County, Va., on United States Route No. 15;

H.R. 5476. An act to extend the times for commencing and completing the construction of a bridge across the Savannah River at or near Burtons Ferry, near Sylvania, Ga.; and

H.J.Res. 159. Joint resolution granting the consent of Congress to a compact or agreement between the State of Kansas and the State of Missouri authorizing the acceptance for and on behalf of the States of Kansas and Missouri of title to a toll bridge across the Missouri River from a point in Platte County, Mo., to a point at or near Kansas City, in Wyandotte County, Kan., and specifying the conditions thereof; to the Committee on Commerce.

REGULATION OF BANKING

Mr. BULKLEY. Mr. President, I ask for a vote on my motion that the Senate proceed to the consideration of Senate bill 1631, the Glass banking bill.

The PRESIDING OFFICER (Mr. ROBINSON of Arkansas in the chair). The question is on the motion of the Senator from Ohio that the Senate proceed to the consideration of Senate bill 1631.

Mr. McNARY. Mr. President, when the motion was made last evening I objected to the consideration of the bill upon the theory that I desired, and many Members of the Senate desired, further time in which to study the provisions of the Glass bill. I also made the observation that in my opinion expedition would be made in the trial of the impeachment case if our sessions were continued, and we kept that subject matter constantly before the attention of the Senate; not only that but in the interest of economy.

When the Senator from Ohio made his motion after my statement, at the suggestion of the Senator from Arkansas [Mr. ROBINSON] it was decided that the matter should go over until today, in order that I might have an opportunity to confer with the Senator from Virginia, the author of the proposal. I had a conference with the Senator from Virginia today. I suggested to him that in my opinion we should go along and finish the trial. He expressed a desire to get rid of his bill, and said that he did not want it delayed too long a time. I then suggested that we devote the remainder of this week to the trial, and stated that in my opinion if that were done we probably could conclude the trial between now and Saturday.

He seemed to appreciate that suggestion, and we had this understanding—I am sorry he is not here, but I want to tell the Senator from Ohio what the understanding is. I said that I should have no objection if he insisted on making his bill the unfinished business today, because I knew that he had the votes by which it could be done, with the understanding that we should go forward with the trial without taking up the bank bill this week. He agreed to that, but made the statement that if there should be any break or pause in the trial of the impeachment case, he might come in with his bill.

I will state to the able Senator from Ohio that I want that understanding to go into the Record in the absence of the Senator from Virginia.

Mr. BULKLEY. Mr. President, I am sure the Senator from Virginia is very anxious to get the status of unfinished business for the Glass banking bill. Whatever assurance he has given the Senator from Oregon with respect to pressing the bill will, of course, be carried out. I do not know exactly what the Senator from Virginia has said from his own statement. I of course accept what the Senator from Oregon relates as to his conversation.

Mr. McNARY. I am sure there is no difference of opinion between us. I regret the Senator's absence, but I am sure he will confirm that understanding, namely, that if the status of unfinished business is given to this bill there will be no effort to take it up pending the trial of the impeachment proceeding unless there should be a pause or an interruption in the impeachment trial.

Mr. BULKLEY. Certainly the Senator from Virginia has not said anything to me that is not consistent with that.

Mr. McNARY. Very well. I am sure that is the understanding, and for that reason I shall not oppose the motion of the Senator from Ohio.

The PRESIDING OFFICER. The question is on the motion of the Senator from Ohio.

The motion was agreed to; and the Senate proceeded to the consideration of the bill (S. 1631) to provide for the safer and more effective use of the assets of Federal Reserve banks and of national banking associations, to regulate inter-bank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, which had been reported from the Committee on Banking and Currency with amendments.

The PRESIDING OFFICER. Does the Senator from Ohio request that the unfinished business be temporarily laid aside?

Mr. BULKLEY. I make that request.

The PRESIDING OFFICER. Without objection, that will be done.

ASSISTANT CLERK TO THE COMMITTEE ON PATENTS

Mr. WAGNER. Mr. President, the Committee to Audit and Control the Contingent Expenses of the Senate today reported unanimously a resolution authorizing the appointment of an assistant clerk to the Committee on Patents. I ask that it may be considered at this time.

Mr. McNARY. I have no objection.

The PRESIDING OFFICER. The Senator from New York asks unanimous consent for the present consideration of a resolution, which will be read.

The Chief Clerk read Senate Resolution 63, submitted by Mr. WAGNER on April 28, 1933, and it was considered by the Senate and agreed to, as follows:

Resolved, That the Committee on Patents hereby is authorized to employ an assistant clerk to be paid from the contingent fund of the Senate at the rate of \$2,400 per annum during the Seventy-third Congress.

SALARY SCHEDULES OF BANKS, PUBLIC UTILITIES, ETC.

Mr. COSTIGAN. Mr. President, yesterday I called up Senate Resolution 75. The Senator from Oregon [Mr. McNARY] at that time objected to its immediate consideration. May I ask the courteous Senator whether at this time he has any objection to the consideration of the resolution?

Mr. McNARY. Mr. President, personally I have no objection, but I am sorry the Senator did not earlier in the day make his request, when there was a larger number of Senators present. I think he had better let the matter go now until tomorrow, and I suggest that the first thing tomorrow he make his request, because I am not able now, because of the absence of many Senators, to consent.

Mr. COSTIGAN. Mr. President, I desire to give notice that at the appropriate time, if further objection is made to the consideration of the resolution, it is my intention to move that the resolution be taken up by the Senate.

EXECUTIVE SESSION

Mr. GEORGE. Mr. President, I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

The PRESIDING OFFICER. Reports of committees are in order. If there be no reports of committees, the calendar is in order.

THE CALENDAR

The Chief Clerk announced Executive C, Seventy-second Congress, second session, a treaty between the United States

and the Dominion of Canada for the completion of the Great Lakes-St. Lawrence deep waterway, signed on July 18, 1932, as first in order on the calendar.

The PRESIDING OFFICER. The treaty will be passed over.

DEPARTMENT OF LABOR

The Chief Clerk read the nomination of Charles Wyzanski, Jr., of Massachusetts, to be Solicitor of Labor.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

DEPARTMENT OF THE INTERIOR

The Chief Clerk read the nomination of Fred W. Johnson, of Wyoming, to be Commissioner of the General Land Office.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

THE JUDICIARY

The Chief Clerk read the nomination of George E. Hoffman, of Florida, to be United States attorney, northern district of Florida.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

That completes the calendar.

Mr. GEORGE. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to; and the Senate resumed legislative session.

DEATH OF REPRESENTATIVE CHARLES HILLYER BRAND, OF GEORGIA

The Chair lays before the Senate resolutions of the House of Representatives, which will be read.

The Chief Clerk read as follows:

House Resolution 147

Resolved, That the House has heard with profound sorrow of the death of Hon. CHARLES H. BRAND, a Representative from the State of Georgia.

Resolved, That a committee of two Members of the House, with such Members of the Senate as may be joined, be appointed to attend the funeral.

Resolved, That the Sergeant at Arms of the House be authorized and directed to take such steps as may be necessary for carrying out the provisions of these resolutions and that the necessary expenses in connection therewith be paid out of the contingent fund of the House.

Resolved, That the Clerk communicate these resolutions to the Senate and transmit a copy thereof to the family of the deceased.

Resolved, That as a further mark of respect this House do now adjourn.

Mr. GEORGE. I send to the desk resolutions which I ask to have read and immediately considered.

The resolutions (S.Res. 81) were read, considered by unanimous consent, and unanimously agreed to, as follows:

Resolved, That the Senate has heard with profound sorrow the announcement of the death of Hon. CHARLES HILLYER BRAND, late a Representative from the State of Georgia.

Resolved, That a committee of two Senators be appointed by the Vice President to join the committee appointed on the part of the House of Representatives to attend the funeral of the deceased Representative.

Resolved, That the Secretary communicate these resolutions to the House of Representatives and transmit a copy thereof to the family of the deceased.

The PRESIDING OFFICER. Under the second resolution, the Chair announces the appointment of the senior Senator from Georgia [Mr. GEORGE] and the junior Senator from Georgia [Mr. RUSSELL] as members of the committee on the part of the Senate.

Mr. GEORGE. Mr. President, as a further mark of respect to the memory of the deceased Representative I move that the Senate do now take a recess until the conclusion of the session of the Senate sitting as a Court of Impeachment on tomorrow.

The motion was unanimously agreed to; and (at 4 o'clock and 50 minutes p.m.), the Senate took a recess until the conclusion of the proceedings of the Senate sitting as a Court of Impeachment on tomorrow, Thursday, May 18, 1933, the hour of meeting of the Senate sitting as a Court of Impeachment being 10 o'clock a.m.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 17 (legislative day of May 15), 1933

SOLICITOR OF LABOR

Charles Wyzanski, Jr., to be Solicitor of Labor.

COMMISSIONER OF THE GENERAL LAND OFFICE

Fred W. Johnson to be Commissioner of the General Land Office.

UNITED STATES ATTORNEY

George E. Hoffman, to be United States attorney, northern district of Florida.

HOUSE OF REPRESENTATIVES

WEDNESDAY, MAY 17, 1933

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Our Heavenly Father, Thou who art crowned with glory and dominion, with infinite love and compassion toward all men and nations, Thou art our God. At Thy feet we lift our hearts and pray for that day for which the prophets, the apostles, and the martyrs labored and died, and for which we long and wait. O sacred moment, O hallowed spot! Lord God of hosts, the heart of the world has been made a common, a crimsoned, and a bloody roadway for man's inhumanity to man. O it must not murder, it must not rob, it must not leave in misery any of Thy children of whatever land or race. Hear us for its redemption from the barbarities and the cruelties of warfare. Awaken the whole earth from its nightmare of wrath and hate and from its threatened quicksand of destruction and ruin. Be Thou, Almighty God, a bountiful Providence to our President as he seeks to hold the gates, and put into the skies of all lands the star of hope and the bow of promise. O breath of the Most High, breathe upon him and our country. Reign, reign, Thou art the King of Kings and the Lord of Lords, and unto Thee be eternal praises. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate had agreed to the report of the Committee of Conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 5081) entitled "An act to provide for the common defense; to aid interstate commerce by navigation; to provide flood control; to promote the general welfare by creating the Tennessee Valley Authority; to operate the Muscle Shoals properties; and to encourage agricultural, industrial, and economic development."

The message also announced that the Senate disagrees to the amendments of the House to the bill (S. 753) entitled "An act to confer the degree of bachelor of science upon graduates of the Naval Academy", requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. TRAMMELL, Mr. RUSSELL, and Mr. HALE to be the conferees on the part of the Senate.

MUSCLE SHOALS

Mr. McSWAIN. Mr. Speaker, I call up the conference report on the bill (H.R. 5081) to provide for the common defense; to aid interstate commerce by navigation; to provide flood control; to promote the general welfare by creating the Tennessee Valley Authority; to operate the Muscle Shoals properties; and to encourage agricultural, industrial, and economic development, and ask unanimous consent that the statement be read in lieu of the report.

The SPEAKER. The gentleman from South Carolina asks unanimous consent that the statement of the managers be read in lieu of the report. Is there objection?

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 5081) to provide for the common defense; to aid interstate commerce by navigation; to provide flood control; to promote the general welfare by creating the Tennessee Valley Authority; to operate the Muscle Shoals properties; and to encourage agricultural, industrial, and economic development, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows: In lieu of the matter inserted by the Senate insert the following:

"That for the purpose of maintaining and operating the properties now owned by the United States in the vicinity of Muscle Shoals, Ala., in the interest of the national defense and for agricultural and industrial development, and to improve navigation in the Tennessee River and to control the destructive flood waters in the Tennessee River and Mississippi River Basins, there is hereby created a body corporate by the name of the 'Tennessee Valley Authority' (hereinafter referred to as the 'Corporation'). The board of directors first appointed shall be deemed the incorporators, and the incorporation shall be held to have been effected from the date of the first meeting of the board. This act may be cited as the 'Tennessee Valley Authority Act of 1933.'

"Sec. 2. (a) The board of directors of the Corporation (hereinafter referred to as the 'board') shall be composed of three members, to be appointed by the President, by and with the advice and consent of the Senate. In appointing the members of the board, the President shall designate the chairman. All other officials, agents, and employees shall be designated and selected by the board.

"(b) The terms of office of the members first taking office after the approval of this act shall expire as designated by the President at the time of nomination, 1 at the end of the third year, 1 at the end of the sixth year, and 1 at the end of the ninth year, after the date of approval of this act. A successor to a member of the board shall be appointed in the same manner as the original members and shall have a term of office expiring 9 years from the date of the expiration of the term for which his predecessor was appointed.

"(c) Any member appointed to fill a vacancy in the board occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term.

"(d) Vacancies in the board so long as there shall be 2 members in office shall not impair the powers of the board to execute the functions of the Corporation, and 2 of the members in office shall constitute a quorum for the transaction of the business of the board.

"(e) Each of the members of the board shall be a citizen of the United States, and shall receive a salary at the rate of \$10,000 a year, to be paid by the Corporation as current expenses. Each member of the board, in addition to his salary, shall be permitted to occupy as his residence one of the dwelling houses owned by the Government in the vicinity of Muscle Shoals, Ala., the same to be designated by the President of the United States. Members of the board shall be reimbursed by the Corporation for actual expenses (including traveling and subsistence expenses) incurred by them in the performance of the duties vested in the board by this act. No member of said board shall, during his continuance in office, be engaged in any other business, but each member shall devote himself to the work of the Corporation.

"(f) No director shall have financial interest in any public-utility corporation engaged in the business of distributing and selling power to the public nor in any corporation engaged in the manufacture, selling, or distribution of fixed nitrogen or fertilizer, or any ingredients thereof, nor

shall any member have any interest in any business that may be adversely affected by the success of the Corporation as a producer of concentrated fertilizers or as a producer of electric power.

"(g) The board shall direct the exercise of all the powers of the Corporation.

"(h) All members of the board shall be persons who profess a belief in the feasibility and wisdom of this act.

"Sec. 3. The board shall without regard to the provisions of Civil Service laws applicable to officers and employees of the United States, appoint such managers, assistant managers, officers, employees, attorneys, and agents, as are necessary for the transaction of its business, fix their compensation, define their duties, require bonds of such of them as the board may designate, and provide a system of organization to fix responsibility and promote efficiency. Any appointee of the board may be removed in the discretion of the board. No regular officer or employee of the Corporation shall receive a salary in excess of that received by the members of the board.

"All contracts to which the Corporation is a party and which require the employment of laborers and mechanics in the construction, alteration, maintenance, or repair of buildings, dams, locks, or other projects shall contain a provision that not less than the prevailing rate of wages for work of a similar nature prevailing in the vicinity shall be paid to such laborers or mechanics.

"In the event any dispute arises as to what are the prevailing rates of wages, the question shall be referred to the Secretary of Labor for determination, and his decision shall be final. In the determination of such prevailing rate or rates, due regard shall be given to those rates which have been secured through collective agreement by representatives of employers and employees.

"Where such work as is described in the two preceding paragraphs is done directly by the Corporation the prevailing rate of wages shall be paid in the same manner as though such work had been let by contract.

"Insofar as applicable the benefits of the act entitled 'An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes', approved September 7, 1916, as amended, shall extend to persons given employment under the provisions of this act.

"Sec. 4. Except as otherwise specifically provided in this act, the Corporation—

"(a) Shall have succession in its corporate name.

"(b) May sue and be sued in its corporate name.

"(c) May adopt and use a corporate seal, which shall be judicially noticed.

"(d) May make contracts, as herein authorized.

"(e) May adopt, amend, and repeal bylaws.

"(f) May purchase or lease and hold such real and personal property as it deems necessary or convenient in the transaction of its business, and may dispose of any such personal property held by it.

"The board shall select a treasurer and as many assistant treasurers as it deems proper, which treasurer and assistant treasurers shall give such bonds for the safe keeping of the securities and moneys of the said Corporation as the board may require: *Provided*, That any member of said board may be removed from office at any time by a concurrent resolution of the Senate and the House of Representatives.

"(g) Shall have such powers as may be necessary or appropriate for the exercise of the powers herein specifically conferred upon the Corporation.

"(h) Shall have power in the name of the United States of America to exercise the right of eminent domain, and in the purchase of any real estate or the acquisition of real estate by condemnation proceedings, the title to such real estate shall be taken in the name of the United States of America, and thereupon all such real estate shall be entrusted to the Corporation as the agent of the United States to accomplish the purposes of this act.

"(i) Shall have power to acquire real estate for the construction of dams, reservoirs, transmission lines, power houses, and other structures, and navigation projects at any point along the Tennessee River, or any of its tributaries, and in the event that the owner or owners of such property shall fail and refuse to sell to the Corporation at a price deemed fair and reasonable by the board, then the Corporation may proceed to exercise the right of eminent domain, and to condemn all property that it deems necessary for carrying out the purposes of this act, and all such condemnation proceedings shall be had pursuant to the provisions and requirements hereinafter specified, with reference to any and all condemnation proceedings.

"(j) Shall have power to construct dams, reservoirs, power houses, power structures, transmission lines, navigation projects, and incidental works in the Tennessee River and its tributaries, and to unite the various power installations into one or more systems by transmission lines.

"Sec. 5. The board is hereby authorized—

"(a) To contract with commercial producers for the production of such fertilizers or fertilizer materials as may be needed in the Government's program of development and introduction in excess of that produced by Government plants. Such contracts may provide either for outright purchase of materials by the board or only for the payment of carrying charges on special materials manufactured at the board's request for its program.

"(b) To arrange with farmers and farm organizations for large-scale practical use of the new forms of fertilizers under conditions permitting an accurate measure of the economic return they produce.

"(c) To cooperate with National, State, district, or county experimental stations or demonstration farms, for the use of new forms of fertilizer or fertilizer practices during the initial or experimental period of their introduction.

"(d) The board in order to improve and cheapen the production of fertilizer is authorized to manufacture and sell fixed nitrogen, fertilizer, and fertilizer ingredients at Muscle Shoals by the employment of existing facilities, by modernizing existing plants, or by any other process or processes that in its judgment shall appear wise and profitable for the fixation of atmospheric nitrogen or the cheapening of the production of fertilizer.

"(e) Under the authority of this act the board may make donations or sales of the product of the plant or plants operated by it to be fairly and equitably distributed through the agency of county demonstration agents, agricultural colleges, or otherwise as the board may direct, for experimentation, education, and introduction of the use of such products in cooperation with practical farmers so as to obtain information as to the value, effect, and best methods of their use.

"(f) The board is authorized to make alterations, modifications, or improvements in existing plants and facilities, and to construct new plants.

"(g) In the event it is not used for the fixation of nitrogen for agricultural purposes, or leased, then the board shall maintain in stand-by condition nitrate plant no. 2, or its equivalent, for the fixation of atmospheric nitrogen, for the production of explosives in the event of war or a national emergency, until the Congress shall by joint resolution release the board from this obligation, and if any part thereof be used by the board for the manufacture of phosphoric acid or potash, the balance of nitrate plant no. 2 shall be kept in stand-by condition.

"(h) To establish, maintain, and operate laboratories and experimental plants, and to undertake experiments for the purpose of enabling the corporation to furnish nitrogen products for military purposes, and nitrogen and other fertilizer products for agricultural purposes in the most economical manner and at the highest standard of efficiency.

"(i) To request the assistance and advice of any officer, agent, or employee of any executive department or of any independent office of the United States, to enable the Corporation the better to carry out its powers successfully, and as

far as practicable shall utilize the services of such officers, agents, and employees, and the President shall, if in his opinion the public interest, service, or economy so require, direct that such assistance, advice, and service be rendered to the Corporation, and any individual that may be by the President directed to render such assistance, advice, and service shall be thereafter subject to the orders, rules, and regulations of the board: *Provided*, That any invention or discovery made by virtue of and incidental to such service by an employee of the Government of the United States serving under this section, or by any employee of the Corporation, together with any patents which may be granted thereon, shall be the sole and exclusive property of the Corporation, which is hereby authorized to grant such licenses thereunder as shall be authorized by the board: *Provided further*, That the board may pay to such inventor such sum from the income from sale of licenses as it may deem proper.

"(j) Upon the requisition of the Secretary of War or the Secretary of the Navy to manufacture for and sell at cost to the United States explosives or their nitrogenous content.

"(k) Upon the requisition of the Secretary of War the Corporation shall allot and deliver without charge to the War Department so much power as shall be necessary in the judgment of said Department for use in operation of all locks, lifts, or other facilities in aid of navigation.

"(l) To produce, distribute, and sell electric power, as herein particularly specified.

"(m) No products of the Corporation shall be sold for use outside of the United States, its Territories and possessions, except to the United States Government for the use of its Army and Navy, or to its allies in case of war.

"(n) The President is authorized, within 12 months after the passage of this act, to lease to any responsible farm organization or to any corporation organized by it nitrate plant no. 2 and Waco Quarry, together with the railroad connecting said quarry with nitrate plant no. 2, for a term not exceeding 50 years at a rental of not less than \$1 per year, but such authority shall be subject to the express condition that the lessee shall use said property during the term of said lease exclusively for the manufacture of fertilizer and fertilizer ingredients to be used only in the manufacture of fertilizer by said lessee and sold for use as fertilizer. The said lessee shall covenant to keep said property in first-class condition, but the lessee shall be authorized to modernize said plant no. 2 by the installation of such machinery as may be necessary, and is authorized to amortize the cost of said machinery and improvements over the term of said lease or any part thereof. Said lease shall also provide that the board shall sell to the lessee power for the operation of said plant at the same schedule of prices that it charges all other customers for power of the same class and quantity. Said lease shall also provide that, if the said lessee does not desire to buy power of the publicly owned plant, it shall have the right to purchase its power for the operation of said plant of the Alabama Power Co. or any other publicly or privately owned corporation engaged in the generation and sale of electric power, and in such case the lease shall provide further that the said lessee shall have a free right of way to build a transmission line over Government property to said plant, paying the actual expenses and damages, if any, incurred by the Corporation on account of such line. Said lease shall also provide that the said lessee shall covenant that during the term of said lease the said lessee shall not enter into any illegal monopoly, combination, or trust with any privately owned corporation engaged in the manufacture, production, and sale of fertilizer with the object or effect of increasing the price of fertilizer to the farmer.

"SEC. 6. In the appointment of officials and the selection of employees for said Corporation, and in the promotion of any such employees or officials, no political test or qualification shall be permitted or given consideration, but all such appointments and promotions shall be given and made on the basis of merit and efficiency. Any member of said

board who is found by the President of the United States to be guilty of a violation of this section shall be removed from office by the President of the United States, and any appointee of said board who is found by the board to be guilty of a violation of this section shall be removed from office by said board.

"SEC. 7. In order to enable the Corporation to exercise the powers and duties vested in it by this act—

"(a) The exclusive use, possession, and control of the United States nitrate plants nos. 1 and 2, including steam plants located, respectively, at Sheffield, Ala., and Muscle Shoals, Ala., together with all real estate and buildings connected therewith, all tools and machinery, equipment, accessories, and materials belonging thereto, and all laboratories and plants used as auxiliaries thereto; the fixed-nitrogen research laboratory, the Waco limestone quarry, in Alabama, and Dam No. 2, located at Muscle Shoals, its power house, and all hydroelectric and operating appurtenances (except the locks), and all machinery, lands, and buildings in connection therewith, and all appurtenances thereof, and all other property to be acquired by the Corporation in its own name or in the name of the United States of America, are hereby intrusted to the Corporation for the purposes of this act.

"(b) The President of the United States is authorized to provide for the transfer to the Corporation of the use, possession, and control of such other real or personal property of the United States as he may from time to time deem necessary and proper for the purposes of the Corporation as herein stated.

"SEC. 8. (a) The Corporation shall maintain its principal office in the immediate vicinity of Muscle Shoals, Ala. The Corporation shall be held to be an inhabitant and resident of the northern judicial district of Alabama within the meaning of the laws of the United States relating to the venue of civil suits.

"(b) The Corporation shall at all times maintain complete and accurate books of accounts.

"(c) Each member of the board, before entering upon the duties of his office, shall subscribe to an oath (or affirmation) to support the Constitution of the United States and to faithfully and impartially perform the duties imposed upon him by this act.

"SEC. 9. (a) The board shall file with the President and with the Congress, in December of each year, a financial statement and a complete report as to the business of the Corporation covering the preceding governmental fiscal year. This report shall include an itemized statement of the cost of power at each power station, the total number of employees, and the names, salaries, and duties of those receiving compensation at the rate of more than \$1,500 a year.

"(b) The Comptroller General of the United States shall audit the transactions of the Corporation at such times as he shall determine, but not less frequently than once each governmental fiscal year, with personnel of his selection. In such connection he and his representatives shall have free and open access to all papers, books, records, files, accounts, plants, warehouses, offices, and all other things, property and places belonging to or under the control of or used or employed by the Corporation, and shall be afforded full facilities for counting all cash and verifying transactions with and balances in depositaries. He shall make report of each such audit in quadruplicate, 1 copy for the President of the United States, 1 for the chairman of the board, 1 for public inspection at the principal office of the Corporation, and the other to be retained by him for the uses of the Congress. The expenses of each such audit may be paid from moneys advanced therefor by the Corporation, or from any appropriation or appropriations for the General Accounting Office, and appropriations so used shall be reimbursed promptly by the Corporation as billed by the Comptroller General. All such audit expenses shall be charged to operating expenses of the Corporation. The Comptroller General shall make special report to the Presi-

dent of the United States and to the Congress of any transaction or condition found by him to be in conflict with the powers or duties intrusted to the Corporation by law.

"SEC. 10. The board is hereby empowered and authorized to sell the surplus power not used in its operations, and for operation of locks and other works generated by it, to States, counties, municipalities, corporations, partnerships, or individuals, according to the policies hereinafter set forth; and to carry out said authority, the board is authorized to enter into contracts for such sale for a term not exceeding 20 years, and in the sale of such current by the board it shall give preference to States, counties, municipalities, and cooperative organizations of citizens or farmers, not organized or doing business for profit, but primarily for the purpose of supplying electricity to its own citizens or members: *Provided*, That all contracts made with private companies or individuals for the sale of power, which power is to be resold for a profit, shall contain a provision authorizing the board to cancel said contract upon 5 years' notice in writing, if the board needs said power to supply the demands of States, counties, or municipalities. In order to promote and encourage the fullest possible use of electric light and power on farms within reasonable distance of any of its transmission lines the board in its discretion shall have power to construct transmission lines to farms and small villages that are not otherwise supplied with electricity at reasonable rates, and to make such rules and regulations governing such sale and distribution of such electric power as in its judgment may be just and equitable: *Provided further*, That the board is hereby authorized and directed to make studies, experiments, and determinations to promote the wider and better use of electric power for agricultural and domestic use, or for small or local industries, and it may cooperate with State governments, or their subdivisions or agencies, with educational or research institutions, and with cooperatives or other organizations, in the application of electric power to the fuller and better balanced development of the resources of the region.

"SEC. 11. It is hereby declared to be the policy of the Government so far as practical to distribute and sell the surplus power generated at Muscle Shoals equitably among the States, counties, and municipalities within transmission distance. This policy is further declared to be that the projects herein provided for shall be considered primarily as for the benefit of the people of the section as a whole and particularly the domestic and rural consumers to whom the power can economically be made available, and accordingly that sale to and use by industry shall be a secondary purpose, to be utilized principally to secure a sufficiently high load factor and revenue returns which will permit domestic and rural use at the lowest possible rates and in such manner as to encourage increased domestic and rural use of electricity. It is further hereby declared to be the policy of the Government to utilize the Muscle Shoals properties so far as may be necessary to improve, increase, and cheapen the production of fertilizer and fertilizer ingredients by carrying out the provisions of this act.

"SEC. 12. In order to place the board upon a fair basis for making such contracts and for receiving bids for the sale of such power, it is hereby expressly authorized, either from appropriations made by Congress or from funds secured from the sale of such power, or from funds secured by the sale of bonds hereafter provided for, to construct, lease, purchase, or authorize the construction of transmission lines within transmission distance from the place where generated, and to interconnect with other systems. The board is also authorized to lease to any person, persons, or corporation the use of any transmission line owned by the Government and operated by the board, but no such lease shall be made that in any way interferes with the use of such transmission line by the board: *Provided*, That if any State, county, municipality, or other public or cooperative organization of citizens or farmers, not organized or doing business for profit, but primarily for the purpose of supplying electricity to its own citizens or members, or any two

or more of such municipalities or organizations, shall construct or agree to construct and maintain a properly designed and built transmission line to the Government reservation upon which is located a Government generating plant, or to a main transmission line owned by the Government or leased by the board and under the control of the board, the board is hereby authorized and directed to contract with such State, county, municipality, or other organization, or two or more of them, for the sale of electricity for a term not exceeding 30 years; and in any such case the board shall give to such State, county, municipality, or other organization ample time to fully comply with any local law now in existence or hereafter enacted providing for the necessary legal authority for such State, county, municipality, or other organization to contract with the board for such power: *Provided further*, That all contracts entered into between the Corporation and any municipality or other political subdivision or cooperative organization shall provide that the electric power shall be sold and distributed to the ultimate consumer without discrimination as between consumers of the same class, and such contract shall be voidable at the election of the board if a discriminatory rate, rebate, or other special concession is made or given to any consumer or user by the municipality or other political subdivision or cooperative organization: *And provided further*, That as to any surplus power not so sold as above provided to States, counties, municipalities, or other said organizations, before the board shall sell the same to any person or corporation engaged in the distribution and resale of electricity for profit, it shall require said person or corporation to agree that any resale of such electric power by said person or corporation shall be made to the ultimate consumer of such electric power at prices that shall not exceed a schedule fixed by the board from time to time as reasonable, just, and fair; and in case of any such sale, if an amount is charged the ultimate consumer which is in excess of the price so deemed to be just, reasonable, and fair by the board, the contract for such sale between the board and such distributor of electricity shall be voidable at the election of the board: *And provided further*, That the board is hereby authorized to enter into contracts with other power systems for the mutual exchange of unused excess power upon suitable terms, for the conservation of stored water, and as an emergency or break-down relief.

"SEC. 13. Five percent of the gross proceeds received by the board for the sale of power generated at Dam No. 2, or from any other hydropower plant hereafter constructed in the State of Alabama, shall be paid to the State of Alabama; and 5 percent of the gross proceeds from the sale of power generated at Cove Creek Dam, hereinafter provided for, or any other dam located in the State of Tennessee, shall be paid to the State of Tennessee. Upon the completion of said Cove Creek Dam the board shall ascertain how much additional power is thereby generated at Dam No. 2 and at any other dam hereafter constructed by the Government of the United States on the Tennessee River, in the State of Alabama, or in the State of Tennessee, and from the gross proceeds of the sale of such additional power 2½ percent shall be paid to the State of Alabama and 2½ percent to the State of Tennessee. These percentages shall apply to any other dam that may hereafter be constructed and controlled and operated by the board on the Tennessee River or any of its tributaries, the main purpose of which is to control flood waters and where the development of electric power is incidental to the operation of such flood-control dam. In ascertaining the gross proceeds from the sale of such power upon which a percentage is paid to the States of Alabama and Tennessee, the board shall not take into consideration the proceeds of any power sold or delivered to the Government of the United States, or any department or agency of the Government of the United States, used in the operation of any locks on the Tennessee River or for any experimental purpose, or for the manufacture of fertilizer or any of the ingredients thereof, or for any other governmental purpose: *Provided*, That the percentages

to be paid to the States of Alabama and Tennessee, as provided in this section, shall be subject to revision and change by the board, and any new percentages established by the board, when approved by the President, shall remain in effect until and unless again changed by the board with the approval of the President. No change of said percentages shall be made more often than once in 5 years, and no change shall be made without giving to the States of Alabama and Tennessee an opportunity to be heard.

"Sec. 14. The board shall make a thorough investigation as to the present value of Dam No. 2, and the steam plants at nitrate plant no. 1, and nitrate plant no. 2, and as to the cost of Cove Creek Dam, for the purpose of ascertaining how much of the value or the cost of said properties shall be allocated and charged up to (1) flood control, (2) navigation, (3) fertilizer, (4) national defense, and (5) the development of power. The findings thus made by the board, when approved by the President of the United States, shall be final, and such findings shall thereafter be used in all allocation of value for the purpose of keeping the book value of said properties. In like manner, the cost and book value of any dams, steam plants, or other similar improvements hereafter constructed and turned over to said board for the purpose of control and management shall be ascertained and allocated.

"Sec. 15. In the construction of any future dam, steam plant, or other facility, to be used in whole or in part for the generation or transmission of electric power, the board is hereby authorized and empowered to issue on the credit of the United States and to sell serial bonds not exceeding \$50,000,000 in amount, having a maturity not more than 50 years from the date of issue thereof, and bearing interest not exceeding 3½ percent per annum. Said bonds shall be issued and sold in amounts and prices approved by the Secretary of the Treasury, but all such bonds as may be so issued and sold shall have equal rank. None of said bonds shall be sold below par, and no fee, commission, or compensation whatever shall be paid to any person, firm, or corporation for handling, negotiating the sale, or selling the said bonds. All of such bonds so issued and sold shall have all the rights and privileges accorded by law to Panama Canal bonds, authorized by section 8 of the act of June 28, 1902, chapter 1302, as amended by the act of December 21, 1905 (ch. 3, sec. 1, 34 Stat. 5), as now compiled in section 743 of title 31 of the United States Code. All funds derived from the sale of such bonds shall be paid over to the Corporation.

"Sec. 16. The board, whenever the President deems it advisable, is hereby empowered and directed to complete Dam No. 2 at Muscle Shoals, Ala., and the steam plant at nitrate plant no. 2, in the vicinity of Muscle Shoals, by installing in Dam No. 2 the additional power units according to the plans and specifications of said dam, and the additional power unit in the steam plant at nitrate plant no. 2.

"Sec. 17. The Secretary of War, or the Secretary of the Interior, is hereby authorized to construct, either directly or by contract to the lowest responsible bidder, after due advertisement, a dam in and across Clinch River in the State of Tennessee, which has by long custom become known and designated as the Cove Creek Dam, together with a transmission line from Muscle Shoals, according to the latest and most approved designs, including power house and hydroelectric installations and equipment for the generation of power, in order that the waters of the said Clinch River may be impounded and stored above said dam for the purpose of increasing and regulating the flow of the Clinch River and the Tennessee River below, so that the maximum amount of primary power may be developed at Dam No. 2 and at any and all other dams below the said Cove Creek Dam: *Provided, however,* That the President is hereby authorized by appropriate order to direct the employment by the Secretary of War, or by the Secretary of the Interior, of such engineer or engineers as he may designate, to perform such duties and obligations as he may deem proper, either in the drawing of plans and specifications for said dam, or to perform any

other work in the building or construction of the same. The President may, by such order, place the control of the construction of said dam in the hands of such engineer or engineers taken from private life as he may desire: *And provided further,* That the President is hereby expressly authorized, without regard to the restriction or limitation of any other statute, to select attorneys and assistants for the purpose of making any investigation he may deem proper to ascertain whether, in the control and management of Dam No. 2, or any other dam or property owned by the Government in the Tennessee River Basin, or in the authorization of any improvement therein, there has been any undue or unfair advantage given to private persons, partnerships, or corporations, by any officials or employees of the Government, or whether in any such matters the Government has been injured or unjustly deprived of any of its rights.

"Sec. 18. In order to enable and empower the Secretary of War, the Secretary of the Interior, or the board to carry out the authority hereby conferred, in the most economical and efficient manner, he or it is hereby authorized and empowered in the exercise of the powers of national defense, in aid of navigation, and in the control of the flood waters of the Tennessee and Mississippi Rivers, constituting channels of interstate commerce, to exercise the right of eminent domain for all purposes of this act, and to condemn all lands, easements, rights of way, and other area necessary in order to obtain a site for said Cove Creek Dam, and the flowage rights for the reservoir of water above said dam, and to negotiate and conclude contracts with States, counties, municipalities, and all State agencies and with railroads, railroad corporations, common carriers, and all public-utility commissions and any other person, firm, or corporation, for the relocation of railroad tracks, highways, highway bridges, mills, ferries, electric-light plants, and any and all other properties, enterprises, and projects whose removal may be necessary in order to carry out the provisions of this act. When said Cove Creek Dam, transmission line, and power house shall have been completed, the possession, use, and control thereof shall be intrusted to the Corporation for use and operation in connection with the general Tennessee Valley project, and to promote flood control and navigation in the Tennessee River.

"Sec. 19. The Corporation, as an instrumentality and agency of the Government of the United States for the purpose of executing its constitutional powers, shall have access to the Patent Office of the United States for the purpose of studying, ascertaining, and copying all methods, formulas and scientific information (not including access to pending applications for patents) necessary to enable the Corporation to use and employ the most efficacious and economical process for the production of fixed nitrogen, or any essential ingredient of fertilizer, or any method of improving and cheapening the production of hydroelectric power, and any owner of a patent whose patent rights may have been thus in any way copied, used, infringed, or employed by the exercise of this authority by the Corporation shall have as the exclusive remedy a cause of action against the Corporation to be instituted and prosecuted on the equity side of the appropriate district court of the United States, for the recovery of reasonable compensation for such infringement. The Commissioner of Patents shall furnish to the Corporation, at its request and without payment of fees, copies of documents on file in his office: *Provided,* That the benefits of this section shall not apply to any art, machine, method of manufacture, or composition of matter, discovered or invented by such employee during the time of his employment or service with the Corporation or with the Government of the United States.

"Sec. 20. The Government of the United States hereby reserves the right, in case of war or national emergency declared by Congress, to take possession of all or any part of the property described or referred to in this act for the purpose of manufacturing explosives or for other war purposes; but, if this right is exercised by the Government, it

shall pay the reasonable and fair damages that may be suffered by any party whose contract for the purchase of electric power or fixed nitrogen or fertilizer ingredients is hereby violated, after the amount of the damages has been fixed by the United States Court of Claims in proceedings instituted and conducted for that purpose under rules prescribed by the court.

"Sec. 21. (a) All general penal statutes relating to the larceny, embezzlement, conversion, or to the improper handling, retention, use, or disposal of public moneys or property of the United States shall apply to the moneys and property of the Corporation and to moneys and properties of the United States intrusted to the corporation.

"(b) Any person who, with intent to defraud the Corporation, or to deceive any director, officer, or employee of the Corporation or any officer or employee of the United States, (1) makes any false entry in any book of the Corporation, or (2) makes any false report or statement for the Corporation, shall, upon conviction thereof, be fined not more than \$10,000, or imprisoned not more than 5 years, or both.

"(c) Any person who shall receive any compensation, rebate, or reward, or shall enter into any conspiracy, collusion, or agreement, express or implied, with intent to defraud the Corporation or wrongfully and unlawfully to defeat its purposes, shall, on conviction thereof, be fined not more than \$5,000, or imprisoned not more than 5 years, or both.

"Sec. 22. To aid further the proper use, conservation, and development of the natural resources of the Tennessee River drainage basin and of such adjoining territory as may be related to or materially affected by the development consequent to this act, and to provide for the general welfare of the citizens of said areas, the President is hereby authorized, by such means or methods as he may deem proper within the limits of appropriations made therefor by Congress, to make such surveys of and general plans for said Tennessee Basin and adjoining territory as may be useful to the Congress and to the several States in guiding and controlling the extent, sequence, and nature of development that may be equitably and economically advanced through the expenditure of public funds, or through the guidance or control of public authority, all for the general purpose of fostering an orderly and proper physical, economic, and social development of said areas; and the President is further authorized in making said surveys and plans to cooperate with the States affected thereby, or subdivisions or agencies of such States, or with cooperative or other organizations, and to make such studies, experiments, or demonstrations as may be necessary and suitable to that end.

"Sec. 23. The President shall, from time to time, as the work provided for in the preceding section progresses, recommend to Congress such legislation as he deems proper to carry out the general purposes stated in said section, and for the especial purpose of bringing about in said Tennessee drainage basin and adjoining territory in conformity with said general purposes (1) the maximum amount of flood control; (2) the maximum development of said Tennessee River for navigation purposes; (3) the maximum generation of electric power consistent with flood control and navigation; (4) the proper use of marginal lands; (5) the proper method of reforestation of all lands in said drainage basin suitable for reforestation; and (6) the economic and social well-being of the people living in said river basin.

"Sec. 24. For the purpose of securing any rights of flowage, or obtaining title to or possession of any property, real or personal, that may be necessary or may become necessary, in the carrying out of any of the provisions of this act, the President of the United States for a period of 3 years from the date of the enactment of this act, is hereby authorized to acquire title in the name of the United States to such rights or such property, and to provide for the payment for same by directing the board to contract to deliver power generated at any of the plants now owned or hereafter owned or constructed by the Government or by said

Corporation, such future delivery of power to continue for a period not exceeding 30 years. Likewise, for 1 year after the enactment of this act, the President is further authorized to sell or lease any parcel or part of any vacant real estate now owned by the Government in said Tennessee River Basin, to persons, firms, or corporations who shall contract to erect thereon factories or manufacturing establishments, and who shall contract to purchase of said Corporation electric power for the operation of any such factory or manufacturing establishment. No contract shall be made by the President for the sale of any of such real estate as may be necessary for present or future use on the part of the Government for any of the purposes of this act. Any such contract made by the President of the United States shall be carried out by the board: *Provided*, That no such contract shall be made that will in any way abridge or take away the preference right to purchase power given in this act to States, counties, municipalities, or farm organizations: *Provided further*, That no lease shall be for a term to exceed 50 years: *Provided further*, That any sale shall be on condition that said land shall be used for industrial purposes only.

"Sec. 25. The Corporation may cause proceedings to be instituted for the acquisition by condemnation of any lands, easements, or rights of way which, in the opinion of the Corporation, are necessary to carry out the provisions of this act. The proceedings shall be instituted in the United States district court for the district in which the land, easement, right of way, or other interest, or any part thereof, is located, and such court shall have full jurisdiction to divest the complete title to the property sought to be acquired out of all persons or claimants and vest the same in the United States in fee simple, and to enter a decree quieting the title thereto in the United States of America.

"Upon the filing of a petition for condemnation and for the purpose of ascertaining the value of the property to be acquired, and assessing the compensation to be paid, the court shall appoint three commissioners who shall be disinterested persons and who shall take and subscribe an oath that they do not own any lands, or interest or easement in any lands, which it may be desirable for the United States to acquire in the furtherance of said project, and such commissioners shall not be selected from the locality wherein the land sought to be condemned lies. Such commissioners shall receive a per diem of not to exceed \$15 for their services, together with an additional amount of \$5 per day for subsistence for time actually spent in performing their duties as commissioners.

"It shall be the duty of such commissioners to examine into the value of the lands sought to be condemned, to conduct hearings and receive evidence, and generally to take such appropriate steps as may be proper for the determination of the value of the said lands sought to be condemned, and for such purpose the commissioners are authorized to administer oaths and subpoena witnesses, which said witnesses shall receive the same fees as are provided for witnesses in the Federal courts. The said commissioners shall thereupon file a report setting forth their conclusions as to the value of the said property sought to be condemned, making a separate award and valuation in the premises with respect to each separate parcel involved. Upon the filing of such award in court the clerk of said court shall give notice of the filing of such award to the parties to said proceeding, in manner and form as directed by the judge of said court.

"Either or both parties may file exceptions to the award of said commissioners within 20 days from the date of the filing of said award in court. Exceptions filed to such award shall be heard before three Federal district judges unless the parties, in writing, in person, or by their attorneys, stipulate that the exceptions may be heard before a lesser number of judges. On such hearing such judges shall pass de novo upon the proceedings had before the commissioners, may view the property, and may take additional evidence. Upon such hearings the said judges shall file their own

award, fixing therein the value of the property sought to be condemned, regardless of the award previously made by the said commissioners.

"At any time within 30 days from the filing of the decision of the district judges upon the hearing on exceptions to the award made by the commissioners, either party may appeal from such decision of the said judges to the circuit court of appeals, and the said circuit court of appeals shall upon the hearing on said appeal dispose of the same upon the record, without regard to the awards or findings theretofore made by the commissioners or the district judges, and such circuit court of appeals shall thereupon fix the value of the said property sought to be condemned.

"Upon acceptance of an award by the owner of any property herein provided to be appropriated, and the payment of the money awarded or upon the failure of either party to file exceptions to the award of the commissioners within the time specified, or upon the award of the commissioners, and the payment of the money by the United States pursuant thereto, or the payment of the money awarded into the registry of the court by the Corporation, the title to said property and the right to the possession thereof shall pass to the United States, and the United States shall be entitled to a writ in the same proceeding to dispossess the former owner of said property, and all lessees, agents, and attorneys of such former owner, and to put the United States, by its corporate creature and agent, the Corporation, into possession of said property.

"In the event of any property owned in whole or in part by minors, or insane persons, or incompetent persons, or estates of deceased persons, then the legal representatives of such minors, insane persons, incompetent persons, or estates shall have power, by and with the consent and approval of the trial judge in whose court said matter is for determination, to consent to or reject the awards of the commissioners herein provided for, and in the event that there be no legal representatives, or that the legal representatives for such minors, insane persons, or incompetent persons shall fail or decline to act, then such trial judge may, upon motion, appoint a guardian ad litem to act for such minors, insane persons, or incompetent persons, and such guardian ad litem shall act to the full extent and to the same purpose and effect as his ward could act, if competent, and such guardian ad litem shall be deemed to have full power and authority to respond, to conduct, or to maintain any proceeding herein provided for affecting his said ward.

"Sec. 26. The net proceeds derived by the board from the sale of power and any of the products manufactured by the Corporation, after deducting the cost of operation, maintenance, depreciation, amortization, and an amount deemed by the board as necessary to withhold as operating capital, or devoted by the board to new construction, shall be paid into the Treasury of the United States at the end of each calendar year.

"Sec. 27. All appropriations necessary to carry out the provisions of this act are hereby authorized.

"Sec. 28. That all acts or parts of acts in conflict herewith are hereby repealed, so far as they affect the operations contemplated by this act.

"Sec. 29. The right to alter, amend, or repeal this act is hereby expressly declared and reserved, but no such amendment or repeal shall operate to impair the obligation of any contract made by said Corporation under any power conferred by this act.

"Sec. 30. The sections of this act are hereby declared to be separable, and in the event any one or more sections of this act be held to be unconstitutional, the same shall not affect the validity of other sections of this act."

And the Senate agree to the same.

Amend the title as proposed by the Senate so as to read: "An act to improve the navigability and to provide for the flood control of the Tennessee River; to provide for reforestation and the proper use of marginal lands in the Tennessee Valley; to provide for the agricultural and industrial development of said valley; to provide for the national

defense by the creation of a corporation for the operation of Government properties at and near Muscle Shoals in the State of Alabama, and for other purposes"; and the House agree to the same.

JOHN J. McSWAIN,
LISTER HILL,

Managers on the part of the House.

E. D. SMITH,
JOHN B. KENDRICK,
B. K. WHEELER,
G. W. NORRIS,
CHAS. L. McNARY,

Managers on the part of the Senate.

STATEMENT

It will be noted from a reading of the conference amendment, the Senate amendment, and the House bill, hereinafter set out, that the mechanics of the House bill and the Senate amendment were substantially the same and in most instances were embodied in identical language.

The House bill provided, however, for liability to make compensation under the Federal Employees' Liability Compensation Act for all employees of the Corporation sustaining hurt or injury and there was no similar provision in the Senate amendment. The Senate conferees agreed to the insertion of same in the conference amendment.

There was a provision in the House bill for the protection of laborers to apply in all construction contracts made by the Corporation. No similar provision was carried in the Senate amendment, but the Senate conferees agreed to the insertion of the provision in the conference amendment as to prevailing wage scale.

Direct and specific authority for the Corporation to construct in the future any and all dams needed on the Tennessee River and its tributaries was carried in the House bill. There was a question as to whether the implied authority for the construction of such dams was sufficient as carried in the Senate amendment, and the provision of the House bill was inserted in the conference amendment to insure future development.

The House bill provided that all property hereafter to be acquired by purchase, condemnation, construction, or otherwise should be intrusted to the Corporation as the agent of the United States, and this provision was inserted in the conference amendment.

The Senate amendment limited the suability of the Corporation solely to suits for the enforcement of contracts and the defense of property. The House bill placed no limitations whatever upon the suability of the Corporation, so that all persons who had a cause of action against the Corporation might have their day in court. The House provision was written into the conference amendment in the interest of justice.

A most important provision in the House bill was the one requiring that nitrate plant no. 2, the big nitrate plant, be kept in stand-by condition for war purposes, in the event it was not being operated for the fixation of nitrogenous fertilizer. There was no similar provision in the Senate amendment, and the House provision was incorporated in the conference amendment. This safeguards national defense.

The House bill and the Senate amendment both declared it to be the policy to utilize the Muscle Shoals properties to improve and cheapen the production of fertilizer and fertilizer ingredients. But the House bill went further and declared it also to be the policy to "increase" the production of fertilizer and fertilizer ingredients, and this was written into the conference amendment. The provisions of the House bill and the Senate amendment with reference to experimentation in the production of fertilizer and fertilizer ingredients were substantially the same. The conference amendment gives the board full authority to manufacture and sell fertilizer and fertilizer ingredients by the use of existing plants or by modernizing existing plants and by building new plants or by any process or processes the board may select and in such amounts as the board may determine.

A similar provision was carried in the House bill and there was also in the House bill a provision requiring the board to operate either one of the two nitrate plants if such operation was in the judgment of both the board and the President feasible and economically justifiable. Agreement in conference leaves it discretionary with the board to decide how much fertilizer it will make and sell, what kind of fertilizer it will make, and what methods, processes, or plant or plants it will use.

With reference to leasing, the House bill authorized the leasing of nitrate plant no. 2 to any person, firm, or corporation but made no provision with reference to a nominal rental and imposed certain very specific conditions and limitations on the lessee. The Senate amendment authorized the leasing of nitrate plant no. 2 to the American Farm Bureau Federation only and imposed certain very specific conditions and limitations on the lessee. The conference amendment authorizes the leasing of nitrate plant no. 2 to any "farm organization or corporation organized by it" at a nominal rental and with no conditions or limitations on the lessee except that the plant be used to manufacture fertilizer. The manufactured fertilizer being seasonal, it is thought that a farm organization or its corporate agent can with the nominal rental and with the use of very cheap secondary power operate nitrate plant no. 2 in a most effective and successful manner for the benefit of agriculture.

The provision in the Senate amendment giving 5 percent of the gross proceeds from the sale of power to the States of Tennessee and Alabama in lieu of taxes was modified in conference by limiting the 5 percent to the gross proceeds derived from hydro power, and eliminated payment from any proceeds derived from the sale of steam or any other power.

With reference to power, the provision in the House bill dedicating the power projects primarily for the benefit of domestic and rural consumers was incorporated in the conference amendment. The language of the Senate amendment with reference to the construction of transmission lines was retained in the conference amendment. It will be remembered that the provision in the House bill requiring the board to negotiate for the use of private lines before constructing its own transmission lines laid down no specifications whatever as to just what these negotiations should be, and in no way required the board to conduct indefinite negotiations, but left the matter of the extent of the negotiations entirely to the discretion of the board. It must be remembered that the requirement in the beginning of section 13 of the House bill that the board first seek to make satisfactory contracts to purchase existing transmission lines or to make satisfactory arrangements with persons, firms, and corporations to resell and distribute surplus power was clearly intended solely in the interest of economy and lower rates to the public and could in no sense have restricted the power of the board to build new transmission lines. Further, "satisfactory" arrangements undoubtedly would have meant that the board itself would, as expressly required in said section, fix the prices at which such power should be sold to the ultimate consumer. Consequently, it was the purpose of the House bill to insure even cheaper power to the public. But the elimination in conference of the language in the House bill as to "negotiations" will not mean that the board will not probably, as good business men, seek to prevent duplication of lines and facilities by purchasing existing lines or by negotiating contracts to distribute and resell power at low stipulated rates to the public. It must also be remembered that the Senate bill was frequently amended on the floor of the Senate, thus greatly liberalizing its transmission-lines provisions, even to the extent of permitting the use of Government lines by private companies and of connecting Government lines in with a system or systems of private lines and authorizing the board to purchase existing lines.

Besides the provision with reference to the construction of transmission lines there were five other provisions with reference to power and the sale and distribution thereof in which the House bill was different from the Senate amendment, and in the case of each of these five provisions the

House bill provision was written into the conference amendment. The first of these provisions was where the House bill provided that contracts with private companies for the purchase of power could be canceled after 5 years' notice, where the Senate amendment provided for only 2 years' notice. The second of these provisions was where the House bill provided that contracts with States, counties, and municipalities should be limited to 20 years, while the Senate amendment limited such contracts to 30 years. The third of these provisions was where the House bill provided that where States, counties, and municipalities built their own transmission lines contracts for the sale of power to them should be limited to 30 years, and the Senate amendment limited such contracts to 40 years. The fourth of these provisions was that the House bill provided that in certain cases contracts with private companies should be voidable at the election of the board, and the Senate amendment provided that such contracts should be absolutely null and void. The fifth provision which was carried in the House bill and placed in the conference amendment gave cooperative organizations the same preference in the purchase of power as is given to States, counties, and municipalities.

It was extremely questionable as to whether or not the bonds provided for in the Senate amendment would be marketable. There was no question but that the bonds provided for in the House bill could be readily and easily sold. To insure the Corporation's not being handicapped and not being thwarted in its work of development of the Tennessee Valley, and the carrying out of its great projects, the bond provision of the House bill was incorporated in the conference amendment.

The provision for the construction of Cove Creek Dam and the transmission line connecting it with Wilson Dam was substantially the same in both the House bill and the Senate amendment, and the construction of these necessary projects will begin just as soon as funds are made available for that purpose at this session of Congress.

Provisions for condemnation proceedings in both House bill and Senate amendment were modified so as to insure more expeditious acquisition of property and were incorporated in the conference amendment.

A most important provision in the House bill requiring all net proceeds, after meeting all expenses of the Corporation and construction needs, to be covered into the Treasury of the United States, was accepted by the Senate conferees and incorporated in the conference amendment.

A careful comparison of the Senate bill with the Senate amendment will show that the Senate bill was amended many times and in many important particulars by the Senate before it was adopted by the Senate as the Senate amendment to the House bill. A study of the conference amendment shows that because of the work of the House Committee on Military Affairs and the cooperation of the membership of the House, the House conferees were able to get some 31 material provisions in the conference amendment that were absent from the Senate amendment.

We are fully persuaded that the full success of the Tennessee Valley development project will depend more upon the ability, vision, and executive capacity of the members of the board than upon legislative provisions. We have sought to set up a legislative framework, but not to encase it in a legislative strait-jacket. We intend that the corporation shall have much of the essential freedom and elasticity of a private business corporation. We have indicated the course it shall take, but have not directed the particular steps it shall make. We have given it ample power and tried to prevent the perversion and abuse of that power. We have set bounds to prevent its liberty from becoming license. For emphasis, we quote a brief extract from the report of the chairman of the Committee on Military Affairs to accompany H.R. 5081:

PLANNING FOR FUTURE DEVELOPMENT

The board of three members should not only be sound and experienced men of affairs, they should not only be soundly educated and widely traveled and well-read men; but they should be men of constructive vision, to seek to fit the future into the form

of the present. Therefore the board is charged with the duty of constantly studying the whole situation presented by the Tennessee River Valley, and the adjoining territory, with the view of encouraging and guiding in the orderly and balanced development of the diverse and rich resources of that section. It is a great responsibility imposed upon the members of the board. But it is a great opportunity that will come to those chosen for this great service. For such position of trust and responsibility undoubtedly the President will search the Nation over for the right men to whom to entrust not only this vast investment of money but this great responsibility, not only to the people of that section of the country but to the people of the whole Nation. If, through the incapacity or the indifference of the members of the board, this great humanitarian project should fail, then progress along this line in other parts of the country will be set back for 2 or 3 generations.

With such a responsibility upon the President in choosing the right men, and with such a responsibility resting upon the consciences of the men thus chosen, we cannot believe that there will be failure. When the race advances it must do so along the road

of faith in ourselves and our fellows. The members of the board are given the term of 9 years so there may be consistency and continuity in the policies of the authority.

In order to make perfectly plain for anyone seeking to understand the difference between the bill passed by the House and the amendment passed by the Senate and the amendment now proposed by the House as a substitute for the Senate we are printing as a part of our report the three bills in parallel columns, and, by reference from one column to the other, the identities, similarities, and the differences may be easily obtained.

JOHN J. McSWAIN,

LISTER HILL,

Managers on the part of the House.

(Here follow the three bills in parallel columns:)

HOUSE BILL

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That for the purpose of maintaining and operating the properties now owned by the United States in the vicinity of Muscle Shoals, Alabama, in the interest of the national defense and for agricultural and industrial development, and to improve navigation in the Tennessee River, and to control the destructive flood waters in the Tennessee River and Mississippi River Basins, there is hereby created a body corporate by the name of the "Tennessee Valley Authority of the United States" (hereinafter referred to as the "Authority"). The board of directors first appointed shall be deemed the incorporators, and the incorporation shall be held to have been effected from the date of the first meeting of the board. This act may be cited as the "Tennessee Valley Act of 1933".

SEC. 2. (a) The board of directors of the Authority (hereinafter referred to as the "board") shall be composed of three members, not more than two of whom shall belong to the same political party, to be appointed by the President, by and with the advice and consent of the Senate. The board shall organize by electing a chairman, vice chairman, and other necessary officers, agents, and employees to do its clerical work, and shall then proceed to carry out the provisions of this Act.

(b) The terms of office of the members first taking office after the approval of this act shall expire as designated by the President at the time of nomination, one at the end of the third year, one at the end of the sixth year, and one at the end of the ninth year, after the date of approval of this act. A successor to a member of the board shall be appointed in the same manner as the original members and shall have a term of office expiring nine years from the date of the expiration of the term for which his predecessor was appointed.

(c) Any member appointed to fill a vacancy in the board occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term.

(d) Vacancies in the board so long as there shall be two members in office

SENATE AMENDMENT

Strike out all after the enacting clause and insert:

That for the purpose of maintaining and operating the properties now owned by the United States in the vicinity of Muscle Shoals, Alabama, in the interest of the national defense and for agricultural and industrial development, and to improve navigation in the Tennessee River and to control the destructive flood waters in the Tennessee River and Mississippi River Basins, there is hereby created a body corporate by the name of the "Tennessee Valley Authority" (hereinafter referred to as the "Corporation"). The board of directors first appointed shall be deemed the incorporators, and the incorporation shall be held to have been effected from the date of the first meeting of the board. This act may be cited as the "Tennessee Valley Authority Act of 1933."

SEC. 2. (a) The board of directors of the Corporation (hereinafter referred to as the "board") shall be composed of three members, to be appointed by the President, by and with the advice and consent of the Senate. In appointing the members of the board, the President shall designate the chairman. All other officials, agents, and employees shall be designated and selected by the board.

(b) The terms of office of the members first taking office after the approval of this act shall expire as designated by the President at the time of nomination, one at the end of the third year, one at the end of the sixth year, and one at the end of the ninth year, after the date of approval of this act. A successor to a member of the board shall be appointed in the same manner as the original members and shall have a term of office expiring nine years from the date of the expiration of the term for which his predecessor was appointed.

(c) Any member appointed to fill a vacancy in the board occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term.

(d) Vacancies in the board so long as there shall be two members in office shall not impair the powers of the

AGREEMENT IN CONFERENCE

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(b) The terms of office of the members first taking office after the approval of this act shall expire as designated by the President at the time of nomination, one at the end of the third year, one at the end of the sixth year, and one at the end of the ninth year, after the date of approval of this act. A successor to a member of the board shall be appointed in the same manner as the original members and shall have a term of office expiring nine years from the date of the expiration of the term for which his predecessor was appointed.

(c) Any member appointed to fill a vacancy in the board occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term.

(d) Vacancies in the board so long as there shall be two members in office shall not impair the powers of the

HOUSE BILL

shall not impair the powers of the board to execute the functions of the Authority and two of the members in office shall constitute a quorum for the transaction of the business of the board.

(e) Each of the members of the board shall be a citizen of the United States and shall receive compensation, without regard to the provisions of other laws applicable to the officers and employees of the United States, at the rate of \$10,000 a year, to be paid by the Authority as current expenses. Members of the board shall be reimbursed by the Authority for actual expenses (including traveling and subsistence expenses) incurred by them while traveling in the performance of the duties vested in the board by this act. All members of the board shall reside in the vicinity of Muscle Shoals, Alabama, and shall devote their entire time to the work of the Authority.

(f) No member of the board shall have any financial interest in any public-utility corporation engaged in the business of distributing and selling power to the public nor in any corporation engaged in the manufacture, selling, or distribution of fixed nitrogen or fertilizer, or any ingredients thereof, nor shall any member have any interest in any business that may be adversely affected by the success of the Muscle Shoals project as a producer of concentrated fertilizers or as a producer of electric power.

(g) The board shall direct the exercise of all the powers of the Authority.

SEC. 3. (a) The chief executive officer of the Authority shall be a general manager, who shall be responsible to the board for the efficient conduct of the business of the Authority. The board shall appoint the general manager, whose salary shall not exceed the rate of \$10,000 a year, and shall select a man for such appointment who has demonstrated his capacity as a business executive. The general manager shall be appointed to hold office at the pleasure of the board. Should the office of general manager become vacant for any reason, the board shall appoint his successor as herein provided.

SENATE AMENDMENT

board to execute the functions of the Corporation, and two of the members in office shall constitute a quorum for the transaction of the business of the board.

(e) Each of the members of the board shall be a citizen of the United States. The chairman of the board shall receive a salary of \$10,000 a year. Other members of the board shall receive salaries of \$9,000 each per annum. Each member of the board, in addition to his salary, shall be permitted to occupy as his residence one of the dwelling houses now owned by the Government in the vicinity of Muscle Shoals, Alabama, the same to be designated by the President of the United States. Members of the board shall be reimbursed by the Corporation for actual expenses while in the performance of the duties vested in the board by this act. No member of said board shall, during his continuance in office, be engaged in any other business, but shall give his substantial time to the business of said Corporation.

The board shall select a treasurer and as many assistant treasurers as it deems proper, which treasurer and assistant treasurers may be corporations and banking institutions and shall give such security for the safe-keeping of the securities and moneys of the said corporation as the board may require: *Provided*, That any member of said board may be removed from office at any time by a concurrent resolution of the Senate and the House of Representatives.

(f) No director shall have any financial interest in any public-utility corporation engaged in the business of distributing and selling power to the public nor in any corporation engaged in the manufacture, selling, or distribution of fixed nitrogen or fertilizer, or any ingredients thereof, nor shall any member have any interest in any business that may be adversely affected by the success of the Corporation as a producer of concentrated fertilizers or as a producer of electric power.

(g) The board shall direct the exercise of all the powers of the Corporation.

(h) All members of the board shall be persons who profess a belief in the feasibility and wisdom of this act.

SEC. 3. The board shall appoint such managers, assistant managers, officers, employees, attorneys, and agents, as are necessary for the transaction of its business, fix their compensation, define their duties, require bonds of such of them as the board may designate, and provide a system of organization to fix responsibility and promote efficiency. Any appointee of the board may be removed in the discretion of the board.

AGREEMENT IN CONFERENCE

board to execute the functions of the Corporation, and two of the members in office shall constitute a quorum for the transaction of the business of the board.

(e) Each of the members of the board shall be a citizen of the United States, and shall receive a salary at the rate of \$10,000 a year, to be paid by the Corporation as current expenses. Each member of the board, in addition to his salary, shall be permitted to occupy as his residence one of the dwelling houses owned by the Government in the vicinity of Muscle Shoals, Alabama, the same to be designated by the President of the United States. Members of the board shall be reimbursed by the Corporation for actual expenses (including traveling and subsistence expenses) incurred by them in the performance of the duties vested in the board by this act. No member of said board shall, during his continuance in office, be engaged in any other business, but each member shall devote himself to the work of the Corporation.

(f) No director shall have financial interest in any public-utility corporation engaged in the business of distributing and selling power to the public nor in any corporation engaged in the manufacture, selling, or distribution of fixed nitrogen or fertilizer, or any ingredients thereof, nor shall any member have any interest in any business that may be adversely affected by the success of the Corporation as a producer of concentrated fertilizers or as a producer of electric power.

(g) The board shall direct the exercise of all the powers of the Corporation.

(h) All members of the board shall be persons who profess a belief in the feasibility and wisdom of this act.

SEC. 3. The board shall without regard to the provisions of Civil Service laws applicable to officers and employees of the United States, appoint such managers, assistant managers, officers, employees, attorneys, and agents, as are necessary for the transaction of its business, fix their compensation, define their duties, require bonds of such of them as the board may designate, and provide a system of organization to fix responsibility and promote efficiency. Any appointee of the board may be removed in the discretion of the board. No regular officer or employee of the Corporation shall receive a salary in

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(b) The general manager shall appoint, with the advice and consent of the board, two assistant managers who shall be responsible to him, and through him to the board, whose salaries each shall not exceed the rate of \$9,000 a year. One of the assistant managers shall be a man possessed of knowledge, training, and experience to render him competent and expert in the production of fixed nitrogen and/or fertilizer and fertilizer ingredients. The other assistant manager shall be a man trained and experienced in the field of production, transmission, and distribution of hydroelectric power. The general manager may at any time, with the consent of the board, remove any assistant manager, and appoint his successor as above provided. He shall employ, with the approval of the board, all other agents, clerks, attorneys, employees, and laborers not hereinbefore reserved to the board.

The compensation of such agents, clerks, attorneys, employees, and laborers shall be fixed with regard to the provisions of other laws applicable to the compensation of officers or employees of the United States: *Provided*, That all contracts to which the Authority is a party and which require the employment of laborers and mechanics in the construction, alteration, maintenance, and/or repair of buildings, dams, locks, or other projects shall contain a provision that not less than the prevailing rate of wages for work of a similar nature prevailing in the vicinity shall be paid to such laborers or mechanics.

In the event any dispute arises as to what are the prevailing rates of wages, the question shall be referred to the Secretary of Labor for determination, and his decision shall be final. In the determination of such prevailing rate or rates, due regard shall be given to those rates which have been secured through collective agreement by representatives of employers and employees.

Where such work as is described in the two preceding paragraphs is done directly by the Authority the prevailing rate of wages shall be paid in the same manner as though such work had been let by contract.

SEC. 4. Except as otherwise specifically provided in this act, the Corporation (herein called the "Authority")—

- (a) Shall have succession in its corporate name.
- (b) May sue and be sued in its corporate name.
- (c) May adopt and use a corporate seal, which shall be judicially noticed.
- (d) May make contracts.
- (e) May adopt, amend, and repeal bylaws.
- (f) May purchase or lease and hold such personal property as it deems necessary or convenient in the transaction of its business, and may dispose of any such personal property held by it.

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excess of that received by the members of the board.

All contracts to which the Corporation is a party and which require the employment of laborers and mechanics in the construction, alteration, maintenance, or repair of buildings, dams, locks, or other projects shall contain a provision that not less than the prevailing rate of wages for work of a similar nature prevailing in the vicinity shall be paid to such laborers or mechanics.

In the event any dispute arises as to what are the prevailing rates of wages, the question shall be referred to the Secretary of Labor for determination, and his decision shall be final. In the determination of such prevailing rate or rates, due regard shall be given to those rates which have been secured through collective agreement by representatives of employers and employees.

Where such work as is described in the two preceding paragraphs is done directly by the Corporation the prevailing rate of wages shall be paid in the same manner as though such work had been let by contract.

Insofar as applicable, the benefits of the act entitled "An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes", approved September 7, 1916, as amended, shall extend to persons given employment under the provisions of this act.

SEC. 4. Except as otherwise specifically provided in this act, the Corporation—

- (a) Shall have succession in its corporate name.
- (b) May sue and be sued in its corporate name, but only for the enforcement of contracts and the defense of property.
- (c) May adopt and use a corporate seal, which shall be judicially noticed.
- (d) May make contracts, as herein authorized.
- (e) May adopt, amend, and repeal bylaws.
- (f) May purchase or lease and hold such personal property as it deems

SEC. 4. Except as otherwise specifically provided in this act, the Corporation—

- (a) Shall have succession in its corporate name.
- (b) May sue and be sued in its corporate name.
- (c) May adopt and use a corporate seal, which shall be judicially noticed.
- (d) May make contracts, as herein authorized.
- (e) May adopt, amend, and repeal bylaws.
- (f) May purchase or lease and hold such real and personal property as it deems necessary or convenient in the transaction of its business, and may

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(g) As hereinbefore specified, may appoint such officers, employees, attorneys, and agents as are necessary for the transaction of its business, fix their compensation, without regard to the provisions of the Civil Service laws applicable to the employment and compensation of officers or employees of the United States, define generally their duties, require bonds of them and fix the penalties thereof, and dismiss at pleasure any such officer, employee, attorney, or agent, and provide a system of organization to fix responsibility and to promote efficiency.

(h) The board shall require that the general manager and the two assistant managers, the secretary and the treasurer, the bookkeeper or bookkeepers, and such other administrative and executive officers as the board may see fit to include, shall execute and file before entering upon their several offices good and sufficient surety bonds, in such amount and with such surety as the board shall approve.

(i) Shall have such powers as may be necessary or appropriate for the exercise of the powers herein specifically conferred upon the Authority.

(j) The Authority may in the name of the United States of America exercise the right of eminent domain, and in the purchase of any real estate or the acquisition of real estate by condemnation proceedings, the title to such real estate shall be taken in the name of the United States of America, and thereupon all such real estate shall be entrusted to the Authority as the agent of the United States to accomplish the purposes of this act.

(k) The Authority shall have power to acquire real estate for the construction of dams, reservoirs, transmission lines, power houses, and other structures, and navigation projects at any point along the Tennessee River, or any of its tributaries, and in the event that the owner or owners of such property shall fail and refuse to sell to the Authority at a price deemed fair and reasonable by the board, then the Authority may proceed to exercise the right of eminent domain, and to condemn all property that it deems necessary for carrying out the purposes of this act, and all such condemnation proceedings shall be had pursuant to the provisions and requirements hereinafter specified, with reference to any and all condemnation proceedings. The Authority shall have power to construct dams, reservoirs, power houses, power structures, and navigation projects, in the Tennessee River and its tributaries, and for this purpose may exercise the right of eminent domain.

It is hereby declared to be the policy of the Government to construct, where practicable, on the Tennessee River, joint power and navigation dams, to conserve and make available the power, and to provide cheaper navigation; and the Authority shall create for each dam

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necessary or convenient in the transaction of its business, and may dispose of any such personal property held by it.

(g) Shall have such powers as may be necessary or appropriate for the exercise of the powers herein specifically conferred upon the Corporation.

(h) In the name of the United States Government to exercise the right of eminent domain, and in the purchase of any real estate or the acquisition of real estate by condemnation proceedings, the title to such real estate shall be taken in the name of the United States Government.

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dispose of any such personal property held by it.

The board shall select a treasurer and as many assistant treasurers as it deems proper, which treasurer and assistant treasurers shall give such bonds for the safe keeping of the securities and moneys of the said Corporation as the board may require: *Provided*, That any member of said board may be removed from office at any time by a concurrent resolution of the Senate and the House of Representatives.

(g) Shall have such powers as may be necessary or appropriate for the exercise of the powers herein specifically conferred upon the Corporation.

(h) Shall have power in the name of the United States of America to exercise the right of eminent domain, and in the purchase of any real estate or the acquisition of real estate by condemnation proceedings, the title to such real estate shall be taken in the name of the United States of America, and thereupon all such real estate shall be entrusted to the Corporation as the agent of the United States to accomplish the purposes of this act.

(i) Shall have power to acquire real estate for the construction of dams, reservoirs, transmission lines, power houses, and other structures, and navigation projects at any point along the Tennessee River, or any of its tributaries, and in the event that the owner or owners of such property shall fail and refuse to sell to the Corporation at a price deemed fair and reasonable by the board, then the Corporation may proceed to exercise the right of eminent domain, and to condemn all property that it deems necessary for carrying out the purposes of this act, and all such condemnation proceedings shall be had pursuant to the provisions and requirements hereinafter specified, with reference to any and all condemnation proceedings.

(j) Shall have power to construct dams, reservoirs, power houses, power structures, transmission lines, navigation projects, and incidental works in the Tennessee River and its tributaries, and to unite the various power installations into one or more systems by transmission lines.

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constructed a sinking fund, which, paid in annually with compound interest, will amortize the entire cost of the dam, including power houses and locks, over a period of 60 years, and the Authority shall pay to the Treasury 2 per centum interest annually on money used for such construction derived from the Treasury, and chargeable as cost to power: *Provided*, That the payment of any interest to the Treasury may be suspended for 1 year, but such suspended payment shall bear interest at the rate of 2 per centum per annum: *Provided*, That the Authority shall not proceed to construct any dam herein authorized where power alone will be generated, or where power will be generated in conjunction with navigation (except Cove Creek Dam, and Dam No. 3), unless there is a reasonable market demand for so much of the power as will yield a reasonable return on that part of the investment representing the cost of the power production, including a sum for the amortization of the entire cost in sixty years, and then only with the approval of the President: *Provided further*, That the Authority may construct any dam or dams if prior to such construction it has effected a lease on self-liquidating terms approved by the President that will return the bond interest on the investment chargeable to power purposes, determined as herein provided, and amortize the entire amount of capital invested for all purposes in the project leased. Rates and charges for the power sold from a leased project shall not exceed amounts found as reasonable, just, and fair by the Federal Power Commission.

SEC. 5. It is hereby declared to be the policy of the Government to utilize and operate the Muscle Shoals properties so far as may be necessary to improve, cheapen, and increase the production of fertilizer and fertilizer ingredients by carrying out the provisions of this act.

SEC. 5. The board is hereby authorized—

(a) To contract with commercial producers for the production of such fertilizers or fertilizer materials as may be needed in the Government's program of development and introduction in excess of that produced by Government plants. Such contracts may provide either for outright purchase of materials by the board or only for the payment of carrying charges on special materials manufactured at the board's request for its program.

(b) To arrange with farmers and farm organizations for large-scale practical use of the new forms of fertilizers under conditions permitting an accurate measure of the economic return they produce.

(c) To cooperate with National, State, district, or county experimental stations or demonstration farms, for the use of new forms of fertilizer or fertilizer practices during the initial or experimental period of their introduction.

(d) The board in order to improve and cheapen the production of fertilizer is authorized to manufacture fixed nitrogen, fertilizer, and fertilizer ingredients at Muscle Shoals by the employ-

SEC. 5. The board is hereby authorized—

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(b) To arrange with farmers and farm organizations for large-scale practical use of the new forms of fertilizers under economic conditions permitting an accurate measure of the economic return they produce.

(c) To cooperate with National, State, district, or county experimental stations or demonstration farms, for the use of new forms of fertilizer or fertilizer practices during the initial or experimental period of their introduction.

(d) The board in order to improve and cheapen the production of fertilizer is authorized to manufacture and sell fixed nitrogen, fertilizer, and fertilizer ingredients at Muscle Shoals by

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ment of existing facilities, by modernizing existing plants, or by any other process or processes that in its judgment shall appear wise and profitable for the fixation of atmospheric nitrogen, or the cheapening of the production of fertilizer.

(e) Under the authority of this act the board may make donations or sales of the product of the plant or plants operated by it to be fairly and equitably distributed through the agency of county demonstration agents, agricultural colleges, or otherwise as the board may direct, for experimentation, education, and introduction of the use of such products in cooperation with practical farmers so as to obtain information as to the value, effect, and best methods of use of same.

(f) The board is authorized to make alterations, modifications, or improvements in existing plants and facilities, and to construct new plants.

(g) To establish, maintain, and operate laboratories and experimental plants, and to undertake experiments for the purpose of enabling the Corporation to furnish nitrogen products for military and agricultural purposes in the most economical manner and at the highest standard of efficiency.

(h) To request the assistance and advice of any officer, agent, or employee of any executive department or of any independent office of the United States, to enable the Corporation the better to carry out its powers successfully, and as far as practicable shall utilize the services of such officers, agents, and employees, and the President shall, if in his opinion, the public interest, service, or economy so require, direct that such assistance, advice, and service be rendered to the Corporation, and any individual that may be by the President directed to render such assistance, advice, and service shall be thereafter subject to the orders, rules, and regulations of the board: *Provided*, That any invention made by an employee of the Government of the United States serving under this section, or by any employee of the Corporation, together with any patents which may be granted thereon, shall be the sole and exclusive property of the Corporation, which is hereby authorized to grant such licenses thereunder as shall be authorized by the board: *Provided further*, That the board may pay to such inventor such sum from the income from sale of licenses as it may deem proper.

(i) Upon the requisition of the Secretary of War or the Secretary of the Navy to manufacture for and sell at cost to the United States explosives or their nitrogenous content.

(j) Upon the requisition of the Secretary of War the Corporation shall allot and deliver without charge to the War Department so much power as shall be necessary in the judgment of said Department for use in operation

the employment of existing facilities, by modernizing existing plants, or by any other process or processes that in its judgment shall appear wise and profitable for the fixation of atmospheric nitrogen or the cheapening of the production of fertilizer.

(e) Under the authority of this act the board may make donations or sales of the product of the plant or plants operated by it to be fairly and equitably distributed through the agency of county demonstration agents, agricultural colleges, or otherwise as the board may direct, for experimentation, education, and introduction of the use of such products in cooperation with practical farmers so as to obtain information as to the value, effect, and best methods of their use.

(f) The board is authorized to make alterations, modifications, or improvements in existing plants and facilities, and to construct new plants.

(g) In the event it is not used for the fixation of nitrogen for agricultural purposes, or leased, then the board shall maintain in stand-by condition nitrate plant no. 2, or its equivalent, for the fixation of atmospheric nitrogen, for the production of explosives in the event of war or a national emergency, until the Congress shall by joint resolution release the board from this obligation, and if any part thereof be used by the board for the manufacture of phosphoric acid or potash, the balance of nitrate plant no. 2 shall be kept in stand-by condition.

(h) To establish, maintain, and operate laboratories and experimental plants, and to undertake experiments for the purpose of enabling the Corporation to furnish nitrogen products for military purposes, and nitrogen and other fertilizer products for agricultural purposes in the most economical manner and at the highest standard of efficiency.

(i) To request the assistance and advice of any officer, agent, or employee of any executive department or of any independent office of the United States, to enable the Corporation the better to carry out its powers successfully, and as far as practicable shall utilize the services of such officers, agents, and employees, and the President shall, if in his opinion, the public interest, service, or economy so require, direct that such assistance, advice, and service be rendered to the Corporation, and any individual that may be by the President directed to render such assistance, advice, and service shall be thereafter subject to the orders, rules, and regulations of the board: *Provided*, That any invention or discovery made by virtue of and incidental to such service by an employee of the Government of the United States serving under this section, or by any employee of the Corporation, together with any patents which may be granted thereon, shall be

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of all locks, lifts, or other facilities in aid of navigation.

(k) To produce, distribute, and sell electric power, as herein particularly specified.

(l) No products of the Corporation shall be sold for use outside of the United States, her Territories and possessions, except to the United States Government for the use of its Army and Navy or to its allies in case of war.

(m) The President is authorized, within 4 months after the passage of this Act, to lease to the American Farm Bureau Federation or to any corporation organized by said Corporation nitrate plant no. 2 and Waco Quarry, together with the railroad connecting said quarry with nitrate plant no. 2, for a term not exceeding 50 years at a rental of not less than \$1 per year, but such authority shall be subject to the express condition that the lessee shall use said property during the term of said lease exclusively for the manufacture of fertilizer and fertilizer ingredients to be used only in the manufacture of fertilizer by said lessee and sold for use as fertilizer. The said lessee shall covenant to keep said property in first-class condition, but the lessee shall be authorized to modernize said plant no. 2 by the installation of such machinery as may be necessary and is authorized to amortize the cost of said machinery and improvements over the term of said lease or any part thereof. Said lease shall provide that during the second and third years of the same said nitrate plant no. 2 shall be operated to at least 25 per centum of its capacity and that during the remainder of said lease the same shall be operated at least to 50 per centum of its capacity; and said lease shall also provide that during any year of the period covered by said lease, if the lessee operates said plant to 75 per centum of its capacity, then the rental for such year shall be remitted. Said lease shall also provide that the board shall sell to the lessee power for the operation of said plant at the same price that it charges all other customers for power of the same class and quantity. Said lease shall also provide that, if the said lessee does not desire to buy power of the publicly owned plant, it shall have the right to purchase its power for the operation of said plant of the Alabama Power Company or any other privately owned corporation engaged in the generation and sale of electric power and in such case the lease shall provide further that the said lessee shall have a free right of way to build a transmission line over Government property to said plant. Said lease shall also provide that the said lessee shall covenant that during the term of said lease the said lessee shall not enter into any illegal monopoly, combination, or trust with any privately owned corporation engaged in the manufacture, production,

the sole and exclusive property of the Corporation, which is hereby authorized to grant such licenses thereunder as shall be authorized by the board; *Provided further*, That the board may pay to such inventor such sum from the income from sale of licenses as it may deem proper.

(j) Upon the requisition of the Secretary of War or the Secretary of the Navy to manufacture for and sell at cost to the United States explosives or their nitrogenous content.

(k) Upon the requisition of the Secretary of War the Corporation shall allot and deliver without charge to the War Department so much power as shall be necessary in the judgment of said Department for use in operation of all locks, lifts, or other facilities in aid of navigation.

(l) To produce, distribute, and sell electric power, as herein particularly specified.

(m) No products of the Corporation shall be sold for use outside of the United States, its Territories and possessions, except to the United States Government for the use of its Army and Navy, or to its allies in case of war.

(n) The President is authorized, within 12 months after the passage of this Act, to lease to any responsible farm organization or to any corporation organized by it nitrate plant no. 2 and Waco Quarry, together with the railroad connecting said quarry with nitrate plant no. 2, for a term not exceeding 50 years at a rental of not less than \$1 per year, but such authority shall be subject to the express condition that the lessee shall use said property during the term of said lease exclusively for the manufacture of fertilizer and fertilizer ingredients to be used only in the manufacture of fertilizer by said lessee and sold for use as fertilizer. The said lessee shall covenant to keep said property in first-class condition, but the lessee shall be authorized to modernize said plant no. 2 by the installation of such machinery as may be necessary, and is authorized to amortize the cost of said machinery and improvements over the term of said lease or any part thereof. Said lease shall also provide that the board shall sell to the lessee power for the operation of said plant at the same schedule of prices that it charges all other customers for power of the same class and quantity. Said lease shall also provide that, if the said lessee does not desire to buy power of the publicly owned plant, it shall have the right to purchase its power for the operation of said plant of the Alabama Power Company or any other publicly or privately owned corporation engaged in the generation and sale of electric power, and in such case the lease shall provide further that the said lessee shall have a free right of way to build a transmission line over Government property to said plant

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and sale of fertilizer with the object or effect of increasing the price of fertilizer to the farmer.

paying the actual expenses and damages, if any, incurred by the Corporation on account of such lines. Said lease shall also provide that the said lessee shall covenant that during the term of said lease the said lessee shall not enter into any illegal monopoly, combination, or trust with any privately owned corporation engaged in the manufacture, production, and sale of fertilizer with the object or effect of increasing the price of fertilizer to the farmer.

SEC. 6. The board is hereby authorized—

(a) To contract with commercial producers for the production of such fertilizers or fertilizer ingredients not produced by the Authority as may be needed in the Government's program of development and introduction.

(b) To arrange with farmers and farm organizations for large-scale practical use of the new forms of fertilizers under conditions permitting an accurate measure of the economic return they produce.

(c) To cooperate with National, State, district, or county experimental stations or demonstration farms, for the use of new forms of fertilizer or fertilizer practices during the initial or experimental period of their introduction.

(d) The board shall manufacture fixed nitrogen and/or other fertilizer ingredients at Muscle Shoals by the employment of existing facilities (by modernizing existing plants), or by any other process or processes that in its judgment shall appear wise and profitable for the fixation of atmospheric nitrogen, and/or other fertilizer ingredients for agricultural and military uses.

(e) It shall be the duty of the board to operate the nitrate plants or either of them by employment of existing facilities or by modernizing the existing plants and facilities for the production of nitrogenous plant food of a kind and quality and in form available as plant food and capable of being applied directly to the soil in connection with the growth of crops containing not less than 10,000 tons of fixed nitrogen, and said amount of such fertilizer or fertilizer ingredients shall periodically be increased from time to time as the market demands may reasonably require until the maximum production capacity of the plants now owned by the Government at Muscle Shoals, as the board may find them to be economically adapted, or susceptible of being made economically adapted for the fixation of nitrogen is reached, if the reasonable demands of the market shall justify except when the market demands are satisfied by maintenance in storage and unsold of such fertilizer or fertilizer ingredients containing at least 2,500 tons of fixed nitrogen if such production is economically justifiable and so found by the Authority

SEC. 6. In the appointment of officials and the selection of employees for said Corporation, and in the promotion of any such employees or officials, no political test or qualification shall be permitted or given consideration, but all such appointments and promotions shall be given and made on the basis of merit and efficiency. Any member of said board who is guilty of a violation of this section shall be removed from office by the President of the United States, and any appointee of said board who is guilty of a violation of this section shall be removed from office by said board.

SEC. 6. In the appointment of officials and the selection of employees for said Corporation, and in the promotion of any such employees or officials, no political test or qualification shall be permitted or given consideration, but all such appointments and promotions shall be given and made on the basis of merit and efficiency. Any member of said board who is found by the President of the United States to be guilty of a violation of this section shall be removed from office by the President of the United States, and any appointee of said board who is found by the board to be guilty of a violation of this section shall be removed from office by said board.

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and so approved by the President. Whenever such stock in storage shall fall below the quantity containing 2,500 tons of fixed nitrogen the production of such nitrogenous plant food shall thereupon be resumed. In the event such production is not so found economically justifiable, then it shall be the duty of the Authority to operate such plants and facilities for the production of phosphoric acid and/or other fertilizer ingredients in a form available as plant food and capable of being applied directly to the soil, and in an amount and quantity equal to the production of nitrogenous plant food herein required.

(f) To lease upon such terms and conditions as may safeguard the interests of the United States and insure the mass production of fertilizer and/or fertilizer ingredients the existing plants and facilities and any such additional plants and facilities as may be constructed and any other property or properties, in whole or in part, for the benefit of the farmer and for agricultural conservation, except that there shall be no lease of power dams, power plants, and power-generating facilities: *Provided*, That all fertilizer produced shall be in such form and in combination with such other ingredients as shall make such fertilizer immediately available and practical for use by farmers in application to soil and crops. In the event that a lease be made, the board shall supply the said lessee the power necessary for the operation of the properties leased and for such other manufacturing purposes as the President and the board may agree upon at a price which shall be deemed fair and just by the President and the board. The lease of any such properties for the production of fertilizer or fertilizer ingredients shall contain a stipulation that the operation of any properties used in the manufacture of fertilizer or fertilizer ingredients shall be conducted in an economical manner and that there must be manufactured annually at least a prescribed amount of nitrogenous plant food of a kind and quality and in a form available as plant food and capable of being applied directly to the soil in connection with the growth of crops: *And provided further*, That the contract shall contain a stipulation requiring the lessee to produce within 2 years from the date such lease shall become effective, such fertilizer or fertilizer ingredients containing not less than 10,000 tons of fixed nitrogen, and shall require periodic increases in quantity of fixed nitrogen from time to time as the market demands may reasonably require, and such lease shall provide that such increases shall finally reach the maximum production capacity of such plant or plants as the board may find to be economically adapted, or susceptible of being made economi-

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cally adapted to the fixation of nitrogen, if the reasonable demands of the market shall justify the same, except when the nitrogen produced is required for national defense, or when the market demands for same are satisfied by the maintenance in storage and unsold of such fertilizer or fertilizer ingredients containing at least 2,500 tons of fixed nitrogen, but whenever said stock in storage shall fall below the quantity containing 2,500 tons of fixed nitrogen, the production of such nitrogen, and the manufacture of such fertilizer or fertilizer ingredients shall thereupon be resumed.

(g) To make alterations, modifications, or improvements in existing plants and facilities, and to construct new plants, for the production of concentrated fertilizers, and/or fertilizer ingredients, in form suitable for home mixing, or for direct application to soil, and for use in connection with growing crops, and to sell same at cost plus 4 per centum, under such rules and regulations as will insure the widest practicable distribution thereof, and preference in such sale shall be given to farmers or to their authorized purchasing agents.

(h) It shall be the duty of the board to maintain in stand-by condition nitrate plant numbered 2, or its equivalent, for the fixation of atmospheric nitrogen, for the production of explosives in the event of war or a national emergency, until the Congress shall by joint resolution release the board from this obligation.

The Authority, with the approval of the President of the United States, is hereby authorized to ascertain and declare, for the purpose of fixing the cost of fertilizers and/or fertilizer ingredients, the value of such part of any plant or plants as may be employed by the Authority in the production of fertilizer and/or fertilizer ingredients: *Provided*, That the total value of nitrate plant numbered 2 shall not be fixed to exceed \$6,000,000.

(i) To establish, maintain, and operate laboratories and experimental plants, and to undertake large-scale experiments for the purpose of enabling the Authority to furnish nitrogen, fertilizer, and other products needed for military and agricultural purposes in the most economical manner and at the highest standard of efficiency.

(j) To request the assistance and advice of any officer, agent, or employee of any executive department or of any independent office of the United States, to enable the Authority the better to carry out its powers successfully, and the President shall, if in his opinion the public interest, service, and economy so require, direct that such assistance, advice, and service be rendered to the Authority and any individual that may be by the President directed to

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render such assistance, advice, and service shall be thereafter subject to the orders, rules, and regulations of the board and of the general manager.

(k) Upon the requisition of the Secretary of War or the Secretary of the Navy to manufacture for and sell at cost to the United States explosives or their nitrogenous content.

(l) Upon the requisition of the Secretary of War the board shall allot and deliver without charge to the War Department so much power as may be necessary in the judgment of said Department for use in operation of all locks, lifts, or other facilities in aid of navigation.

(m) To produce, transmit, and sell electric power, as herein particularly specified.

(n) No products of the Authority shall be sold for use outside of the United States, its Territories and possessions, except to the United States Government for the use of its Army and Navy or to its allies in case of war.

SEC. 7. In the appointment of officials and the selection of employees for said corporation, and in the promotion of any such employees or officials, no political test or qualification shall be permitted or given consideration, but all such appointments and promotions shall be given and made on the basis of merit and efficiency. Any member of said board who is guilty of a violation of this section shall be removed from office by the President of the United States, and any appointee of said board who is guilty of a violation of this section shall be removed from office by said board.

SEC. 8. In order to enable the Authority to exercise the powers and duties vested in it by this Act—

(a) The exclusive use, possession, and control of the United States nitrate plants numbered 1 and 2, including steam plants, located, respectively, at Sheffield, Ala., and Muscle Shoals, Ala., together with all real estate and

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SEC. 7. In order to enable the Corporation to exercise the powers vested in it by this act—

(a) The exclusive use, possession, and control of the United States nitrate plants numbered 1 and 2, including steam plants, located, respectively, at Sheffield, Ala., and Muscle Shoals, Ala., together with all real estate and buildings connected therewith, all tools and machinery, equipment, accessories, and materials belonging thereto, and all laboratories and plants used as auxiliaries thereto; the fixed-nitrogen research laboratory, the Waco limestone quarry, in Alabama, and Dam No. 2, located at Muscle Shoals, its power house, and all hydroelectric and operating appurtenances (except the locks), and all machinery, lands, and buildings in connection therewith, and all appurtenances thereof are hereby intrusted to the Corporation for the purposes of this act.

(b) The President of the United States is authorized to provide for the transfer to the Corporation of the use, possession, and control of such other real or personal property of the United States as he may from time to time deem necessary and proper for the purposes of the Corporation as herein stated.

SEC. 8. (a) The Corporation shall maintain its principal office in the immediate vicinity of Muscle Shoals, Alabama. The Corporation shall be held to be an inhabitant and resident of the northern judicial district of Alabama within the meaning of the laws of the United States relating to the venue of civil suits.

SEC. 7. In order to enable the Corporation to exercise the powers and duties vested in it by this act—

(a) The exclusive use, possession, and control of the United States nitrate plants numbered 1 and 2, including steam plants, located, respectively, at Sheffield, Ala., and Muscle Shoals, Ala., together with all real estate and buildings connected therewith, all tools and machinery, equipment, accessories, and materials belonging thereto, and all laboratories and plants used as auxiliaries thereto; the fixed-nitrogen research laboratory, the Waco limestone quarry, in Alabama, and Dam No. 2, located at Muscle Shoals, its power house, and all hydroelectric and operating appurtenances (except the locks), and all machinery, lands, and buildings in connection therewith, and all appurtenances thereof, and all other property to be acquired by the Corporation in its own name or in the name of the United States of America, are hereby intrusted to the Corporation for the purposes of this act.

(b) The President of the United States is authorized to provide for the transfer to the Corporation of the use, possession, and control of such other real or personal property of the United States as he may from time to time deem necessary and proper for the purposes of the Corporation as herein stated.

SEC. 8. (a) The Corporation shall maintain its principal office in the immediate vicinity of Muscle Shoals, Alabama. The Corporation shall be held to be an inhabitant and resident of the northern judicial district of Alabama within the meaning of the laws of the United States relating to the venue of civil suits.

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buildings connected therewith, all tools and machinery, equipment, accessories, and materials belonging thereto, and all laboratories and plants used as auxiliaries thereto; the fixed-nitrogen research laboratory, the Waco limestone quarry, in Alabama, and Dam No. 2, located at Muscle Shoals, its power house, and all hydroelectric and operating appurtenances (except the locks), and all machinery, lands, and buildings in connection therewith, and all appurtenances thereof, and all other property to be acquired by the Authority in its own name or in the name of the United States of America, are hereby entrusted to the Authority for the purposes of this Act.

(b) The President of the United States is authorized to provide for the transfer to the Authority of the use, possession, and control of such other real or personal property of the United States as he may from time to time deem necessary and proper for the purposes of the Authority as herein stated.

SEC. 9. (a) The Authority shall maintain its principal office in the immediate vicinity of Muscle Shoals, Ala. The Authority shall be held to be an inhabitant and resident of the northern judicial district of Alabama within the meaning of the laws of the United States relating to the venue of civil suits.

(b) The Authority shall at all times maintain complete and accurate books of accounts.

(c) Each member of the board, before entering upon the duties of his office, shall subscribe to an oath (or affirmation) to support the Constitution of the United States, and to faithfully and impartially perform the duties imposed upon him by this act.

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(b) The Corporation shall at all times maintain complete and accurate books of accounts.

(c) Each member of the board, before entering upon the duties of his office, shall subscribe to an oath (or affirmation) to support the Constitution of the United States and to faithfully and impartially perform the duties imposed upon him by this act.

SEC. 9. (a) The board shall file with the President and with the Congress, in January of each year, a financial statement and a complete report as to the business of the Corporation covering the preceding year. This report shall include the total number of employees and the names, salaries, and duties of those receiving compensation at the rate of more than \$1,500 a year.

(b) The Comptroller General of the United States shall audit the transactions of the Corporation at such times as he shall determine but not less frequently than once each fiscal year, with personnel of his selection. In such connection he and his representatives shall have free and open access to all papers, books, records, files, accounts, plants, warehouses, offices, and all other things, property, and places belonging to or under the control of or used or employed by the Corporation, and shall be afforded full facilities for counting all cash and verifying transactions with and balances in depositories. He shall make report of each such audit in quadruplicate, one copy for the President, one for the chief officer of the Corporation, one for public inspection, and the other to be retained by him for the uses of the Congress. The expenses of each such audit may be paid from moneys advanced therefor by the Corporation, or from any appropriation or appropriations for the General Accounting Office and appropriations so used shall be reimbursed promptly by the Corporation as billed by the Comptroller General. All such audit expenses shall be charged to operating expenses of the Corporation. The Comptroller General shall make special report to the Congress of any transaction or condition found by him to be in conflict with the authority or duties intrusted to the Corporation by law.

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(b) The Corporation shall at all times maintain complete and accurate books of accounts.

(c) Each member of the board, before entering upon the duties of his office, shall subscribe to an oath (or affirmation) to support the Constitution of the United States and to faithfully and impartially perform the duties imposed upon him by this act.

SEC. 9. (a) The board shall file with the President and with the Congress, in December of each year, a financial statement and a complete report as to the business of the Corporation covering the preceding governmental fiscal year. This report shall include an itemized statement of the cost of power at each power station, the total number of employees and the names, salaries, and duties of those receiving compensation at the rate of more than \$1,500 a year.

(b) The Comptroller General of the United States shall audit the transactions of the Corporation at such times as he shall determine, but not less frequently than once each governmental fiscal year, with personnel of his selection. In such connection he and his representatives shall have free and open access to all papers, books, records, files, accounts, plants, warehouses, offices, and all other things, property and places belonging to or under the control of or used or employed by the Corporation, and shall be afforded full facilities for counting all cash and verifying transactions with and balances in depositories. He shall make report of each such audit in quadruplicate, one copy for the President of the United States, one for the chairman of the board, one for public inspection at the principal office of the Corporation, and the other to be retained by him for the uses of the Congress. The expenses of each such audit may be paid from moneys advanced therefor by the Corporation, or from any appropriation or appropriations for the General Accounting Office, and appropriations so used shall be reimbursed promptly by the Corporation as billed by the Comptroller General. All such audit expenses shall be charged to operating expenses of the Corporation. The Comptroller General shall make

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SEC. 10. (a) The board shall file with the President and with the Congress, in December of each year, a financial statement and a complete report as to the business of the Authority covering the preceding governmental fiscal year. This report shall include an itemized statement of the cost of power at each power station, the total number of employees, and the names, salaries, and duties of those receiving compensation at the rate of more than \$1,500 a year.

(b) The board shall require a careful and scrutinizing audit and accounting by the General Accounting Office or its successor in performing similar duties, during each governmental fiscal year of operation under this act, and said audit shall be open to inspection to the public at all times, and copies thereof shall be filed in the principal office of the Authority at Muscle Shoals, in the State of Alabama. At least once during each fiscal year the President of the United States shall appoint a firm of certified public accountants of his own choice and selection which shall have free and open access to all books, accounts, plants, warehouses, offices, and all other places, and records, belonging to or under the control of or used by the Authority in connection with the business authorized by this act. And the expenses of such audit so directed by the President shall be paid by the board and charged as part of the operating expenses of the Authority.

SEC. 11. The board is hereby empowered and authorized to sell the surplus power, not used in its operations and for operation of locks and other works to States, counties, municipalities, corporations, partnerships, or individuals, according to the policies hereinafter set forth, and to carry out said authority the board is authorized to enter into contracts for such sale for a term not exceeding 20 years and in the sale of such current by the board it shall give preference to States, counties, municipalities, or cooperative organiza-

SEC. 10. The board is hereby empowered and authorized to sell the surplus power not used in its operations and for operation of locks and other works generated by it to States, counties, municipalities, corporations, partnerships, or individuals, according to the policies hereinafter set forth, and to carry out said authority, the board is authorized to enter into contracts for such sale for a term not exceeding 30 years and in the sale of such current by the board it shall give preference to States, counties, municipalities, and cooperative organization of citizens or farmers, not organized or doing business for profit, but primarily for the purpose of supplying electricity to its own citizens or members: *Provided*, That all contracts made with private companies or individuals for the sale of power, which power is to be resold for a profit, shall contain a provision authorizing the board to cancel said contract upon 2 years' notice in writing, if the board needs said power to supply the demands of States, counties, or municipalities. In order to provide for the fullest possible use of electric light and power on farms within reasonable distance of any of its transmission lines, the board in its discretion shall have power to construct transmission lines to farms and small villages that are not otherwise supplied with electricity at reasonable rates and to make such rules and regulations governing such sale and distribution of such electric power as in its judgment may be just and equitable: *Provided further*, That the board is hereby authorized and directed to make studies, experiments, and determinations to promote the wider and better use of electric power for agricultural and domestic use, or for small or local industries, and it may cooperate with State governments, or their subdivisions or agencies, with educational or research institutions, and with cooperatives or other organizations, in the application of electric power to the fuller and better balanced development of the resources of the region.

SEC. 11. It is hereby declared to be the policy of the Government so far as practical to distribute the surplus power generated at Muscle Shoals equitably among the States, counties, and municipalities within transmission distance of Muscle Shoals.

special report to the President of the United States and to the Congress of any transaction or condition found by him to be in conflict with the powers or duties intrusted to the Corporation by law.

SEC. 10. The board is hereby empowered and authorized to sell the surplus power not used in its operations, and for operation of locks and other works generated by it, to States, counties, municipalities, corporations, partnerships, or individuals, according to the policies hereinafter set forth; and to carry out said authority, the board is authorized to enter into contracts for such sale for a term not exceeding 20 years, and in the sale of such current by the board it shall give preference to States, counties, municipalities, and cooperative organizations of citizens or farmers, not organized or doing business for profit, but primarily for the purpose of supplying electricity to its own citizens or members: *Provided*, That all contracts made with private companies or individuals for the sale of power, which power is to be resold for a profit, shall contain a provision authorizing the board to cancel said contract upon 5 years' notice in writing, if the board needs said power to supply the demands of States, counties, or municipalities. In order to promote and encourage the fullest possible use of electric light and power on farms within reasonable distance of any of its transmission lines the board in its discretion shall have power to construct transmission lines to farms and small villages that are not otherwise supplied with electricity at reasonable rates, and to make such rules and regulations governing such sale and distribution of such electric power as in its judgment may be just and equitable: *Provided further*, That the board is hereby authorized and directed to make studies, experiments, and determinations to promote the wider and better use of electric power for agricultural and domestic use, or for small or local industries, and it may cooperate with State governments, or their subdivisions or agencies, with educational or research institutions, and with cooperatives or other organizations, in the application of electric power to the fuller and better balanced development of the resources of the region.

SEC. 11. It is hereby declared to be the policy of the Government so far as practical to distribute and sell the surplus power generated at Muscle Shoals equitably among the States, counties, and municipalities within transmission distance. This policy is further declared to be that the projects herein provided for shall be considered primarily as for the benefit of the people of the section as a whole and particularly the domestic and rural consumers to whom the power can economically be made available, and accordingly that

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tions of citizens or farmers, not organized or doing business for profit, but primarily for the purpose of supplying electricity to their own citizens or members: *Provided*, That all contracts made with private companies or individuals for the sale of power, which power is to be resold for a profit, shall contain a provision authorizing the board to cancel said contract upon 5 years' notice in writing, if the board needs said power to supply the demands of States, counties, or municipalities.

SEC. 12. It is hereby declared to be the policy of the Government, so far as practical, to transmit or sell all the surplus power generated by the Authority at Muscle Shoals equitably among the States, counties, and municipalities within transmission distance.

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SEC. 12. In order to place the board upon a fair basis for making such contracts and for receiving bids for the sale of such power it is hereby expressly authorized, either from appropriations made by Congress or from funds secured from the sale of such power or from funds secured by the sale of bonds hereafter provided for, to construct, lease, purchase, or authorize the construction of transmission lines within transmission distance from the place where generated and to interconnect with other systems. The board is also authorized to lease to any person, persons, or corporation any transmission line owned by the Government and operated by the board, but no such lease shall be made that in any way interferes with the use of such transmission line by the board: *Provided*, That if any State, county, municipality, or other public or cooperative organization of citizens or farmers, not organized or doing business for profit, but primarily for the purpose of supplying electricity to its own citizens or members, or any two or more of such municipalities or organizations, shall construct or agree to construct and maintain a properly designed and built transmission line to the Government reservation upon which is located a Government generating plant, or to a main transmission line owned by the Government or leased by the board and under the control of the board, the board is hereby authorized and directed to contract with such State, county, municipality, or other organization, or two or more of them, for the sale of electricity for a term not exceeding 40 years, and in any such case the board shall give to such State, county, municipality, or other organization ample time to fully comply with any local law now in existence or hereafter enacted providing for the necessary legal authority for such State, county, municipality, or other organization to contract with the board for such power: *Provided further*, That all contracts entered into between the Corporation and any municipality or other political subdivision shall provide that the electric power shall be sold and distributed to the ultimate consumer without discrimination as between consumers of the same class, and such con-

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sale to and use by industry shall be a secondary purpose, to be utilized principally to secure a sufficiently high load factor and revenue returns which will permit domestic and rural use at the lowest possible rates and in such manner as to encourage increased domestic and rural use of electricity.

It is further hereby declared to be the policy of the Government to utilize and operate the Muscle Shoals properties so far as may be necessary to improve, increase, and cheapen the production of fertilizer and fertilizer ingredients by carrying out the provisions of this act.

SEC. 12. In order to place the board upon a fair basis for making such contracts and for receiving bids for the sale of such power, it is hereby expressly authorized, either from appropriations made by Congress or from funds secured from the sale of such power, or from funds secured by the sale of bonds hereafter provided for, to construct, lease, purchase, or authorize the construction of transmission lines within transmission distance from the place where generated, and to interconnect with other systems. The board is also authorized to lease to any person, persons, or corporation the use of any transmission line owned by the Government and operated by the board, but no such lease shall be made that in any way interferes with the use of such transmission line by the board: *Provided*, That if any State, county, municipality, or other public or cooperative organization of citizens or farmers, not organized or doing business for profit, but primarily for the purpose of supplying electricity to its own citizens or members, or any two or more of such municipalities or organizations, shall construct or agree to construct and maintain a properly designed and built transmission line to the Government reservation upon which is located a Government generating plant, or to a main transmission line owned by the Government or leased by the board and under the control of the board, the board is hereby authorized and directed to contract with such State, county, municipality, or other organization, or two or more of them, for the sale of electricity for a term not exceeding 30 years; and in any such case the board shall give to such State, county, municipality, or other organization ample time to fully comply with any local law now in existence or hereafter enacted providing for the necessary legal authority for such State, county, municipality, or other organization to contract with the board for such power: *Provided further*, That all contracts entered into between the Corporation and any municipality or other political subdivision or corporate organization shall provide that the electric power shall be sold and distributed to the ultimate consumer without discrimination as be-

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tract shall be void if a discriminatory rate, rebate, or other special concession is made or given to any consumer or user by the municipality or other political subdivision: *And provided further*, That any surplus power not so sold as above provided to States, counties, municipalities, or other said organizations, before the board shall sell the same to any person or corporation engaged in the distribution and resale of electricity for profit, it shall require said person or corporation to agree that any resale of such electric power by said person or corporation shall be sold to the ultimate consumer of such electric power at prices that shall not exceed a schedule fixed by the board from time to time as reasonable, just, and fair; and in case of any such sale if an amount is charged the ultimate consumer which is in excess of the price so deemed to be just, reasonable, and fair by the board the contract for such sale between the board and such distributor of electricity shall be declared null and void and the same shall be canceled by the board: *And provided further*, That the board is hereby authorized to enter into contracts with other power systems for the mutual exchange of unused excess power upon suitable terms, for the conservation of stored water and as an emergency or break-down relief.

tween consumers of the same class, and such contract shall be voidable at the election of the board if a discriminatory rate, rebate, or other special concession is made or given to any consumer or user by the municipality or other political subdivision or cooperative organization: *And provided further*, That as to any surplus power not so sold as above provided to States, counties, municipalities, or other said organizations, before the board shall sell the same to any person or corporation engaged in the distribution and resale of electricity for profit, it shall require said person or corporation to agree that any resale of such electric power by said person or corporation shall be made to the ultimate consumer of such electric power at prices that shall not exceed a schedule fixed by the board from time to time as reasonable, just, and fair; and in case of any such sale, if an amount is charged the ultimate consumer which is in excess of the price so deemed to be just, reasonable, and fair by the board, the contract for such sale between the board and such distributor of electricity shall be voidable at the election of the board: *And provided further*, That the board is hereby authorized to enter into contracts with other power systems for the mutual exchange of unused excess power upon suitable terms, for the conservation of stored water, and as an emergency or break-down relief.

SEC. 13. In event the board is unable to make satisfactory contracts with persons, firms, or corporations engaged in the distribution and resale of electricity as in this act provided, or for the use or purchase of such transmission lines, it is hereby expressly authorized, either from appropriations made by Congress or from funds secured from the sale of such power or from proceeds from the sale of bonds as herein authorized, with the approval of the President, to construct, lease, or authorize the construction of transmission lines within transmission distance not to exceed 400 miles from the place where the power is generated, if transmission lines are found economically justified and necessary to carry out the provisions of this act: *Provided*, That the project herein provided for shall be considered primarily as for the benefit of the people of the section as a whole and particularly the domestic and rural consumers to whom the power can economically be made available, and accordingly that sale to and use by industry shall be a secondary purpose, to be utilized principally to secure a sufficiently high load factor and revenue returns which will permit domestic and rural use at the lowest possible rates and in such manner as to encourage increased domestic and rural use of electricity: *Provided*, That if any State, county, municipality, or other public or cooperative organiza-

SEC. 13. Five per centum of the gross proceeds received by the board for the sale of power generated at Dam No. 2, or from the steam plant located in that vicinity, or from any other steam plant hereafter constructed in the State of Alabama, shall be paid to the State of Alabama; and 5 per centum of the gross proceeds from the sale of power generated at Cove Creek Dam, hereinafter provided for, or any other dam or steam plant located in the State of Tennessee, shall be paid to the State of Tennessee. Upon the completion of said Cove Creek Dam the board shall ascertain how much excess power is thereby generated at Dam No. 2 and any other dam hereafter constructed by the Government of the United States on the Tennessee River, in the State of Alabama, or in the State of Tennessee and from the gross proceeds of the sale of such excess power $2\frac{1}{2}$ per centum shall be paid to the State of Alabama and $2\frac{1}{2}$ per centum to the State of Tennessee. These provisions shall apply to any other dam that may hereafter be constructed and controlled and operated by the board on the Tennessee River or any of its tributaries, the main purpose of which is to control flood waters and where the development of electric power is only incidental in the operation of such flood-control dam. In ascertaining the gross proceeds from the sale of such power upon which a per-

SEC. 13. Five per centum of the gross proceeds received by the board for the sale of power generated at Dam No. 2, or from any other hydropower plant hereafter constructed in the State of Alabama, shall be paid to the State of Alabama; and 5 per centum of the gross proceeds from the sale of power generated at Cove Creek Dam, hereinafter provided for, or any other dam located in the State of Tennessee, shall be paid to the State of Tennessee. Upon the completion of said Cove Creek Dam the board shall ascertain how much additional power is thereby generated at Dam No. 2 and at any other dam hereafter constructed by the Government of the United States on the Tennessee River, in the State of Alabama, or in the State of Tennessee, and from the gross proceeds of the sale of such additional power $2\frac{1}{2}$ per centum shall be paid to the State of Alabama and $2\frac{1}{2}$ per centum to the State of Tennessee. These percentages shall apply to any other dam that may hereafter be constructed and controlled and operated by the board on the Tennessee River or any of its tributaries, the main purpose of which is to control flood waters and where the development of electric power is incidental to the operation of such flood-control dam. In ascertaining the gross proceeds from the sale of such power upon which a percentage is paid to the States of Alabama and Tennes-

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tion of citizens or farmers, not organized or doing business for profit, but primarily for the purpose of supplying electricity to its own citizens or members, or any two or more of such municipalities or organizations, shall construct or agree to construct a transmission line to the place of generation, or to the Government reservation on which is located a power-generating plant operated by the Authority, or to some place along or at the end of a transmission line, the board is hereby authorized to contract with such State, county, municipality, or other organization, or two or more of them, for the sale of electricity for a term not exceeding 30 years, and in any such case the board shall give to such State, county, municipality, or other organization ample time to fully comply with any local law now in existence or hereafter enacted providing for the necessary legal authority for such State, county, municipality, or other organization to contract with the board for such power: *Provided further*, That all contracts entered into between the Authority and any municipality or other political subdivision or cooperative association shall provide that the electric power shall be sold and distributed to the ultimate consumer without discrimination as between consumers of the same class, and such contract shall be voidable at the election of the Authority if a discriminatory rate, rebate, or other special concession is made or given to any consumer or user by the municipality or other political subdivision: *And provided further*, That as to any surplus power not so sold as above provided to States, counties, municipalities, or other said organizations, before the Authority shall sell the same to any person or corporation engaged in the distribution and resale of electricity for profit, it shall require said person or corporation to agree that any resale of such electric power by said person or corporation shall be sold to the ultimate consumer of such electric power at a price that shall not exceed an amount found to be reasonable, just, and fair by the Federal Power Commission, or its successor as a Federal regulatory body having similar jurisdiction; and in case of any such sale if an amount is charged the ultimate consumer which is in excess of the price so deemed to be just, reasonable, and fair by the Federal Power Commission, or its successor as aforesaid, the contract for such sale between the board and such distributor of electricity shall by the Authority be declared to be null and void and the same shall be canceled.

SEC. 14. The net proceeds derived by the board from the sale of power and any of the products manufactured by the Authority, after deducting the cost of operation, maintenance, depreciation, amortization, and an amount deemed by the board as necessary to

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centage is paid to the States of Alabama and Tennessee the board shall not take into consideration the proceeds of any power sold to the Government of the United States, or any department of the Government of the United States used in the operation of any locks on the Tennessee River or for any experimental purpose, or for the manufacture of fertilizer or any of the ingredients thereof, or for any other governmental purpose: *Provided*, That the percentages to be paid to the States of Alabama and Tennessee, as provided in this section, shall be subject to revision and change by the board, and any new rates established by the board, when approved by the President, shall remain in effect until and unless again changed by the board with the approval of the President. No change of said rates shall be made more often than once in 5 years, and no change shall be made without giving to the States of Alabama and Tennessee an opportunity to be heard.

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see, the board shall not take into consideration the proceeds of any power sold or delivered to the Government of the United States, or any department or agency of the Government of the United States, used in the operation of any locks on the Tennessee River or for any experimental purpose, or for the manufacture of fertilizer or any of the ingredients thereof, or for any other governmental purpose: *Provided*, That the percentages to be paid to the States of Alabama and Tennessee, as provided in this section, shall be subject to revision and change by the board, and any new percentages established by the board, when approved by the President, shall remain in effect until and unless again changed by the board with the approval of the President. No change of said percentages shall be made more often than once in 5 years, and no change shall be made without giving to the States of Alabama and Tennessee an opportunity to be heard.

SEC. 14. The board shall make a thorough investigation as to the present value of Dam No. 2 and the steam plants at nitrate plant no. 1 and nitrate plant no. 2, and as to the cost of Cove Creek Dam, for the purpose of ascertaining how much of the value or

SEC. 14. The board shall make a thorough investigation as to the present value of Dam No. 2, and the steam plants at nitrate plant no. 1, and nitrate plant no. 2, and as to the cost of Cove Creek Dam, for the purpose of ascertaining how much of the value or

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withhold as operating capital, or devoted by the board to new construction, shall be paid into the Treasury of the United States at the end of each calendar year.

SEC. 15. The Authority is hereby empowered, when and if the market demands justify, to complete Dam No. 2 at Muscle Shoals, Alabama, and the steam plant at nitrate plant no. 2, in the vicinity of Muscle Shoals, by installing in Dam No. 2 the additional power units, according to the plans and specifications of said dam, and the additional power unit in the steam plant at nitrate plant no. 2.

SEC. 16. The Secretary of War is hereby authorized, with appropriations hereafter to be made available by the Congress or from funds arising from the sale of bonds, to construct, either directly or by contract to the lowest responsible bidder or bidders, after due advertisement, a dam which has by long usage become known and designated as the Cove Creek Dam in and across the Clinch River in the State of Tennessee, together with a transmission line to Muscle Shoals interconnecting with any intermediate power plants: *Provided*, That such transmission line may be constructed only if the board is unable to make contracts satisfactory to the Authority with owners of privately owned lines for the transmission of power, or for the use or the purchase of transmission lines, and if, after investigation, the Authority shall find that such transmission line is economically justifiable and necessary to carry out the purposes of this act.

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the cost of said properties shall be allocated and charged up to (1) flood control, (2) navigation, (3) fertilizer, (4) national defense, and (5) the development of power. The findings thus made by the board, when approved by the President of the United States, shall be final, and such findings shall thereafter be used in all allocation of value for the purpose of keeping the book value of said properties. In like manner, the cost and book value of any dams, steam plants, or other similar movements hereafter constructed and turned over to said board for the purpose of control and management shall be ascertained.

SEC. 15. In the construction of any future dam, steam plant, or other facility, to be used in whole or in part for the generation of hydroelectric power, the board, if directed so to do by the President of the United States, shall issue its bonds for the payment in part or in full of that part of said development that is allocated to the production of hydroelectric power. Said bonds shall be in denominations and shall draw such interest and shall bear such maturity dates as shall be directed by the President, and the same shall be sold to the public in such manner and under such rules and regulations as the President may direct. The net proceeds of all moneys received for the sale of power to States, counties, municipalities, or farm organizations, as well as the net proceeds derived from any tonnage tax that may hereafter be provided for by Congress, are hereby pledged to the payment of said bonds and the interest thereon.

SEC. 16. The Secretary of War, or the Secretary of the Interior, whenever the President deems it advisable, is hereby empowered and directed to complete Dam No. 2 at Muscle Shoals, Alabama, and the steam plant at nitrate plant no. 2, in the vicinity of Muscle Shoals, by installing in Dam No. 2 the additional power units according to the plans and specifications of said dam, and the additional power unit in the steam plant at nitrate plant no. 2.

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the cost of said properties shall be allocated and charged up to (1) flood control, (2) navigation, (3) fertilizer, (4) national defense, and (5) the development of power. The findings thus made by the board, when approved by the President of the United States, shall be final, and such findings shall thereafter be used in all allocation of value for the purpose of keeping the book value of said properties. In like manner, the cost and book value of any dams, steam plants, or other similar improvements hereafter constructed and turned over to said board for the purpose of control and management shall be ascertained and allocated.

SEC. 15. In the construction of any future dam, steam plant, or other facility, to be used in whole or in part for the generation or transmission of electric power the board is hereby authorized and empowered to issue on the credit of the United States and to sell serial bonds not exceeding \$50,000,000 in amount, having a maturity not more than 50 years from the date of issue thereof, and bearing interest not exceeding $3\frac{1}{2}$ per centum per annum. Said bonds shall be issued and sold in amounts and prices approved by the Secretary of the Treasury, but all such bonds as may be so issued and sold shall have equal rank. None of said bonds shall be sold below par, and no fee, commission, or compensation whatever shall be paid to any person, firm, or corporation for handling, negotiating the sale, or selling the said bonds. All of such bonds so issued and sold shall have all the rights and privileges accorded by law to Panama Canal bonds, authorized by section 8 of the act of June 28, 1902, chapter 1302, as amended by the act of December 21, 1905 (ch. 3, sec. 1, 34 Stat. 5), as now compiled in section 743 of title 31 of the United States Code. All funds derived from the sale of such bonds shall be paid over to the Corporation.

SEC. 16. The board, whenever the President deems it advisable, is hereby empowered and directed to complete Dam No. 2 at Muscle Shoals, Alabama, and the steam plant at nitrate plant no. 2, in the vicinity of Muscle Shoals, by installing in Dam No. 2 the additional power units according to the plans and specifications of said dam, and the additional power unit in the steam plant at nitrate plant no. 2.

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Such construction shall be according to the latest and most approved designs of the Chief of Engineers, including powerhouse and hydroelectric installations and equipment for the generation of electric power in order that the waters of the said Clinch River may be impounded and stored above said dam for the purpose of promoting navigation by increasing and regulating the flow of the Clinch River and the Tennessee River below, so that the maximum amount of primary power may be developed at Dam Numbered 2 and at any and all other dams below the said Cove Creek Dam.

SEC. 17. In order to enable and empower the board to carry out the authority hereby conferred in the most economical and efficient manner, it is hereby authorized and empowered in the exercise of the powers of national defense, in the aid of navigation, and in the control of the flood waters of the Tennessee and Mississippi Rivers, constituting channels of interstate commerce, to exercise the right of eminent domain and to condemn all lands, easements, rights of way, and other area necessary in order to obtain a site for said Cove Creek Dam, and the flowage rights for the reservoir of water above said dam and to negotiate and conclude contracts with States, counties, municipalities, and all State agencies, and with railroads, railroad corporations, common carriers, and all public-utility commissions, and any other person, firm, or corporation, for the relocation of railroad tracks, highways, highway bridges, mills, ferries, electric-light plants, and any and all other properties, enterprises, and projects whose removal may be necessary in order to carry out the provisions of this act. When said Cove Creek Dam, transmission line, and power house shall have been completed, the possession, use, and control thereof shall be intrusted to the Authority for use and operation in connection with the general Muscle Shoals and Tennessee Valley project and to promote flood control and navigation in the Tennessee River.

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SEC. 17. It is hereby declared to be the policy of the Government to utilize the Muscle Shoals properties so far as may be necessary to improve and cheapen the production of fertilizer and fertilizer ingredients by carrying out the provisions of this act.

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SEC. 17. The Secretary of War, or the Secretary of the Interior, is hereby authorized to construct, either directly or by contract to the lowest responsible bidder, after due advertisement, a dam in and across Clinch River in the State of Tennessee, which has by long custom become known and designated as the Cove Creek Dam, together with a transmission line from Muscle Shoals, according to the latest and most approved designs, including power house and hydroelectric installations and equipment for the generation of power, in order that the waters of the said Clinch River may be impounded and stored above said dam for the purpose of increasing and regulating the flow of the Clinch River and the Tennessee River below, so that the maximum amount of primary power may be developed at Dam No. 2 and at any and all other dams below the said Cove Creek Dam: *Provided, however,* That the President is hereby authorized by appropriate order to direct the employment by the Secretary of War, or by the Secretary of the Interior, of such engineer or engineers as he may designate, to perform such duties and obligations as he may deem proper, either in the drawing of plans and specifications for said dam, or to perform any other work in the building or construction of the same. The President may, by such order, place the control of the construction of said dam in the hands of such engineer or engineers taken from private life as he may desire: *And provided further,* That the President is hereby expressly authorized, without regard to the restriction or limitation of any other statute, to select attorneys and assistants for the purpose of making any investigation he may deem proper to ascertain whether, in the control and management of Dam No. 2, or any other dam or property owned by the Government in the Tennessee River Basin, or in the authorization of any improvement therein, there has been any undue or unfair advantage given to private persons, partnerships, or corporations, by any officials or employees of the Government, or whether in any such matters the Government has been injured or unjustly deprived of any of its rights.

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Sec. 18. The Authority, as an instrumentality and agency of the Government of the United States for the purpose of executing its lawful powers, shall have access to the Patent Office of the United States for the purpose of studying, ascertaining, and copying all methods, formulae, and scientific information (but not including access to pending applications for patents) necessary to enable the Authority to use and employ the most efficacious and economical process for the production of fixed nitrogen, or any essential ingredient of fertilizer, or any method of improving and cheapening the production of hydroelectric power, and any owner of a patent whose patent rights may have been thus in any way copied, used, infringed, or employed by the exercise of this right by the Authority shall have as the exclusive remedy a cause of action against the Authority, to be instituted and prosecuted on the equity side of the district court of the United States, in any district where infringement has occurred for the recovery of judgment for reasonable compensation. Service may be made in any such way as the court may direct. The Commissioner of Patents shall furnish to the Authority, at its request and without payment of fees, copies of documents on file in his office.

Sec. 19. The Government of the United States hereby reserves the right, in case of war or national emergency declared by Congress, to take possession of all or any part of the property described or referred to in this act for the purpose of manufacturing explosives, or for other war purposes.

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Sec. 18. The Secretary of War, or the Secretary of the Interior, is hereby authorized to construct, either directly or by contract to the lowest responsible bidder, after due advertisement, a dam in and across Clinch River in the State of Tennessee, which has by long custom become known and designated as the Cove Creek Dam, together with a transmission line from Muscle Shoals, according to the latest and most approved designs of the Chief of Engineers, including power house and hydroelectric installations and equipment for the generation of at least 200,000 horsepower, in order that the waters of the said Clinch River may be impounded and stored above said dam for the purpose of increasing and regulating the flow of the Clinch River and the Tennessee River below, so that the maximum amount of primary power may be developed at Dam No. 2 and at any and all other dams below the said Cove Creek Dam: *Provided, however,* That the President is hereby expressly authorized by the appropriate order to direct the employment by the Secretary of War, or by the Secretary of the Interior, of such engineer or engineers as he may designate, to perform such duties and obligations as he may deem proper, either in the drawing of plans and specifications for said dam, or to perform any other work in the building or construction of the same. The President may, by such order, place the control of the construction of said dam in the hands of such engineer or engineers taken from private life as he may desire: *And provided further,* That the President is hereby expressly authorized, without regard to the restriction or limitation of any other statute, to select attorneys and assistants for the purpose of making any investigation he may deem proper to ascertain whether, in the control and management of Dam No. 2, or any other dam or property owned by the Government in the Tennessee River Basin, or in the authorization of any improvement therein, there has been any undue or unfair advantage given to private persons, partnerships, or corporations, by any officials or employees of the Government, or whether in any such matters the Government has been injured or unjustly deprived of any of its rights.

Sec. 19. In order to enable and empower the Secretary of War or the Secretary of the Interior to carry out the authority hereby conferred, in the most economical and efficient manner, he is hereby authorized and empowered in the exercise of the powers of national defense in aid of navigation, and in the control of the flood waters of the Tennessee and Mississippi Rivers, constituting channels of interstate commerce, to exercise the right of eminent domain for all purposes of this

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Sec. 18. In order to enable and empower the Secretary of War, the Secretary of the Interior, or the board to carry out the authority hereby conferred, in the most economical and efficient manner, he or it is hereby authorized and empowered in the exercise of the powers of national defense in aid of navigation, and in the control of the flood waters of the Tennessee and Mississippi Rivers, constituting channels of interstate commerce, to exercise the right of eminent domain for all purposes of this act, and to condemn all lands, easements, rights of way, and other area necessary in order to obtain a site for said Cove Creek Dam, and the flowage rights for the reservoir of water above said dam, and to negotiate and conclude contracts with States, counties, municipalities, and all State agencies and with railroads, railroad corporations, common carriers, and all public utility commissions and any other person, firm, or corporation, for the relocation of railroad tracks, highways, highway bridges, mills, ferries, electric-light plants, and any and all other properties, enterprises, and projects whose removal may be necessary in order to carry out the provisions of this Act. When said Cove Creek Dam, transmission line, and power house shall have been completed, the possession, use, and control thereof shall be intrusted to the Corporation for use and operation in connection with the general Tennessee Valley project, and to promote flood control and navigation in the Tennessee River.

Sec. 19. The Corporation, as an instrumentality and agency of the Government of the United States for the purpose of executing its constitutional powers, shall have access to the Patent Office of the United States for the purpose of studying, ascertaining, and copying all methods, formulas, and scientific information (not including access to pending applications for patents) necessary to enable the Corporation to use and employ the most efficacious and economical process for the

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act and to condemn all lands, easements, rights of way, and other area necessary in order to obtain a site for said Cove Creek Dam, and the flowage rights for the reservoir of water above said dam and to negotiate and conclude contracts with States, counties, municipalities, and all State agencies and with railroads, railroad corporations, common carriers, and all public-utility commissions and any other person, firm, or corporation, for the relocation of railroad tracks, highways, highway bridges, mills, ferries, electric-light plants, and any and all other properties, enterprises, and projects whose removal may be necessary in order to carry out the provisions of this act. When said Cove Creek Dam, transmission line, and power house shall have been completed, the possession, use, and control thereof shall be intrusted to the Corporation for use and operation in connection with the general Muscle Shoals project and to promote flood control and navigation in the Tennessee River.

SEC. 20. The Corporation, as an instrumentality and agency of the Government of the United States for the purpose of executing its constitutional powers, shall have access to the Patent Office of the United States for the purpose of studying, ascertaining, and copying all methods, formulas, and scientific information (not including access to pending applications for patents) necessary to enable the Corporation to use and employ the most efficacious and economical process for the production of fixed nitrogen, or any essential ingredient of fertilizer, or any method of improving and cheapening the production of hydroelectric power, and any patentee whose patent rights may have been thus in any way copied, used, or employed by the exercise of this authority by the Corporation shall have as the exclusive remedy of a cause of action to be instituted and prosecuted on the equity side of the appropriate district court of the United States for the recovery of reasonable compensation for such infringement. The Commissioner of Patents shall furnish to the Corporation, at its request and without payment of fees, copies of documents on file in his office: *Provided*, That the benefits of this section shall not apply to any art, machine, manufacture, or composition of matter discovered or invented by such employee during the time of his employment or service with the Corporation or with the Government of the United States.

SEC. 21. The Government of the United States hereby reserves the right, in case of war or national emergency declared by Congress, to take possession of all or any part of the property described or referred to in this act for the purpose of manufacturing explosives or for other war purposes; but, if

production of fixed nitrogen, or any essential ingredient of fertilizer, or any method of improving and cheapening the production of hydroelectric power, and any owner of a patent whose patent rights may have been thus in any way copied, used, infringed, or employed by the exercise of this authority by the Corporation shall have as the exclusive remedy a cause of action against the Corporation to be instituted and prosecuted on the equity side of the appropriate district court of the United States for the recovery of reasonable compensation for such infringement. The Commissioner of Patents shall furnish to the Corporation, at its request and without payment of fees, copies of documents on file in his office: *Provided*, That the benefits of this section shall not apply to any art, machine, method of manufacture, or composition of matter, discovered or invented by such employee during the time of his employment or service with the Corporation or with the Government of the United States.

SEC. 20. The Government of the United States hereby reserves the right, in case of war or national emergency declared by Congress, to take possession of all or any part of the property described or referred to in this act for the purpose of manufacturing explosives or for other war purposes; but, if this right is exercised by the Government, it shall pay the reasonable and fair damages that may be suffered by any party whose contract for the purchase of electric power or fixed nitrogen or fertilizer ingredients is hereby violated, after the amount of the damages has been fixed by the United States Court of Claims in proceedings instituted and conducted for that purpose under rules prescribed by the court.

SEC. 21. (a) All general penal statutes relating to the larceny, embezzlement, conversion, or to the improper handling, retention, use, or disposal of public moneys or property of the United States, shall apply to the moneys and property of the Corporation and to moneys and properties of

SEC. 20 (a) All general penal statutes relating to the larceny, embezzlement, conversion, or to the improper handling, retention, use, or disposal of public moneys or property of the United States shall apply to the moneys and property of the Authority and to moneys and properties of the United States intrusted to the Authority.

(b) Any person who, with intent to defraud the Authority, or to deceive any director, officer, or employee of the Authority or any officer or employee of the United States, makes any false entry in any book of the Authority, or makes any false report or statement for the Authority shall, upon conviction thereof, be fined not more than \$10,000 or imprisoned not more than 5 years, or both.

(c) Any person who shall receive any compensation, rebate, or reward, or shall enter into any conspiracy, collusion, or agreement, express or implied, with intent to defraud the Authority or wrongfully and unlawfully to defeat its purposes, shall, on conviction thereof, be fined not more than \$5,000 or imprisoned not more than 5 years, or both.

SEC. 21. In order that the board may not be delayed in carrying out the program authorized herein the sum of \$10,000,000 is hereby authorized to be appropriated for that purpose from the Treasury of the United States, of which not to exceed \$4,000,000 shall be made available with which to begin construc-

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tion of Cove Creek Dam during the calendar year 1933, and begin the production of fertilizer and/or fertilizer ingredients.

SEC. 22. The President of the United States, for 1 year from the date of the enactment of this act, is hereby authorized and empowered to enter into negotiations and conclude agreements with any person, firm, or corporation for the exchange of electric energy generated and to be generated by the Authority at any plant intrusted to and under the control of the Authority, in consideration of the conveyance by any such person, firm, or corporation of any property or property rights on which the Authority may construct a plant or plants for the production of electric energy, upon such terms, conditions, and limitations as to the President shall seem meet and proper. The President is further authorized for 1 year from the date of this act to lease or sell to any person, firm, or corporation such land not needed for national defense, fertilizer production, power production, or other governmental purposes upon such terms, conditions, and limitations as to the President shall seem meet and proper: *Provided, however,* That the President shall first have the land appraised: *Provided further,* That no lease shall be for a term to exceed 50 years: *Provided further,* That any sale shall be on condition that said land shall be used for industrial purposes only.

SEC. 23. The Authority may cause proceedings to be instituted for the acquisition by condemnation of any lands, easements, or rights of way which, in the opinion of the board are necessary in carrying out the foregoing projects. The proceedings shall be instituted in the United States district court for the district in which the land, easement, right of way, or other interest is located, and such court shall have full jurisdiction to divest the complete title to the property sought to be acquired out of all persons or claimants and vest the same in the United States in fee simple, and to enter a decree

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this right is exercised by the Government, it shall pay the reasonable and fair damages that may be suffered by any party whose contract for the purchase of electric power or fixed nitrogen or fertilizer ingredients is hereby violated, after the amount of the damages has been fixed by the United States Court of Claims in proceedings instituted and conducted for that purpose under rules prescribed by the court.

SEC. 22. (a) All general penal statutes relating to the larceny, embezzlement, conversion, or to the improper handling, retention, use, or disposal of public moneys or property of the United States, shall apply to the moneys and property of the Corporation and to moneys and properties of the United States intrusted to the Corporation.

(b) Any person who, with intent to defraud the Corporation, or to deceive any director, officer, or employee of the Corporation or any officer or employee of the United States (1) makes any false entry in any book of the Corporation, or (2) makes any false report or statement for the Corporation, shall, upon conviction thereof, be fined not more than \$10,000 or imprisoned not more than 5 years, or both.

(c) Any person who shall receive any compensation, rebate, or reward, or shall enter into any conspiracy, collusion or agreement, express or implied, with intent to defraud the Corporation or wrongfully and unlawfully to defeat its purposes, shall, on conviction thereof, be fined not more than \$5,000 or imprisoned not more than 5 years, or both.

SEC. 23. To aid further the proper use, conservation, and development of the natural resources of the Tennessee River drainage basin and of such adjoining territory as may be related to or materially affected by the development consequent to this act, and to provide for the general welfare of the citizens of said areas, the President is hereby authorized by such means or methods as he may deem proper within the limits of appropriations made therefor by Congress, to make such surveys of and general plans for said Tennessee basin and adjoining territory as may be useful to the Congress

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the United States intrusted to the Corporation.

(b) Any person who, with intent to defraud the Corporation, or to deceive any director, officer, or employee of the Corporation or any officer or employee of the United States (1) makes any false entry in any book of the Corporation, or (2) makes any false report or statement for the Corporation, shall, upon conviction thereof, be fined not more than \$10,000 or imprisoned not more than 5 years, or both.

(c) Any person who shall receive any compensation, rebate, or reward, or shall enter into any conspiracy, collusion, or agreement, express or implied, with intent to defraud the Corporation or wrongfully and unlawfully to defeat its purposes, shall, on conviction thereof, be fined not more than \$5,000 or imprisoned not more than 5 years, or both.

SEC. 22. To aid further the proper use, conservation, and development of the natural resources of the Tennessee River drainage basin and of such adjoining territory as may be related to or materially affected by the development consequent to this act, and to provide for the general welfare of the citizens of said areas, the President is hereby authorized, by such means or methods as he may deem proper within the limits of appropriations made therefor by Congress, to make such surveys of and general plans for said Tennessee basin and adjoining territory as may be useful to the Congress and to the several States in guiding and controlling the extent, sequence, and nature of development that may be equitably and economically advanced through the expenditure of public funds, or through the guidance or control of public authority, all for the general purpose of fostering an orderly and proper physical, economic, and social development of said areas; and the President is further authorized in making said surveys and plans to cooperate with the States affected thereby, or subdivisions or agencies of such States, or with cooperative or other organizations, and to make such studies, experiments, or demonstrations as may be necessary and suitable to that end.

SEC. 23. The President shall, from time to time, as the work provided for in the preceding section progresses, recommend to Congress such legislation as he deems proper to carry out the general purposes stated in said section, and for the especial purpose of bringing about in said Tennessee drainage basin and adjoining territory in conformity with said general purposes (1) the maximum amount of flood control; (2) the maximum development of said Tennessee River for navigation purposes; (3) the maximum generation of electric power consistent with flood control and navigation; (4) the proper

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quieting the title thereto in the United States of America.

Upon the filing of a petition for condemnation and for the purpose of ascertaining the value of the property to be acquired, and assessing the compensation to be paid, the court shall appoint three commissioners, who shall be disinterested persons and who shall take and subscribe to an oath that they do not own any lands, or interest or easement in any lands, which it may be desirable for the United States to acquire in the furtherance of said projects, and such commissioners shall not be selected from the locality wherein the land sought to be condemned lies. Such commissioners shall receive a per diem of not less than \$15 per day for their services, together with an additional amount of \$5 per day for subsistence for time actually spent in performing their duties as commissioners.

It shall be the duty of such commissioners to examine into the value of the lands sought to be condemned, to conduct hearings and receive evidence, and generally to take such appropriate steps as may be proper for the determination of the value of the said lands sought to be condemned, and for such purpose the commissioners are authorized to administer oaths and subpoena witnesses, which said witnesses shall receive the same fees as are provided for witnesses in the Federal courts. The said commissioners shall thereupon file a report setting forth their conclusions as to the value of the said property sought to be condemned, making a separate award and valuation in the premises with respect to each separate parcel involved. Upon the filing of such award in court the clerk of said court shall give notice of the filing of such award to the parties to said proceeding, in manner and form as directed by the judge of said court. Within 30 days after giving notice of such award by the clerk of said court as hereinabove provided, any party to such proceeding deeming himself aggrieved may file in writing with the clerk of said district court a demand for a jury trial upon the question of the reasonableness of the award so made, and upon such filing of a demand, or any such demand or demands, the judge of said district court shall cause a jury to be empaneled pursuant to the usual practices of such district court and, thereupon, the causes of all parties so demanding jury trials shall be heard de novo by the court and jury, and awards made according to the usual practices of such district courts.

Nothing in this act contained shall be construed to entitle each property owner to have a separate jury empaneled to determine the award to be made for any piece or parcel of property owned by him, but the trial judge shall determine and order the manner

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and to the several States in guiding and controlling the extent, sequence, and nature of development that may be equitably and economically advanced through the expenditure of public funds or through the guidance or control of public authority, all for the general purpose of fostering an orderly and proper physical, economic, and social development of said areas; and the President is further authorized in making said surveys and plans to cooperate with the States affected thereby, or subdivisions or agencies of such States, or with cooperative or other organizations, and to make such studies, experiments, or demonstrations as may be necessary and suitable to that end.

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use of marginal lands; (5) the proper method of reforestation of all lands in said drainage basin suitable for reforestation; and (6) the economic and social well-being of the people living in said river basin.

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of the trial of said causes respecting the rights of the several owners, either by having the same jury determine the rights of all litigants who shall demand jury trials, or by grouping several tracts or parcels of land into separate jury groups, in which event in his discretion the trial judge or the trial judges, who may be presiding at such trial or trials, shall permit all litigants or counsel for litigants affected or to be affected by the determination of such jury to examine the jurors upon voir dire and to participate in the arguments to be presented to the jury at the conclusion of the evidence.

Where property to be affected by this act is situated in more than one judicial district of the United States, its value shall be determined by a jury to be selected of and from the judicial district where any part of such property is situated.

In the event of any property owned in whole or in part by minors, or insane persons, or incompetent persons, or estates of deceased persons, then the legal representatives of such minors, insane persons, incompetent persons, or estates shall have power by and with the consent and approval of the trial judge in whose court said matter is for determination, to consent to or reject the awards of the commissioners herein provided for, and in the event there be no legal representatives or the legal representatives for such minors, insane persons, or incompetent persons shall fail or decline to act, then such trial judge may, upon motion, appoint a guardian ad litem to act for such minors, insane persons, or incompetent persons, and such guardian ad litem shall act to the full extent and to the same purpose and effect as his ward could act, if competent, and such guardian ad litem shall be deemed to have full power and authority to respond, to conduct or maintain any proceeding herein provided for affecting his said ward.

Upon acceptance of an award by the owner of any property herein provided to be appropriated and the payment of the money awarded, or upon the award of the jury and judgment of the district court and the payment of the money by the United States pursuant thereto, and the payment of the money awarded into the registry of the court by the Authority herein provided for, the title to said property and the right to the possession thereof shall pass to the United States and the United States shall be entitled to a writ in the same proceeding to dispossess the former owner of said property and all lessees, agents, and attorneys of such former owner, and to put the United States, by its corporate creature and agent, the Authority, into possession of said property.

Appeals from the final judgment of the district courts of the United States shall be prosecuted in like manner as

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appeals in other cases, but no supersedeas shall be allowed, but the amount so paid into the registry of the court shall remain in the registry of said court and shall from time to time, under order of the district judge be increased or diminished and disbursed in accordance with the final disposition of said cause.

SEC. 24. The board, acting for the Authority, is hereby authorized and empowered to issue on the credit of the United States and to sell bonds not exceeding \$50,000,000 in amount, having a maturity not more than 60 years from the date of issue thereof, and bearing interest not exceeding 3 per centum per annum, and when said bonds are so issued, they shall constitute a first lien upon all net income from property of the United States hereby intrusted, and hereafter to be intrusted, to the possession and control of the Authority, after payment of operating costs, maintenance, depreciation and reasonable capital charges. Said bonds shall be issued and sold in amounts and prices approved by the Secretary of the Treasury, but all such bonds as may be so issued and sold shall have equal rank as to lien upon the net income from said property. None of said bonds shall be sold below par, and no fee, commission, or compensation whatever shall be paid to any person, firm, or corporation for handling, negotiating the sale, or selling the said bonds. All of such bonds so issued and sold shall have all the rights and privileges accorded by law to Panama Canal bonds, authorized by section 8 of the Act of June 28, 1902, chapter 1302, as amended by the Act of December 21, 1905 (ch. 3, sec. 1, 34 Stat. 5), as now compiled in section 743 of title 31 of the United States Code. All funds derived from the sale of such bonds shall be paid over to the Authority.

SEC. 25. That the President of the United States is hereby authorized and empowered to investigate and to declare, as a result of his investigation, what proportion and part of the cost of any power plant hereafter to be acquired or conducted, and intrusted to the Authority, is properly and fairly chargeable to the several and respective factors of flood control, navigation, and power, and such declaration by the President shall be the final and official determination thereof. Such determination and declaration shall thereafter be binding upon the Government, and upon any of the holders

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SEC. 24. The President shall, from time to time, as the work provided for in section 23 progresses, recommend to Congress such legislation as he deems proper to carry out the general purposes stated in said section and for the especial purpose of bringing about in said Tennessee drainage basin in conformity with said general purposes (1) the maximum amount of flood control; (2) the maximum development of said Tennessee River for navigation purposes; (3) the maximum generation of electric power consistent with flood control and navigation; (4) the proper use of marginal lands; (5) the proper method of reforestation of all lands in said drainage basin suitable for reforestation; and (6) the most practical method of improving agricultural conditions in the valleys of said drainage basin.

SEC. 25. For the purpose of securing any rights of flowage, or obtaining title to or possession of any property, real or personal, that may be necessary or may become necessary, in the carrying out of any of the provisions of this act, the President of the United States is hereby authorized to enter into contracts with the owner or owners of such rights or such property, and to provide for the payment of same by delivery of hydroelectric, steam, or other power generated at any of the plants now owned or hereafter owned or constructed by the Government or by said Corporation likewise, for 1 year after the en-

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SEC. 24. For the purpose of securing any rights of flowage, or obtaining title to or possession of any property, real or personal, that may be necessary or may become necessary, in the carrying out of any of the provisions of this act, the President of the United States for a period of 3 years from the date of the enactment of this act, is hereby authorized to acquire title in the name of the United States to such rights or such property, and to provide for the payment for same by directing the board to contract to deliver power generated at any of the plants now owned or hereafter owned or constructed by the Government or by said Corporation, such future delivery of power to continue for a period not exceeding 30 years. Likewise, for 1 year after the enactment of this act, the President is further authorized to sell or lease any parcel or part of any vacant real estate now owned by the Government in said Tennessee River Basin, to persons, firms, or corporations who shall contract to erect thereon factories or manufacturing establishments, and who shall contract to purchase of said Corporation electric power for the operation of any such factory or manufacturing establishment. No contract shall be made by the President for the sale of any of such real estate as may be necessary for present or future use on the part of the Government for any of the purposes of this act. Any such contract made by the President of the United States shall be carried out by the board: *Provided*, That no such contract shall be made that will in any way abridge or take away the preference right to purchase power given in this act to States, counties, municipalities, or farm organizations: *Provided further*, That no lease shall be for a term to exceed 50 years: *Provided further*, That any sale shall be on condition that said land shall be used for industrial purposes only.

SEC. 25. The Corporation may cause proceedings to be instituted for the acquisition by condemnation of any lands, easements, or rights of way which, in the opinion of the Corporation, are necessary to carry out the provisions of this act. The proceedings shall be instituted in the United States district court for the district in which the land, easement, right of way, or other interest, or any part thereof, is located, and such court shall have full jurisdiction to divest the complete title to the property sought to be acquired out of all persons or claimants and vest the same in the United States

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of the bonds herein authorized to be issued and sold, in the event of any litigation concerning any bonds defaulted as to principal or interest, or both, and such declaration and determination shall be the basis of apportionment of contribution from the general funds of the Government and from the power funds of the Authority in the appraisal of existing plants and in the financing of construction for other plants: *Provided*, That as to Dam No. 2 the amount of the cost chargeable to power is hereby fixed at \$30,000,000, and the remainder of the total cost to the date of this act shall be charged to national defense, flood control, and navigation: *Provided further*, That the Authority shall pay annually into the Federal Treasury 2 per centum on the \$30,000,000 chargeable to power: *Provided further*, That the Authority shall create a sinking fund which, paid in annually with compound interest, will amortize and return to the Federal Treasury the entire cost of the said dam to the date of this act over a period of 60 years.

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actment of this act, the President is authorized to sell parcels or parts of any vacant real estate now owned by the Government, or hereafter acquired, in said Tennessee River Basin, to persons or corporations desiring to purchase the same for the purpose of erecting thereon factories or manufacturing establishments, and who desire to purchase of said Corporation electric power for the operation of any such factory or manufacturing establishment. No contract shall be made by the President for the sale of any of such real estate, if the same is valuable, or may become necessary or valuable, for use on the part of the Government for any of the purposes of this act. Any such contract made by the President of the United States, or under his direction, and approved by him, shall be carried out by the board: *Provided*, That no such contract shall be made that will in any way abridge or take away the preference right given in this act to States, counties, municipalities, or farm organizations.

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in fee simple, and to enter a decree quieting the title thereto in the United States of America.

Upon the filing of a petition for condemnation and for the purpose of ascertaining the value of the property to be acquired, and assessing the compensation to be paid, the court shall appoint three commissioners who shall be disinterested persons and who shall take and subscribe an oath that they do not own any lands, or interest or easement in any lands, which it may be desirable for the United States to acquire in the furtherance of said project, and such commissioners shall not be selected from the locality wherein the land sought to be condemned lies. Such commissioners shall receive a per diem of not to exceed \$15 for their services, together with an additional amount of \$5 per day for subsistence for time actually spent in performing their duties as commissioners.

It shall be the duty of such commissioners to examine into the value of the lands sought to be condemned, to conduct hearings and receive evidence, and generally to take such appropriate steps as may be proper for the determination of the value of the said lands sought to be condemned, and for such purpose the commissioners are authorized to administer oaths and subpoena witnesses, which said witnesses shall receive the same fees as are provided for witnesses in the Federal courts. The said commissioners shall thereupon file a report setting forth their conclusions as to the value of the said property sought to be condemned, making a separate award and valuation in the premises with respect to each separate parcel involved. Upon the filing of such award in court the clerk of said court shall give notice of the filing of such award to the parties to said proceeding, in manner and form as directed by the judge of said court.

Either or both parties may file exceptions to the award of said commissioners within 20 days from the date of the filing of said award in court. Exceptions filed to such award shall be heard before three Federal district judges unless the parties, in writing, in person, or by their attorneys, stipulate that the exceptions may be heard before a lesser number of judges. On such hearings such judges shall pass de novo upon the proceedings had before the commissioners, may view the property, and may take additional evidence. Upon such hearings the said judges shall file their own award, fixing therein the value of the property sought to be condemned, regardless of the award previously made by the said commissioners.

At any time within 30 days from the filing of the decision of the district judges upon the hearing on exceptions to the award made by the commissioners, either party may appeal from

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such decision of the said judges to the circuit court of appeals, and the said circuit court of appeals shall upon the hearing on said appeal dispose of the same upon the record, without regard to the awards or findings theretofore made by the commissioners or the district judges, and such circuit court of appeals shall thereupon fix the value of the said property sought to be condemned.

Upon acceptance of an award by the owners of any property herein provided to be appropriated, and the payment of the money awarded or upon the failure of either party to file exceptions to the award of the commissioners within the time specified, or upon the award of the commissioners, and the payment of the money by the United States pursuant thereto, or the payment of the money awarded into the registry of the court by the Corporation, the title to said property and the right to the possession thereof shall pass to the United States, and the United States shall be entitled to a writ in the same proceeding to dispossess the former owner of said property, and all lessees, agents, and attorneys of such former owner, and to put the United States, by its corporate creature and agent, the Corporation, into possession of said property.

In the event of any property owned in whole or in part by minors, or insane persons, or incompetent persons, or estates of deceased persons, then the legal representatives of such minors, insane persons, incompetent persons, or estates shall have power, by and with the consent and approval of the trial judge in whose court said matter is for determination, to consent to or reject the awards of the commissioners herein provided for, and in the event that there be no legal representatives, or that the legal representatives for such minors, insane persons, or incompetent persons shall fail or decline to act, then such trial judge may, upon motion, appoint a guardian ad litem to act for such minors, insane persons, or incompetent persons, and such guardian ad litem shall act to the full extent and to the same purpose and effect as his ward could act, if competent, and such guardian ad litem shall be deemed to have full power and authority to respond, to conduct, or to maintain any proceeding herein provided for affecting his said ward.

SEC. 26. Insofar as applicable the benefits of the act entitled "An Act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes", approved September 7, 1916, as amended, shall extend to persons given employment under the provisions of this Act.

SEC. 26. The Corporation may cause proceedings to be instituted for the acquisition by condemnation of any lands, easements, or rights of way which, in the opinion of the Corporation, are necessary to carry out the provisions of this act. The proceedings shall be instituted in the United States district court for the district in which the land, easement, right of way, or other interest is located, and such court shall have full jurisdiction to divest the complete title to the property

SEC. 26. The net proceeds derived by the board from the sale of power and any of the products manufactured by the Corporation, after deducting the cost of operation, maintenance, depreciation, amortization, and an amount deemed by the board as necessary to withhold as operating capital, or devoted by the board to new construction, shall be paid into the Treasury of the United States at the end of each calendar year.

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sought to be acquired out of all persons or claimants and vest the same in the United States in fee simple, and to enter a decree quieting the title thereto in the United States of America.

Upon the filing of a petition for condemnation and for the purpose of ascertaining the value of the property to be acquired, and assessing the compensation to be paid, the court shall appoint three commissioners who shall be disinterested persons and who shall take and subscribe an oath that they do not own any lands, or interest or easement in any lands, which it may be desirable for the United States to acquire in the furtherance of said project, and such commissioners shall not be selected from the locality wherein the land sought to be condemned lies. Such commissioners shall receive a per diem of not to exceed \$15 per day for their services, together with an additional amount of \$5 per day for subsistence for time actually spent in performing their duties as commissioners.

It shall be the duty of such commissioners to examine into the value of the lands sought to be condemned, to conduct hearings and receive evidence, and generally to take such appropriate steps as may be proper for the determination of the value of the said lands sought to be condemned, and for such purpose the commissioners are authorized to administer oaths and subpoena witnesses, which said witnesses shall receive the same fees as are provided for witnesses in the Federal courts. The said commissioners shall thereupon file a report setting forth their conclusions as to the value of the said property sought to be condemned, making a separate award and valuation in the premises with respect to each separate parcel involved. Upon the filing of such award in court the clerk of said court shall give notice of the filing of such award to the parties to said proceeding, in manner and form as directed by the judge of said court.

Either or both parties may file exceptions to the award of said commissioners within 20 days from the date of the filing of said award in court. Exceptions filed to such award shall be heard before three Federal district judges unless the parties, in writing, in person, or by their attorneys, stipulate that the exceptions may be heard before a lesser number of judges. On such hearing such judges shall pass de novo upon the proceedings had before the commissioners, may view the property, and may take additional evidence. Upon such hearings the said judges shall file their own award, fixing therein the value of the property sought to be condemned, regardless of the award previously made by the said commissioners.

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SEC. 27. To aid further the proper use, conservation, and development of the natural resources of the Tennessee River Drainage Basin and of such adjoining territory as may be related to or materially affected by the developments consequent to this act, and to provide for the general welfare of the citizens of said areas, the President is hereby authorized by such means or methods as he may deem proper within the limits of appropriations made therefor by Congress, to make such surveys of and general plans for said Tennessee Basin and adjoining territory as may be useful to the Congress and to the several States in guiding and controlling the extent, sequence, and nature of development that may be equitably and economically advanced through the expenditure of public funds or through the guidance or control of public authority, all for the general purpose of fostering an orderly and proper physical, economic, and social development of said areas; and the President is further authorized in making said surveys and plans to cooperate with the States affected thereby.

SEC. 28. The President shall, from time to time, as the work provided for in this act progresses, recommend to Congress such legislation as he deems proper to carry out the general purposes stated in said section and for the especial purpose of bringing about in said Tennessee Drainage Basin and adjoining territory in conformity with said general purposes (1) the maximum amount of flood control; (2) the maximum development of said Tennessee River, and its tributaries, for navigation purposes; (3) the maximum generation of electric power consistent with flood control and navigation; (4) the proper use of marginal lands; (5) the proper method of reforestation of all lands in said drainage basin suitable for reforestation; (6) the most practical method of improving agricultural conditions in the valleys of said drainage basin; and (7) the economic and social well-being of the people living in said river basin and all adjacent territory.

SEC. 29. That all appropriations necessary to carry out the provisions of this act are hereby authorized.

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At any time within thirty days from the filing of the decision of the district judges upon the hearing on exceptions to the award made by the commissioners, either party may appeal from such decision of the said judges to the circuit court of appeals, and the said circuit court of appeals shall upon the hearing on said appeal dispose of the same upon the record, without regard to the awards or findings theretofore made by the commissioners or the district judges, and such circuit court of appeals shall thereupon fix the value of the said property sought to be condemned.

SEC. 27. All appropriations necessary to carry out the provisions of this act are hereby authorized.

SEC. 28. All acts or parts of acts in conflict herewith are hereby repealed.

SEC. 29. The right to alter, amend, or repeal this act is hereby expressly declared and reserved.

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SEC. 27. All appropriations necessary to carry out the provisions of this act are hereby authorized.

SEC. 28. That all acts or parts of acts in conflict herewith are hereby repealed, so far as they affect the operations contemplated by this act.

SEC. 29. The right to alter, amend, or repeal this act is hereby expressly declared and reserved, but no such

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SEC. 30. That all acts or parts of acts in conflict herewith are hereby repealed, so far as they affect the operations contemplated by this act.

SEC. 31. The right to alter, amend, or repeal this act is hereby expressly declared and reserved, but no such amendment or repeal shall operate to impair the obligation of any contract made by said Authority under any power conferred by this act.

SEC. 32. The sections of this act are hereby declared to be separable, and in the event any one or more sections of this act be held to be unconstitutional, the same shall not affect the validity of other sections of this act.

Mr. McSWAIN. Mr. Speaker, I yield 3 minutes to the gentleman from Alabama [Mr. ALMON]. [Applause.]

Mr. ALMON. Mr. Speaker, I am in favor of and will vote for the adoption of this conference report. [Applause.]

I regret that the provision of the House bill for the operation of nitrate plant no. 2 for the manufacture of fertilizer was not made a part of this bill by the conferees. The House bill required the board to operate this plant for the manufacture of fertilizer. The conferees' report authorizes the President to lease the plant within 1 year; if he fails in this, the board of directors are authorized but not required to operate plant no. 2. I sincerely hope that the board of directors appointed by the President will by that time conclude to put the plant into operation for the purpose of furnishing to the farmers a cheap and better grade of fertilizer. It is also unfortunate that the plant is not to be put in operation at once to relieve unemployment.

Plant no. 2 is one of the best plants for the fixation of atmospheric nitrogen in the world, and I am informed is the only one of the kind that is idle. The cyanamide process used in this plant is in my opinion the best process for that locality, where there is an abundance of cheap power. I sincerely hope the board will place this plant in operation for the purpose for which it was constructed, and in that way maintain it in an up-to-date running condition for the manufacture of explosives in the event of war.

I am pleased with that provision of the bill providing for the immediate construction of Cove Creek Storage Dam and that it authorizes the construction of all the other dams on the Tennessee River and its tributaries. I urged that provision be made in this bill for the immediate construction of Dam No. 3, and while this report does not specifically require the construction of this dam I hope and believe that it will be done by the board. This is not only important for the purpose of improving navigation, pre-

amendment or repeal shall operate to impair the obligation of any contract made by said Corporation under any power conferred by this act.

SEC. 30. The sections of this act are hereby declared to be separable, and in the event any one or more sections of this act be held to be unconstitutional, the same shall not affect the validity of other sections of this act.

And the Senate agree to the same.

Amend the title so as to read: "An Act to improve the navigability and to provide for the flood control of the Tennessee River; to provide for reforestation and the proper use of marginal lands in the Tennessee Valley; to provide for the agricultural and industrial development of said valley; to provide for the national defense by the creation of a corporation for the operation of Government properties at and near Muscle Shoals in the State of Alabama, and for other purposes."

And the House agree to the same.

venting floods, and development of water power, but it would do more to relieve unemployment now than later on. However, there are many other good things in this bill, better than has been provided in other Muscle Shoals bills heretofore.

I am also pleased that Alabama and Tennessee will each receive 5 percent of the gross receipts and an additional 2½ percent of the gross receipts to each of said States after the completion of Cove Creek Dam.

I am happy that we have at last succeeded in enacting wise and far-reaching provisions for the rehabilitation of the Muscle Shoals plants and development of the entire Tennessee River Basin.

On behalf of the people of the Muscle Shoals district, which I have the honor to represent, I desire to express my appreciation to President Franklin D. Roosevelt and all others who have aided in bringing about this great development in the Tennessee Valley. [Applause.]

Mr. McSWAIN. Mr. Speaker, I yield 7 minutes to the gentleman from Connecticut [Mr. GOSS].

Mr. GOSS. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and to include therein certain excerpts from the conference report, and public documents.

The SPEAKER pro tempore (Mr. FULLER). Is there objection?

There was no objection.

Mr. GOSS. Mr. Speaker, it is quite interesting to note that when this conference report came back from the Senate the name of the minority member on the Committee of Conference, the distinguished gentleman from Michigan [Mr. JAMES], was not attached to it. I think this is the first bill with reference to Muscle Shoals development that the gentleman from Michigan has not been for.

We hardly recognize the bill as the bill H.R. 5081 which left the House recently. It has come back to us almost entirely as the "Norris bill", so-called.

I call attention to section 13 of this bill, page 54:

Sec. 13. Five percent of the gross proceeds received by the board for the sale of power generated at Dam No. 2, or from the steam plant located in that vicinity, or from any other steam plant hereafter constructed in the State of Alabama, shall be paid to the State of Alabama; and 5 percent of the gross proceeds from the sale of power generated at Cove Creek Dam, hereinafter provided for, or any other dam or steam plant located in the State of Tennessee, shall be paid to the State of Tennessee.

I call attention to the fact that regardless of what the gross revenues may be and regardless of any losses that may occur in the operation of these plants, nevertheless, 5 percent of the gross proceeds will be paid to those two States. It is possible to conceive that if perhaps a billion dollars may be invested there, as some think it will, many, many millions of dollars of gross revenue will be earned, and yet it is also equally easy to observe that we may have millions of dollars of losses. I said before, those two States will be paid out of the gross proceeds from the sale of power, regardless of what the situation is.

Mr. RANKIN. Will the gentleman yield?

Mr. GOSS. Yes; I yield.

Mr. RANKIN. This is supposed to be in lieu of taxes.

Mr. GOSS. It is in lieu of taxes, but I think that if a maximum of the amount of taxes paid now were placed in the bill, it would have been a much fairer basis than is in the bill.

Mr. RANKIN. If those plants had been built and operated by private enterprise, the States of Alabama and Tennessee could then levy taxes, whether the corporations made anything or not; is that not true?

Mr. GOSS. Well, we could have given it to the States willingly.

Mr. RANKIN. But the gentleman just stated that the States of Alabama and Tennessee would get this 5 percent whether the Authority lost money or not.

Mr. GOSS. That is true.

Mr. RANKIN. Now, this is in lieu of taxes—

Mr. GOSS. That is true; but the State of Alabama granted a 10-year relief in taxes to the Alabama Power Co.

Mr. RANKIN. If this property had been purchased and the plants built by private enterprise, the States of Alabama and Tennessee could still have collected taxes, whether the corporations made money or not.

Mr. GOSS. The gentleman knows it is pretty hard to have the cake and eat it too, and that is what we are doing in this bill.

Mr. RANKIN. But the justification for this is that we are taking this property from the States of Alabama and Tennessee, and this is in lieu of what taxes they would otherwise get.

Mr. GOSS. Would you take it back as a gift?

Mr. ALLGOOD. Will the gentleman yield?

Mr. GOSS. I yield.

Mr. ALLGOOD. In addition to the properties where the dams are, there will be a great area, acres and acres of land, to be condemned and removed from taxation.

Mr. GOSS. Oh, yes; but the gentleman knows that provision was not in the House bill; and there are many gentlemen on the Democratic side, if they had an opportunity to amend it, who would not want to see that provision in this bill as a matter of fairness to all of the other 46 States.

Mr. ALLGOOD. But the other body has to be taken into consideration. We cannot pass just the bill which the House wants.

Mr. GOSS. Oh, the gentleman knows better than that.

Mr. ALLGOOD. How does he know better?

Mr. GOSS. What are you going to do with this report this morning? Are you going to vote up or vote down the conference report? If you vote it down, you can send it back to conference and have this provision removed, or move then an amendment to the Senate amendment and accomplish the purpose.

Mr. ALLGOOD. We are going to vote upon the conference report and dispose of it.

Mr. GOSS. I am telling the gentleman how he can fix that, and he knows that himself.

The language of section 12 of H.R. 5081, as approved in conference, creating the Tennessee Valley authority, which authorizes construction of transmission lines within transmission distance from Government-owned power plants, is as follows:

In order to place the board upon a fair basis for making such contracts and for receiving bids for the sale of such power it is hereby expressly authorized * * * to construct, lease, purchase, or authorize the construction of transmission lines within transmission distance from the place where generated and to interconnect with other systems.

The above language is incorporated in the act as finally passed in lieu of a provision as it passed the House, as follows:

In event the board is unable to make satisfactory contracts with persons, firms, or corporations engaged in the distribution and resale of electricity as in this act provided, or for the use or purchase of such transmission lines, it is hereby expressly authorized, either from appropriations made by Congress or from funds secured from the sale of such power or from proceeds from the sale of bonds as herein authorized, with the approval of the President, to construct, lease, or authorize the construction of transmission lines within transmission distance not to exceed 400 miles from the place where the power is generated, if transmission lines are found economically justified and necessary to carry out the provisions of this act.

The language agreed to in conference, being the same as it passed the Senate, admits of the construction that in order for the Federal corporation to be in position to make contracts for sale of power upon a fair basis and to receive bids for power, it is necessary as a condition precedent to negotiating contracts that the Government shall construct transmission lines for disposing of surplus power, and thus create a system to be interconnected with other systems. Whether that is the intention, the implication is that the Government will be unable to market surplus power upon a fair basis either to States, political subdivisions or to individuals, partnerships, or corporations unless it first builds transmission lines to power markets. If such is the purpose of the language employed and the legislative intent, it is not sustained by the facts surrounding the history of attempts to enact Muscle Shoals legislation during recent years.

Section 18 authorizes the Secretary of War or the Secretary of the Interior to construct or contract for the construction of a power and storage dam some 300 miles upstream from Muscle Shoals on the Clinch River, a tributary of the Tennessee, at a site known as Cove Creek, and also to construct a transmission line connecting the Cove Creek power plant with the power plants at Muscle Shoals. The language of section 18 in connection with section 27 which authorizes all necessary appropriations for the purposes of the act, in effect makes mandatory the construction of a transmission line connecting the Cove Creek and Muscle Shoals power plants, estimated according to the evidence before the Military Affairs Committee and reports of Army engineers to cost \$5,000,000. This mandatory duty upon an executive officer of the Government to construct an interconnecting line appears to be independent of any discretion in the board of directors of the Government corporation in event funds are appropriated by some subsequent act of Congress or authority is included in some blanket power to proceed with a program of public-works construction.

The language of the bill as it passed the House—H.R. 5081, section 16—qualified the authority to construct a transmission line from Cove Creek to Muscle Shoals as follows:

Provided, That such transmission line may be constructed only if the board is unable to make contracts satisfactory to the Authority with owners of privately owned lines for the transmission of power or for the use or the purchase of transmission lines, and if, after investigation, the Authority shall find that such transmission line is economically justifiable and necessary to carry the purposes of this act.

The report of the managers on the part of the House contains the following statement:

The language of the Senate amendment with reference to the construction of transmission lines was retained in the conference amendment. It will be remembered that the provision in the House bill requiring the board to negotiate for the use of private lines before constructing its own transmission lines laid down no specifications whatever as to just what these negotiations should be, and in no way required the board to conduct indefinite negotiations, but left the matter of the extent of the negotiations entirely to the discretion of the board. It must be remembered that the requirement in the beginning of section 13 of the House bill that the board first seek to make satisfactory contracts to purchase existing transmission lines or to make satisfactory arrangements with persons, firms, and corporations to resell and distribute surplus power was clearly intended solely in the interest of economy and lower rates to the public and could in no sense have restricted the power of the board to build new transmission lines. Further, "satisfactory" arrangements undoubtedly would have meant that the board itself would, as expressly required in said section, fix the prices at which such power should be sold to the ultimate consumer. Consequently, it was the purpose of the House bill to insure even cheaper power to the public. But the elimination in conference of the language in the House bill as to "negotiations" will not mean that the board will not probably, as good business men, seek to prevent duplication of lines and facilities by purchasing existing lines or by negotiating contracts to distribute and resell power at low stipulated rates to the public.

With reference to the construction of a transmission line from Cove Creek to Wilson Dam—Muscle Shoals—the managers stated as follows:

The provision for the construction of Cove Creek Dam and the transmission line connecting it with Wilson Dam was substantially the same in both the House bill and the Senate amendment, and the construction of these necessary projects will begin just as soon as funds are made available for that purpose at this session of Congress.

Whether or not the purpose of the language accepted in conference and incorporated in the law is to make mandatory the construction of transmission lines, including a line from Cove Creek to Wilson Dam, it appears to be the purpose of the author [Senator NORRIS, of Nebraska] of the Senate amendment to require the construction of transmission lines without regard to their economic necessity and without regard to the ability of the corporation to dispose of its surplus power on a fair basis both with respect to the public interest involved and to the ability of the corporation to dispose of the power on a reasonable basis for its market value. Such purpose of the legislation seems to be borne out by the statement of the Senator from Nebraska in the Senate during discussion of this legislation (CONGRESSIONAL RECORD, May 2, 1933), as follows:

One of the first things, if this bill shall become a law, that they will be called upon to do, I think, will be to build a transmission line from Muscle Shoals to Cove Creek Dam to include the two governmental generating plants, and in order to use the power which is now going to waste and from which nobody is getting anything, in connection with the construction of Cove Creek Dam.

However, regardless of the legislative intent, as evidenced by the debates and the reports, and regardless of the plain import of the language employed in the legislation, the record of Muscle Shoals legislation since 1921 amply sustains the statement that private industry has all along shown a willingness to cooperate with the Government and has offered to purchase surplus power from the Muscle Shoals plants on a fair basis and, as to the transmission line to Cove Creek, to cooperate with the Government either in the sale at fair prices of power for construction purposes at Cove Creek or to transmit or interchange power between the two points over existing privately owned lines at reasonable prices. Thus there is no necessity for the Government to build transmission lines in order to dispose of surplus power at a fair market value.

These various proposals have been submitted by individuals and corporations reputed to be financially able to carry out their contracts—corporations of well-known business success and integrity.

The first was an offer by Mr. Henry Ford, the automobile magnate, made to the Secretary of War on the 8th day of July 1921, and transmitted by the Secretary of War to the Congress, in which Mr. Ford agreed to take title to the nitrate plants, subject to use for national defense when needed, and to make total payments of \$132,515,000 for lease

of the power plants for a period of 100 years—an average of \$1,325,000 annually. On the basis of the allocated investment of the Government in power-plant facilities at Muscle Shoals, this would have earned a reasonable return without obligation for additional expenditures from the Public Treasury. The proposal of Mr. Ford was resubmitted at each succeeding session of Congress until in October 1924, when it was withdrawn.

On January 15, 1922, the Alabama Power Co. proposed to complete the construction of the Wilson Dam power plant at its own expense and to lease for 50 years as a licensee under the Federal Water Power Act, and to supply certain quantities of power free of cost for operation of the nitrate plants or, if not used in that manner, to pay a fair value for the same.

A subsequent proposal, submitted January 15, 1924, jointly by the Tennessee Electric Power Co., the Alabama Power Co., and the Memphis Power & Light Co. offered a total of \$87,600,000 for a 50-year lease, plus such future payments as might be assessed against the lessee under the provisions of the Federal Water Power Act for benefits from headwater improvements.

On January 21, 1924, the Union Carbide Co. submitted an offer to lease and operate the nitrate and power plants for commercial chemical operations and to pay over a period of 50 years the sum of \$28,324,200.

On March 9, 1926, the Air Nitrates Corporation submitted an offer to take over the entire Muscle Shoals project, to operate in a manner to serve national defense, to manufacture fertilizer and other chemicals, and to pay \$75,509,000 for a 50-year lease contract. This proposal, modified in certain details, was renewed to each Congress until 1928.

In April 1926 a proposal was submitted on behalf of a group of power companies, known as Associated Southern Power Cos., to lease the entire Muscle Shoals project for a period of 50 years and to pay \$88,300,000 as rental, plus certain stipulated amounts for headwater improvements estimated to increase the payments for the 50-year period to \$136,300,000.

In 1928 a group of southern power companies submitted a proposal to the Secretary of War, solicited by the Secretary of War, to purchase all the commercially usable power at Wilson Dam for a period of 5 years, subject to recall either in part or in whole for such purposes as the Government might require, in which it was proposed to guarantee a minimum payment of \$9,740,000. That offer, if it had been accepted, would have continued through the calendar year 1933 unless sooner canceled by the Government. According to a letter from the Chief of Engineers to Hon. Will R. Wood, Chairman of the House Committee on Appropriations, dated January 16, 1931—

The guaranteed revenue which would have been derived had this contract been consummated would have been about \$1,625,000 more to the end of 1930 than the revenue received under the actual agreements, and during the years 1931, 1932, and 1933 would be sufficient to pay for operating and maintenance expenses, depreciation, and approximately 4-percent interest on the investment in the hydroelectric property. However, this contract was not accepted, as its terms would have prevented the prompt disposition of the Muscle Shoals property, which it was then expected would be made by Congress at an early date.

The following is from recent testimony before the Military Affairs Committee of the House with reference to the proposed 5-year contract in 1928:

Mr. CHRISTIANSON. Mr. Barry, you could better afford, then, to pay a higher rate to the Government for this power if you had a contract that was not terminable in 30 days?

Mr. BARRY. Absolutely.

Mr. CHRISTIANSON. Your opinion is that the Government would be better off if they should give you a contract terminable within a year?

Mr. BARRY. Absolutely; and we agreed to do substantially that 5 years ago. We suggested a 5-year contract with 18 months' notice of cancellation.

Mr. CHRISTIANSON. How much could you afford to pay?

Mr. BARRY. At that time we agreed to pay the Government \$2,220,000 a year.

The following is a brief memoranda review of the various proposals showing money payments offered for taking over

the Muscle Shoals project into private industry as taken from public records:

Cash offers to United States for Wilson Dam power at Muscle Shoals

Name of bidder	Dates of offer	Term of contract	Total payments	Average annual payment
		Years		
Henry Ford	July 8, 1921 ¹	100	\$132,515,184	\$1,325,151
Alabama Power Co.	Feb. 15, 1922	50	(²)	
The Tennessee Electric Power Co., Alabama Power Co., and Memphis Power & Light Co.	Jan. 15, 1924	50	87,600,000	\$1,750,000
Union Carbide Co.	Jan. 21, 1924	50	28,324,200	566,484
Air Nitrates Corporation	Apr. 9, 1926	50	75,509,000	1,510,180
Associated Southern Power Companies	Apr. 26, 1926	50	88,300,000	1,766,000
With headwater improvements			136,300,000	\$2,718,000
Air Nitrates Corporation and American Cyanamid Co.	1927-28	50	80,176,700	1,603,534
Alabama Power Co. and associates	1928	(³)	9,740,000	\$2,220,000

¹ Amended Jan. 25, 1922, and May 31, 1922; withdrawn October 1924.

² Computed on basis of Wilson Dam equipped to deliver 600,000 horsepower at investment of \$50,000,000.

³ 100,000 horsepower of electricity free of cost to Government for operation of nitrate plants or the purchase of this power by lessee from Government; lessee agreeing to complete Wilson Dam at no cost to Government and lease same under Federal Water Power Act.

⁴ Also offered to pay United States or licensee for benefits from headwater improvements on basis of Federal Water Power Act.

⁵ Payments to be increased from \$1,766,000 to \$2,718,000 for benefits from headwater improvements when made.

⁶ 5 years with 18 months' notice.

⁷ Minimum.

NOTE.—Many other offers have been made for Muscle Shoals, but only these contemplated actual cash payments to Government. Others, notably Hooker-Atterbury-White and Farmers Federated Fertilizer Corporation (Slomp) offers, provided practically for operation by lessees as agents of Government and sharing of profits with Government (without guaranteed return) in lieu of cash payments.

Each of the foregoing proposals was made subject to recapture of the plants on stipulated terms, either in whole or in part, in event it became necessary for the Government to take over the plants for purposes of national defense. Likewise each of the proposals stipulated that operation of the dam and power plants would be under rules and regulations prescribed by the War Department for the protection of navigation and operation of navigation facilities.

There is ample evidence before the Congress and its committees that private power distributors within transmission distance of the plants are in position, with an extensive network of transmission lines and distribution systems covering practically the entire area, including most of the towns and cities and small communities within a radius of 200 miles, to absorb the surplus or excess power at Muscle Shoals not required for use by the Government and to pay reasonable prices. According to a letter dated August 20, 1931, from the president of the Alabama Power Co. to Senator AUSTIN, reproduced in the CONGRESSIONAL RECORD of May 2, 1933, that company has been willing to contract for greater volumes of power than it has purchased in the past under temporary agreements and to pay an increased price if it could be assured of reasonable notice of cancelation; that the company would be willing to lease the power-generating plants or to buy at a fair price and on reasonable terms all power generated, or buy such surplus power as may not be used for other purposes, and would cooperate in making a success of any program adopted by the Congress for operating the plants for the benefit of agriculture and industrial development in the Tennessee Valley.

Different officers representing power companies operating in the area of Muscle Shoals, in response to direct questions from members of the Military Affairs Committee, before which the question of legislation containing the language of sections 12 and 18 of the Senate bill, and before its enactment into law, was pending, testified, April 1933, as follows:

Mr. MAY. Reviewing that situation as you now understand it, what would you say would be the attitude of your power interests, for whom you appear, toward the proposition of buying from the Government at the switchboard the production of any electrical energy that may be produced at these plants?

Mr. YATES. Well, Mr. MAY, we have, on a number of occasions, tried to cooperate with the Government in any way, shape, or form in taking that energy and absorbing it in our system and distributing it.

In fact, in 1928, we spent a great deal of time and worked out a contract with the Secretary of War by which we would pay something in excess of \$2,200,000 a year for the power at Muscle Shoals.

Mr. MAY. In consideration of your previous statement that your companies have now an available surplus capacity of production of about a billion kilowatt-hours per year, would it be an advantage to your companies to contract with the Government, or would that be a burden to them, even under those circumstances, with this surplus capacity available?

Mr. YATES. If we felt sure that there would never be a call for additional energy and our load would not grow, of course, we have now enough capacity.

But we feel that, having up to 1929 had a growth of 8 or 9 percent a year, compounded, we will have a market for this power, and just as rapidly as the market appears, whenever it is, we will absorb it.

Mr. ARKWRIGHT. By going out and building it up. If we have too much capacity, anything we pay for that power right now increases our cost; that is true. But you have to get some money for that power. We would like to take it, as we can build up a market and absorb it, and we recognize at once that if you sell it you have to get some money from it now, even if it does increase our cost.

So we would be prepared to negotiate with you for the purpose of purchasing power and take some of it now and take the rest of it as fast as we can build a market to absorb it and spread it over the whole area.

If in the utilization of this you use it for nitrate production at the site of the dam, and you use it to induce the location of industries at the site of the dam, such as electrical and chemical industries or heating industries that require large quantities of power at low rates, and from that improve the load factor of the system, and the rest of it you distribute over the area, over the widespread transmission systems owned by us in the area and on rates regulated by you, or by the board, I do not know what else you could do to serve the people to better advantage, and if you do it you want to do it as economically as possible.

Mr. THOMASON. Assuming this plan of development there on the Tennessee River should go through, do not you think when that is completed that then the Government can produce power much cheaper and be able to sell it to your companies at the switchboard much cheaper than you can produce it?

Mr. ARKWRIGHT. That might be, at the switchboard; but then we have to bring it to the market.

Mr. THOMASON. All right. Assuming, then, that is done and the Government, through the Tennessee authority, or whatever other agency it may select, would enter into a contract with you for the sale of that power at the switchboard and that contract also carried a provision that there shall be a maximum rate which meets the approval of the general public acting through its Federal and State commissions, providing that you shall have a reasonable profit on what you pay at the switchboard, then how could you have any objection?

Mr. ARKWRIGHT. I would not have any.

Mr. LONGLEY. . . . and I am sure the Tennessee Electric Power Co. on its behalf, or from its standpoint, is entirely willing to work and to cooperate with the Tennessee Valley Association in any way, shape, or form, so that we can take the power, under some terms and conditions fixed, if you will, by this board, and pass that on to our customers at rates, if you will, fixed by them also.

Mr. WILLKIE. . . . We dedicate our transmission and distribution lines to the utmost accomplishment of the purposes which you gentlemen are seeking to bring about under this bill. All we ask is that you not destroy our property by invading our markets or by creating a board with the power to do that and thus destroy our ability to finance.

Mr. WILLKIE. . . . Mr. McSwain asked Mr. Yates whether or not we would sell them power at Cove Creek for their uses. I say to you now—and if you wish to make it in the form of a contract, we will make it with you now—that we will sell you all the power you need for your purposes for the building of the Cove Creek Dam.

Mr. WILLKIE. . . . A common carrier must be ready to serve all who seek its service at any time that they may present themselves for such service; and, of course, you cannot do that with a transmission line. But if it is the desire for us to contract to carry this power for Cove Creek for this Government, we will carry it for you.

Mr. JAMES. . . . But we cannot sell the power at the switchboard, because you gentlemen would not buy it when you have too much power now.

Mr. WILLKIE. I have said to you, Mr. James, that we will enter into a contract, and if it wants to be accepted here, it can be taken as an offer and as acceptance if you have the legal authority to do it. I will say this now, that we will enter into a contract with you to take that power and we will pass on any saving that is made on the generation of that power to the ultimate consumer.

Furthermore, the Tennessee Electric Power Co. advised the Senator from that State, according to a telegram which

appears in the CONGRESSIONAL RECORD of May 3, 1933, page 2791, that—

With reference to Government's proposed building of Cove Creek-Muscle Shoals transmission line at estimated cost of \$6,000,000, please advise Senate that at hearing before Military Affairs Committee of House, April 14, Mr. Willkie, speaking for this company, stated that if the Government will furnish us the power at Muscle Shoals, we will deliver an equal amount at Cove Creek at reasonable cost to be fixed by the Government, or this company will sell Government all its requirements of power at Cove Creek for construction work. Based upon Government's estimates of power requirements, in our judgment, the total cost of power for entire construction of Cove Creek Dam furnished under either proposal will be less than 1 year's interest on cost of construction of proposed transmission line, and that building of transmission line in any event wholly useless and wasteful, as entire territory more than adequately served with existing transmission lines.

Therefore, with respect to the necessity for building distribution lines of any character in order to put the Government upon a fair basis, according to the foregoing testimony private companies with ample transmission lines for whatever distribution the Government may need have stated a willingness to transmit surplus power owned by the Government to consumers throughout their distribution systems and to and from Cove Creek at prices fixed by a Government agency as fair, just, and reasonable to include a reasonable return or profit on the cost of transmission and distribution plus the purchase price of the power.

Criticism upon the part of some Members of Congress that, pending final action by the Congress for making some disposition of the Muscle Shoals plants, the War Department, since the completion of Wilson Dam in 1925, has failed to secure a reasonable value for the power, is not justified by the facts. These payments, aggregating \$4,955,229.18 to January 1, 1933, have been under contracts terminable at the will of the Government in order that Congress might be free at any time to take action for disposing of the project, a condition which in effect placed the power in the category of a commodity subject to delivery at the will of the seller, thus materially affecting both the ability of the purchaser to use large quantities of the commercially valuable power, or to pay a fair price for such power as could be used. In a report from the Secretary of War to the Senate (S.Doc. 222, 71st Cong., 3d sess.) it was stated that:

Under the terms of the existing agreement with the Alabama Power Co., the Executive maintains complete freedom to carry out, at any time, any provision for the disposal of this power that may be decided upon by Congress. No industry or activity of any character will be jeopardized by the prompt termination of the existing agreement, when a definite policy for the utilization of this power shall have been decided upon by Congress. The situation would be otherwise if the Department should sell the power directly to consumers. The shutting off of power to a consumer who has not the installed machinery to replace it would leave him without an immediate source of supply, would subject him to danger of serious financial loss, and certainly would embarrass the War Department and the Congress. The existing agreement affords the best obtainable return to the United States consistent with complete freedom of action.

The policy of the War Department has uniformly been opposed to entering into any arrangement that may embarrass Congress in directing the disposition of the public resources at Muscle Shoals, and this policy will be continued.

In part 2 of the same document the Secretary of War explained:

Considering the present equipment of the properties at Muscle Shoals and the fact that all contracts must be revocable without notice in order to leave this property free for whatever action Congress may decide to take, the contracts with the Alabama Power Co. give the Government by far the highest obtainable financial return.

The Secretary of War has no choice but to follow the mandate of Congress expressed in the law. No other company, individual, or municipality has offered to buy the power from the Government at a price that will equal that now being received. This is no doubt due in part to the fact that the War Department has taken the position that it will not entangle the title to the property by long-time contracts that would restrict the freedom of Congress in dealing with the subject.

It has been deemed the wiser policy to make all contracts subject to immediate cancellation or revocation, so that there would be no claims outstanding, no entanglements or clouds upon the title when Congress finally fixes the status of this project.

The foregoing statement of the Secretary of War shows that the purchaser of the power was forced to recognize that there might be a termination of the existing agreement at any time, and therefore that the purchaser must have machinery installed to replace it. In other words, the purchaser must have an immediate source of supply available at all times to replace the power as a prerequisite to purchasing on the limited basis offered by the Government. [Applause.]

Mr. McSWAIN. Mr. Speaker, I yield 2 minutes to the gentleman from Illinois [Mr. SABATH].

Mr. SABATH. Mr. Speaker, I consider this a good bill, but I cannot quite understand why the House conferees yielded on section 13. I am willing to help the Southland and my friends who have advocated this legislation for years and with whom I have gone along many times. I am going to ask whether it is not possible to eliminate the Senate amendment to section 13.

We in Illinois have been paying and paying and paying until we are just about down and out; yet, whenever we come down here for a little appropriation, we are pushed aside, we are ignored, we cannot get anything.

Mr. ALLGOOD. Mr. Speaker, will the gentleman yield?

Mr. SABATH. No; I do not yield. I have only 2 minutes. I wish I could yield.

Mr. ALLGOOD. Did not the gentleman's State receive a contribution from the Government in regard to the World's Fair?

Mr. SABATH. That is a national fair, and it so happens that it is to be held in the greatest city in the world in the interest of the United States.

Mr. CLARKE of New York. Greatest next to New York.

Mr. SABATH. I do not know of any reason why we should give the States of Alabama and Tennessee 5 percent of the gross receipts and, moreover, 2½ percent of any additional power merely on the ground that some property may be exempted from taxation. Under the provisions of this bill the taxes that the States will lose on taxable property that will be taken away from them are very small, indeed, in comparison with the amounts that the States will receive.

I think it is manifestly unfair, unjust, and unreasonable to tax people in my State in the interest of people in other sections of the country.

I do not know whether or not I shall succeed, but I shall endeavor to eliminate the Senate amendment to section 13, which provides for unnecessarily large contributions by the entire Nation to two States. [Applause.]

[Here the gavel fell.]

Mr. McSWAIN. Mr. Speaker, I yield myself 10 minutes. The SPEAKER pro tempore. The gentleman is recognized for 10 minutes.

Mr. McSWAIN. Mr. Speaker, let me begin by saying that it seems that the Muscle Shoals proposition is the most controversial piece of legislation ever to come before the American Congress.

When I first began its study over 10 years ago as a member of the committee, I thought I could solve it, and I set about it as diligently as possible. I soon found out, however, that I could not have my own way, and in a spirit of conciliation I decided to try to settle it somehow, and the other fellow's way, if possible. But we have 435 Members of Congress, and it is impossible to settle it 435 ways. We have got to settle it somehow between the House, the Senate, and the President, and this report is the way your conferees have found it possible to do that.

Mr. PEYSER. Mr. Speaker, will the gentleman yield for a question?

Mr. McSWAIN. Yes; I yield for a question.

Mr. PEYSER. May I ask whether in discussing section 13 the conferees who would not accept the elimination of a tax would not accept a tax based on the net proceeds? Good business tells me that a tax based on the percentage of the gross proceeds should not be in the bill.

Mr. McSWAIN. Let me explain that the provision in section 13 was not carried in the House bill as it passed the

House. It was carried in the bills, it is true, which were introduced by the gentlemen from Alabama, Mr. ALMON and Mr. HILL, and myself—three identical bills; but this section was eliminated in the consideration of these bills by the Committee on Military Affairs. However, for years and years this has been in every bill that passed Congress and was in both bills that were vetoed, respectively, by President Coolidge and President Hoover.

As the bill passed the Senate, by a vote in the ratio of 8 to 1, the provision was included that 5 percent of the gross proceeds from the sale of power from both hydroelectric and steam plants should be paid to these States.

The conferees on the part of the House were able to persuade the conferees on the part of the Senate to agree to eliminate the 5 percent on the gross proceeds from the sale of steam power. Let me say that the foundation upon which this 5 percent is predicated is not alone the mere substitute for taxes which the State may levy; but here is the philosophy upon which it is grounded: The Supreme Court of the United States has held that the title to the bed of every navigable stream in this Nation rests in the State, not in the Federal Government. All the Federal Government has is the right to use, for purposes of interstate commerce, the water that rests upon the stream bed that belongs to the State. Presumably, therefore, the water itself belongs to the State, and undoubtedly either one of these States could, if it had wished to do so, while preserving the right of interstate commerce to the several States under the Federal Constitution, have gone in there and appropriated to itself every unit of horsepower that lay in the waters of this great stream for a distance, including navigable tributaries, of nearly 1,000 miles. All it would have to do would be to provide locks around power dams, or the State might authorize any of its private corporations to do the same thing, subject to the provisions of the Federal Water Power Act.

We eliminated the 5-percent tax on steam-generated power and the Senate had already adopted an amendment providing that the board might every 5 years, if it sees fit, change the percentage. The board, after it has been on the ground, can study this question thoroughly, and if it decides that 5 percent is too much, can give notice to the States of Alabama and Tennessee, and can reduce it, can change it, but it cannot be changed more often than once is every 5 years.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. McSWAIN. I yield.

Mr. SNELL. Is there any legislative precedent of which the gentleman knows where the Federal Government has gone into a State and made an investment and then paid the State 5 percent of the gross proceeds?

Mr. McSWAIN. No; I do not know of any exact precedent, but I do not know of any state of facts entirely analogous to this.

Mr. SNELL. Is not Boulder Dam practically the same kind of situation?

Mr. McSWAIN. Perhaps it is more analogous than a Federal post-office building or anything like that.

Mr. SNELL. I do not want to enter into any extended discussion of the matter, but so far as I am personally concerned, and I am absolutely honest about it, I cannot see any reason in God's world why we should pay these two States 5 percent of the gross proceeds, and I doubt if anybody can present a logical reason for doing this. We are going in there and spending our money at the request of the States. These people want us to come there and make this development; is not that correct?

Mr. McSWAIN. Oh, certainly.

Mr. SNELL. The States themselves would not do it, and after they asked us to come in and make the development, then to seek to make us pay for it, I think is an outrage.

Mr. McSWAIN. The gentleman knows, however, that previous Congresses have actually passed bills and have agreed to conference reports containing this provision in a more aggravated form. They have heretofore given 5 percent of both hydroelectric power and steam power and they have fixed it absolutely for all time, except as the Congress

itself might modify it, whereas the present bill provides that it may be modified, as I have said, by the board.

Mr. MONTET. Will the gentleman yield?

Mr. McSWAIN. I yield to the gentleman from Louisiana.

Mr. MONTET. I wish to direct the gentleman's attention to subsection (1) of section 4 of the bill, where authority is granted to acquire real estate for construction of dams and reservoirs, transmission lines, power houses, and other structures, and in the same section states that the board may exercise the right of eminent domain to condemn all property that it deems necessary for carrying out the purposes of this act. Does this authorize the board to acquire privately owned power houses, reservoirs, and transmission lines, either by purchase or condemnation, wherever and whenever the board desires the same for carrying out the purposes of this act?

Mr. McSWAIN. I would say in answer to the gentleman's question, and I think I understand what the gentleman is driving at, that the board would have such power, because it is given the right not only to condemn necessary real estate but also to condemn necessary property. Therefore if the board judges that a particular transmission line now privately owned is necessary and desirable for its purposes, then under the broad language of that section I think it would have the right to say so, and to condemn, and the power to condemn would certainly bring any privately owned power company to reasonable terms as to selling price.

Mr. MONTET. Necessarily, I do not wish to engage in any controversy with the chairman of my committee. However, after a careful reading of the language, I am thoroughly unable to agree with the gentleman.

May I ask the gentleman one more question?

Mr. McSWAIN. Certainly.

Mr. MONTET. Subsection (j) states that the corporation—

Shall have power to construct dams, reservoirs, power houses, power structures, transmission lines, navigation projects, and incidental works in the Tennessee River and its tributaries, and to unite the various power installations into one or more systems by transmission lines.

Is this intended to give the board broad, discretionary authority to construct transmission lines independent of the provisions of section 12?

Mr. McSWAIN. Certainly. This undertakes to give the board the right to construct transmission lines in any direction the board decides to be necessary to interconnect the various power stations into one superpower system, or into two or more subsidiary superpower systems.

[Here the gavel fell.]

Mr. McSWAIN. Mr. Speaker, I yield myself 5 additional minutes.

Mr. MONTET. Then the gentleman holds that this power is independent of the power given the board under section 12?

Mr. McSWAIN. I do. I do not think it is in conflict, but is corroborative of it.

Mr. MONTET. May I call the gentleman's attention to the bond provision of the House bill, which provides that the bonds of the corporation shall constitute a first lien on the net income, and so forth, of the corporation after paying cost of maintenance, and so forth? It is also provided that the bonds shall be issued on the credit of the United States. The bond provision of the Senate bill, section 15, provides that in the construction of any future dam, steam plant, or other facility to be used in whole or in part for the generation of hydroelectric power, the board is authorized to issue bonds for payment in part or in full of that part of the development that is allocated to the production of hydroelectric power, and pledges the net proceeds from the sale of power to States, counties, and municipalities, while the conference report authorizes the pledging of the credit of the United States for bonds issued for future dams and other facilities used in whole or in part for generation or transmission of power.

It omits any provision that they should be constructed by the credit of the Government or net proceeds derived from its operation. Does this mean that appropriations from the

Treasury shall be limited to navigation, flood control, national defense, or other constitutional functions, and that funds necessary for power development should be obtained from the sale of bonds?

Mr. McSWAIN. As I understand the conference report, the credit of the Government is pledged to support these bonds, but the net revenues from the sale of power are not pledged, because in other parts of the bill the board is given the right to use the proceeds from the sale of power in order to carry on its works of construction, either additional transmission lines or additional dams, and it was realized there was a conflict between these provisions; and while it is understood that the board will pay the interest on the bonds, as, of course, they are to be the primary obligation of the board, and yet the Government, virtually, under the provisions of this bill, guarantees them, in a way analogous to the Panama Canal bonds.

Mr. MONTET. I do not know whether the gentleman missed my question or I missed the gentleman's answer.

This means that the appropriation made by the Treasury shall be limited to navigation, flood control, and like purposes, or does it mean that the power development shall be that obtained from the sale of bonds?

Mr. McSWAIN. That was the scheme in the Senate provision, but under the language here it is possible to issue bonds for any work contemplated. In other provisions of the bill the allocation is to flood control, navigation, national defense, and power, to be observed for the purpose of book-keeping, to ascertain whether or not the power provisions are earning a proper income on that part of the investment.

Mr. MONTET. Then the gentleman holds that the board is authorized to use the money appropriated to construct power and transmission lines?

Mr. McSWAIN. Undoubtedly; and there is no doubt that before the session is over the Congress will appropriate money to build Cove Creek Dam. Under the general provisions of the bill it will appropriate the money for that purpose.

Mr. MONTET. As to the funds derived from the sale of bonds and the appropriations made by Congress, in the gentleman's opinion, would the board have a right to use such funds for flood control, navigation, and power?

Mr. McSWAIN. Exactly.

Mr. MONTET. On page 18 of the conference report, next to the last paragraph, you say:

The provision for the construction of Cove Creek Dam and the transmission line connecting it with Wilson Dam was substantially the same in both the House bill and the Senate amendment, and the construction of these necessary projects will begin just as soon as funds are made available for that purpose at this session of Congress.

Is it intended that the appropriation shall be made from the Treasury of the United States for the power plant at Cove Creek Dam and transmission lines, or to use the power for the sale of bonds, as provided on page 15 of the conference report?

Mr. McSWAIN. Yes; money will be appropriated to build Cove Creek Dam. I now yield to the gentleman from Kansas [Mr. McGugin].

Mr. McGUGIN. The statement of the conferees says:

The provision for the construction of Cove Creek Dam and the transmission line connecting it with Wilson Dam was substantially the same in both the House bill and the Senate amendment, and the construction of these necessary projects will begin just as soon as funds are made available for that purpose at this session of Congress.

Does that mean that the construction of the transmission line is mandatory?

Mr. McSWAIN. It is optional. The board is not compelled to complete Cove Creek Dam, it is not compelled to build a single transmission line. It has the power to do it, but it is not required to do it. It is not mandatory.

Mr. FREAR. Will the gentleman yield?

Mr. McSWAIN. I yield.

Mr. FREAR. The provision was called to the attention of the committee of 5 percent to be collected from the gross proceeds and turned over to the States. Is it not a fact

that the Alabama statutes provide that the Alabama Power Co. may today, and has been for 20 years, empowered to condemn land for the benefit of that power company, and also, if I remember correctly, for 10 years to have an exemption from taxes on the land until they get their organization in shape?

Mr. McSWAIN. I am sorry, but I am not able to answer the gentleman as to the statutes of Alabama. I cannot answer the gentleman, but I will try and get the information.

Mr. DONDERO. Mr. Speaker, will the gentleman yield?

Mr. McSWAIN. Yes.

Mr. DONDERO. Under section 13 the State of Alabama and the State of Tennessee are assured of a certain income from that 5 percent. Has any effort been made upon the part of the Government to assign the rights of the United States Government in that river to the two States, except such rights as it may need in time of emergency, such as war?

Mr. McSWAIN. As I have explained, the United States has no right in the river. It has the right to travel up and down on the surface of the water in order to carry on interstate commerce, but the Supreme Court has held that the title to the bed of the river, and, therefore, the title to the water resting on the bed of the river, is in the State through which it flows.

Mr. GREEN. Mr. Speaker, will the gentleman yield?

Mr. McSWAIN. For a question.

Mr. GREEN. I am wondering if the conference report protects the part of the bill providing for the manufacture of fertilizer.

Mr. McSWAIN. The board is authorized to manufacture fixed nitrogen and fertilizer and fertilizer ingredients and sell them. It is authorized to do so, but it is not compelled to do so any more than, as I said a moment ago, it is compelled to build a single transmission line or Cove Creek Dam. It has the power, but it is not mandatory.

Mr. O'MALLEY. Under section 13, 5 percent of the gross proceeds is to be given to the States of Alabama and Tennessee. I understand the reason that is in the bill is that it is in lieu of taxes.

Mr. McSWAIN. It is in there because they voted it in there.

Mr. FREAR. And the Alabama Power Co. does not pay taxes for 10 years after it condemns the land.

Mr. HILL of Alabama. Mr. Speaker, that provision was in the law, but it was repealed about 10 years ago.

Mr. FREAR. Then I understand from the gentleman that that provision was in the law, but has now been repealed. Having been in the law, it was for the purpose of enabling the Alabama Power Co. to condemn land and to go on and prosecute its work for 10 years without paying taxes. Why should the Federal Government be required at this time immediately to pay 5 percent out of its gross proceeds?

Mr. McSWAIN. That is the question that I asked while in conference, but we have to agree on something; we have to get together if we are ever going to have any legislation on this matter at all.

Mr. FREAR. Why not make it 10 percent?

Mr. McSWAIN. It used to be 10 percent in former bills in Congress, and we cut it down to 5.

Mr. CHRISTIANSON. Mr. Speaker, will the gentleman yield?

Mr. McSWAIN. For a question.

Mr. CHRISTIANSON. Does the gentleman know of any similar project where the net proceeds are more than 5 percent of the gross?

Mr. McSWAIN. No; I do not. I think that is very liberal, myself.

Mr. CHRISTIANSON. If that is true, then we are binding ourselves to turn all the net proceeds over to these two States, while the United States Government is furnishing all the money and taking all the risk.

Mr. McSWAIN. Oh, no; we are not turning all the net proceeds over, or any part of the net proceeds. We are turning 5 percent of the gross proceeds over.

Mr. BLANTON. Mr. Speaker, will the gentleman yield?

Mr. McSWAIN. Yes; I yield.

Mr. BLANTON. I want to congratulate my friend from South Carolina [Mr. McSwain] and his Committee on Military Affairs for effecting an agreement with the Senate on this bill. Such action assures its passage, and it will be signed and become a law in a short time. The President is to be commended for being able to iron out many important disagreements and for helping the conferees to get together.

But there is one very objectionable feature of this bill which ought to be corrected before we pass it into law. And it can be easily corrected, and yet not delay the measure beyond a few hours. I refer to the provision which obligates the payment of 5 percent of the gross proceeds to each of the States of Alabama and Tennessee. It should read 5 percent of the net profits, and not 5 percent of the gross proceeds. What we ought to do is to vote down the conference report and then move immediately to concur in the agreed amendments with the amendment that "gross proceeds" shall be changed to "net profits." That would not delay the measure more than an hour, for I feel confident that the Senate would approve such action promptly, and the bill could go to the White House this afternoon for the signature of the President.

I feel sure that neither Senator NORRIS nor any other Senator outside of Alabama and Tennessee would raise any objection whatever to such change. Naturally, the 2 Senators from Alabama and the 2 Senators from Tennessee would object to such action, as they want their respective States to receive this 5 percent of the gross proceeds. But other Senators would not object to changing it to "5 percent of the net profits", because that percentage is all that would be equitable and just.

This project will be a great bonanza for both Alabama and Tennessee. All property holdings in that immediate vicinity will double, treble, and quadruple in value. Factories will spring up all along these bodies of water backed up by Government dams in this river and its tributaries. Alabama and Tennessee will both be greatly enriched.

I have been fighting power trusts and monopolies all my life. I am speaking against them, and for the people, when I ask that this provision be changed, so that "gross proceeds" will read "net profits." I am for this bill. I am backing the President in his program. I am for developing Muscle Shoals. I was one of the four who stood on this floor with LaGuardia and Hill, of Maryland, right after the World War, and made a fight to preserve Muscle Shoals for the people of the United States. It was our fight then made that eventuated in preserving Muscle Shoals. We did preserve it. We kept the monopolies from gobbling it up. With "gross proceeds" changed to "net profits" I am just as strongly in favor of this bill as Chairman McSWAIN, or Senator NORRIS, or our good colleague, Mr. ALMON, of Alabama, the father of Muscle Shoals. But the only way to change "gross proceeds" to "net profits" is to vote down the conference report, and then pass this simple amendment, which will take but a few minutes. I want to ask the chairman of the committee if it is not a fact that the only way to change "gross proceeds" to "net profits" is the one way I have mentioned, and that is to vote down the conference report, and then pass the amendment?

Mr. McSWAIN. Yes.

Mr. BLANTON. Then why can we not do that? It should be done.

Mr. McSWAIN. I will tell the gentleman why. It is because the Senate of the United States has voted 8 to 1 against such a proposition. There were 12 votes on the floor of the Senate in favor of the House bill as it stood, and that is all. It is futile to go back.

Mr. BLANTON. Most of the Senators would not care. I have seen them vote over there 96 to 0, and still change when some good reason required it.

Mr. McSWAIN. Yes; but maybe they did not have the White House with them at that time, as they now have.

Mr. BLANTON. I think the White House would prefer the change.

Mr. CHRISTIANSON. Mr. Speaker, will the gentleman yield?

Mr. McSWAIN. Yes.

Mr. CHRISTIANSON. Is the fact that the Senate is 8-to-1 wrong on this proposition any reason why you should be wrong also?

Mr. McSWAIN. But the Senate said that we were wrong. There is no absolute measure of truth in such a case. It is a matter of opinion, and parliamentary government can function only by compromising differences of opinion.

Mr. BLANTON. While I am for Muscle Shoals, and for this bill, I feel that it is my duty to do all within my power to get this provision changed, so that instead of paying to Alabama and Tennessee 5 percent each of the gross proceeds, we would pay them only 5 percent of the net profits; hence I shall vote to disapprove the conference report, so that we can then amend it and change "gross proceeds" to "net profits." With this change I am just as strongly for the bill as is any other Member of this House.

Mr. McFADDEN. Mr. Speaker, will the gentleman yield?

Mr. McSWAIN. For a short question.

Mr. McFADDEN. I do not want to ask a question, but I want to make a statement.

Mr. McSWAIN. Very well; please let it be brief.

Mr. McFADDEN. I think congratulations should be extended to the States of Tennessee and Alabama at this time and to the Du Pont interests and Henry Ford and the Canadian-British power interests for what they are getting in this bill from Uncle Sam. Also I want to extend my sympathy to Uncle Sam and the people of the United States—they have lost out—and my congratulations to Senator NORRIS for delivering these bouquets to these States and these great corporate interests. [Applause.]

Mr. McSWAIN. And I want to say that I do not think the gentleman is at all justified in coupling the States of Alabama and Tennessee in the same congratulatory message with the names of the Du Pont interests and the Power Trust.

Mr. BYRNS. Mr. Speaker, will the gentleman yield?

Mr. McSWAIN. Yes.

Mr. BYRNS. Mr. Speaker, a great deal has been said here about what Alabama and Tennessee are to receive. The gentleman from South Carolina [Mr. McSwain] has already stated to the House some of the privileges that the States of Alabama and Tennessee are voluntarily surrendering to the United States Government—the river bed and all those things. In addition to that I call attention to the fact that the building of Cove Creek Dam is going to flood 75,000 acres of good land in east Tennessee, which will be taken out of taxation and which cannot be hereafter assessed either by the State or the county, and in addition to that the building of these other dams will flood lands which will deprive the States of Tennessee and Alabama of taxes that would otherwise be collected, and that are now being collected for the benefit of these States.

In addition to this, neither of these States will have power to tax any transmission lines or other improvements made by the Federal Government, and these rights are being surrendered for all time. Then, too, the bill authorizes the board to review this allowance for these States every 5 years. Certainly it was only fair to reimburse these States in part for their loss of public revenue, and the Federal Government is amply protected.

The SPEAKER pro tempore. The time of the gentleman from South Carolina has expired.

Mr. McSWAIN. Mr. Speaker, I yield 5 minutes to the gentleman from Alabama [Mr. Hill].

Mr. HILL of Alabama. Mr. Speaker, I want every Member of the House to know that under section 13 the Government will pay not one cent in lieu of taxes to either the State of Alabama or the State of Tennessee for any part of the properties on the Tennessee River that are used for governmental purposes. The payment in lieu of taxation

will only be made where the Government goes beyond governmental purposes, into what we might term an incidental purpose.

Mr. PARSONS. Will the gentleman yield for a question?

Mr. HILL of Alabama. Yes; I yield briefly.

Mr. PARSONS. How much is the estimated revenue of 5 percent supposed to go to those States?

Mr. HILL of Alabama. That would depend on how much is derived from the sale of power and how much power is sold.

Let me tell how the figure of 5 percent was arrived at. Perhaps the best operated and most successful municipal power plant in the entire United States is that of the city of Tacoma, Wash. Power rates there are very cheap, so cheap, in fact, that the farmers within a radius of 50 miles of Tacoma buy their power at fabulously low prices. In the city of Tacoma the municipal plant pays to the city, not 5 percent but 7½ percent of the gross proceeds derived from the sale of power.

The record shows that in many cases private power companies pay as high as 10, 11, and 12 percent of their gross proceeds in taxes. Some municipal plants pay even higher than that in lieu of taxes. If these Tennessee Valley properties were constructed by private companies there would be no doubt about the payment of taxes. The private power companies, certainly, under the laws of Alabama, would have to pay ad-valorem taxes and a kilowatt or severance tax. This would mean an ad-valorem tax to the State, an ad-valorem tax to the county, an ad-valorem tax to the municipality if the property happened to be located in a municipality, and an ad-valorem tax to the school district in addition to the kilowatt tax.

Mr. ROGERS of Oklahoma. Will the gentleman yield?

Mr. HILL of Alabama. I yield.

Mr. ROGERS of Oklahoma. In this bill there is no provision for any tax to be paid anybody except the State.

Mr. HILL of Alabama. Yes; that is correct.

Mr. ROGERS of Oklahoma. How about the counties and municipalities?

Mr. HILL of Alabama. So far as counties, municipalities, and school districts are concerned, that will be a matter that the State will have to adjust and determine when the money is paid over to the State.

Mr. PEYSER. Will the gentleman yield?

Mr. HILL of Alabama. I yield.

Mr. PEYSER. Is it not possible that under this provision you may be paying taxes out of capital?

Mr. HILL of Alabama. No, no.

Mr. PEYSER. Why not?

Mr. HILL of Alabama. If you do not take in any proceeds, you would not pay any taxes, whereas a private power company must pay taxes whether it takes in a dollar.

Mr. PEYSER. But if money is coming in there is first the primary expense of operation. They get the proceeds of the income without taking into account the expense of operation; is that not true?

Mr. HILL of Alabama. Does the gentleman mean a private power company?

Mr. PEYSER. Yes.

Mr. HILL of Alabama. But a private power company pays its taxes whether it takes in a single dollar or whether it does not. Now, I cannot yield further. My time is very brief.

Mr. RICH. Will the gentleman yield?

Mr. HILL of Alabama. Well, yes; briefly.

Mr. RICH. Does the gentleman not believe it would be the best thing for the Federal Government and the taxpayers of this country if we delivered this property over to the States of Alabama and Tennessee, without paying taxes for the balance of our lives?

Mr. HILL of Alabama. No; I do not agree with that thought at all.

Mr. RICH. Well, I should like to say to the gentleman we should like to give it to them, as far as I am concerned, so that we will never have anything more to do with it.

Mr. HILL of Alabama. I decline to yield further. Of course, if the gentleman from Pennsylvania [Mr. RICH] had his way, he would doubtless turn it all over to a private power company. Under the bill the gentleman introduced, that would be the result.

Mr. RANKIN. Will the gentleman yield?

Mr. HILL of Alabama. Yes; I yield briefly.

Mr. RANKIN. Under the provisions of this bill the Government may build transmission lines, not only to towns and cities but even into the rural communities.

Mr. HILL of Alabama. Certainly. The conference report adopted the House language, emphasizing rural electrification.

Mr. RANKIN. Every one of those lines must be built either through the State of Alabama or the State of Tennessee?

Mr. HILL of Alabama. That is correct.

Mr. RANKIN. And therefore the Government will be relieved of paying taxes on those lines, which would be unloaded onto the ultimate consumer, if these lines were privately owned, or if taxes were paid by the Government instead of this 2½-percent allowance to each of the States of Alabama and Tennessee.

Mr. HILL of Alabama. Of course, there will be no tax on those lines.

Mr. GOSS. Will the gentleman yield for a parliamentary inquiry?

Mr. HILL of Alabama. No; I cannot yield for that purpose.

The distinguished gentleman from New York [Mr. SNELL] asked whether or not there was any precedent for payment in lieu of taxes as far as the Federal Government was concerned. I would call the gentleman's attention to the fact that where the Federal Government goes into a State and sets up a forestry reserve, when the Government sells trees from that reserve, the State in which the reserve is located gets between 30 and 35 percent of what the Government derives from the sale of the trees.

Mr. KELLER. The net.

Mr. HILL of Alabama. No, no; from the sale.

Mr. KELLER. The net sale. I have a letter showing it.

Mr. HILL of Alabama. The Senate passed on this proposition, as the gentleman from South Carolina [Mr. McSWAIN] has said, and in very decisive fashion declined to strike the section out of the bill. It is part and parcel of President Roosevelt's program for the development of the Tennessee River. He recognizes that when the Government goes beyond governmental functions, it should make some payments to the States in lieu of taxes.

Mr. O'MALLEY. Mr. Speaker, will the gentleman yield?

Mr. HILL of Alabama. I yield.

Mr. O'MALLEY. Does not the gentleman believe that the States of Alabama and Tennessee as a result of the construction of this great project will get increased taxing values?

Mr. HILL of Alabama. There will be an increase, but the private power companies would have brought about the development and paid taxes too. They wanted to do it. We had great difficulty in particular in keeping them from coming to Cove Creek and getting that great development.

Mr. TAYLOR of South Carolina. Mr. Speaker, will the gentleman yield?

Mr. HILL of Alabama. I yield.

Mr. TAYLOR of South Carolina. Can the gentleman tell us whether or not the original bill providing for Muscle Shoals contained a provision whereby the States were to receive a percentage of the gross earnings in lieu of taxes?

Mr. HILL of Alabama. The original provision was section 124 of the National Defence Act, just one section in that bill. It was very short and concise, and made no reference to taxation whatever.

Mr. TAYLOR of South Carolina. Will the gentleman yield for a further question?

Mr. HILL of Alabama. I yield.

Mr. TAYLOR of South Carolina. If the Congress were now considering the initial bill setting up this undertaking and the river were a different one, for instance the Ohio River, or the Savannah River, does the gentleman think the State of Tennessee would ask for 5 percent of the gross earnings?

Mr. HILL of Alabama. I think they would do it; I certainly do.

Mr. FORD. Will the gentleman yield?

Mr. HILL of Alabama. I yield.

Mr. FORD. Will not the people of Tennessee get a large increment in the form of lowered power rates by reason of this improvement?

Mr. HILL of Alabama. We hope they will; and, if it is the success we want it to be, they certainly will, and we will then have a yardstick for the benefit of all the people of the country.

Mr. ROGERS of Oklahoma. Mr. Speaker, will the gentleman yield?

Mr. HILL of Alabama. I yield.

Mr. ROGERS of Oklahoma. Will not that benefit the people of one section, with the rest of the people of the United States having to pay the bill?

Mr. HILL of Alabama. No. It will benefit all sections of the country; not one particular section. It will benefit North, East, South, and West—all of them.

Mr. ROGERS of Oklahoma. But is there not a 400-mile limit?

Mr. HILL of Alabama. That limitation is no longer in the bill.

Mr. TAYLOR of South Carolina. As a matter of fact, this 5 percent to the States will not reimburse them for what the States will actually lose in the way of taxes.

Mr. HILL of Alabama. Not only that, but with the construction of Cove Creek Dam one entire county will be wiped out and a substantial part of two other counties will be wiped out by this one dam alone. The Cove Creek Dam will create a lake of 3,500,000 acre-feet. All of this land, of course, will be taken out of taxation.

Mr. McSWAIN. Mr. Speaker, I yield to the gentleman from Kentucky [Mr. Brown] 2 minutes.

Mr. BROWN of Kentucky. Mr. Speaker, we are doing this morning just exactly what the power interests of this country have depended on us to do every time this bill comes up.

I have no defense to make of the provision of the bill granting 5 percent of the gross returns to the States. We in our State would be glad to have the development without that cost to the Federal Government; but also may I say that if you really want this development to take place you ought not to let this thing stand in your way.

On page 55 of the bill you will find that the board in charge of this development can at any time revise this rate in any manner it sees fit.

No law is stronger than the agency administering it. If you have a good board, it will not take them more than 1 day to make a change and put into effect the rate that will fit the occasion. If you have a bad board, you have got a bad bill.

Now, another thing: Here on the floor this morning we are doing just what the Power Trust wants us to do; we are going to fight among ourselves, we are going to disagree, we are going to tie this legislation up, and they will win their point here while you and I who want this type of legislation are frittering away our chances and losing the opportunity.

Mr. HILL of Alabama. And there is not a single man on the other side of the aisle who would vote for the bill even if section 13 were eliminated entirely.

Mr. BROWN of Kentucky. The gentleman is correct. We could strike this section out of it, and yet they would not vote for it. We could strike out of the bill any section to which they said they objected, and still they would not vote for it. We could not present this bill in a form in which they would vote for it.

If the Members of the House have confidence in the President's board, give him the opportunity to do this work.

[Here the gavel fell.]

Mr. RANKIN. Mr. Speaker, when this question first arose, I objected to the provision with reference to this percentage allowed the States of Tennessee and Alabama; and if it were an original proposition, I do not know that I would agree to it now; but this is simply a peg on which the opposition attempts to hang their excuse for opposing the administration's entire Muscle Shoals program. As a matter of fact, as the gentleman from Alabama [Mr. Hill] said, the Republicans, or at least a majority of them, voted against the bill the other time; they have voted against it for 12 years. I saw them kill it in 1921, before this proposition was ever mentioned.

This is the bill the President of the United States wants. [Applause.] It is the best Muscle Shoals bill that has ever been brought before the American Congress. It marks the beginning of a policy of power development and distribution that will rescue the American people from the clutches of the Power Trust that is now plundering them from one end of this country to the other. [Applause.]

I sincerely trust that every Member of this House, and especially every Democrat, will support this measure. He that is not with us is against us. A vote for this conference report is a vote for the American people as against the Power Trust. A vote against it is a vote against the American people and in the interest of the Power Trust. [Applause.]

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Latta, one of his secretaries.

MUSCLE SHOALS

Mr. McSWAIN. Mr. Speaker, I yield 1 minute to the gentleman from Florida [Mr. Green].

Mr. GREEN. Mr. Speaker, I was most interested in the statement of Chairman McSWAIN recently that the Muscle Shoals Authority would be empowered to manufacture fertilizer.

Of course, we are all interested in the power provision, but as a farm-relief measure I believe the manufacturing of fertilizer at Muscle Shoals will mean more to bring relief to the agriculturists of our Nation than any other bill the Congress can pass.

Mr. MAY. Will the gentleman yield?

Mr. GREEN. I yield.

Mr. MAY. Does the gentleman understand that this bill does not provide for the manufacture of fertilizer?

Mr. GREEN. It provides that the Muscle Shoals Authority can manufacture fertilizer, and it is expected to actually do it.

Mr. MAY. There is nothing in the bill to compel it. I wish this provision was mandatory.

Mr. GREEN. And I hope the Democrats on this side of the aisle will not be misled by Republican propaganda to vote against this conference report, because I remember that two Republican Presidents have vetoed our efforts to utilize Muscle Shoals for the interest of the people of our country by the production of power and the manufacture of fertilizer. The soil of the farms in many sections of the country is depleted and leached. It requires liberal application of fertilizer. This is particularly true of the farms in the States of the Southeast. My State consumes a very large amount of commercial fertilizer. We have been paying tribute to the Chilean Nitrates Corporation; this must cease. Muscle Shoals can and should produce this fertilizer at half the cost now paid by our farmers. The bill should be promptly enacted and these reliefs and benefits realized by our farmers who are now so sorely in need. [Applause.]

Mr. McSWAIN. Mr. Speaker, I yield myself 1 minute.

I want to say to the membership of the House that a bill like this, with 30 different sections, cannot be condemned and ought not to be condemned, because of some one item in it that some individual Member of the House does not like.

I have never voted for any major matter during my service here that there has not been something in it that I could pick out and find objection to. But I may say to all those who have followed these efforts through all these years to bring about effective legislation to settle this matter and put it behind us, that to vote for this conference report is the only hope that the American people have for a solution of this problem.

Now, Mr. Speaker, I move the previous question on the motion to agree to the conference report.

The previous question was ordered.

The SPEAKER. The question is on the adoption of the conference report.

Mr. SNELL. Mr. Speaker, on the adoption of the report I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 258, nays 112, answered "present" 1, not voting 60, as follows:

[Roll No. 42]

YEAS—258

Abernethy	Dies	Keller	Reece
Adams	Dingell	Kelly, Pa.	Reilly
Allgood	Disney	Kemp	Richards
Almon	Dobbins	Kennedy, Md.	Richardson
Arens	Dockweiler	Kennedy, N.Y.	Robertson
Auf der Heide	Doughton	Kloeb	Robinson
Ayers, Mont.	Douglass	Kniffin	Rogers, N.H.
Ayers, Kans.	Doxey	Kramer	Rogers, Okla.
Bailey	Drewry	Lamneck	Rudd
Bankhead	Duffey	Lanham	Ruffin
Biermann	Duncan, Mo.	Lanzetta	Sadowski
Black	Dunn	Larrabee	Sanders
Bland	Durgan, Ind.	Lea, Calif.	Sandlin
Bloom	Eagle	Lehr	Schulte
Bolleau	Elcher	Lemke	Scruggam
Boland	Ellzey, Miss.	Lesinski	Sears
Boylan	Faddis	Lewis, Md.	Secrest
Brown, Ky.	Farley	Lindsay	Shallenberger
Brown, Mich.	Fernandez	Lloyd	Sinclair
Brunner	Fiesinger	Lozier	Sisson
Buchanan	Fitzgibbons	Lundeen	Smith, Va.
Buck	Fitzpatrick	McClintic	Smith, Wash.
Bulwinkle	Flannagan	McCormack	Smith, W.Va.
Burch	Fletcher	McFarlane	Snyder
Burke, Nebr.	Ford	McGrath	Somers, N.Y.
Busby	Foulkes	McKeown	Spence
Byrns	Fuller	McMillan	Steagall
Cady	Fulmer	McReynolds	Strong, Tex.
Caldwell	Gambrill	McSwain	Stubbs
Cannon, Mo.	Gasque	Maloney, Ia.	Studley
Cannon, Wis.	Gilchrist	Mansfield	Swank
Carden	Gillespie	Marland	Sweeney
Carpenter, Kans.	Gillette	Martin, Colo.	Tarver
Carpenter, Nebr.	Glover	Martin, Oreg.	Taylor, Tenn.
Cartwright	Goldsborough	May	Thom
Cary	Granfield	Miller	Thomason, Tex.
Castellow	Gray	Mitchell	Truax
Celler	Green	Monaghan	Turner
Chapman	Greenwood	Moran	Umstead
Chase	Gregory	Murdock	Vinson, Ga.
Chavez	Griswold	Musselwhite	Vinson, Ky.
Church	Haines	Nesbit	Wallgren
Cochran, Mo.	Hamilton	Norton	Walter
Coffin	Hancock, N.C.	O'Connell	Warren
Colden	Harter	O'Connor	Wearin
Cole	Hastings	O'Malley	Weaver
Collins, Miss.	Healey	Oliver, Ala.	Weideman
Colmer	Henney	Oliver, N.Y.	Welch
Condon	Hildebrandt	Owen	Werner
Cooper, Tenn.	Hill, Ala.	Palmisano	West, Ohio
Corning	Hill, Knute	Parker, Ga.	West, Tex.
Cox	Hill, Samuel B.	Parks	White
Cravens	Hoeppel	Patman	Whittington
Crosby	Holdale	Peavey	Wilcox
Cross	Howard	Peterson	Willford
Crosser	Huddleston	Pettengill	Wilson
Crowe	Hughes	Pierce	Withrow
Crump	Imhoff	Polk	Wood, Ga.
Cullen	Jacobsen	Pou	Wood, Mo.
Darden	Jeffers	Ragon	Woodrum
Dear	Johnson, Minn.	Ramsay	Young
Deen	Johnson, Okla.	Ramspeck	Zioncheck
Delaney	Johnson, Tex.	Randolph	The Speaker
DeRouen	Johnson, W.Va.	Rankin	
Dickinson	Jones	Rayburn	

NAYS—112

Adair	Brennan	Cooper, Ohio	Englebright
Allen	Britten	Crowther	Fish
Andrew, Mass.	Brumm	Culkin	Focht
Arnold	Burnham	Darrow	Foss
Bacon	Carter, Calif.	De Priest	Frear
Bakewell	Cavichia	Dirksen	Gibson
Beam	Christianson	Ditter	Goodwin
Beck	Clarke, N.Y.	Dondero	Goss
Blanchard	Cochran, Pa.	Eaton	Guyer
Blanton	Connery	Edmonds	Hancock, N.Y.
Boehne	Connolly	Elise, Calif.	Hartley

Hess	Luce	Parker, N.Y.	Taber
Higgins	Ludlow	Parsons	Taylor, S.C.
Hollister	McCarthy	Peyster	Terrell
Holmes	McPadden	Powers	Thompson, Ill.
Hooper	McGugin	Ransley	Tinkham
Hope	McLeod	Rich	Tobey
James	Maloney, Conn.	Rogers, Mass.	Traeger
Jenkins	Mapes	Sabath	Treadway
Kahn	Marshall	Schaefer	Turpin
Kelly, Ill.	Martin, Mass.	Schuetz	Utterback
Kinzer	Meeks	Seger	Wadsworth
Kleberg	Merritt	Simpson	Watson
Knutson	Millard	Snell	Whitley
Kocalkowski	Montet	Stokes	Wigglesworth
Kurtz	Morehead	Strong, Pa.	Wolcott
Lambertson	Mott	Sutphin	Wolfenden
Lambeth	O'Brien	Swick	Wolverton

ANSWERED "PRESENT"—1

Beedy

NOT VOTING—60

Andrews, N.Y.	Dickstein	Kopplemann	Reed, N.Y.
Bacharach	Doutrich	Kvale	Reid, Ill.
Beiter	Dowell	Lee, Mo.	Romjue
Berlin	Driver	Lehlbach	Shannon
Bolton	Evans	Lewis, Colo.	Shoemaker
Brooks	Gavagan	McDuffie	Sirovich
Browning	Gifford	McLean	Stalker
Buckbee	Griffin	Major	Sullivan
Burke, Calif.	Harlan	Mead	Summers, Tex.
Carley	Hart	Milligan	Taylor, Colo.
Carter, Wyo.	Hornor	Montague	Thurston
Claborne	Jenckes	Moynihan	Underwood
Clark, N.C.	Kee	Muldowney	Waldron
Collins, Calif.	Kenney	Perkins	Williams
Cummings	Kerr	Prall	Woodruff

So the conference report was agreed to.

The SPEAKER. The Clerk will call my name.

The Clerk called the name of Mr. RAINEY, and he answered "aye", as above recorded.

The following pairs were announced:

On the vote:

Mr. Sullivan (for) with Mr. Bacharach (against).
 Mr. Hornor (for) with Mr. Lehlbach (against).
 Mr. Beiter (for) with Mr. Buckbee (against).
 Mr. Woodruff (for) with Mr. Waldron (against).
 Mr. Brooks (for) with Mr. Carter of Wyoming (against).
 Mr. Williams (for) with Mr. Muldowney (against).
 Mr. Browning (for) with Mr. Bolton (against).
 Mr. Driver (for) with Mr. Evans (against).
 Mr. Berlin (for) with Mr. Doutrich (against).
 Mr. Lee of Missouri (for) with Mr. McLean (against).
 Mr. Carley (for) with Mr. Andrews of New York (against).
 Mr. Harlan (for) with Mr. Perkins (against).
 Mr. Dickstein (for) with Mr. Stalker (against).
 Mr. Milligan (for) with Mr. Moynihan (against).
 Mr. Prall (for) with Mr. Reed of New York (against).

Until further notice:

Mr. Summers of Texas with Mr. Gifford.
 Mr. Taylor of Colorado with Mr. Collins of California.
 Mr. Kenney with Mr. Dowell.
 Mr. Mead with Mr. Reid of Illinois.
 Mr. Underwood with Mr. Thurston.
 Mr. Gavagan with Mr. Shoemaker.
 Mr. Kerr with Mr. Kvale.
 Mr. Griffin with Mr. Lewis of Colorado.
 Mr. Romjue with Mr. Kee.
 Mr. Major with Mrs. Jenckes.
 Mr. Montague with Mr. Burke of California.
 Mr. Shannon with Mr. Kopplemann.
 Mr. Sirovich with Mr. Claborne.
 Mr. Hart with Mr. Cummings.

The result of the vote was announced as above recorded.

On motion of Mr. McSWAIN, a motion to reconsider the vote whereby the conference report was agreed to was laid on the table.

MUSCLE SHOALS—EXTENSION OF REMARKS

Mr. McSWAIN. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days in which to extend their own remarks on the conference report.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

Mr. FREAR. Mr. Speaker, under permission given by the House, I am stating certain facts that may not be generally known regarding the Muscle Shoals bill passed by the House. Older Members may recollect that in 1914 the river and harbor bill provided for an appropriation of \$18,750,000, as I now remember the amounts, for the Muscle Shoals canal and river improvement then proposed. Believing it to be an unwarranted appropriation, and although unanimously

reported by the committee, that item was opposed and eventually stricken from the bill.

It later appeared in the military bill in the form of a proposal recommended by the Army engineers in a report for production of nitrates to be embodied in the military bill then before the House. Although unanimously reported by that committee, the proposition, with the consent of the chairman of the committee, and the amount named in the engineers' report, if I now remember it correctly, of \$20,000,000 was stricken from the military bill. Alabama and Tennessee have naturally been anxious for this development by the Federal Government.

During the war the Muscle Shoals proposal for the manufacture of nitrates and national defense was undertaken by the President, with the support of Congress, and the various dams and water-power machinery then constructed for the alleged purpose of manufacturing nitrates and power for general use of industries. The long series of negotiations, bills introduced and sometimes passed, are familiar to those who were actively engaged in seeking to make some profitable use of the improvements placed by the Government upon the Tennessee River at Muscle Shoals. This is all past history but is of interest leading up to the bill in which the conference report has been agreed to today.

I have been in favor of utilizing the water power and have sought to vote for the proposals embodied in what is known as the Norris bill. It has been stated to me by a leading member of the Military Affairs Committee that under the terms of the present bill the original purpose of manufacturing fertilizer for agricultural use and nitrates for national defense has been practically abandoned, especially due to doubtful value of the water power for manufacturing nitrates. It is claimed for the bill that it will authorize the use of the plant now at Muscle Shoals for manufacture of electric power and through that means will be of value for the development of the valley of the Tennessee.

The proposed expenditures by the Federal Government have been estimated at anywhere from \$100,000,000 to several times that amount, to be borne by general taxation of the 48 States, and the success of the venture is more or less problematical, according to those who have carefully studied and been associated with its legislation. I am in favor of the Government's utilizing the proposal, even though it takes from the picture the fertilizer proposition heretofore originally offered in its favor and also the manufacture of nitrates so strenuously demanded for national defense. In other words, it has been an elephant on the Government's hands for which the people of Alabama have been insistent and should be disposed of for the best interests of the people of the whole country as well as for the States where located.

Bearing in mind it has been urged for the development of the Tennessee Valley and that large expenditures will be made by the Government, including moneys for the condemnation of lands usually costing the Government the highest price paid, far beyond any market sales, according to experience, to my mind there should be no further contribution or expenditures made or expected from the Government.

The proposal that the Government should make continued contributions to the States of Alabama and Tennessee under section 13 of the act is abhorrent to every fair-minded taxpayer, because it means that, in addition to the expenditure of hundreds of millions of dollars for dams, power houses, machinery, and so forth, the Government is to pay for the privilege of developing power for use of residents of Tennessee and Alabama. That this construction was placed upon section 13 of the bill is certain from the fact that the House conferees struck from the Senate bill that provision on the theory that 46 of the 48 States would be taxed unfairly for these developments in addition to the money expended on the plant and other activities. The House conferees have stated on the floor that section 13 was insisted upon by the Senate conferees and that, in addition to large amounts certain to be expended upon this enormous plant for the generation of power, and apparently for that alone, a further amount of—

Five percent of the gross proceeds received by the board for the sale of power generated at Dam No. 2, or from the steam plant located in that vicinity, or from any other steam plant hereafter constructed in the State of Alabama, shall be paid to the State of Alabama; and 5 percent of the gross proceeds from the sale of power generated at Cove Creek Dam, hereinafter provided for, or any other dam or steam plant located in the State of Tennessee, shall be paid to the State of Tennessee. Upon completion of said Cove Creek Dam the board shall ascertain how much excess power is thereby generated at Dam No. 2 and any other dam hereafter constructed by the Government of the United States on the Tennessee River, in the State of Alabama, or in the State of Tennessee, and from the gross proceeds of the sale of such excess power 2½ percent shall be paid to the State of Alabama and 2½ percent to the State of Tennessee. These provisions shall apply to any other dam that may hereafter be constructed and controlled and operated by the board on the Tennessee River or any of its tributaries, the main purpose of which is to control flood waters and where the development of electric power is only incidental in the operation of such flood-control dam.

This provision, rejected by the House committee but insisted upon by the Senate committee, if correctly understood, is grossly unjust to the Federal Government and cannot be defended.

In debate it was admitted, while the conferees' report was being discussed, that the Alabama Power Co., a private corporation, under the statutes of the State of Alabama, was originally given power to condemn private property for its own use in addition, as I stated from recollection, the property condemned was for a period of 10 years, to be used by the Alabama Power Co. without payment of any taxes to the States in which located. This was a legislative act of the Alabama State Legislature. It was admitted in discussion that the law read substantially as I stated, but it had been repealed, presumably because the Alabama Power Co. had secured all its needed land and the period of 10 years since condemnation had long since expired.

The proposal to require the Federal Government as an initial proposition to provide a tremendous power plant free of expense to the people of Alabama and Tennessee and in addition require a 5 percent gross-earnings tax to be paid to these States beginning from the time the power is sold whether for flood purposes or any other improvements beneficial to the locality, is beyond understanding and cannot be defended excepting by might of the tremendous voting power which the majority have exercised in the agreement to the conferees' report.

I repeat I would have favored the passage of the bill without section 13, which has been set forth because it seems to be the only method of utilizing the property now owned by the Federal Government; but I cannot bring myself to vote for that provision of 5 percent gross earnings given to the States that ought to have been eliminated. It was suggested that the bill be sent back to conference with a change in section 13 to provide that only 5 percent of the net earnings be given to the two States, supposedly in lieu of taxes. This was far more than was ever asked for from the private Alabama Power Co.; but as the law now reads, no matter what losses are suffered by the Federal Government from the operation of this plant, the Government will, as a part of such loss, contribute 5 percent of its gross earnings toward the upkeep of the States of Tennessee and Alabama. Nowhere, I submit, in all legislative history in any State nor with the Federal Government can be found a provision equal to this.

It has been said in defense that the board of three members would see that the matter was fairly conducted, whatever that may be; and it is for that reason the statement appearing on page 19 of the conference report is of especial interest, because it provides as follows:

With such a responsibility upon the President in choosing the right men, and with such a responsibility resting upon the consciences of the men thus chosen, we cannot believe that there will be failure. When the race advances, it must do so along the road of faith in ourselves and our fellows. The members of the board are given the term of 9 years so there may be consistency and continuity in the policies of the Authority.

It is hard to understand how any legislators writing in the words "responsibility resting upon the consciences of the men thus chosen" could have also written that their

term of office should last 9 years, so that it would exceed by any possible mishap the allotted 8-year term in which a President, if reelected, would serve. In other words, it has been contended that such board would be practically permanent for many years; and acting under this provision of the law, the remaining 46 States interested in the conduct of the Muscle Shoals proposition will be helpless to interfere or modify conditions here placed in the bill.

I voted to send the bill to the Senate, but the provision has been written in giving 5 percent of the gross earnings to the two States and is abhorrent to every business sense. It should have been stricken from the conferees' report before its passage by the House.

Mr. CARPENTER of Nebraska. Mr. Speaker and Members, when the Power Trust rears its ugly head party lines are forgotten. Even the wishes of the President are cast aside while greed stalks through these halls. There is every evidence here today that power-company venom has been spread until its poison has affected far too great a number of men here who should be thinking more of the masses of people and less of the welfare of utility corporations.

In my opinion, the greatest name written in the RECORD today is that of Senator GEORGE W. NORRIS, of Nebraska, the man who drafted the major portion of this bill. His long fight against special privilege, and for the people, has brought down upon his graying head the wrath and maledictions of the Power Trust. Although he has been vindicated hundreds of times, there still are some who will make remarks of rankest disparagement against him. Some of those remarks have been made here today. But where the most of us have given this proposal only a cursory glance, Senator NORRIS has devoted years of study to it.

Perhaps the people of Nebraska will get no direct benefit from Muscle Shoals and its development. It may be granted even that Nebraska people will be charged a trifling sum to help develop Muscle Shoals. But do not for one moment believe that there are more than a handful of citizens of that State who begrudge the cost of Muscle Shoals. For many, many years we have sent GEORGE W. NORRIS to the House and to the Senate because he has been right a thousand times against being wrong one time. When Senator NORRIS says this proposition is good, the people of Nebraska know it is good. The opposition to this bill comes directly from the Power Trust which Senator NORRIS has fought so many years. Those who vote against this bill today are tools of the Power Trust, though unwittingly in some cases.

The part I played in this legislation was small. On this floor I objected to the McSwain-Hill bill because I wanted the Norris bill. I finally went to the White House to learn which of the measures the President favored. I was informed there that Mr. Roosevelt preferred the Norris bill. My objection did no more than delay consideration of the measure for a few days, but in that time the President asked for action. The President called the House committee and Mr. NORRIS to the White House, and, as you know, instructed the conferees to bring out the Norris bill. My people sent me to Congress to assist Senator NORRIS when he needed help. I did it and am proud that I did.

Indirectly the passage of the Muscle Shoals bill will materially aid Nebraska and every State in the Union. In our State we have power sites on rivers, and we want to develop those sites. The defeat of the power trust at Muscle Shoals will give us renewed courage to go forward with our own proposals in Nebraska. Our people are in a hand-to-hand struggle with the power-trust octopus. The hold it has upon us must be broken. The House of Representatives today should courageously put to rout the battalion of lobbyists and power-company representatives who have infested the Capitol for weeks while this legislation has been considered. If this Congress keeps its good name, it must decisively defeat the power interests by voting 100 percent for the Norris Muscle Shoals bill.

Mr. LUDLOW. Mr. Speaker, there is one reason, and one only, why I cannot vote for the adoption of this conference report on the Muscle Shoals bill in its present form. I shall never vote to perpetrate a wrong, if I know it, and in my

judgment this conference agreement unjustifiably and indefensibly wrongs the taxpayers of the United States when it obligates, as a gift to the States of Alabama and Tennessee, 5 percent of the gross proceeds from the sale of power developed within their State borders.

What possible excuse is there for this favoritism? We are told that Tennessee and Alabama will be made to blossom as the rose with the money that will be poured from Uncle Sam's cornucopia into this great development enterprise. The gentleman from Tennessee [Mr. TAYLOR] recently drew upon his prophetic vision and told the House of Representatives that it will establish another "Garden of Eden" in Tennessee. Equally roseate prophecies have been made as to what it will do for Alabama.

As the gentleman from Texas [Mr. BLANTON] has so well said today, this project will be a great bonanza for both Tennessee and Alabama. It requires no gift of vaticination to foresee that both Commonwealths will be enormously enriched. Property holdings for hundreds of miles around will soar in value, and factories will spring up, population will thicken, dwellings will be erected, and the stimulus given to property values will tremendously increase the tax duplicates and will swell the revenues that will pour into the treasuries of Tennessee and Alabama by reason of increased taxation.

Why, in the name of heaven, on top of all of these benefits should we give to the States of Tennessee and Alabama 5 percent of the gross proceeds from the sale of power? If this gift were changed from "gross proceeds" to "net profits" it would be bad enough, but a Santa Claus offering to those States of 5 percent of the gross proceeds is unthinkable. In my opinion it cannot be defended on any basis of reason or justice and I cannot understand how such an unjust provision ever got into the bill.

We must remember that the money of all of the taxpayers of the United States is invested in this "white elephant" we call Muscle Shoals, and any favoritism shown to Tennessee and Alabama is at the expense of the taxpayers of Indiana, whom I in part represent, and the taxpayers of 45 other States, and I am not willing that the taxpayers of my State and the taxpayers of the Nation shall be penalized by this grant of special privilege, which is so foreign to the philosophy and teachings of the great patron saint, Thomas Jefferson, to whom we on this side of the Chamber profess allegiance.

In less than 2 hours this bill could be recommitted and the wrong could be taken out of it. If, and when, that is done I shall vote for the conference agreement. If the Senate understands that the House is in grim earnest in its opposition to bestowing this favoritism on two fair-haired States it will yield and there will be no danger that the bill will fail. I voted for the Muscle Shoals bill on its passage through the House, because it is a part of the program of our great President, whose genius is bringing about better times in this country, but the wrong that has since been injected into it must be eliminated before I will vote for the adoption of the conference report and I believe that if the bill reaches the President in its present form he should veto it and send it back here to be corrected in accordance with principles of justice.

Mr. GRAY. Mr. Speaker and Members of the House, this bill is not a perfect bill. No bill can be expected to be perfect and complete. All legislation is a compromise. But it is the best bill that can be secured at this time and I so will give my support.

It establishes the principle and policy of the conservation of natural resources for the use and service of the people. I will vote for the bill because I believe that the earth was created for all the people and not for a certain special few; that every child born into the earth inherits a part of it which it takes by a higher and superior title, with the right of habitation, with the right to live upon the earth, the right to labor to live, and the right to take and enjoy the fruits of that labor; the right of every man to enjoy the earth and the fullness thereof for his own support and those who by nature are dependent upon him.

I believe that the water power, the power of the elements, and the natural energies of the earth are a part of the great natural inheritance which men take with this right of habitation upon the earth and it is the duty of governments, public agencies, and the exercise of the sovereign power of the people to conserve that natural inheritance to the use and benefit of all the people.

This bill establishes the principle and declares the policy that will make every rippling rivulet, every murmuring stream, every onward-flowing current of water, every mountain torrent, and every swelling tide of the sea a force, power, and factor to work and serve the wants, comforts, conveniences, welfare, and happiness of men, while enduring their sojourn here, and going to make the earth a Canaan of plenty and great abundance and a paradise of dazzling splendor and glory as an abiding place for men.

RULES COMMITTEE

Mr. O'CONNOR. Mr. Speaker, I ask unanimous consent that the Rules Committee may have until midnight to file certain reports.

The SPEAKER. Is there objection?

Mr. BLANTON. Reserving the right to object, can the gentleman give any idea as to the subject matter of those reports?

Mr. O'CONNOR. It is expected that the committee may report on the so-called "Celler resolution", against which a point of order was successfully made yesterday.

Mr. BLANTON. I made the point of order that stopped it yesterday. I think the House should have plenty of time to thoroughly inform itself about that resolution before the Rules Committee forces us to debate it under a special rule. I am against it on its merits and want plenty of time to consider that matter, and I object.

Mr. O'CONNOR. Would the gentleman object to the committee's reporting before midnight on another resolution from the Committee on Foreign Affairs?

Mr. BLANTON. There is no junket in that, is there?

Mr. O'CONNOR. I am not so sure about that. [Laughter.]

Mr. BLANTON. Is that the resolution which our good friend SOL BLOOM wants passed, that proposes to spend the substantial sum of \$48,500 for an agricultural conference in Rome, Italy?

Mr. O'CONNOR. I think that is the exact amount.

Mr. BLANTON. Mr. Speaker, I warned the House about this \$48,500 junket to Rome, Italy, when I spoke against it on April 12, 1933 (p. 1597), and I discussed it again last Friday (p. 3355), when we defeated the \$250,000 Sirovich resolution. The farmers of the United States do not want any agricultural institute held in Rome, Italy, especially when it is to cost them \$48,500. Therefore I object.

PROTECTION OF GOVERNMENT RECORDS

Mr. McKEOWN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 4220) for the protection of Government records, disagree to the Senate amendments, and ask for a conference.

The SPEAKER. Is there objection?

There was no objection; and the Speaker appointed as conferees on the part of the House Mr. McKEOWN, Mr. CELLER, and Mr. KURTZ.

TAXES FOR PUBLIC WORKS

Mr. STOKES. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein an editorial from the Washington Post.

The SPEAKER. Is there objection?

There was no objection.

Mr. STOKES. Mr. Speaker, I ask permission to have published in the RECORD an editorial of today's Washington Post, recommending that the money for the proposed program of public works be raised from taxes, such as a sales tax, rather than by an additional issue of Government bonds. I approve this suggestion and urge that the President and his advisers consider it very carefully. It is as follows:

Congress is face to face with the issue of raising taxes to make feasible a gigantic bond issue for public works. Apparently the administration is determined to go forward with this program in the hope that it may create a demand for commodities and furnish work for part of the army of unemployed. The result will be an increase in the debts of the Government and the States and municipalities that borrow money from Uncle Sam to spend on improvements.

This prospective increase in the Federal debt cannot be regarded without apprehension. If this program of spending is carried out, the national debt will again approach the high figure it reached shortly after the war. Nearly all of the \$10,000,000,000 which the American people spent for debt amortization from 1919 to 1929 will be wiped out in an effort to substitute governmental activity for private enterprise. Congress ought to consider with the utmost care the disadvantages of another great increase of the debts of taxpayers while contemplating the benefits that may result from the expenditure of so much money.

Since the Government is determined to carry out a public-works program, why should it not use the taxing power to raise the necessary revenue, instead of creating another heavy burden of debt? A sales tax of 2 or 3 percent would raise money for all the public works that the Government can afford to undertake in the present circumstances. Such a plan would avoid extravagant spending and would not put a strain upon the Government's credit. Business could then be given the assurance that as soon as conditions are improved the sales levy would be repealed. Under the bonding scheme, whatever special tax might be adopted would weigh upon business for 20 years.

There is ground for the belief that conditions are improving, and that business is finding a balance on which it can go forward. Extreme caution is needed to avoid weakening confidence again. Business will not be encouraged by a large bond issue while the Budget remains out of balance. The greatest need is for more business, more industrial activity, and less Government spending.

A moderate public-works program to be financed from a special sales tax would not end the depression, but it would allow the Government to build up the Navy to treaty strength and to push forward other projects of a practical nature. It would avoid further increases in the debt and preserve the Government's credit on a sound basis. The capital which the administration is trying to make available for private industry would not be absorbed for governmental use. Congress might well consider this plan as an alternative to that of increasing the debt which would make extra taxation necessary to take care of interest.

M. Flandin, a former French Minister of Commerce, recently said regarding state loans for public works:

How are the loans to be raised; at what rate of interest; and what would be the repercussions? The budget would have to be balanced, or people would not invest. The rate of interest would be raised by the large demand and the government would be unable to borrow cheaply. The banks would advance only for short periods, and if money were borrowed for long periods the public would want higher rates of interest. High rates of interest on public loans would burden the budget for many years to come. If the works proposed were nonproductive there would be a heavy burden on finance, and if they were productive prices would fall. The world will not get out of the present crisis by creating fictitious means of payment for the disposal of the realities of indebtedness. We must cease to believe in monetary miracles.

He was afraid of large schemes of indefinite extent, and preferred to keep nearer to the earth and to economic realities.

He spoke of Mr. Keynes' proposal to increase the demand for goods by creating more money. In his opinion it was not a question of the amount of money, but it was the rapidity with which it circulated that would bring prosperity.

REEMPLOYMENT AND PUBLIC CONSTRUCTION (H.DOC. NO. 37)

The SPEAKER laid before the House the following message from the President of the United States, which was read by the Clerk, referred to the Ways and Means Committee, and ordered printed:

To the Congress:

Before the special session of the Congress adjourns, I recommend two further steps in our national campaign to put people to work.

I

My first request is that the Congress provide for the machinery necessary for a great cooperative movement throughout all industry in order to obtain wide reemployment, to shorten the working week, to pay a decent wage for the shorter week, and to prevent unfair competition and disastrous overproduction.

Employers cannot do this singly or even in organized groups, because such action increases costs and thus per-

mits cut-throat underselling by selfish competitors unwilling to join in such a public-spirited endeavor.

One of the great restrictions upon such cooperative efforts up to this time has been our antitrust laws. They were properly designed as the means to cure the great evils of monopolistic price fixing. They should certainly be retained as a permanent assurance that the old evils of unfair competition shall never return. But the public interest will be served if, with the authority and under the guidance of Government, private industries are permitted to make agreements and codes insuring fair competition. However, it is necessary, if we thus limit the operation of antitrust laws to their original purpose, to provide a rigorous licensing power in order to meet rare cases of noncooperation and abuse. Such a safeguard is indispensable.

II

The other proposal gives the Executive full power to start a large program of direct employment. A careful survey convinces me that approximately \$3,300,000,000 can be invested in useful and necessary public construction and at the same time put the largest possible number of people to work.

Provision should be made to permit States, counties, and municipalities to undertake useful public works, subject, however, to the most effective possible means of eliminating favoritism and wasteful expenditures on unwarranted and uneconomic projects.

We must, by prompt and vigorous action, override unnecessary obstructions which in the past have delayed the starting of public-works programs. This can be accomplished by simple and direct procedure.

In carrying out this program it is imperative that the credit of the United States Government be protected and preserved. This means that at the same time we are making these vast emergency expenditures there must be provided sufficient revenue to pay interest and amortization on the cost and that the revenue so provided must be adequate and certain rather than inadequate and speculative.

Careful estimates indicate that at least \$220,000,000 of additional revenue will be required to service the contemplated borrowings of the Government. This will of necessity involve some form or forms of new taxation. A number of suggestions have been made as to the nature of these taxes. I do not make a specific recommendation at this time, but I hope that the Committee on Ways and Means of the House of Representatives will make a careful study of revenue plans and be prepared by the beginning of the coming week to propose the taxes which they judge to be best adapted to meet the present need and which will at the same time be least burdensome to our people. At the end of that time if no decision has been reached or if the means proposed do not seem to be sufficiently adequate or certain, it is my intention to transmit to the Congress my own recommendations in the matter.

The taxes to be imposed are for the purpose of providing reemployment for our citizens. Provisions should be made for their reduction or elimination—

First. As fast as increasing revenues from improving business become available to replace them;

Second. Whenever the repeal of the eighteenth amendment, now pending before the States, shall have been ratified and the repeal of the Volstead Act effected. The prohibition revenue laws would then automatically go into effect and yield enough wholly to eliminate these temporary reemployment taxes.

Finally, I stress the fact that all of these proposals are based on the gravity of the emergency, and that, therefore, it is urgently necessary immediately to initiate a reemployment campaign if we are to avoid further hardships, to sustain business improvement, and to pass on to better things.

For this reason I urge prompt action on this legislation.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, May 17, 1933.

[Applause.]

APPOINTMENTS UNDER THE CIVIL SERVICE

Mr. HASTINGS. Mr. Speaker, the independent offices appropriation bill in section 8, paragraph (b), as reported to the House by the full House Committee on Appropriations and as passed by the House, is as follows:

In making reductions of personnel due regard shall be given to the apportionment of appointees as provided in the Civil Service Act.

On May 10 I called attention to this provision in some remarks in the House and at that time quoted from the third paragraph of section 2 of the act of January 16, 1883, as follows:

Third. Appointments to the public service aforesaid in the departments at Washington shall be apportioned among the several States and Territories and the District of Columbia upon the basis of population as ascertained at the last preceding census.

I also inserted in the RECORD in connection with my remarks a table showing that of the approximate 33,000 Federal employees in the District of Columbia the District of Columbia, Virginia, Maryland, Iowa, and Vermont had 16,033, or 14,026 in excess of their quota, and inserted the lists showing the number to which each State is entitled and the percentage filled by each State.

The Subcommittee on Appropriations in the preparation of paragraph (b), above referred to, called in consultation the Civil Service Commission, and the Commission sent as its representative before the committee E. C. Babcock, Secretary of the Civil Service Commission. He was supposed to be fair and disinterested and to give the committee unprejudiced and impartial information. He assisted in phrasing paragraph (b) and was questioned about it before the subcommittee in executive session. He assisted in phrasing a substitute which every newspaper in the city of Washington joyfully accepted, commenting in effect that it would amount to nothing and that the substitute had no "teeth" in it and would not result in giving the States any greater proportionate representation if and when reductions are made.

The Civil Service Act of January 16, 1883, directed that appointments be made in the Federal service upon the basis of population as ascertained by the last census.

Imagine my surprise this morning when I received the following circular signed by this same E. C. Babcock, who is secretary of both the Civil Service Commission and American Federation of Government Employees, which reads as follows:

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES,
(AFFILIATED TO THE AMERICAN FEDERATION OF LABOR),
E. CLAUDE BABCOCK, SECRETARY, 3301 MILITARY ROAD NW.,
Washington, D.C., May 16, 1933.

To Presidents and Secretaries of all Washington, D.C., Lodges, for immediate circularization to all members of their lodges:

IMPORTANT

Copies to presidents of field lodges for information. In spite of tone of my general memorandum of Saturday, there is grave need to "step in" on the apportionment matter.

The situation is far from being as favorable as I had hoped. Read the Washington Star editorial of today. Write a note to the Star thanking for editorial and for help, and for the general attitude of Mr. Fox, who is responsible.

Congressman HASTINGS, of Oklahoma, took floor today and stormily favored apportionment provision as "teeth."

Chairman BUCHANAN, of Appropriations Committee, and Congressman WOODRUM are for a fair deal on this particular question, although Mr. BUCHANAN advocates deep reductions in personnel.

Government employees have already felt the "teeth", and it is about time that the Congressmen did a little clear thinking. I advise every Federal employee to write to his Senator in a very friendly way that we desire that all separations depend on the value of the employee to the Government and not on the accident of the place of birth of the employee.

We are more interested in the maintenance of an honest and efficient service than those who desire to pay for political debts by jobs.

The apportionment matter is fundamental, since we must stick always to the doctrine that we will never take a step except for honest service rendered.

Fraternally,

E. C. BABCOCK, Secretary.

Be sure to read the above and then pass on to others. The message is of vital importance to all Federal employees.

Lodge No. 17, of the American Federation of Government employees, affiliated with the American Federation of Labor, earnestly solicits your membership.

Although the payment of membership dues may occasion some personal sacrifice on your part, the strength of the efforts in behalf of every employee will be increasingly effective as its voice becomes representative of a large and ever-increasing number of employees.

Join now and help in the cause of all.

Sign your name, giving room number, and send to room 1134. A representative will call on you.

Name _____
Room no. _____

This is an amazing letter. This man Babcock should be removed from the position as Secretary of the Civil Service Commission at once, because instead of giving the committee his unprejudiced and impartial views, this letter discloses that he is a partisan in an effort to thwart the will of the committee and of Congress.

This letter states:

Congressman HASTINGS, of Oklahoma, took floor today and stormily favored apportionment provision as "teeth."

This same letter mentions two other members of the committee.

I want to call your attention to the following paragraph of the letter, and, mind you, it was written on May 10, the day I made some remarks on the floor in support of paragraph (b), and it shows how alert E. C. Babcock, secretary of the American Federation of Government Employees, was, in which he called attention to—

Government employees have already felt the "teeth", and it is about time that the Congressmen did a little clear thinking.

This same man is secretary of the American Federation of Government Employees and Secretary of the Civil Service Commission.

Then he advises—

every Federal employee to write to his Senator in a very friendly way that we desire that all separations depend on the value of the employee to the Government, and not on the accident of the place of birth of the employee.

No wonder there has been so much propaganda against the retention of paragraph (b). As the result of ingenuous criticisms, we read in the press that the Senate committee has amended the language so that it is satisfactory to the Federal employees and, of course, to Mr. Babcock, and no doubt upon the recommendation of Mr. Babcock.

Every Federal employee is warned of the impending danger of the passage of paragraph (b). This paragraph has teeth in it. It will result, if enacted, in retaining employees from those States which do not have to have their quota reduced.

Since I have been in Congress it has never been brought to my attention where any Government employee, when asked to appear before the committee to give the committee the benefit of his judgment, immediately attempts to thwart the will of the full committee and the House.

Babcock has no place in the Government service and should be dismissed before sundown. He was supposed to be an impartial witness before the committee. This circular indicates that he is the most biased and partisan witness that ever appeared before a committee of which I am a member.

For the benefit of the committee and with the permission of the House I am reinserting the table which I placed in the RECORD on May 10 and am introducing a resolution authorizing the Civil Service Committee to investigate the administration of the act of January 16, 1883, and to report the result of the findings of the committee to the House.

Figures based on United States Civil Service Commission's late report on condition of the apportionment, 1933

States	Entitled to	Received	Excess appointments
QUOTAS IN EXCESS			
District of Columbia	132	10,778	10,644
Virginia	659	2,273	1,614
Maryland	444	2,112	1,668

Figures based on United States Civil Service Commission's late report on condition of the apportionment, 1933—Continued

States	Entitled to	Received	Excess appointments
QUOTAS IN EXCESS—continued			
Iowa	672	745	73
Vermont	98	125	27
Total	2,005	16,033	14,028
QUOTAS FILLED			
Delaware	74	74	
New Hampshire	145	145	

Present condition of the apportionment detailed by States

States	Entitled	Received	In arrears	Percent filled
Puerto Rico	482	24	458	5
Hawaii	115	13	102	11
California	1,544	342	1,202	22
Arizona	118	33	85	28
Alaska	18	5	13	27
Texas	1,584	433	1,151	27
Oklahoma	651	196	455	30
Michigan	1,317	442	875	33
Louisiana	571	207	364	36
Arkansas	504	180	324	36
New Jersey	1,099	408	691	37
Alabama	719	313	406	44
Mississippi	546	272	274	50
Georgia	791	354	437	45
South Carolina	473	228	245	48
Wisconsin	799	405	394	50
New Mexico	119	58	61	50
Ohio	1,807	925	882	51
Illinois	2,075	1,121	954	54
Oregon	259	125	134	48
Nevada	25	15	10	60
New York	3,423	1,868	1,555	54
Washington	425	240	185	56
North Carolina	862	485	377	56
North Dakota	185	130	55	70
Connecticut	437	254	183	58
Tennessee	711	438	273	61
Kentucky	711	481	230	68
Florida	399	276	123	69
Montana	146	90	56	61
Wyoming	61	41	20	67
Idaho	121	85	36	70
Colorado	282	215	67	76
Pennsylvania	2,619	1,976	643	75
Minnesota	697	543	154	77
Indiana	881	710	171	80
Nebraska	375	305	70	80
Missouri	987	780	207	79
South Dakota	188	160	28	85
Kansas	511	409	102	80
Utah	138	123	15	89
Rhode Island	187	173	14	92
Massachusetts	1,155	1,103	52	96
West Virginia	470	467	3	99
Maine	217	213	4	98

I call your attention to the fact that Virginia is entitled to 659 and has 2,273, or an excess of 1,614 appointments. Maryland is entitled to 444 and has received 2,112, or an excess of 1,668.

Examining the other States, I invite attention to the fact that Texas is entitled to 1,584, has received 433, and is in arrears 1,151, or has received only 27 per cent of her quota. My State of Oklahoma is entitled to 651, has received 196, and is in arrears 455, or has only 30 per cent of her quota.

Members of the House may examine the list and ascertain for themselves the discrimination against their respective States.

The resolution is as follows:

Resolution

Resolved, That for the purpose of obtaining information necessary as a basis for legislation the Committee on Civil Service, as a whole or by subcommittee, is authorized to investigate the Civil Service Commission, the heads of all of the departments, commissions, and independent offices, to determine whether the third paragraph of section 2 of the act of January 16, 1883, being an act to regulate and improve the Civil Service of the United States, as follows: "Third. Appointments to the public service aforesaid in the departments at Washington shall be apportioned among the several States and Territories and the District of Columbia upon the basis of population as ascertained at the last preceding census" has been enforced and whether each State has its quota of Federal employees in the District of Columbia in the several departments, commissions or independent offices as required by said act.

The committee shall report to the House the results of its investigation, including such recommendation for legislation as it deems advisable.

The committee, or any subcommittee thereof, is authorized to hold such hearings, to require the attendance of such witnesses and the production of such books, papers, and documents, and to take such testimony and report its recommendations to the House.

Mr. WEIDEMAN. Mr. Speaker, will the gentleman yield?

Mr. HASTINGS. Yes; I yield.

Mr. WEIDEMAN. Is not that ground for removal of that official?

Mr. HASTINGS. In my judgment this man ought to be removed before the sun goes down. [Applause.]

Mr. LOZIER. Is the gentleman or any Member of this House surprised at this action, when for 20 years the Civil Service Commission has trampled under foot the reapportionment provision and has refused to give it force and virility?

Mr. HASTINGS. That is not only true but it has been done for 50 years, because the original act was passed January 16, 1883.

Mr. Speaker, I ask unanimous consent to insert this letter as a part of my remarks, and, second, to insert a list of the quotas by States, and the percentage that each State has. Also I have introduced a resolution asking the Civil Service Committee of the House to make a thorough investigation. It does not require the expenditure of any money; and if the resolution is passed, I am sure that we will get all the facts and get definite results. [Applause.]

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

Mr. BLANTON. Mr. Speaker, I reserve the right to object merely for the purpose of giving me an opportunity of asking my friend from Oklahoma whether or not he noticed in the Washington Herald this morning the editorial headed "The Senate to the Rescue", in which this paper asserts, in effect, that the people of the District of Columbia can always have confidence in the United States Senate doing what they want done. The most amusing part of this editorial was the statement that the Senate has "superior enlightenment", and that it stands between the Washington people and the "narrow-minded, vindictive House of Representatives." And respecting the salutary provision which the House placed in the bill to protect the other 46 States in their being denied their respective quotas of Civil Service employees, in order that the States of Virginia and Maryland and the city of Washington could gobble up practically all such appointments, the Herald said the subcommittee of the Senate Appropriations Committee "eliminated this unwise provision." I hope the gentleman will insert this editorial in his speech.

Mr. HASTINGS. They seem to be very happy about the report of the Senate amendment, and if the gentleman will give me the press report, with the permission of the House, I shall be glad to include it as a part of my remarks.

Mr. BLANTON. I shall be glad to have him do that, so that the Members of the House will know in advance what is being done to them somewhere else.

The SPEAKER. Is there objection?

Mr. McCORMACK. Mr. Speaker, I reserve the right to object in order to advise my friend, the Chairman of the Committee on Civil Service, when he is making the investigation, to also investigate the reasons why the Civil Service Commission has created a dead line and refused to accept applications of men and women above 48 years of age simply because of the retirement legislation, which I think is absolutely wrong.

I had a hearing before the Civil Service Commission and tried to convince them to revoke that rule, that dead line, which is so disastrous and which everybody who is reasonable and sane condemns, and if there is any investigation, that should also be investigated by the Civil Service Committee of the House. I hope my distinguished friend will have that in mind.

Mr. JEFFERS. The committee will be glad to hear the distinguished gentleman at that time.

The SPEAKER. Is there objection?

Mr. RICH. Reserving the right to object, I want to make inquiry of the gentleman from Texas [Mr. BLANTON] as to the statements published in newspaper reports, whether that is what he is asking to have in the RECORD. If it is newspaper reports that he wants included in the RECORD, then I object.

Mr. BLANTON. It was an editorial in the Herald this morning, asserting in a gloating way that the House action had been eliminated by the Senate.

Mr. RICH. I object to that feature of it.

Mr. BLANTON. My remarks show what it is anyway, so after all, that is probably enough of it to go into the RECORD.

Mr. PARKS. Mr. Speaker, regular order.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma [Mr. HASTINGS] to extend his remarks in the manner indicated?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. BUSBY. Mr. Speaker, I ask unanimous consent to address the House for 15 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

Mr. SNELL. Reserving the right to object, Mr. Speaker, I should like to ask what the program will be for the balance of the afternoon, and if there is any other business to come before the House?

Mr. BYRNS. No. There is no other business that I know of.

Mr. SNELL. Then we may leave, with that understanding.

Mr. BYRNS. I should not want the gentleman to leave.

[Laughter.]

Mr. BUSBY. The gentleman will miss something if he goes now.

Mr. SNELL. I intend to remain, but others may not care to stay.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi [Mr. BUSBY]?

There was no objection.

EXPLANATION OF VOTE

Mr. WOOD of Missouri. Mr. Speaker, I am called home on very important business, leaving tomorrow, and will be absent probably a week. I want the RECORD to show how I would vote on a measure that may come up during my absence; that is, the immediate payment of the veterans' adjusted-service certificates. If I were present and that measure comes before the House for a vote, I would vote "aye" on the measure.

The SPEAKER. The gentleman from Mississippi [Mr. BUSBY] is recognized for 15 minutes.

HAVE WE LAID ANY FOUNDATION FOR FINANCIAL RECOVERY?

Mr. BUSBY. Mr. Speaker, I am quite certain the question that is uppermost in the minds of a great many Members of the Congress is whether or not the things we have done up to now have gotten us anywhere or have placed this country on a very much sounder financial basis.

THE PEOPLE'S MONEY PAY PRIVATE DEBTS

The Reconstruction Finance Corporation is the agency through which the Congress has been operating to issue the bonds of the Government, which are first mortgages on the future income of the people and their property, as they may be taken through the taxing power so as to raise money, and with that money pay off private obligations to private persons and to put into operation the type of work which carries benefits to individuals. For all of these the Government requires the taxpayer to furnish the funds.

We understand that all bonds issued by the Reconstruction Finance Corporation are payable by the people through taxation that is to be levied in the future.

WE BELIEVED WE WERE TO ECONOMIZE

We started out at the beginning of this session to economize. The very first piece of legislation followed an appeal to this Congress by the President and leaders to enact statutes that would insure economy. We overwhelmingly voted for that, in good faith, and passed the economy bill on the assurance of the gentleman from Alabama [Mr. McDUFFIE] that economy was the objective to be obtained, and

not a move to drop the wounded and disabled ex-service men from the benefits they were receiving. That bill reduced the salaries of Congressmen and Senators \$1,500 per annum. It cut the salaries of all Government employees, and as it has been administered it has turned hundreds of thousands of persons out of employment and into the streets. A great many friends of the veterans, disliking as much as they did to support that proposition and give such great power into the hands of our President and those under him, but believing that economies would be effected, in the name of economy supported it. It was not long after that until we were called upon to provide a gift to the States of \$500,000,000, through the Wagner-Lewis bill, that dissipated all of the savings we had made by cutting off the veterans. But that was not all.

NATIONAL DEBT WILL BE INCREASED \$10,000,000,000

We will soon have increased the national debt of this country \$10,000,000,000 from its low point reached in 1930. At an average price of 4-percent interest on that \$10,000,000,000 of increased national debt, a part of which will go to support the program that was laid down in the President's message to Congress today, the interest on that increase in the national debt will amount to \$400,000,000 per annum that the taxpayers must bear. If you will stop to think, that exactly balances the savings that were made by cutting off the veterans. The interest on these new bonds must be paid the bankers every year just as the payment we were making to the veterans.

SAVINGS MADE BY CUTTING OUT DISABLED VETERANS ARE BEING GIVEN TO THE BANKERS IN ADDED INTEREST

The amounts taken from disabled veterans in reducing and cutting out disabled and wounded service-connected cases and in dropping disabled non-service-connected ones will exactly balance the increase in interest that it will be necessary to pay on the added \$10,000,000,000 new Government bonded debt, which debt will be tax exempt in the hands of the big bankers of the country. The amounts cut off of the compensation of the veterans of all wars will be about \$400,000,000, and that is the amount that must be each year collected from the taxpayers and added to the fund to pay bond interest.

On March 15 last I delivered a speech in this House, in which I said:

Mr. Speaker, a great deal has been said recently about the expense of the Veterans' Administration, and especially the amount that has been paid to the disabled veterans, whether service connected or not. It is claimed that they have cost the Government some \$5,000,000,000. I want to call your attention to another bonus that has been paid and that is being paid, and the amount is continually growing.

\$11,614,000,000 BONUS PAID TO BOND BUYERS

It is a bonus paid to the plutocratic class of this country. During the past 16 years, from 1917 to 1932, inclusive, there has been paid to the holders of tax-exempt securities in this country \$11,614,000,000 interest, considerably more than twice the cost of the Veterans' Administration. This, Mr. Speaker, is a bonus that is being paid to the "big boys", about which you have not heard a word of complaint. [Applause.]

BONUS TO THE MONEY LORDS SHOULD BE CUT

Something ought to be done by this Congress and by this administration, not only to relieve the taxpayer somewhat of the inequities that have crept into the administration of the Veterans' Bureau but they ought to be relieved of this inordinate cost that comes by way of the bond-interest charge which must be collected from the taxpayers of this country. That is not all. Those bonds are tax exempt, and the holders of them do not propose to take any part in bearing the expenses of this Government.

INTEREST ON SHORT-TERM NOTES INCREASED 4,000 PERCENT

I do not think the public generally understands why the interest rate was advanced from one tenth of 1 percent as it was on the last short-term notes sold by the Treasury, to 4 percent and 4¼ percent on the issue sold today, March 15. The Treasury did not even offer these short-term securities sold today for any other amount of interest than around 4 percent, and that is an increase of 4,000 percent over the interest paid on a recent sale which was oversubscribed 20 times. I do not understand it. I do not think it has ever been explained.

Here is what they call "sound money": It is money which is issued on bonds owned by the bankers on which the Government pays 4 or some other percent of interest, but if the Government proposes to make money without paying the 4 percent for its circulating medium, the newspapers say it is "flat money" and not sound. [Applause.]

THE ECONOMY BILL

We had faith in the President; we still have faith in the President. But we know it is humanly impossible for him personally to do everything. We know that he is not personally administering the Economy Act. We know that it is being administered by agents who have little concern about the welfare of battle-scarred veterans of the Spanish-American War or the veterans of the World War. These are being dealt with according to a policy planned and directed by the National Economy League, a cold and heartless organization, the offspring of the United States Chamber of Commerce, whose membership is for the most part from the rich and wealthy class. And so the Director of the Budget cuts and slashes without an understanding in the particular cases, and without concern about fate of the disabled defender of his country. It matters not to the National Economy League and the Director of the Budget that because of the wounds of battle and the loss of health in the service of war these men cannot now earn food and clothing for themselves and dependents. Such things make no appeal to them.

I suppose it matters little whether any one of us serve out the present term or remain longer in Congress. There has always been and there will continue to be in all governments an eternal fight to prevent the powerful and wealthy from preying on the masses of the people. So it is now. Some of the greatest admirers the President has ever had have felt that Congress has been slow in giving the disabled veterans a square deal. The same interests in this country that are demanding of the President that he ruthlessly deny relief to the disabled veteran fought them to the finish when Congress was passing relief legislation over the veto of a former President.

The boys who were herded together and sent to the war from my community were my boyhood friends. We grew up together; they believed in me and I knew them to be true as steel. They have stood by me all along the way politically, personally, and in every kind of trial. They had faith in me that I would fight to see that they had a square deal.

EX-SERVICE MEN NOT GETTING SQUARE DEAL

The ex-service men of the Spanish-American War and the World War are not getting a square deal under the Economy Act as it is being administered by the Director of the Budget. I voted for the bill creating that law believing in the President and relying on the assurance of the leaders in the House that the ex-service men would be given a square deal. I did it in the name of economy, and because it seemed the only thing to do for the good of the country. My regret comes not because of the loss of political support, if such loss there be, but because some of my friends who had faith in me are now uncertain as to whether I have kept that faith. This, and this only, is my regret.

The President says in today's message that we have to raise \$220,000,000 to finance this proposition. That calls for \$3,300,000,000 outlay. We are not putting this money into self-liquidating projects.

We are putting it into propositions where once it is spent it is gone and becomes nothing more nor less from then on but a charge against the taxpayers to bondholders that must be paid continually by the people.

Mr. BLOOM. Mr. Speaker, will the gentleman yield?

Mr. BUSBY. I yield.

Mr. BLOOM. Two hundred and twenty million dollars, I understand, is for interest and amortization as well; not \$220,000,000 interest alone on this \$3,300,000,000 project.

Mr. BUSBY. Perhaps the gentleman is right to some extent on that, but if we increase the national debt \$10,000,000,000 and pay 4-percent interest on it, and that is just what we are doing, we will have an added interest obligation for the people to pay to the extent of \$400,000,000.

I repeat again, as I said in my speech in this House on March 15, during the last 16 years we have paid to the tax-exempt security holders an average of almost \$1,000,000,000 a year, or some \$3,000,000 a day interest.

How do the banks purchase these bonds? All of the banks in this country have not more than \$8,000,000,000 of their

own funds, in the form of capital stock, reserves, and surplus. Now, the banks hold considerably more than that amount of Government bonds.

With what do they purchase these bonds? They purchase these bonds with the people's deposits.

In other words, the banks have \$8,000,000,000 of their own funds and \$40,000,000,000 of the people's funds as bank deposits. They use this \$40,000,000,000 to purchase the Government bonds, which are mortgages on all the people.

The banks receive interest for the loans they make to the people who borrow from the banks, which borrowings are left in the bank as bank deposits, checking accounts, and so forth, and the banks then receive interest for the investment they make in Government bonds.

So it works out both ways for them. At present the big bank will not make loans to business people because they say the business people have no good security. So the big banking interests want more Government bonds issued so they can "invest" and get interest.

The question now arises, how many bonds could this Government issue and still sell them at par? There is bound to be a limit at which the Government must cease to issue its securities, if it is to keep them at par and the "Budget balanced."

As stated, the banks have but \$8,000,000,000 of their own funds and \$40,000,000,000 of deposits that belong to the people; and, by the way, they have it fixed so that if the bank gets into difficulty it can go under the protection of the Comptroller of the Currency and drive the people away from their deposits with civil officers. So how many bonds can we sell and maintain them at par? This is a proposition for you to work out.

Certainly we will never balance the budget by a method of bookkeeping whereby we cut off from the veterans \$400,000,000 and call it savings, then through the medium of the Wagner-Lewis bill spend \$500,000,000 by giving it away—not a loan, but an out-and-out gift—and pass that over by bookkeeping juggling to the other side of the ledger and say that is a deferred matter and you need not count it in the proposition when you go to "balance the Budget."

Mr. MAY. Mr. Speaker, will the gentleman yield?

Mr. BUSBY. I yield.

Mr. MAY. Taking the fixed charges of the Government, the charges it must pay regardless, plus interest charges, with another \$3,000,000,000 or \$4,000,000,000 and how long will it be until the Government gets to the point where its fixed charges and interest charges exceed its income?

Mr. BUSBY. That is the question we have got to try to settle here.

I have jotted down this note: How long can we continue to issue Government bonds which carry a charge of interest of about 4 percent against the people and pass those Government bonds by sale into the hands of investors by them to be held and the interest collected on which they pay no return to the Government by way of taxes, because the bonds are tax-exempt securities? How long can the Congress continue to do these things and not load the people down with recurring interest charges on all these Government bonds to where they cannot meet it by any kind of taxation? Special interests are now demanding a sales tax—which is a method of robbing the poor—so the Government may collect money into the Treasury with which to pay them interest on tax-exempt bonds bought with other peoples' money.

Mr. BLOOM. Mr. Speaker, will the gentleman yield?

Mr. BUSBY. I yield.

Mr. BLOOM. Is it not a fact that if the banks did not buy these Government bonds, they would be compelled to keep in their vaults the cash in reserve?

OUR MONEY AND BANKING SYSTEMS ARE FOUNDED ON DEBTS

Mr. BUSBY. Conceding that that is a fact, there is not enough cash in the country to keep proper reserves in the vaults. All of the money in this country except the intrinsic value of the silver and the gold is issued on debt. All of the national bank currency is issued on debt and nothing but debts.

The entire banking structure is founded on debt. That is the reason the big banking interests are happy to see us issuing so many tax-exempt Government bonds at a time when no other bonds are dependable. Government bonds are not secured by a mortgage on some man's property or on some business, town, or county. They are a first mortgage on the United States. They are seeing to it that our President is providing them with plenty bonds and no currency or new money.

In 1837 there was no national debt and they had no dependable debts to rely on when the crisis came, so the banks, such as they were then, all went broke.

My explanation of the collapse of our banking system is that it is founded on debt, and the debts have so shrunk in value that the banks, like everybody else, are called on to pay high-priced dollars when they received cheap dollars and received security for loans in relation to the cheap dollars.

Mr. McFADDEN. Mr. Speaker, will the gentleman yield?

Mr. BUSBY. I yield.

Mr. McFADDEN. I am interested in the colloquy that just took place in regard to the banks. The 12 Federal Reserve banks hold now \$1,836,000,000 of Government bonds, whereas the deposits from banks in the Federal Reserve System are approximately \$2,000,000,000.

Mr. BUSBY. Yes.

Mr. McFADDEN. So all they have on which to operate now is the difference between these two and their capital and surplus. Is not this correct?

Mr. BUSBY. That is absolutely correct.

Mr. McFADDEN. But is it not a fact that we would not have had the break-down of March 4 if the Federal Reserve banks had not been so frozen?

WE MUST HAVE NEW MONEY—INFLATION

Mr. BUSBY. That is true as to them and it is true as to the entire banking system. Banks have "frozen assets" when the loans are bad and cannot be collected—a merchant would call them bad debts.

Now, I want to make this suggestion. When our administration began we had at that time great hopes that new money was going to be put into circulation and that the medium-of-exchange machine, which had broken down by reason of the fact that bank credit was gone and money was hoarded, was going to be somewhat repaired and restored. Two billion dollars had been printed. Business raised its head and began to have hope. How much of that ever got beyond the banks? Not more than \$15,000,000 or \$20,000,000 ever passed the banks, although they took out of the Treasury some \$650,000,000 and held it for a few days to meet bank runs. Then Congress passed a law against bank depositors.

Then through the process of managing the Federal Reserve, it and the banks took out of circulation not only the \$650,000,000 of new currency, but they took out altogether within 20 days, \$1,400,000,000 of currency and reduced business back to the static condition which had given it so much trouble, and hope began to wane.

In the recent farm bill which we passed, the Thomas amendment was added, whereby the President is authorized to purchase bonds and pay for them in money to the amount of \$3,000,000,000, and yet this situation presenting itself, we are called upon today to create \$3,300,000,000 more interest-bearing debt to tax the people with instead of using this currency to restore the circulating medium of the country and at the same time put into effect the "prosperity work program."

Mr. Speaker, we will never get out of debt by making bigger and more extensive loans and further taxing the people for bond interest. The only way we can ever get out of debt, the only way we can ever do business, the only way we can ever raise commodity price levels, is to restore the medium of exchange, and this simply means to reflate the currency back to where it will do the business of the country at a reasonable price level. [Applause.] The advisers of our administration who do not see this are certainly very short-sighted. I am inclined to believe, Mr. Speaker, that

the advisers are not very much changed from what they have been for the last 3 or 4 years, because we get the same results from the same sources, and it is not possible for us to know a tree except by the fruit that grows upon it. We will continue to meet disappointment just so long as we try to lend ourselves out of debt. We will further overwhelm the people with charges and interest and tie the hands of the people and of business by piling up on them added accounts which they can never settle this side of the day of judgment. [Applause.]

[Here the gavel fell.]

Mr. FULLER. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. FULLER. Mr. Speaker, since the gentleman from Oklahoma [Mr. Hastings] spoke my attention has been called to certain facts in regard to Civil Service employees to be employed by the emergency agricultural adjustment administration.

When the emergency agricultural bill was before the House it contained a provision that the employees should come from the Civil Service and under the Classification Act. This provision was eliminated from the bill, and the men who are to administer this law know—or if they are competent to administer the affairs of their office should know—that it was the intention of the Congress that these offices should not be filled by Civil Service employees.

I have in my hand the draft of a notice that has gone out to the newspapers, released by the United States Department of Agriculture, under the heading, "Will draft the agricultural personnel from the farm force in Washington", all placed there by a Republican administration. This is issued by the Secretary of Agriculture, and what else could we expect from a Republican Secretary of Agriculture? Not only this, but he says that George N. Peek, who is another Republican, and Charles J. Brand, another Republican, who are going to administer these agricultural-relief measures, are not going to recognize the wishes and the demands of the Congress, but are going to take their personnel from the offices here in Washington under the Civil Service, and they are going to administer them irrespective of what the Democratic side of this House or the Congress wants to be done; and if we overlook these matters and if we allow them to go ahead in this way they will enforce the same rules and regulations, against the proceedings or the wishes of this House, with respect to the Wagner-Lewis emergency relief measure. It is also rumored that these same Republican appointees, who employ more than any other department in their farm-relief program, are to let governors and supreme courts select the State and county directors. Representatives who are daily put on the "spot" and faithfully work and vote to carry out administration measures, many of which they would prefer changed, are not to be considered. These Republican dictators are to handle the patronage and administer as they see fit these Democratic measures.

I want to tell you that these men did not help to get the nomination for President Roosevelt before the convention. I want to tell you that the people of this country have about made up their minds that when they win they lose as far as office is concerned, and that they believe in the Democratic principle, adhered to by the Republicans as well, that to the victor belongs the spoils. Republican postmasters are given to understand that they will not be disturbed until their terms of office expire, yet in my district, when Harding went into office, the Democrats were instructed by telegraph to turn over their offices to the Republican successors. It is true we should feel grateful to the Republican postmasters because they nominated Mr. Hoover. The men who gave us the great Democratic victory last November were not Republican officeholders nor Republicans seeking office, but it was the united democracy and the men and women of this Nation who wanted a change; they not only wanted

a change then, but they want the change now, and will never get it if the policy of the Agricultural Department is permitted to prevail. [Applause.]

If we just pass these matters over, there will be no changes. There has not been a change in the Department of Agriculture, and there is not going to be any if we just stand quietly by and let these Republicans do as they please. The Republicans are not getting any glory out of it themselves, because these men do not even claim to be Republicans now—they have quit you. They belong to no party—just big, patriotic Americans that even President Roosevelt could not do without. [Applause.] The farmers had one such experience when Alexander Legge was appointed as president of the Farm Board. He represented the Harvester Trust, the greatest parasite ever known to the farmer. Peek has been in the same business. We wonder if he will follow in the same Republican tracks.

So, Mr. Speaker, we might just as well let this bunch know that we are going to have something to say about running this Government; that we are going to say how they are going to run their departments. It is an insult to every man on the Democratic side of this House for these hide-bound Republicans, after we have gone out and won the victory, to pay absolutely no attention to us, and say that they will not administer these matters as we want them administered, but will take Civil Service employees and administer the laws with them.

I am for the Civil Service employees. They are the best kind of people in the world. They are one class of people who have never felt the panic.

These men employed here are drawing good salaries. The unemployed all over the country thought we were going to have a new deal. We are not getting it and not going to get it without we exert ourselves. Members of Congress are given a few post-office appointments. Yes; and each and every one of them is a liability instead of an asset. [Laughter and applause.]

These men at the head of these departments are going to select these men irrespective of Members of Congress, irrespective of Democrats already out of a job. These arrogant Republicans at the head of these departments are giving out circulars to the press saying they are going to pay no attention to your demands—they are going to stick to the Civil Service employees of the Government who were selected in another administration. They claim these employees are efficient, as much as to say the unemployed able Democrats of the country are incompetent—the same argument every Democrat in the North is forced to meet as a Republican argument.

Mr. ALLGOOD. Will the gentleman yield?

Mr. FULLER. Yes.

Mr. ALLGOOD. I understand the Efficiency Board now is rating those under the Civil Service at the head of which are Republicans.

Mr. FULLER. That is true. The people of the country feel that the Democrats ought to have some consideration, and we are not getting it. It is the sentiment of 99 percent of the Democratic membership of this House.

It may not be policy for me to stand here and say that I am not satisfied, but I am not satisfied to take just what is given to me. I am not satisfied and neither are the rest of you satisfied, and it is high time the Democrats in this country let their wishes be known. [Applause.]

Oh, yes, when there is a little dissension they call us together and give us a few sweet platitudes and say that our demands will be considered later. "Be patient", "Give us time", "All will be well", are now the passwords, and when we adjourn a few Eastern States and the Western Republicans will land the positions. Personally, I do not expect to get anything but liabilities instead of assets, and that is in post-office appointments.

Mr. TRUAX. Will the gentleman yield?

Mr. FULLER. Yes.

Mr. TRUAX. The same condition exists in the State of Ohio under Gov. George White. I want to ask the gentle-

man the question whether we are not keeping the same men who advised the cotton farmer to plow up every third row of cotton?

Mr. FULLER. Yes; the same ones—they are experts. Yet I doubt if they would know wheat from oats or a Jersey from a Hereford.

I conclude with the document issued by the great Department of Agriculture, to which I referred, which reads as follows:

UNITED STATES DEPARTMENT OF AGRICULTURE,
OFFICE OF INFORMATION,
Washington, D.C., May 15, 1933.

WILL DRAFT AGRICULTURE PERSONNEL FOR FARM ACT FORCE IN
WASHINGTON

STATE ADMINISTRATORS TO SELECT FOR MOST FIELD APPOINTMENTS WITH-
OUT CIVIL SERVICE REQUIREMENTS WHICH WILL GOVERN IN WASH-
INGTON OFFICE

Present employees of the United States Department of Agriculture will be used wherever possible in the emergency agricultural adjustment administration, George N. Peek and Charles J. Brand, administrators of the new farm act, announce. All personnel for service in the Washington office will come under the Civil Service rules and regulations, except special experts and certain key positions requiring technical training and experience.

Selections for employment for service in the field under the new act will be made by State administrators who will be announced at an early date. Appointments in the field will not be subject to Civil Service rules (except the positions of special county assistants, for which an examination will be announced at an early date). Inquiries regarding these positions should be addressed to the State administrators.

Emphasis is laid on the fact that the majority of the work under the new bill will be in the field and that the Washington organization will be held to a minimum. (The force needed in Washington will be smaller than most applicants have anticipated.)

Washington office positions will be filled wherever possible by transfer of department employees, and when these are not available positions will be filled from the Civil Service rolls. (In line with the President's policy on economy, the force engaged in this activity will be kept to the minimum necessary for the efficient administration of the act.)

PERSONAL EXPLANATION

Mr. TAYLOR of Colorado. Mr. Speaker, the entire Colorado delegation, four of us, were engaged in a conference at 1 o'clock, at the instance of the Governor of our State, with the Senators from our State. Necessarily we were absent from the House at the time the vote was taken on the Muscle Shoals conference report. If we had been present, all four of us would have voted for it.

LEAVE OF ABSENCE

Leave of absence was granted as follows:

To Mr. WOODRUFF, indefinitely, on account of illness.

To Mr. REED of New York, for the remainder of the week, on account of illness.

SENATE ENROLLED BILLS SIGNED

The SPEAKER announced his signature to enrolled bills of the Senate of the following titles:

S. 73. An act to authorize the Comptroller General to allow claim of district no. 13, Choctaw County, Okla., for payment of tuition of Indian pupils;

S. 1410. An act to amend section 207 of the Bank Conservation Act with respect to bank reorganizations;

S. 1415. An act to amend sections 5200 and 5202 of the Revised Statutes, as amended, to remove the limitations on national banks in certain cases; and

S. 1582. An act to amend section 1025 of the Revised Statutes of the United States.

THE LATE REPRESENTATIVE CHARLES H. BRAND

Mr. VINSON of Georgia. Mr. Speaker, it is with profound regret that I have to announce to the House the death at his home in Athens, Ga., this morning, of my colleague, Hon. CHARLES H. BRAND. For 16 years he served with distinction as a Member of this body, and as a member of the powerful Committee on Banking and Currency his name is identified with much of the important legislation passed by the House in recent years. Judge BRAND was a profound lawyer, an earnest student of legislation, and a lovable friend. His hold upon the loyalty and devotion of his con-

stituency was unrivaled and his place in the affections of the older Members of this body is secure.

I offer the following resolution, which I send to the desk and ask to have read.

The Clerk read as follows:

House Resolution 147

Resolved, That the House has heard with profound sorrow of the death of Hon. CHARLES H. BRAND, a Representative from the State of Georgia.

Resolved, That a committee of two Members of the House, with such Members of the Senate as may be joined, be appointed to attend the funeral.

Resolved, That the Sergeant at Arms of the House be authorized and directed to take such steps as may be necessary for carrying out the provisions of these resolutions and that the necessary expenses in connection therewith be paid out of the contingent fund of the House.

Resolved, That the Clerk communicate these resolutions to the Senate and transmit a copy thereof to the family of the deceased.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

The Chair appointed the following Members of the funeral committee: Mr. PARKER of Georgia and Mr. WOOD of Georgia.

The SPEAKER. The Clerk will report the remainder of the resolution.

The Clerk read as follows:

Resolved, That as a further mark of respect this House do now adjourn.

The resolution was agreed to.

ADJOURNMENT

Accordingly (at 2 o'clock and 37 minutes p.m.) the House adjourned until tomorrow, Thursday, May 18, 1933, at 12 o'clock noon.

COMMITTEE HEARING

COMMITTEE ON IMMIGRATION

(Thursday, May 18, 10 a.m.)

The Committee on Immigration will hold a hearing at room 226 (Old Office Building) at 10 o'clock a.m., Thursday, May 18, on H.R. 1497, H.R. 5570, and H.R. 5630.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

68. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated May 9, 1933, submitting a final report, together with accompanying papers, on a survey of Lake Washington Ship Canal, Wash., authorized by the River and Harbor Act approved June 5, 1920; to the Committee on Rivers and Harbors.

69. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated May 10, 1933, submitting a report, together with accompanying papers, on a preliminary examination of Alafia River, Fla., to connect Government channel in Hillsboro Bay with said river, authorized by the River and Harbor Act approved July 3, 1930; to the Committee on Rivers and Harbors.

70. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated May 11, 1933, submitting a report, together with accompanying papers, on a preliminary examination and survey of Corea Harbor, Maine, authorized by the River and Harbor Act approved July 3, 1930; to the Committee on Rivers and Harbors.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND
RESOLUTIONS

Under clause 2 of rule XIII,

Mr. TARVER: Committee on the Judiciary. House Joint Resolution 179. Joint resolution designating May 22 as National Maritime Day; with amendment (Rept. No. 142). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. GIBSON: A bill (H.R. 5658) to extend the times for commencing and completing the construction of a bridge across Lake Champlain from East Alburt, Vt., to West Swanton, Vt.; to the Committee on Interstate and Foreign Commerce.

By Mr. EICHER: A bill (H.R. 5659) authorizing Charles N. Dohs, R. R. Hunt, their heirs, legal representatives, and assigns, to construct, maintain, and operate a toll bridge across the Mississippi River between the States of Iowa and Illinois at or near the junction of the Iowa and Mississippi Rivers; to the Committee on Interstate and Foreign Commerce.

By Mr. GIBSON: A bill (H.R. 5660) providing for an additional justice of the Court of Appeals of the District of Columbia; to the Committee on the Judiciary.

By Mr. STEAGALL: A bill (H.R. 5661) to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes; to the Committee on Banking and Currency.

By Mr. CARTER of California: A bill (H.R. 5662) to amend the act approved March 20, 1933, known as "An act to maintain the credit of the United States Government"; to the Committee on Expenditures in the Executive Departments.

By Mr. KVALE: A bill (H.R. 5663) relating to annual leave of employees in the Government Printing Office; to the Committee on Printing.

By Mr. DOUGHTON: A bill (H.R. 5664) to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes; to the Committee on Ways and Means.

By Mr. DIMOND: A bill (H.R. 5665) authorizing the control of floods in the Salmon River, Alaska; to the Committee on Flood Control.

By Mr. HASTINGS: Resolution (H.Res. 146) to investigate the Civil Service Commission, the heads of all the departments, commissions, and independent offices to determine whether the third paragraph of section 2 of the act of January 16, 1883, has been violated; to the Committee on Rules.

By Mr. DOUGHTON: Joint resolution (H.J.Res. 183) extending for 1 year the time within which American claimants may make application for payment, under the Settlement of War Claims Act of 1928, of awards of the Mixed Claims Commission and of the Tripartite Claims Commission; to the Committee on Ways and Means.

By Mr. McFARLANE: Joint resolution (H.J.Res. 184) relative to taxing certain incomes; to the Committee on the Judiciary.

By Mr. KENNEDY of Maryland: Joint resolution (H.J.Res. 185) authorizing and directing the Comptroller General of the United States to reopen, adjust, and settle the accounts of the city of Baltimore for advances made by the city in 1863 for the construction of works of defense, and for other purposes; to the Committee on War Claims.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. COLLINS of California: A bill (H.R. 5666) granting a pension to Kittie A. Love; to the Committee on Invalid Pensions.

By Mr. CONDON: A bill (H.R. 5667) granting a pension to Miles S. Jensen; to the Committee on Pensions.

By Mr. DOUGHTON: A bill (H.R. 5668) authorizing the relief of the McNeill-Allman Construction Co., Inc., of W. E. McNeill, Lee Allman, and John Allman, stockholders of the McNeill-Allman Construction Co., Inc., and W. E. McNeill, dissolution agent of McNeill-Allman Construction Co., to sue in the United States Court of Claims; to the Committee on Claims.

By Mr. FOCHT: A bill (H.R. 5669) granting a pension to Elizabeth S. Houtz; to the Committee on Invalid Pensions.

By Mr. GILLETTE: A bill (H.R. 5670) granting an increase of pension to Amanda E. Hummel; to the Committee on Invalid Pensions.

Also, a bill (H.R. 5671) for the relief of Laura Lynch; to the Committee on Claims.

By Mr. GOSS: A bill (H.R. 5672) granting an increase of pension to Eva Norton; to the Committee on Invalid Pensions.

By Mr. HAINES: A bill (H.R. 5673) granting a pension to Clara J. Sanders; to the Committee on Invalid Pensions.

By Mr. MILLIGAN: A bill (H.R. 5674) for the relief of the Northwest Missouri Fair Association, of Bethany, Harrison County, Mo.; to the Committee on Claims.

By Mr. PETERSON: A bill (H.R. 5675) granting a pension to Elise M. Lum; to the Committee on Invalid Pensions.

Also, a bill (H.R. 5676) granting a pension to Daisy Vredenburg; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1068. By Mr. GIBSON: Petition of Waterbury Post, No. 59, American Legion, protesting against the removal of the regional office of Veterans' Administration at Burlington, Vt.; to the Committee on Appropriations.

1069. Also, petition of Lions Club of Burlington, Vt., endorsing the continuance of reserve officers' training camps, citizens' military training camps, and the collegiate Reserve Officers' Training Corps activities; to the Committee on Appropriations.

1070. By Mr. JOHNSON of Minnesota: Petition of the City Council of Granite Falls, Minn., urging passage of the Frazier bill; to the Committee on Agriculture.

1071. By Mr. KELLY of Pennsylvania: Petition of citizens of Pittsburgh, Pa., protesting against reduction in personnel of the Army, Navy, and Marine Corps; to the Committee on Military Affairs.

1072. By Mr. KRAMER: Senate Joint Resolution No. 20, State of California, relative to approval by the President of the United States of a project for the conservation of the waters of Yosemite Creek and the preservation of Yosemite Falls in Yosemite National Park, under the provisions of act of Congress approved March 31, 1933; to the Committee on Irrigation and Reclamation.

1073. Also, Senate Joint Resolution No. 22, State of California, relative to memorializing Congress to exempt from the provisions of legislation limiting hours of labor to 30 hours a week people engaged in the mining industry; to the Committee on Labor.

1074. By Mr. LINDSAY: Petition of American Association for Labor Legislation, New York City, urging support of House bill 4559; to the Committee on Labor.

1075. Also, petition of State Tax Committee of the California Municipal Utilities, San Francisco, urging support of the Johnson amendment; to the Committee on Ways and Means.

1076. By Mr. McCORMACK: Resolution of the Massachusetts State Senate, petitioning the President of the United States, in the interests of the public health and convenience, to continue the United States naval hospital and United States marine hospital, Chelsea, Mass., as necessary institutions of our Federal Government in the performance of the efficient and humanitarian functions for which they are especially adapted and fitted, because of location, equipment, and personnel, as clearly demonstrated by their long record of public service; to the Committee on Naval Affairs.

1077. By Mr. McFARLANE: Petition of Southwest Texas Oil & Royalty Owners' Association, recommending that proposed legislation in Congress for the regulation of the oil and gas business be given immediate consideration and adopted; to the Committee on Interstate and Foreign Commerce.

1078. Also, petition of the House of Representatives of the State of Texas, requesting the President of the United States not to appoint a dictator for the oil industry, so far as it may apply to the State of Texas; to the Committee on Interstate and Foreign Commerce.

1079. Also, petition of the Senate of the State of Texas, requesting the President of the United States not to appoint a dictator for the oil industry, so far as it may apply to the State of Texas; to the Committee on Interstate and Foreign Commerce.

1080. By Mr. MARTIN of Massachusetts: Memorial of the Senate of the State of Massachusetts, advocating the retention of the United States naval and marine hospitals at Chelsea, Mass.; to the Committee on Appropriations.

1081. Also, petition of Saul Odess and the Fall River Chapter of the American Jewish Congress, protesting against the persecution of Jewish nationals of Germany; to the Committee on Foreign Affairs.

1082. By Mr. RUDD: Petition of United Spanish War Veterans' Phoenix Camp, No. 1, Phoenix, Ariz., protesting against the provisions of the Economy Act, insofar as it affects Spanish War veterans; to the Committee on Appropriations.

1083. Also, petition of the American Federation of Labor, favoring the passage of the Peyser bill, H.R. 4559, and Senate bill 510; to the Committee on Labor.

1084. By Mr. TREADWAY: Resolutions adopted by the Massachusetts Senate, urging the continuation of the United States naval hospital and the United States marine hospital at Chelsea, Mass.; to the Committee on Naval Affairs.

SENATE

THURSDAY, MAY 18, 1933

(Legislative day of Monday, May 15, 1933)

The Senate sitting as a court for the trial of articles of impeachment against Harold Louderback, judge of the United States District Court for the Northern District of California, met at 10 o'clock a.m., on the expiration of the recess.

The managers on the part of the House of Representatives appeared in the seats provided for them.

The respondent, Harold Louderback, with his counsel, Walter H. Linforth, Esq., and James M. Hanley, Esq., appeared in the seats assigned to them.

The VICE PRESIDENT. The Sergeant at Arms will proclaim the Senate sitting as a Court of Impeachment to be in session.

The Sergeant at Arms made the usual proclamation.

THE JOURNAL

On motion of Mr. ASHURST, and by unanimous consent, the reading of the Journal of the Senate sitting as a Court of Impeachment for the calendar days of May 16 and 17 was dispensed with, and the Journal was approved.

CALL OF THE ROLL

Mr. ASHURST. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Coolidge	Kean	Reed
Ashurst	Costigan	Kendrick	Robinson, Ark.
Austin	Couzens	Keyes	Robinson, Ind.
Bachman	Cutting	King	Schall
Bailey	Dickinson	La Follette	Sheppard
Bankhead	Dill	Lewis	Shipstead
Barbour	Duffy	Logan	Smith
Barkley	Erickson	Long	Steiwer
Black	Fess	McAdoo	Stephens
Bone	Fletcher	McCarran	Thomas, Okla.
Bratton	Frazier	McGill	Thomas, Utah
Brown	George	McKellar	Townsend
Bulkeley	Glass	McNary	Trammell
Bulow	Goldsbrough	Metcalf	Tydings
Byrd	Gore	Murphy	Vandenberg
Byrnes	Hale	Neely	Van Nuys
Capper	Harrison	Norris	Wagner
Caraway	Hastings	Nye	Walcott
Carey	Hatfield	Patterson	Walsh
Clark	Hayden	Pittman	Wheeler
Connally	Hebert	Pope	White

Mr. ROBINSON of Arkansas. I wish to announce that the Senator from Georgia [Mr. RUSSELL] is absent in attendance upon the funeral of the late Representative Brand.

Mr. LEWIS. I desire to announce that the Senator from New York [Mr. COPELAND] is necessarily detained from the Senate. I ask that this announcement may stand for the day.

Mr. BAILEY. I desire to announce that my colleague [Mr. REYNOLDS] is necessarily detained from the Senate by illness. I ask that this announcement may stand for the day.

The VICE PRESIDENT. Eighty-four Senators have answered to their names. A quorum is present.

EXAMINATION OF DOROTHEA A. LIND

Mr. Manager BROWNING. Mr. President, we want to call Miss Lind.

The VICE PRESIDENT. Call the witness.

Miss Dorothea A. Lind, having been duly sworn, was examined and testified as follows:

By Mr. Manager BROWNING:

Q. Please state your full name and your place of residence.—A. Miss Dorothea A. Lind, Oakland, Calif.

Q. What place did you hold with the Prudential Holding Co. in August of 1931?—A. I was secretary, treasurer, director, and member of the executive committee.

Q. Do you recall the appearance of Mr. Gilbert and Mr. Dinkelspiel in that office on the 15th day of August 1931?—A. I do.

Q. About what time of day did they arrive?—A. At approximately 1 o'clock.

Q. Who was in the office at that time?—A. I, myself, was in the office.

Q. Anyone else?—A. No, sir.

Q. What time that day was Mr. Stephens there?—A. About 1 o'clock.

Q. But he was not present when they came in?—A. I do not believe he was.

Q. How soon afterward did he come in?—A. Within a very few minutes.

Q. When Mr. Gilbert and Mr. Dinkelspiel appeared, to whom did they address themselves—to you or Mr. Stephens?—A. Mr. Stephens.

Q. State just what occurred between them and Mr. Stephens and you at that time.—A. I had prepared to leave the office early that day in order to get back in time to complete a telephone call to Mr. Hawkins. I was waiting for a call in answer to my call to him, which I had put in in the morning. He was out of the city. As I was preparing to leave I met Mr. Stephens half-way across the room, who stopped me on the way and said, "Miss Lind, we have to leave the safes all open."

Q. Did he have anything with him at that time?—A. He was holding a paper that had been presented to him over the counter.

Q. What did he say about it?—A. He said, "What is this all about?" He said, "Can you tell me what this is all about?" I said, "No; you have it. It was given to you. You read it and then tell me. I will be back in a few moments."

Q. Did you return in a few moments?—A. I returned within 10 or 15 minutes.

Q. What did you find out about it when you returned?—A. I found out that it was a court order appointing Mr. G. H. Gilbert as receiver of the Prudential Holding Co. of Los Angeles.

Q. What request was made of you at that time, if any?—A. The first request was to leave all safes open.

Q. To whom was this request made?—A. It was made to me.

Q. What was your reply to that?—A. My reply was that the safes that belonged to the Prudential Holding Co. were locked. The other safes belonged to other corporations located on the premises.

Q. Were those other corporations located in the same room with the Prudential Holding Co. office?—A. They were.

Q. How many of them?—A. There were five safes, including the Prudential safe.

Q. How many other companies than the Prudential had their offices in the same room?—A. There were three.

Q. Then what further request was made of you by Mr. Gilbert, if any?—A. He told me that he had full charge now; that I had nothing more to say about the place; and after he and Mr. Dinkelspiel had talked together about the matter, they decided the safes could be closed, but they would padlock the door.

Q. Was the door padlocked?—A. The door was padlocked; yes, sir.

Q. By whom?—A. By Mr. Gilbert.

Q. State whether or not you completed your telephone call to Mr. Hawkins as you mentioned a while ago—I mean from the office.—A. He would not let me wait in the office to finish the telephone call. He told me I had to find other means of placing or finishing my call. He told me that I could go to the telephone office and complete the call.

Q. When you left the office did this leave any employee of the company in charge?—A. No, sir.

Q. Or anyone there to assist Mr. Gilbert in directing matters?—A. No, sir.

Q. When did you next see Mr. Stephens after the padlock was put on the door?—A. He called at my house that evening and wanted to know what I knew that was new. I said I did not know anything new; that I was then preparing to go out and locate a telephone where I might get in touch with the president; that that afternoon I had notified all the directors; that I was wanting to place a long-distance call to him that evening after the 8 o'clock rate. He suggested that I go to his house to place the call, which I consented to do and did.

Q. Did you call the president of the company from his home?—A. From his home.

Q. What notice did you give him at that time?—A. I told him as nearly as I could what had happened.

Q. Then after you talked to him did Mr. Stephens talk to him in your presence? Were you present with Mr. Stephens when he talked to the president over the telephone?—A. I was.

Q. In that conversation did Mr. Stephens let the president or you, either one, know whether he was present or knew anything about the receivership when it was granted?

Mr. HANLEY. Just a moment. We are objecting now to any conversation had between Mr. Stephens and the president of this company or anyone else or this witness which has nothing to do with the issues here framed. It is hearsay of the worst kind and not binding upon the respondent.

The VICE PRESIDENT. What is the purpose of the testimony?

Mr. Manager BROWNING. The respondent took the deposition of this man Stephens in California the first of this month when we were present there as managers. He was the one who it is claimed accompanied the attorney from Los Angeles to the judge's court, and the inference is made that he represented himself as representing the defendant company at that time. We propose to show by this testimony that he deceived everybody who was in authority in connection with the company, and had no authority to be there, no authority to bind the company, and that he was deceiving the president of it and the secretary of it at this time and in this conversation. His testimony is to be offered by the respondent and we want to show his relationship to the matter and the part he played in it.

Mr. HANLEY. The president of the company is not here. The president of the company is not offered. This witness is now relating not only hearsay, but hearsay upon hearsay as to what the president told Stephens or she told Stephens to tell the president. It is not a question of whether or not the conversations were had afterward. It is a question of whether or not Stephens recommended to the judge certain conditions that he relied upon and believed, and not anything that took place afterward between these parties.

Mr. Manager BROWNING. We have not proposed to show by the question what the president of the company said to Mr. Stephens. We are proposing to show that Mr. Stephens deceived the secretary of the company and the president of the company, the same day that the receivership went into court, about the part he played in it. The respondent may offer him as a witness.

The VICE PRESIDENT. Would it not be better to have this witness in rebuttal to the Stephens' deposition when it is introduced by the respondent? It occurs to the Chair that that would be the proper time to bring out the testimony of this witness.

Mr. HANLEY. No foundation was laid in the deposition that would justify them in calling this witness at this time. The facts ought to be presented after the testimony or deposition of the witness Stephens.

The VICE PRESIDENT. The deposition will develop the fact whether or not there is any ground for testimony of the character suggested at this time. May the Chair suggest that the offer of the witness be made at a time after the deposition is read?

Mr. Manager BROWNING. We concede that is eminently correct, but there is this feature about it. The allegations have been made by respondent in his pleadings that this man Stephens was present and that he participated in the receivership, and we do think that on that ground the testimony would be admissible in chief; but we will reserve the witness for rebuttal. We ask Miss Lind to stand aside for the present unless counsel for the respondent wish to cross-examine upon what we have already asked.

Mr. HANLEY. No; I would not wish to cross-examine until you have completed your examination of the witness.

The VICE PRESIDENT. Is there objection to the witness standing aside?

Mr. HANLEY. None at all.

(The witness retired from the stand.)

Mr. HANLEY. Mr. President, I intended at the opening of the court to request that we be allowed to subpoena Walter G. Maling, clerk of the United States district court. Certain testimony has developed in this hearing which has caused him to become a material and important witness.

The VICE PRESIDENT. If there is no objection, the subpoena will be issued for the witness.

EXAMINATION OF ERWIN E. RICHTER

Mr. Manager BROWNING. We will call Mr. Richter as the next witness.

Erwin E. Richter, having been duly sworn, was examined and testified as follows:

By Mr. Manager BROWNING:

Q. Please state your name, place of residence, and profession.—A. Erwin E. Richter, San Francisco, attorney at law.

Q. With what firm are you connected?—A. A member of the firm of Cushing & Cushing.

Q. Do you know anything about the receivership that was instituted against the Golden State Asparagus Co.?—A. Yes, sir.

Q. What part did you have in connection with the instituting of that receivership?—A. I represented the defendant company, the Golden State Asparagus Co.

Q. When was this receivership determined on?—A. In September of 1930.

Q. Who filed the petition?—A. The American Can Co., acting through its attorneys, Chickering & Gregory.

Q. How long had your firm been representing the Golden State Asparagus Co.?—A. For about 5½ years prior to that time.

Q. What condition precipitated the receivership?—A. The company had assets valued at something over \$1,000,000 and liabilities amounting to something over \$700,000. Various of the assets were in nonliquid form and the company was without working capital to pay its current obligations. There was also a danger that one of the creditors, a bank that held the inventory products of the company in pledge, and also a second mortgage on its main assets, would foreclose the properties and sacrifice the equities.

Q. Do you recall the date the petition was filed for receivership?—A. It was filed on September 5, 1930, with the bill.

Q. At that time was the bank in process of foreclosing its mortgage?—A. The bank had been threatening foreclosure for a considerable time prior to that date.

Q. What date was it they had advertised the property for sale?—A. They had not proceeded with any advertisement. They were proceeding by private sale.

Q. When did they propose to make the private sale?—A. On the day the bill in equity was filed and the receiver was appointed.

Q. Were you present when the petition was presented to Judge Louderback for appointment of a receiver?—A. I was.

Q. State what occurred there in his presence on that occasion with regard to the appointment of a receiver. Before doing that, state who else was present.—A. Mr. Fox, a member of the firm of Chickering & Gregory, attorneys for the American Can Co., plaintiff in the bill, and myself representing the defendant, presented the pleading to the respondent in his chambers in the presence of ourselves, and also Mr. George N. Edwards, who the American Can Co. desired to have appointed receiver.

Q. What interest had the American Can Co. in it—the petitioner?—A. Yes; it was one of the largest creditors of the defendant.

Q. Had the defendant company acquiesced in the selection of Mr. Edwards if they could persuade the court to appoint him?—A. The defendant company had no prior acquaintanceship or knowledge of the proposed receiver, and, consequently, it was unwilling to approve of his appointment unless there were appointed as his attorneys the firm of Chickering & Gregory, in whom the defendant company had every confidence.

Q. Is that a reputable firm of lawyers?—A. Very reputable.

Q. When you had the conference with Judge Louderback, please state what occurred between you and him with regard to the selection of the receiver and the attorney.—A. Mr. Fox suggested that Mr. Edwards be selected as receiver, and I suggested that the counsel for the receiver be the firm of Chickering & Gregory. The respondent replied that he would not permit the parties to designate both the receiver and his counsel, but that the parties might nominate either the receiver or his counsel, and that the court would appoint the other party.

Q. Then who was agreed on as between the two? Which choice did the parties who were present take?—A. Mr. Fox and myself retired to consider the suggestion of the respondent, and in the course of discussion I withdrew my objection to the appointment of Mr. Edwards as receiver upon the assurance that Mr. Fox would stand back of him and see that the matter was properly and honestly administered.

Q. And the respondent then did select Mr. Edwards as the receiver, and appoint him?—A. Yes.

Q. What was said, if anything, about the selection of attorneys for Mr. Edwards by Judge Louderback?—A. He stated to us at that time that he would submit to Mr. Edwards several names of attorneys that he might choose from, and that if any of those names or if all of those names were unsatisfactory to him he would submit a further list.

Q. Do you know, in fact, whose names he did submit to him?

Mr. HANLEY. Just a moment. That is objected to unless it is of his own knowledge.

Mr. Manager BROWNING. I said, "Do you know, in fact?"

The WITNESS. No; I do not know.

By Mr. Manager BROWNING:

Q. Do you know who was selected and appointed as his counsel?—A. Messrs. Dinkelspiel & Dinkelspiel.

Q. What, if anything, was said to you—that is, in the presence of the court—about the necessity of economic administration of this estate?—A. At that time?

Q. At any time.—A. I do not recall anything being said on that occasion, and I do not believe I ever had any dis-

cussion with the respondent after that occasion about the matter.

Q. How much had been the fees which your firm had been receiving in representation of this company before this receivership?

Mr. HANLEY. Just a moment. That is objected to upon the ground that it is incompetent, irrelevant, and immaterial; has nothing to do with the issues in this case, would not be binding as to the true value of the services, and surely could in no way reflect upon Judge Louderback as to whether they charged large or small fees.

Mr. Manager BROWNING. Mr. President, I withdraw the question for the time being.

By Mr. Manager BROWNING:

Q. As soon as a receiver was appointed, what was the emergency in the case at that time?—A. As I indicated, the threatened foreclosure by the bank that held the properties of the company in pledge for its debt. Upon the appointment of the receiver, Mr. Fox and myself repaired at once by taxicab to the offices of the bank and announced to the bank the appointment of the receiver, and were successful, through our opposition, in causing the sale to be postponed.

Q. Did you have any instructions from Judge Louderback to take that course?—A. Yes. We were authorized by the respondent to act as counsel for the receiver temporarily for that purpose.

Q. How much of the work, if any, did your firm do in connection with the receivership after the appointment of Mr. Edwards and the appointment of counsel, Dinkelspiel & Dinkelspiel?—A. Both the firms that were counsel for the plaintiff and the defendant did considerable work after the appointment of the receiver in conjunction with the receiver's counsel in a common united purpose of preventing this threatened foreclosure sale.

Q. How did the amount of legal services rendered under the receivership compare with the amount which had been required of the firm representing them as their regular counsel before the receivership?

Mr. HANLEY. Just a moment. That is objected to on the ground that no foundation is laid, upon the further ground that it calls at this time for his opinion upon a matter of which he had no knowledge except by hearsay, and that it is not the ground of an expert opinion until all the facts are presented.

Mr. Manager BROWNING. Mr. President, I have shown that this man and his firm represented this company over a long period of years, and that he was perfectly familiar with the work that was done before and after the receivership.

The VICE PRESIDENT. Is there any allegation in the articles of impeachment as to a conspiracy between the respondent and Dinkelspiel & Dinkelspiel?

Mr. Manager BROWNING. There is an allegation that he was favoring the firm of Dinkelspiel & Dinkelspiel with these receiverships, and allowing excessive fees for the amount of work that was done.

The VICE PRESIDENT. The witness may answer the question.

The WITNESS. May I have the question read?

The VICE PRESIDENT. The question will be read.

The Official Reporter read the question, as follows:

How did the amount of legal services rendered under the receivership compare with the amount which had been required of the firm representing them as their regular counsel before the receivership?

The WITNESS. The services subsequent to the receivership were not materially dissimilar from the services prior thereto. Unquestionably there was some additional work involved by reason of the matter being conducted in the form of a court proceeding. It became necessary to procure orders of the court approving the various leases and contracts that were entered into in the course of the company's business.

The principal services rendered after the appointment of the receiver related at the beginning to the threatened bank foreclosure. Those services continued for approximately 20 days after the receiver's appointment and were then ter-

minated by the entering into of a satisfactory arrangement with the bank by which the receiver was allowed to continue to dispose of the properties of the company in orderly course of business; and that procedure resulted in the payment to the bank of its indebtedness in full, and the preserving of the equity in those goods for the account of the creditors and stockholders of the company.

By Mr. Manager BROWNING:

Q. Was that service rendered by the attorney for the receiver, or by the attorneys for the petitioner and the defendant company?—A. It was the united and joint action of the three firms. I would not say that any one firm did any more work than either of the other two.

Q. Was there any further litigation than this bank matter which came up in the case—I mean, court litigation?—A. During the first year after the receiver's appointment I do not recall any adversary litigation of any kind.

Q. How much had been the charges of your firm for the legal services to this company, to do all of its legal business, before the receivership, per year?

Mr. HANLEY. Just a moment, Mr. President. Again we object upon the ground that that is not the proper way to fix fees, as to what they charged.

Mr. Manager BROWNING. Mr. President, we have made a comparison of the amount and quality of work which was performed by the attorneys before the receivership and by the attorneys for the receiver. We propose to show what the receiver received as fees from Judge Louderback. We want to show what the attorneys had been paid for that kind of service up to that time.

The VICE PRESIDENT. The Chair thought the witness had already answered the question. The Chair does not know the object of it. You may ask the question.

By Mr. Manager BROWNING:

Q. What was the amount of fees which your firm had received before the receivership?—A. They averaged, for the 5 years preceding the year in which the receiver was appointed, the sum of exactly \$679 per year. During the year in which the receiver was appointed the charges were in excess of that amount.

That came about in this way: For a period of approximately 4 months prior to the appointment of a receiver the affairs of the company were under the administration of a committee of its creditors, acting under the supervision of the San Francisco Board of Trade; and all of the activities of the company were very much more onerous by reason of that fact. Elaborate, extended meetings were held under the supervision of the board of trade, and every step in the administration of the company's affairs was first submitted to the members of this committee, and it was the subject of argument and discussion.

Q. What was the charge for that year?—A. The charges for that period of 4 months were \$2,250.

Q. What fee was applied for by Dinkelspiel & Dinkelspiel as attorneys—what amount?—A. The sum of \$15,000 for the first 12 months following the appointment of the receiver.

Q. On account or as total fee in the case?—A. As a total fee in the case for that period of time.

Q. What amount was allowed by Judge Louderback?—A. I was here in Washington at the time the proceedings in the court to allow the amount were held. I do not know of my own knowledge, except as I have been informed from the records of the court.

Q. You do know what the records of the court show?—A. Yes, sir.

Mr. HANLEY. Let us get the records of the court, if the court please, because the records speak for themselves.

The VICE PRESIDENT. Has the manager on the part of the House the records of the court?

Mr. Manager BROWNING. Yes, sir. We will introduce the records.

I believe you may take the witness.

Cross-examination by Mr. HANLEY:

Q. Mr. Richter, how much was agreed by all parties as to the services to be rendered by the receiver, Mr. Edwards?—A. At the time of his appointment?

Q. Yes; as compensation per month.—A. There were various discussions among the creditors' committee with respect to his compensation; and it was understood rather generally that his compensation would be the sum of \$750 per month.

Q. Was not \$1,000 a month agreed to by all parties as the compensation that Mr. Edwards, the receiver, should receive?—A. No; my recollection is not.

Q. I understood you to say that you were not present at the time the fees were fixed?—A. That is correct.

Q. You know an attorney named Delger Trowbridge, do you not?—A. Yes, sir; he is a partner.

Q. A partner of yours, one of the members of the firm of Cushing & Cushing?—A. Yes, sir.

Q. You have confidence in his judgment as to the value of fees, have you not?—A. Yes, sir.

Q. And if he in open court, upon the hearing of this matter, advised the court that a reasonable fee for the services rendered by Dinkelspiel & Dinkelspiel was the sum of \$15,000 for the 18 months' time, would you say that that was a reasonable amount?

Mr. Manager BROWNING. Mr. President, we object to that question for the obvious reason that this man should not be called upon to say whether or not someone else's judgment was correct.

Mr. HANLEY. Why, he is talking for the firm. He said the firm fixed the fees. Now we have another member of the firm.

Mr. Manager BROWNING. No; he never said the firm fixed the fees, Mr. President. It is not in this record.

The VICE PRESIDENT. The Chair does not understand just what the object of the question is; but if it is for the purpose of showing that it was a reasonable fee, and the witness has knowledge as to that, the Chair thinks it is a legitimate question.

The WITNESS. I discussed that matter with Mr. Trowbridge, and the discussion was to this effect—that it would be impossible, in view of the well-known attitude of the respondent in granting excessive fees, to procure any lesser fee than that amount.

By Mr. HANLEY:

Q. That is your answer to that; is it?—A. Yes, sir.

Q. Did you know that upon that hearing, when Mr. Trowbridge was asked his opinion as to the amount of the fees, he advised Judge Louderback—I quote his language—by stating that the \$15,000 should cover 18 months' period instead of 12, and he said, "Yes, sir"? Did you know that he gave that answer to that statement in open court?—A. Yes, sir.

Q. Did you know further that Mr. Trowbridge, when asked this question in the preliminary hearing in this matter, had in San Francisco between the 6th and the 12th days of September—

So that you agreed that the fees were to run for a full period of 18 months, that \$15,000 was a reasonable fee?

Answered—

I felt that probably was the best we could hope to cut down the amount of the fees. That was offered as a compromise suggestion.

Did you know that?—A. Yes, sir.

Q. So that your partner, Mr. Delger Trowbridge, upon a hearing as to the value of the services, testified in the hearing and agreed to the amount of \$15,000 to Dinkelspiel & Dinkelspiel. That is true, is it not?—A. I would not answer that he agreed to it.

Q. After I have read to you the testimony of your own partner, given in the hearing in this matter preliminarily in San Francisco, calling his attention to the fact that he did so testify and suggested at the hearing had at the time of fixing the fees that a reasonable amount was \$15,000, do you wish now to change that amount?

Mr. Manager SUMNERS. Mr. President, we suggest that counsel's interpretation of the testimony on that occasion is not a correct interpretation or a correct statement of the testimony.

Mr. HANLEY. I will read the testimony of Trowbridge upon this subject to refresh this witness's memory. I remember that. I read from page 292 of your own record:

Q. Did William J. Hayes, our former referee in bankruptcy, and one of our attorneys for the board of trade, fix any amount that he thought was a reasonable amount?—A. I cannot remember whether he did or not. I know he objected to the amount asked for, but I don't know if he fixed the definite amount he would allow.

Q. Did you, representing Cushing & Cushing, fix a reasonable amount to the judge and advise him?—A. (interrupting). By stating that the \$15,000 should cover 18 months' period instead of 12 months; yes, I did.

By Mr. HANLEY:

Q. That is the testimony of Trowbridge, and he was your partner. Do you disagree with his amount in fixing fees for the services rendered in this particular receivership?—A. No; I think we are in perfect agreement. It is the view of both of us that the fees allowed were far in excess of any reasonable amount.

Q. You heard me read Mr. Trowbridge's testimony given at a preliminary hearing. Do you disagree with your partner's set-up of those values?—A. Not at all. The testimony, as I understand it, was that he agreed to the amount if it were provided for a period of 18 months, instead of 12 months, solely for the reason that no better relief could be obtained under the circumstances before the respondent.

Q. Do you not know, at the time that you stand here now, that the fees were allowed upon account?—A. Yes; I understand that the fees were allowed on account of the services for 12 months after the petition was filed.

Q. Did you prepare the order fixing the fees?—A. I did not.

Q. Or agreeing to the amount?—A. Sir?

Q. You were not here, were you?—A. I was not.

Q. So who testified in open court as to the value of the fees you do not know?—A. No.

Q. All you know is from hearsay as to what was done? Is not that true?—A. During the proceedings on that occasion.

Q. There was a threatened closing out in this estate of some very valuable canned goods, asparagus, and so forth, which had been pledged to the Pacific National Bank. That is true, is it not?—A. Correct.

Q. And the amount that it was pledged for was how much, in round figures, at the time of the receivership?—A. Just to my recollection, it was approximately \$250,000.

Q. Do you not know that, by a system of negotiation had with Mr. Dinkelspiel, then with the others in the affair, they stopped the bank from foreclosing their securities, and paid the bank and got a very handsome equity out of that matter?—A. Yes. I am intimately familiar with those negotiations, because my firm actively participated in them from beginning to end.

Q. Do you not know that over a series of months the firm of Chickering & Gregory, and the firm of Dinkelspiel & Dinkelspiel, and yourself, representing Cushing & Cushing, drew not one but probably nine agreements in connection with the same matter with Bert Sooy, then the attorney for the Pacific National Bank?—A. No. Those entire negotiations required only 20 days after the appointment of the receiver to complete.

Q. How long were the agreements deferred?—A. I do not understand the question.

Q. How long a period of time was the payment of the money deferred so that you could wipe out the indebtedness?—A. There was no definite time fixed for deferment. The understanding was that the receiver would proceed to dispose of the inventoried products in the usual course of business.

Q. Was it not true that it was Gaither—what was the name?—A. Gaither, president of the Pacific National Bank.

Q. And that finally, after these tentative agreements had been proposed and each one of them for some reason or another was objected to by one party or the other, you had what was known as a "gentleman's agreement", and he said that he would not foreclose on his securities but would

allow it to liquidate in orderly manner?—A. Yes, sir; that was the outcome that was reached on, I think, the 25th day of September.

Q. Is not that due to the fact that certain matters were pointed out to that particular bank president; that he had better not go too hard upon this particular matter because of certain charges of interest that were considered at least, if not regular, a little bit irregular?—A. Yes, sir; that is correct.

Q. Was it not a fact that Mr. Dinkelspiel, then Mr. Martin of the firm, negotiated delay of payment on this matter?—A. Yes; it was myself who suggested to him a possible infirmity with respect to interest.

Q. If the securities had been closed out as contemplated by the president of the bank, was there any equity at all for the firm at that time, due to the market for asparagus?—A. It depended on what they were sold for at forced sale. If the securities were sold at private sale—a forced sale—without notice, the bank was in a position to bid them in for any sum it desired.

Q. Have you any idea, as you stand here, of the amount of money that was realized upon the equity of these goods after the bank was paid?—A. I could not testify as to the exact amount, but my understanding is that out of the proceeds the bank was paid in full and that there was something additional remaining.

Q. Was it \$100,000?—A. Oh, no; I would say nowhere near that amount. Possibly in the neighborhood of \$20,000.

Q. You are sure of that, are you?—A. That is my best recollection.

Q. At that time the business was running as a going concern; is not that true?—A. To what time do you refer?

Q. At the time of the receivership?—A. At the time the receiver was appointed the operations of the company were very active. From the time of his appointment they became less active, until at the present time there are very little operations of any kind.

Q. Immediately following the receivership, and for a period of a year or more, was not the business actively operating and going?—A. No; during the first 12 months considerable of the properties of the company were leased out to others upon crop-share rentals and other bases of rental.

Q. Is it not true that under the receivership a profit of some fifty-odd thousand dollars in the first year was realized?—A. No. I understand, on the contrary, that after taking depreciation and the fees that were allowed by the respondent for that period of time the so-called "profit" was in fact an actual loss.

Q. I am asking you now, without the fixing of the fees in the estate, did the business show a profit as run under the receivership from the sale of the merchandise and, if so, how much?

Mr. Manager SUMNERS. Mr. President—

The WITNESS. My answer is that the operation did not show a profit.

By Mr. HANLEY:

Q. Have you any detail upon that at all?—A. Sir?

Q. Have you any detail upon that matter at all?—A. I have examined the records to refresh my memory, and the records show that the receiver's accounts for the first 12 months showed an estimated profit, as I recall, of approximately seventy-odd thousand dollars, based upon the anticipated sale of certain of the canned goods at the then prevailing market prices. Such goods, however, were subsequently sold at prices considerably less, so that the anticipated profit in that respect was not realized. Further, that the so-called "profit" was arrived at without any account of depreciation, and that the depreciation amounted to approximately \$25,000 a year. And further, that the profit did not take into account the fees, amounting to \$28,000, which were allowed by the respondent for that period of time.

Q. No objection was made at any time to the \$14,000 allowed the receiver, was there?—A. Yes; there was very

substantial objection and criticism among the creditors and stockholders of the company. The administration, the executive administration of the company, theretofore had cost the company approximately \$3,000 a year, and the expenses increased the minute the receiver was appointed to \$14,000 a year.

Q. Do you not know that it was consented by all parties concerned that there was to be allowed the receiver, according to your statement, \$750 a month alone for salary?—A. That is perfectly correct. The creditors were ready to allow that amount without objection to the receiver, although it was three times what it was then costing the company for the services.

Q. Is it not true, Mr. Richter, that a sale of land of some value was made to the Southern Pacific which netted the company some thousands of dollars, by the sale of acreage, that was negotiated through the receivership?—A. A sale of land was made to the railroad, approximately 15 acres, for some \$9,800, the sale having been practically consummated by the president of the company and myself through a long period of negotiations preceding the receiver's appointment. The actual consummation of the proceeding occurred subsequently in the course of the receivership.

Q. After you had negotiated up to a certain point, the attorney for the receiver and the receiver negotiated and closed the deal, did they?—A. Correct.

Q. Have you any detail as to the exact amount that was received?—A. Approximately ninety-eight hundred dollars.

Q. Ninety-eight hundred or ninety-eight thousand?—A. Ninety-eight hundred. It was 15 acres, sold at about \$600 an acre.

Q. Is it not true that there were a great number of what were known as profit-sharing leases made with others upon land owned by the Golden State Asparagus Co.?—A. I went through the records to see what the proceedings were during the first 12 months, and I counted about 16 or 18 proceedings in court, and I would judge that about 5 or 6 or 7 of those were leases.

Q. In other words, the company owned asparagus land, and instead of marketing it at a loss, they had leased it to others. Is not that true?—A. The asparagus lands the company were interested in were primarily on leased land. They had made an investment of approximately \$100,000 some few years before the occurrences in question, and the asparagus so planted came into bearing; the year following the appointment of the receiver, and a considerable amount of the proceeds that the receiver accounted for in his first year grew out of the recapture of the principal amount so invested in the asparagus beds.

The VICE PRESIDENT. The Chair appoints the junior Senator from Rhode Island [Mr. HEBERT] as the Presiding Officer for the day.

(Mr. HEBERT took the chair.)

By Mr. HANLEY:

Q. Did you know that at the time the receiver was appointed the company agreed that they would also compensate Mr. Edwards, the proposed receiver, \$250 in addition to the \$750 that was agreed upon by the parties?—A. That arose in this way: Associated with the company was another company known as "the Neilsen Packing Co.", 100 percent of the stock of which was owned by the same interest that owned 60 percent of the stock of the Golden State Asparagus Co., the defendant in this case. It was contemplated that the affairs of both companies would be managed by Mr. Edwards under the supervision of the creditors of the two companies and the San Francisco Board of Trade, and that the salary for the joint operation of the two companies would be the sum you mentioned, \$1,000 per month, but he was never selected or retained to administer the affairs of the other company and never performed any services in that connection.

Q. And when the matter came up in open court, do you know, from your own knowledge, whether or not Mr. Delger Trowbridge, then representing your firm and representing the defendant in the action, did not consent to the allowance of \$14,000 for that period for Mr. Edwards, the receiver?—A. I would answer that my information from what he told

me was that he consented against his own best judgment, and very reluctantly.

Q. In other words, he said "yes", but had a mental reservation "no". Is that what you mean?—A. No; I mean that he submitted to the order of the court that the sum of \$14,000 should be allowed on account, because he was satisfied that that was the best that could be accomplished.

Q. And from the allowance of the attorneys' fees and from the allowance of the receiver's fees no appeal was ever taken?—A. No.

Q. That is all.

Redirect examination by Mr. BROWNING:

Q. Do you know whether the company have had enough money to pay those fees that have been allowed?—A. My understanding is that the company has not with respect to the attorneys; that the sum of \$4,000 was paid on account of the \$14,000, and I do not know, it may be that subsequent payments were made, but the company did not have sufficient funds with which to make that payment or it would otherwise have been made.

Mr. Manager BROWNING. That is all.

Recross examination by Mr. HANLEY:

Q. Just one question. In other words, you mean that the liquidation had not gone sufficiently far to bring in cash and they have waited? Is that the idea?—A. Well, I mean this, that the company did not have adequate cash on hand with which to make the payments arising from its operations.

Q. Without sacrificing the property of the company by selling out to get those amounts. Is not that true?—A. Well, the operations of the company since the receivership have resulted in an impairment of capital stock of approximately 50 percent, having been intact at the time of the receiver's appointment, and how the continued disposition of the assets could produce funds does not appear to me.

Q. Do you not know that conditions in the Asparagus Co.'s line, as well as in every fruit, canning, and packing company practically during the last number of years, since the so-called "depression", have been such that they have operated at a loss, and it was not due to the receivership?—A. Absolutely. I do not wish to imply that the operations of the receiver were incompetent and negligent, because, on the contrary, everybody felt that the receiver was an excellent man and performed excellent service.

Mr. HANLEY. I think that is all.

Mr. Manager BROWNING. That is all.

APPOINTMENT OF ATTORNEYS AND ALLOWANCE OF FEES

Mr. Manager BROWNING. Mr. President, at this point we wish to offer the petition in this case for the appointment of attorneys, and the order filed April 1, 1932, allowing the fee of \$14,000 to the attorneys Dinkelspiel & Dinkelspiel.

Mr. LINFORTH. As part of your offer, will you state or concede that the allowance was on account?

Mr. Manager BROWNING. I think the order shows how it was.

Mr. LINFORTH. The order shows it was on account.

Mr. Manager BROWNING. Yes; I think undoubtedly there will be further fees allowed there. It is only on account.

The PRESIDING OFFICER. The documents will be received.

(See U.S.S. Exhibits 40 and 41.)

EXAMINATION OF DELGER TROWBRIDGE

Mr. Manager BROWNING. Call Mr. Delger Trowbridge. Delger Trowbridge, having been duly sworn, was examined, and testified as follows.

By Mr. Manager BROWNING:

Q. Please state your name, place of residence, and occupation.—A. My name is Delger Trowbridge; my residence is Oakland, Calif.; and my occupation is attorney at law.

Q. Where is your office?—A. In San Francisco.

Q. What firm are you connected with?—A. I am a member of the firm of Cushing & Cushing.

Q. Were you connected with them when the receivership in the Golden State Asparagus case arose?—A. I think I

was temporarily absent, serving on the Industrial Accident Commission of the State of California, when the receivership arose.

Q. And you were not present when the receiver was appointed?—A. I was not.

Q. What was the first connection you had with the case?—A. My first connection with the case was shortly before the matter of the application of the receiver and his attorney for compensation for the first year's work came up.

Q. Please state what that was.—A. Mr. Erwin Richter, of our firm, was leaving on business for Washington, and the matter of the application of the receiver and his attorney for compensation was pending. Mr. Richter informed me fully of the whole situation and made certain suggestions as to what should be done at the time of the hearing of this application.

Q. Were you present at the hearing?—A. I was present at the hearing.

Q. Please state what occurred at that hearing.—A. The hearing was on Saturday morning, March 26, 1932. The court had a long criminal calendar, and the matter was not called up until about 20 minutes of 12. Upon the calling of the matter a short statement was made as to the nature of the application by the receiver and his attorney, and then various attorneys representing creditors stated their objection to the court's allowance of fees asked for by the receiver and his attorneys.

Q. Who were they who made those statements?—A. As I remember it, the leading attorney for the creditors was William J. Hayes, attorney for the San Francisco Board of Trade. There was a lawyer by the name of O'Donnell; there was a lawyer by the name of Arthur Johnson, representing about \$15,000 in wage claims, who appeared on behalf of the State commissioner of labor; and Mr. Fox, of the firm of Chickering & Gregory, representing the plaintiff American Can Co., with myself, representing the defendant, the Golden State Asparagus Co.

Q. Were all of these people in opposition to the fees that had been applied for?—A. They were.

Q. How much had been asked for?—A. \$15,000 was asked for in behalf of the receiver for the first 12 months' work and \$15,000 for the attorneys for the receiver for the first 12 months' work.

Q. Was there any objection to the application of the receiver?—A. No; there was not.

Q. What was the objection to?—A. The objection was to the allowance of the fees to the attorneys.

Q. What amounts were presented at that time by those objecting to the fees as adequate for the services that had been rendered?—A. As I remember it, Mr. O'Donnell stated to the court that he thought the fees should be not in excess of \$6,000 for the attorney. When he stated his objection, the court was evidently hostile to the objection by creditors.

Mr. HANLEY. We ask that that be stricken out.

The PRESIDING OFFICER. That may be stricken out. The witness will proceed.

The WITNESS. When he stated his objection, the court ordered him to take the witness stand and testify, as an expert witness, as to the reasonableness of the fees asked by Messrs. Dinkelspiel & Dinkelspiel. Mr. O'Donnell thereupon took the witness stand and stated that, in his opinion, the fees allowed should be not in excess of \$6,000.

Q. Were the ones that he ordered to take the witness stand the lawyers who were making the objection?—A. They were.

Q. Who else testified, if anyone?—A. I cannot remember the names at this time. I know that I did not take the witness stand, because I told the court that Mr. Richter had handled the matter from the beginning, that I was not familiar with the details, and I thought he could pass on the reasonableness of the attorneys' fees from his knowledge as a judge. So I did not take the stand.

Q. Did he invite you to take the stand?—A. I think he would have done so, but I forestalled him by making that statement.

Q. Did he invite the other attorneys there, except the one you have mentioned, to take the witness stand?—A. I do not remember whether Mr. Fox was invited to take the witness stand in that connection, but Mr. Fox, I know, took the witness stand in connection with the application of his firm for \$1,500 attorneys' fees and very kindly put in a word also in behalf of our firm in support of our application for \$1,500 for representing the defendant during the first year of the receivership.

Q. Were those fees allowed?—A. The \$15,000 fees were not allowed. As a matter of fact, the time for adjournment was impending; and in order that the thing could be disposed of quickly, Mr. Fox, of the firm of Chickering & Gregory, made the suggestion that any allowance made to the attorneys and the receiver be made on account. When that suggestion was made, Mr. Dinkelspiel rose and said that if such an order were to be made he would be agreeable to a lower amount being allowed, if it was understood that it was simply on account. Then testimony was taken, as I said before, about the fees of the attorney for the plaintiff and the attorney for the defendant, and then the matter was submitted and the court adjourned.

Q. When did you learn of the action of the court as to the allowance of those fees?—A. To state just what happened, Mr. Dinkelspiel telephoned me that an order had been made allowing \$14,000 on account for the receiver and for his attorneys. I said to him, "What order was made regarding the fees for the attorneys for the plaintiff and for the defendant." He said apparently no order was made; but he said, "I am preparing an order to present to the judge and I am putting those fees in, inasmuch as there was no objection by anyone to the allowance of those fees." Then the next thing I knew Mr. Dinkelspiel sent me through the mail a copy of the order as signed by the judge, and the last two paragraphs allowing \$1,500 to Chickering & Gregory and \$1,500 to Cushing & Cushing were stricken out in ink, and there was no order made one way or the other regarding their application.

Mr. Manager BROWNING. Take the witness.

Cross-examination by Mr. HANLEY:

Q. Mr. Trowbridge, you understand that the matter of your fees is still a subject of future application, do you not?—A. Technically, I would say that it is still under submission.

Q. With reference to the matter of the fixing of the fees, can you tell us who was sworn with reference to the reasonableness of the fee on that day?—A. The only witness who I can possibly identify as having taken the witness stand that morning was Mr. O'Donnell.

Q. Mr. Vincent O'Donnell, it developed upon the examination by Mr. Martin Dinkelspiel, had never been in a receiver case; is not that true?—A. I do not remember the details of his testimony.

Q. He was a young attorney, was he not?—A. I would say so.

Q. Was not this his first appearance even in the Federal court in a matter of that kind?—A. I have no information on that subject.

Q. Do you recall that when Mr. Martin Dinkelspiel examined him and detailed the amount and the value of the services that he finally said, "Yes; I believe \$15,000 is a reasonable amount to be allowed"?—A. He said that in answer to a hypothetical question of Mr. Martin Dinkelspiel, including a lot of services that Mr. Dinkelspiel did not perform.

Q. That was your opinion as to whether or not he had performed those services, was it not?—A. That was my information.

Q. You were there with Mr. Hughes, of the board of trade, were you not?—A. I was.

Q. William J. Hughes, since dead?—A. Yes, sir.

Q. He had been the attorney for a number of years of the board of trade?—A. That is correct.

Q. Do you recall the suggestion he made as to the value of the services?—A. He made a suggestion in accordance with an agreement between the attorneys for the creditors that the amount of \$15,000 asked for for the first year's services be allowed for the first 18 months.

Q. Thirteen months or eighteen months?—A. Eighteen months.

Q. Do you remember whether or not he said that in his opinion it was \$12,000 at the outside? Do you recall what he said?—A. Some such statement may have been made. It is not very clear in my mind now.

Q. As a matter of fact, however, when he was asked by the court and you were asked by the court if you had any question of the value of the services, did not the court say, "Do not make a statement, gentlemen, about it, but let us have sworn testimony." Do you recall that?—A. Not in that form; no.

Q. Did he ask you men who were objecting to the fees, "If you wish to testify to the value of the services, please do not do it by an opening statement, but let us make a record so I can have before me sworn testimony about the matter?"—A. He peremptorily demanded that we take the stand and testify to the value of the services that we were making statements about.

Q. In other words, you were all contending that certain fees were not proper and he said, "You are all lawyers, and if you wish to testify to the value of the services, please take the stand upon the matter", did he not?—A. He ordered us to take the stand.

Q. You did not take it, did you?—A. No; because I was not qualified as a witness, and so told the judge.

Q. But you did qualify as a witness or in the statement that you made there, did you not? You did qualify as a member of the firm of Cushing & Cushing?—A. I was simply stating our opinion as attorneys on information furnished to me.

Q. You testified at the hearing out in San Francisco, did you not?—A. I did.

Q. If I can refresh your memory, Mr. Trowbridge, I would like to do so by a few questions. Does this refresh your memory as to what took place:

Cross-examination by Mr. HANLEY:

Q. Now, on cross-examination you did hear Eugene O'Donnell say, knowing what was asked him on cross-examination, that the fee would be reasonably worth \$15,000?—A. I don't remember that.

Q. Did William J. Hayes, our former referee in bankruptcy, and one of our attorneys for the board of trade, fix any amount that he thought was a reasonable amount?—A. I cannot remember whether he did or not. I know he objected to the amount asked for, but I don't know if he fixed the definite amount he would allow.

Q. Did you, representing Cushing & Cushing, fix a reasonable amount to the judge and advise him?—A. (Interrupting.) By stating that the \$15,000 should cover 18 months' period instead of 12 months; yes, I did.

Q. So that you agreed that if the fees were to run on for the full period of 18 months, that \$15,000 was a reasonable fee?—A. I felt that probably that was the least that we could hope to cut down the amount of the fees. That was offered as a compromise suggestion.

Q. You were compromising, as attorney for the company that was in the hands of the receiver. You were not advising any unreasonable amount, were you—you don't want this committee to so understand you, do you?—A. I was giving the best advice to bring about the lowest figure we could hope to get.

Q. Kindly answer my question. You were not advising the court at that time to have the court allow an unreasonable fee, were you?—A. I would rather stand on that last answer, because—

Mr. SUMNERS (interrupting). I think that is sufficient. He has answered.

Mr. HANLEY. In any event, you did suggest that, for 18 months, \$15,000 was a fee that should be allowed?

The WITNESS. That is correct.

Did you give those answers as I have read them from the record of the subcommittee when they were in San Francisco between the 6th and the 12th of September 1932?—A. That testimony is correct with one exception. The word "least" should be "most."

Q. What?—A. The testimony that you read is correct except that the reporter has made a mistake and used the word "least" instead of "most."

Q. All right.—A. That is in the early part of the excerpt.

Q. Do you recall Judge Louderback asking Mr. Fox, of Chickering & Gregory, whether or not, after he testified about his own services, he had any suggestions to make, and Fox said that he did not like to make any suggestions at all? Do you recall that?—A. I remember that he did make

a suggestion that any fees that were allowed be allowed simply on account.

Q. And a credit in the amount that what you have stated, in your opinion, was reasonable on account?—A. That is my recollection.

Q. And the \$14,000 instead of \$15,000, as you suggested, was allowed on account? That is true, is it not?—A. That is correct.

Mr. HANLEY. That is all.

Redirect examination by Mr. Manager BROWNING:

Q. On the examination which has been referred to the question was asked you:

So that you agreed that if the fees were to run on for the full period of 18 months that \$15,000 was a reasonable fee?

And you stated your answer was:

I felt that probably that was the most that we could hope to cut down the amount of the fees. That was offered as a compromise suggestion.

May I ask you to explain why that was the most you hoped to cut it down?

Mr. HANLEY. We object to that. The Senate as the jury will take the testimony and his explanation now of what he intended to say has no part in the record.

Mr. Manager BROWNING. Counsel brought that out, and I think the witness should have the right to explain.

The PRESIDING OFFICER. The present occupant of the chair thinks that should be left to the determination of the court.

Mr. BLACK. Mr. President, I have a question I desire to have propounded.

The PRESIDING OFFICER. The clerk will read the interrogatory proposed by the Senator from Alabama.

The legislative clerk read as follows:

Q. What, in your judgment, would have been a reasonable fee for the services performed by the attorneys for the receiver?

The WITNESS. To answer that question fairly and honestly I should say that my opinion would be based on an examination of the files of work done by the attorneys and by conversations with various attorneys interested in the case, as I have already testified on direct examination that I had no connection with the case in the early part of it. However, I would say that a reasonable fee in this case should not have exceeded \$7,500.

By Mr. HANLEY:

Q. And still, notwithstanding the question you have just answered, as propounded by the Senator from Alabama, you told the committee that a fee of \$15,000 for 18 months was reasonable?—A. I told them that because I knew that was the best deal we could get for the creditors and the company.

Mr. Manager BROWNING. That is all.

(The witness retired from the stand.)

INTRODUCTION OF HOTEL FAIRMONT RECORDS

Mr. Manager BROWNING. Mr. President, on yesterday we requested to insert certain records of the Hotel Fairmont in the city of San Francisco, which were brought here by the auditor of that hotel, who is now in the hospital on account of an operation and would not be in attendance. I have submitted these to counsel for the respondent. As to some of them a ready agreement was given, and as to others judgment was withheld. I would request to know now if I may be permitted to insert those under agreement at this time as if the auditor were here himself to identify them.

Mr. HANLEY. We have no objection to their being inserted at this time in the record, with no comments, of course, upon them.

The PRESIDING OFFICER. The documents may be offered and received.

Mr. Manager BROWNING. I offer the registration card of the Fairmont Hotel in San Francisco, dated September 21, 1929: "Name, Sam Leake; street, Guest; city and State, San Francisco." I ask that it may be made a part of the record.

The PRESIDING OFFICER. That may be done.

(See U.S.S. Exhibit 42.)

Mr. Manager BROWNING. This has reference to room 26, which was occupied by Judge Louderback as heretofore

shown in the proof. I also offer the records of said hotel covering room 26 from September 1929 to and including April 1933.

The PRESIDING OFFICER. Do you wish to have these printed in full in the RECORD?

Mr. Manager BROWNING. Yes, sir.

The PRESIDING OFFICER. That may be done.
(See U.S.S. Exhibit 43.)

Mr. Manager BROWNING. I also offer the record of room 679, Fairmont Hotel, occupied by Mr. and Mrs. Leake, and by Mr. W. S. Leake, from January 1928 to and including April 1933, and ask that they be printed in the RECORD.

The PRESIDING OFFICER. That may be done.
(See U.S.S. Exhibit 44.)

Mr. Manager BROWNING. I further offer the original telephone sheets of the daily calls of the Fairmont Hotel in San Francisco on the dates of March 11, 1930, and March 13, 1930, for the special purpose of identifying two calls, one on each date, from room 679. The name of the call was from "Leake" to "471 Woodside" on each date.

The PRESIDING OFFICER. They may be received.
(See U.S.S. Exhibit 45.)

Mr. Manager BROWNING. I understand that counsel for the respondent are willing to stipulate that in 1930 the telephone directory of San Francisco showed that "471 Woodside" was the residence telephone number of John W. Short.

Mr. HANLEY. That is admitted.

(At this point Mr. Manager BROWNING handed Mr. Hanley a paper and Mr. Hanley said:)

The last offer made is only a summary made in lead-pencil writing of the sick auditor. I think the original records show these amounts, so I think his lead-pencil memorandum, without any chance to check it, ought not to be offered at this time. There is no objection to the record itself, but there is to the lead-pencil offering.

Mr. Manager BROWNING. This pencil memorandum shows how the monthly payments were made, whether by Judge Louderback's check or whether by cash by Mr. Leake for room 26 in the Fairmont Hotel from October 1929 to April 1933. I offer this to show or indicate how the payments were made for the bill for this room.

Mr. HANLEY. I think the record would be the best evidence and not the summary of the record made by the absent witness. We will have later the canceled checks.

The PRESIDING OFFICER. Why not save time by allowing it to go into the RECORD subject to any correction that respondent may find it necessary to make?

Mr. HANLEY. That is all right.

Mr. Manager BROWNING. That may be done.

The PRESIDING OFFICER. It will be received with that understanding.

(See U.S.S. Exhibit 46.)

EXAMINATION OF SIDNEY M. EHLMANN

Mr. Manager BROWNING. Call Mr. Ehrmann.

Sidney M. Ehrmann, having been duly sworn, was examined, and testified as follows:

By Mr. Manager BROWNING:

Q. Please state your name, your place of residence, and your profession.—A. My name is Sidney M. Ehrmann; I reside in San Francisco, and I am an attorney at law.

Q. Are you a member of the firm of Heller, Ehrmann, White & McAuliffe?—A. Yes, sir.

Q. When the controversy over the appointment of Mr. Strong arose, where were you?—A. I was in London at the time.

Q. I will read you this statement from the testimony of Judge Louderback, given before the committee on the 16th day of January last:

Let me put it very plain to you. The firm of Heller & Ehrmann is a strong political firm in San Francisco. Mr. Ehrmann is quite a power; also I had a sentimental reason because of the friendship of Mr. Ehrmann and my brother. I was sorry to see the whole thing, and I was determined that there would be no criticism of that estate in the event I had to remove Strong.

And further the statement is made that you were a regent of the University of California. I will ask you if, in fact, you were a regent at that time.—A. I was not.

Q. Are you one now?—A. I am a regent now.

Q. When did you become a regent?—A. I was appointed a regent in October 1930.

Q. Were you present at the hearing on the fees that were allowed in this case?—A. Yes, sir; I was present.

Q. It is the Russell-Colvin case that I have reference to.—A. Yes, sir.

Q. In what capacity?—A. I went there at the instance of the San Francisco Stock Exchange to be merely an observer and report to them what had happened.

Q. Did you have any standing in the court at that time as an attorney in the case?—A. I had no standing whatsoever as an attorney in the case, because we represented no one in court.

Q. What was the interest of the stock exchange in the matter?—A. The interest of the stock exchange was this—that they had desired from the outset, in accordance with their usual custom, to have as inexpensive and speedy a liquidation of the affairs of the bankrupt brokerage concern as was possible; and they had received complaints, I understand, from creditors in regard to the fees that were applied for—a total of \$128,000—and they wanted to know from me what could be done about it. I said, "I do not see that anything can be done about it. You have no standing in court."

Mr. LINFORTH. Just a minute. Mr. President, under the rule established, it is incumbent upon us to object to an answer, if not responsive or improper, before it is concluded. For that reason we interrupt the witness and object to the answer and move to strike it out upon the ground, first, that it is not responsive to the question and, second, that it is incompetent and hearsay so far as the respondent is concerned.

The PRESIDING OFFICER. The Chair thinks there is some merit in the contention of the respondent. He will not order the answer stricken out; but the witness is directed to answer the question as far as the question requires an answer, and then stop.

By Mr. Manager BROWNING:

Q. Had the stock exchange in fact received complaints from creditors with regard to the cost of administration?

Mr. LINFORTH. One moment, Mr. President. We object to that question unless the witness answers of his own knowledge, and not through hearsay.

The WITNESS. I can only answer that in this way, that I am counsel for the stock exchange—

The PRESIDING OFFICER. Just a minute, Mr. Witness. You are to answer if you know of your own knowledge.

The WITNESS. Well, Mr. President, I only know of my own knowledge, as counsel for the exchange, of communications that have come to the secretary, and which he informs me of. No creditor came to me personally in the exchange; but a creditor, or two creditors, did speak to me in the court room.

By Mr. Manager BROWNING:

Q. Then you do know of those two complaints?—A. I know of those two complaints. They came up and spoke to me in the court room.

Q. And the others came to you through the due course of your relationship as attorney for the stock exchange?

Mr. LINFORTH. One moment. We object to that as being hearsay and incompetent and not binding on the respondent.

The PRESIDING OFFICER. The present occupant of the chair feels that the evidence of the men who made the complaints would be the best evidence here. This witness may relate what he knows as to complaints that he himself received from those who made them.

Mr. Manager SUMNERS. Mr. President, will the President permit a suggestion from the managers?

The PRESIDING OFFICER. Certainly.

Mr. Manager SUMNERS. We quite appreciate the correctness of the ruling of the present occupant of the chair, and we do not want to encumber the RECORD; but we hope the present occupant of the chair will appreciate the fact that it is 3,000 miles from here to the place where many

of these witnesses reside. We want to proceed substantially within the rules but to get before the Senate as clearly as we can the picture that the witnesses may be able to give.

The PRESIDING OFFICER. The Chair appreciates the difficulties under which counsel may be laboring.

Mr. Manager SUMNERS. We do not insist, because this is the responsibility of the Senate, and we are just doing the best we can under the circumstances.

The PRESIDING OFFICER. The Chair thinks that if the rules are followed the hearing will be expedited and the facts will be elicited quite as readily.

By Mr. Manager BROWNING:

Q. So you were there because of objections made by the creditors of the concern?—A. I was in court during that entire hearing.

Q. How long have you or your firm represented the stock exchange of San Francisco?—A. Ever since I became a member of the firm originally known as "Heller, Powers & Ehrmann", in 1905. Before that time I was employed by that firm; and the senior member of the firm, Mr. Heller, had been attorney for the stock exchange from the early nineties.

Q. Have you known, throughout that length of time, of the liquidation of other members of the stock exchange?—A. Yes, sir.

Q. Can you now recall any of them?—A. I can recall several cases which were liquidated in the stock exchange itself. The president and a committee from the board of governors acted in the capacity of receivers, and relied upon my firm for such legal advice as was necessary in the liquidation.

Q. What are the names of those particular cases?—A. There is one in particular—there are one or two I would not care to mention, because members of those firms are again in business—but I recall two that I think there is no objection to mentioning. One was the Schwartz matter, Harry Schwartz, and the other was Mr. Gregg.

Q. What was the policy of the exchange with regard to these liquidations?

Mr. LINFORTH. Just a minute.

The PRESIDING OFFICER. The Chair does not see the materiality of that.

Mr. Manager BROWNING. Mr. President, if I may be indulged just a moment, it has been clearly indicated that one manner of defense of the conduct of the respondent in this case is the activity of the stock exchange with regard to the liquidation. We do feel that this man, who has been attorney for that concern for 28 years, should be permitted, if he knows—and he does say that he knows—to describe the attitude that the stock exchange always takes toward the liquidation of its members who get into financial difficulty, and to tell the method by which that liquidation is made. We do feel that that is material.

Mr. LINFORTH. Mr. President, may I add that, of course, we are not here trying the attitude of the stock exchange in other cases. If we were, it would not be material unless they brought home knowledge to the respondent, at and prior to the time that he made the order in question, that he knew of the attitude of the stock exchange in these other matters.

Mr. Manager BROWNING. One word, Mr. President; and that is that this will establish the unjustified suspicion, if there was such a thing, on the part of the respondent at that time.

The PRESIDING OFFICER. The present occupant of the chair does not see the materiality of the inquiry and will sustain the objection.

By Mr. Manager BROWNING:

Q. At the hearing on the fees, when the matter was closed, did you receive any communication from Judge Louderback?—A. I received no direct communication from Judge Louderback; but on the evening of the second day of the hearing—

Mr. LINFORTH. May I interrupt under the rule, Mr. President? The witness has answered the question. I submit that that kind of an answer calls for no explanation.

The PRESIDING OFFICER. The witness can answer "yes" or "no" and then explain.

The WITNESS. I would say "yes." On the evening of the second day, and after the hearing was adjourned, about half-past 5 to 6 o'clock, the crier of the court told me that Judge Louderback would like to talk to me in chambers, and I told him I declined to go.

Mr. LINFORTH. Just a moment, may it please the President. We move to strike out that answer as being hearsay and incompetent and not binding on the respondent.

The PRESIDING OFFICER. The Chair will overrule the objection, because he assumes counsel for the proponents will follow up the question with others and that it is laying the foundation for other questions. On that ground the Chair will admit it.

Mr. Manager BROWNING. Mr. President, of course we show that for what it is worth, of its own value.

The PRESIDING OFFICER. It is admitted.

Mr. Manager SUMNERS. Will the Chair indulge the managers for just a moment?

The PRESIDING OFFICER. Certainly.

Mr. Manager SUMNERS. As bearing upon the admissibility of the testimony sought to be elicited from this witness with regard to the interest and the custom of the stock exchange with reference to their members who get into financial difficulty, we desire to call the attention of the Chair to a very brief quotation from the opening address of the attorney for the respondent, which appears near the bottom of page 97, the closing words in the paragraph which ends with the word "exchange." Counsel for the respondent made this statement:

We will show you why the stock exchange was so anxious to control the appointment not only of the receiver but to have appointed the attorney for the San Francisco Stock Exchange.

The respondent, of course, has not yet put on his testimony. We do not want to take the time of the court unnecessarily; but this witness for practically 30 years has represented the stock exchange as its counsel, and therefore, as every lawyer knows, is familiar with the customs and with the motives and with the interest of his client. This record shows that his client was interested in the inception of this matter in having its auditor and having its counsel assist in winding up the affairs of this particular concern.

We want to show that there was no deviation from this general policy with regard to this particular concern, but that, for the protection of the reputation of its own members, and for the protection of the interests of the creditors of a member, in all instances it was the custom of the exchange to undertake to procure these liquidations through those agencies which it controlled, and by this witness we want to show that he was carrying out a long-established custom which we believe it may be reasonably assumed a resident of that community, a judge on the State bench, and later on the Federal bench, at least would accept as knowledge that falls within the category of common knowledge, insofar as his group of persons is concerned. We do not want to insist, but we want to lay clearly before the court the motives which prompt the managers in attempting to elicit this information, and to show the true character and the true relationship of the stock exchange with regard to this particular transaction.

The PRESIDING OFFICER. I assume that the respondent may have known of it, for he is in no way bound by that custom. If the purpose as announced by the attorney for the respondent is carried out, and evidence is adduced here in support of the statement made in the opening address, then this testimony will be quite proper, but until that time the Chair does not think it is proper.

Mr. Manager SUMNERS. We quite understand that. I make this statement, not in insisting, but in explanation of the attitude of the managers. There are four members of this firm here, and we are trying to make it possible for them to go if they can.

Mr. LINFORTH. Mr. Manager, you recall that we are through with two members of that firm.

Mr. Manager BROWNING. Mr. President, we do not concede that counsel for the respondent has a right to dismiss our witnesses until we get ready to dismiss them. Of course, they have been very accommodating.

The PRESIDING OFFICER. It is not necessary to take up the time of the court with that kind of controversy. Proceed with the examination.

Mr. Manager BROWNING. That is all with this witness for us.

Cross-examination by Mr. LINFORTH:

Q. You not only attended the hearing of the application for fees, but you were also a witness, were you not?—A. I was subpoenaed as a witness.

Q. And you testified as a witness, did you not?—A. Yes, sir.

Q. I want to call your attention to page 30 of the record and ask you if at that time and upon that hearing you testified as follows:

I do not in any way underestimate the value of the services, but I cannot help basing my opinion on the fact that I have given an estimate, or my firm has given an estimate, of what the legal fees would be in case of a receivership, and naturally I may be influenced in that respect.

I want to call your attention particularly to what follows:

I want to say right here that the work done has been excellent, both on the part of the receiver and on the part of the attorneys, so far as I have heard from every source.

Did you so testify before Judge Louderback on that hearing and before he made any order?—A. I did.

Q. And was that your then opinion?—A. Based on the evidence that I heard, that was my opinion, and still is, on all the evidence that I heard given in that case.

Q. And was it your opinion at that time that the work done, both by the receiver and by his attorneys, had been excellent from every source that you had heard from?—A. From any source I had heard from, the administration had been very well carried on, excellently carried on.

Q. Both by the receiver and by his attorneys?—A. As far as I had heard. I heard most of the detail in the courts on the testimony of the receiver and his attorneys.

Mr. LINFORTH. No further questions.

The PRESIDING OFFICER. Have the managers any further questions?

Mr. Manager BROWNING. That is all.

The PRESIDING OFFICER. The witness will be excused.

Mr. Manager BROWNING. Just one moment, if I may ask one question.

Redirect examination by Mr. Manager BROWNING:

Q. At that time what did you testify that, in your opinion, the services of the attorneys were worth in that case?—A. I testified that, in my opinion, the outside figures would be between \$20,000 and \$25,000.

Mr. Manager BROWNING. That is all.

Recross-examination by Mr. LINFORTH:

Q. Mr. Ehrmann, I have a few more questions, then. Did you not upon that hearing testify in substance that prior to any work being done in the receivership matter your firm had given an estimate to the stock exchange of what you thought your firm would charge if you people were the attorneys?—A. Yes, sir; I understand that an estimate was given as to the total fees that would be payable in the event of liquidation through court. That was done because the stock exchange had previously liquidated these partnerships and knew what the costs were.

Mr. LINFORTH. Mr. President, in line with the policy established I interrupt the witness and move to strike out the latter part of his answer as not responsive and not in explanation of the answer given.

The PRESIDING OFFICER. It seems to the Chair that the answer is responsive, though going perhaps beyond the necessity. I overrule the objection.

By Mr. LINFORTH:

Q. That estimate to which you referred in the testimony which you gave was an estimate which your firm gave to the stock exchange, was it not?—A. Yes, sir; it was an estimate of what the court costs ought to be, both for the receiver and for the attorneys for the receiver.

Q. You did not give that estimate to Mr. Strong, the receiver, but you gave it to the stock exchange. Is that correct?—A. It was reported to the secretary of the stock

exchange, who made the inquiry what the costs of such a receivership should be.

Q. Is it not the fact that in giving your testimony on this application before Judge Louderback in words or substance you stated that you could not keep and you could not help from basing your opinion on the fact that your firm had given an estimate as to what the fees to the stock exchange would be in case of receivership?—A. I said that, Mr. Linforth, in starting to give my testimony, and I was halted from all testimony of that kind by the counsel for the respondent—

Mr. LINFORTH. I again interrupt, Mr. President, and submit the answer is not responsive in any sense to the question.

The PRESIDING OFFICER. The witness might have answered that "yes" or "no" and explained why he answered "yes" or "no." I overrule the objection.

The WITNESS. I wanted to say further in explanation that that was given in connection with testimony given to me—that was given by me—that, regardless of that fact, and based on the evidence I had heard and examined, the services were worth between 20 and 25 thousand dollars at the outside.

By Mr. LINFORTH:

Bearing on the question of the fees and your estimate, did you not give this answer at that time?—

My opinion has practically been formed by the fact that my firm told the stock exchange what would approximate the charge.

Did you give that answer at that time?—A. If it is in the record there, I did, Mr. Linforth.

Q. Would you like to see it?—A. I quite take your word for anything you read from the record, sir.

Q. Thank you. We have known each other a long time.—

A. I have known you so long that I quite appreciate that fact.

Q. When you gave that answer you meant it, of course, did you not?—A. Yes, sir.

Mr. LINFORTH. No further questions.

Redirect examination by Mr. Manager BROWNING:

Q. Mr. Ehrmann, will you explain about the report to the stock exchange on which you have been interrogated, giving an estimate of what your firm would charge? How did that come about?—A. It comes about this way. In these previous liquidations that took place in the stock exchange there was no charge for the receivership, because it was done through the president and a committee of the board of governors, and the charges of the attorneys were very small. In the Schwartz matter, for example, which involved between, I will say, three and four hundred thousand dollars—

Mr. LINFORTH. Just a moment.

The PRESIDING OFFICER. I think that is not called for.

Mr. Manager BROWNING. Mr. President, with all deference, if I may be permitted a word, counsel for the respondent asked specifically about the report he gave to the stock exchange, or which his firm gave to it, as to the estimate of what they would charge; and it was interwoven with the testimony he gave, which was quoted here from the record by counsel for respondent; and I think that under the rules surely he should be permitted to explain what that was on which this testimony is said to have been based.

The PRESIDING OFFICER. Counsel is quite right; the witness may testify and say what report he gave to the stock exchange.

Mr. Manager BROWNING. All right.

Mr. LINFORTH. Mr. President, may I add a remark? The question I asked the witness related to an estimate his firm gave to the stock exchange about this very case, not the Schwartz case or some other case, and whatever they did in regard to this particular case we have not the slightest objection to.

The PRESIDING OFFICER. That is my recollection, and it is quite proper for the witness to testify regarding that. Counsel may interrogate him on that.

By Mr. Manager BROWNING:

Q. Will you explain, Mr. Ehrmann, about the report which your firm made to the stock exchange on the fee which it

would cost to liquidate this estate?—A. My firm reported to the stock exchange that they were unable to definitely state what the services would entail, but that in any event they would say that the attorneys' fees would not exceed \$20,000.

Q. What about the receiver's fees? Did you make any report on that?—A. I understand—I have not heard this except through the secretary of the stock exchange—that the receiver was not to receive in excess of \$15,000. I may say those things were told me when I was asked to attend the hearing.

Mr. LINFORTH. Then I move to strike out those answers upon the ground that they are hearsay.

The PRESIDING OFFICER. Mr. Witness, were you told under what circumstances these statements were made?—A. No; these statements were made to me.

The PRESIDING OFFICER. By whom?

The WITNESS. By the president and secretary, as I recall it. I spoke to both of them before I was instructed to go out as an observer on this application for fees that totaled \$128,000.

Mr. Manager BROWNING. That is all.

Mr. McKELLAR. Mr. President, I have a question which I desire to have asked the witness.

The PRESIDING OFFICER. The Senator from Tennessee propounds an interrogatory, which the clerk will read.

The legislative clerk read as follows:

Do you know John Douglas Short, and can you give us some facts about him? Can you advise us as to his ability and his integrity? How long had he been practicing law when he was appointed attorney for the receiver? Was he a lawyer in a firm, or was he simply a lawyer employed by a firm?

The PRESIDING OFFICER. Mr. Clerk, let me suggest that you read the first interrogatory, and let us get an answer to that, and then we can proceed with the other branches of the question.

The legislative clerk read as follows:

Q. Do you know John Douglas Short and can you give us some facts about him?

The WITNESS. My first acquaintance with John Douglas Short was at the time of this hearing on the application for fees. I did not know him previously.

The legislative clerk read as follows:

Can you advise us as to his ability and his integrity?

The WITNESS. Not from my personal knowledge; only from what I have heard.

The legislative clerk read as follows:

How long had he been practicing law when he was appointed attorney for the receiver?

The WITNESS. I can give that only from what I have heard, not from my knowledge.

Mr. LONG. Mr. President, a parliamentary inquiry. Could the witness not give his knowledge on both those questions? Could he not give both answers on his knowledge?

The PRESIDING OFFICER. In the opinion of the Chair, if he does not know of his own knowledge, but only from what he heard, it would not be admissible. Of course if he knows what the man's reputation is in the community he can testify to that; if he does not know, his answer would be immaterial.

Mr. McKELLAR. I have not the question before me, but I will amend it so as to include his general reputation.

The PRESIDING OFFICER. The Senator from Tennessee amends his interrogatory and the clerk will read it as amended.

The legislative clerk read as follows:

Q. Can you advise us as to his ability and his integrity from reputation?

The WITNESS. I do not think Mr. Short had established a reputation at the bar, and I had heard nothing as to his ability, one way or the other. I cannot advise as to that. I generally think I would have heard about his ability had it been of any outstanding character.

The legislative clerk read as follows:

Q. How long had he been practicing law when he was appointed attorney for the receiver?

The WITNESS. I think he had been practicing law for 4 or 5 years.

The legislative clerk read as follows:

Q. Was he a lawyer in a firm or was he simply a lawyer employed by a firm?

The WITNESS. He was a lawyer employed by a firm.

Mr. McKELLAR. I will submit one other question.

The PRESIDING OFFICER. The Senator from Tennessee offers a further interrogatory, which the clerk will read.

The legislative clerk read as follows:

Q. How long have you been at the bar in San Francisco, and have you enjoyed an extensive practice, and have you a general knowledge of lawyers there?

The WITNESS. I was admitted to the bar in 1897 but did not commence to practice until 1 year later, in 1898. Consequently I have been at the bar for 35 years. I have quite an extensive practice and am well acquainted with members of the bar. In the last 10 years, I want to say, I have not become acquainted with the younger men in the way that I know men like Mr. Linforth and Mr. Hanley.

Mr. BLACK. I desire to propound an inquiry.

The PRESIDING OFFICER. The Senator from Alabama propounds an interrogatory, which the clerk will read.

The legislative clerk read as follows:

Q. Do you know the general character and reputation of W. S. Leake in San Francisco?

The WITNESS. I think I have heard him discussed a good deal.

The legislative clerk read as follows:

Q. If so, is his general character good or bad?

The WITNESS. If I had to answer that question categorically, I would say that I have not heard him praised.

The PRESIDING OFFICER. Are there any further questions desired to be asked by Senators?

Mr. BLACK. In order that I may get an answer to my question, I should like to ask another question.

The PRESIDING OFFICER. The Senator from Alabama propounds a further inquiry, which will be read by the clerk. The legislative clerk read as follows:

Q. Is Mr. Leake's general reputation for honesty and integrity good or bad?

The WITNESS. I do not know. I cannot answer that question.

The PRESIDING OFFICER. Are there any further questions?

Mr. Manager BROWNING. I have no further questions to ask, Mr. President.

Recross-examination by Mr. LINFORTH:

Q. Mr. Ehrmann, in the last 20 years have you come in contact with Mr. Leake?—A. No, sir.

Q. In the last 20 years have you come in contact with any of Mr. Leake's friends or associates?—A. I do not think so.

Q. In the last 20 years have you come in contact with anyone who, to your knowledge, has come in contact with Mr. Leake?—A. I have heard people talk about Mr. Leake on various occasions. I do not know what their contacts with him were.

Mr. LINFORTH. I think that is all.

Mr. Manager BROWNING. That is all.

The PRESIDING OFFICER. The witness is excused.

RE-EXAMINATION OF DELGER TROWBRIDGE

Mr. Manager BROWNING. Call Mr. Delger Trowbridge again.

Delger Trowbridge, having been previously duly sworn, was recalled and testified as follows:

By Mr. Manager BROWNING:

Q. Mr. Trowbridge, do you remember the origin of the claim against the Lumbermen's Reciprocal Association in the name of Helen Lay that resulted in a receivership in that case?—A. I remember that, Mr. Browning.

Q. Do you remember the date when it arose, approximately?—A. Approximately, July 24, 1930.

Q. What was the first information you had about it—before asking that question I will ask in what official capacity you were acting at that time?—A. I had been for

some 2 years a member of the Industrial Accident Commission of the State of California.

Q. And was it in that capacity that you learned of this claim?—A. My connection with that matter was entirely as a member of the Industrial Accident Commission.

Q. Please relate how the claim came to your attention.—A. Do you want me to give the history of the beginning of it?

Q. Yes; briefly.—A. About—

Mr. HANLEY. Mr. President, just a moment. I submit that we have listened to histories until it is getting tiresome. I think we ought to have questions put so we will be in a position to make legal objection to testimony, and I object now to the witness making a statement that will be largely hearsay testimony until we have a chance to object to it in legal form.

The PRESIDING OFFICER. The managers on the part of the House in the conduct of their examination must be allowed some latitude, and the Chair overrules the objection.

Mr. Manager SUMNERS. Mr. President, may I make an apology?

The PRESIDING OFFICER. The manager may proceed.

Mr. Manager SUMNERS. I am advised by my associates that a rule was announced under which only one manager would be permitted to address the Chair or the Senate sitting as a court with reference to matters, and, not understanding that rule, I offered some observations a moment ago with regard to the admission of testimony. I was not aware of the rule, and I make that apology to the Chair and to the Senate sitting as a court.

The PRESIDING OFFICER. The Chair will say that there was no objection to the remarks of the manager, and the Members of the Senate well understood that what he said was quite in order.

The WITNESS (continuing). About July 23, 1930, I received a call from Mr. Roy Bronson, a prominent practitioner before the Industrial Accident Commission. He told me that he was attorney in California for the Lumbermans Reciprocal Association, an insurance company of Texas, which wrote a lot of compensation-insurance business in California. He told me that the company in Texas was having financial difficulties and was drawing large sums of money out of the account in California; that he was afraid that there was going to be a smash, and that the actions of the Texas officials would prejudice the California creditors. I said to Mr. Bronson, "What has that got to do with me?" He said, "Well, we would like to arrange it so that we can get a better receiver appointed to protect the funds in California." He explained that the insurance commission in the State of California had no power to act in the matter until a receiver was appointed in Texas, and that there was no information that a receiver in Texas was about to be appointed—that is, within the next few hours. He also stated that in order to get into the Federal court they had to get a claim for \$3,000.

The PRESIDING OFFICER. The Chair will suggest that all that evidence is purely hearsay and the time of the Senate sitting as a court should not be taken in rehearsing these things. The witness may say as a result of the conversations with these people what he did; that is quite proper; but as for restating the conversations that he had with various people in the course of these transactions, that, to the mind of the present occupant of the chair, is wholly immaterial, and is needlessly taking up the time of the Senate.

By Mr. Manager BROWNING:

Q. As a result of these conversations and following them, was a claim presented to you for your action?—A. There was a claim presented for our action by a Helen Lay, who was the widow of a workman who was killed during the course of his employment, and, with the understanding that in case of a receiver being asked for in the Federal court the State insurance commissioner would be recommended by the attorneys who were interested, we consented to make an award for Mrs. Lay in the sum of \$5,000 forthwith. In order to do that it was necessary for the attorneys for the defendant insurance company to waive notice of hearing and consent to the commutation of the award to an immediate payment of \$5,000.

Q. Was that consent given?—A. What consent?

Q. To waive all of that?—A. Yes; the insurance company representative waived notice of hearing and agreed to the payment of the lump sum of \$5,000 forthwith.

Q. Was that an absolute allowance of the claim, or was there any condition attached to it?

Mr. LINFORTH. Just a moment. We object to that, may it please the Chair, upon the ground that if it was not absolute and was conditional it is surely the subject of a writing, and the writing would be the best evidence.

By Mr. Manager BROWNING:

Q. Do you have certified copies of your action on that claim with you, Mr. Trowbridge?—A. I think I furnished the managers with a copy this morning.

Q. I hand you those documents and ask you to state what they are.—A. I hold here a certified copy of the application for adjustment of claim, findings, and award, filed July 28, 1930; petition for rehearing by the Bos Construction Co. filed August 5, 1930; order granting petition for rehearing of defendant Bos Construction Co. filed August 8, all certified by the assistant secretary of the Industrial Accident Commission under seal of the commission.

Mr. Manager BROWNING. We offer these in evidence.

The PRESIDING OFFICER. They may be received.

(See U.S.S. Exhibit 47.)

The WITNESS. I have also here a certified copy of the order denying the petition for writ of review against the order of the commission granting the petition for rehearing, certified by the clerk of the Court of Appeals of the State of California, which would complete the documentary records just stated.

The PRESIDING OFFICER. Is it the desire of counsel to have the last document also offered?

Mr. Manager BROWNING. Yes; we offer that.

The PRESIDING OFFICER. It may be received.

(See U.S.S. Exhibit 48.)

By Mr. Manager BROWNING:

Q. Was the first order made a conditional order?

Mr. LINFORTH. We object to the question as to whether or not it was a conditional order upon the ground that the order speaks for itself.

The PRESIDING OFFICER. Is the inquiry directed to the order which has just been introduced?

By Mr. Manager BROWNING:

Q. Was the first order made a conditional order?

The PRESIDING OFFICER. Would it not save time to ask the question rather than to have the order read?

Mr. LINFORTH. With that suggestion I withdraw the objection.

The PRESIDING OFFICER. The Official Reporter will read the question.

The Official Reporter read as follows:

Was the first order made a conditional order?

The WITNESS. Do you mean conditional as a matter of law or as a matter of fact?

By Mr. Manager BROWNING:

Q. Was it subject to be revoked? I mean, was there a condition in it so it could be revoked by action of the commission?—A. What you mean is that under the law we had the power to grant the petition for rehearing if the petition were filed and the petition to reopen under the Workmen's Compensation Act. Under the law the order could be reviewed and set aside in those two manners.

Q. Do you have any personal knowledge when the application was made for receivership based on this claim that you had allowed?—A. I have personal knowledge through the papers in the clerk's office in the United States District Court for the Northern District of California, from my own examination of them.

Q. What representation was made to you, before the granting of the order, as to who the receiver would be in this case?

Mr. LINFORTH. We object to that as not in any way, shape, or form binding upon the respondent and because it calls for hearsay.

Mr. Manager BROWNING. If it is not competent for that purpose, of course, the Senate as a court would not consider it; but if I may be permitted to say, our theory of the case is that the State commissioner of insurance, who was finally determined under the law to have exclusive jurisdiction of the administration of this estate, thought he had the assurance, and this commissioner when he granted the claim thought he had the assurance that the commissioner would be appointed receiver in that case. I was merely trying to show that fact.

The PRESIDING OFFICER. If the insurance commissioner has some knowledge of this case that is material, he is the best evidence. You should not offer hearsay evidence of this character if that is the fact.

By Mr. Manager BROWNING:

Q. After the granting of this claim or after favorable action on the claim, was the petition filed for a rehearing?—A. The petition for a rehearing was filed.

Q. When?—A. As I remember the record, it was on August 5, 1930. I would like to consult the certified copies of the record again. [After examining the papers.] It was filed August 5, 1930.

Q. Were you present in the hearing on the receivership when it was had before Judge Louderback?—A. I was present at a hearing before Judge Louderback on August 8, 1930, involving the question of whether the receivership could be vacated or not, and also whether the receiver appointed by Judge Louderback should have the right to continue with the receivership, and I believe he asked for an injunction restraining the State officials from exercising any jurisdiction in the matter of that case.

Q. In the meantime the Federal receiver had been appointed by Judge Louderback?—A. Yes; that is correct.

Q. Who was it?—A. Samuel Shortridge, Jr.

Q. Who was appointed as counsel for him?—A. Marshall Woodworth.

Q. In the meantime the State commissioner of insurance had contested the right in the Federal court, if I understand it, for this receiver to act?—A. He had filed a petition to revoke the appointment of Samuel Shortridge, Jr., as receiver of this company.

Q. And it was in the hearing on that petition in which you appeared in court?—A. That is correct.

Q. In what capacity did you appear?—A. I appeared as a member of the Industrial Accident Commission and testified regarding the actions of the commission.

Q. What testimony did you give before Judge Louderback at that time with regard to this petition?

Mr. HANLEY. If it is in writing we ought to have it.

The PRESIDING OFFICER. That would be the best evidence.

By Mr. Manager BROWNING:

Q. Do you know whether a record was made of your evidence or not?—A. I believe there was. I think it appears in the transcript on the appeal of the Lumbermen's Reciprocal Association case to the United States Circuit Court of Appeals.

Mr. Manager BROWNING. Mr. President, we are going to ask the witness to stand aside temporarily so we may get the record. It is in the Judiciary Committee room. I apologize for not having it present because I did not know that such a point was going to be raised. We have a certified copy of the transcript which we want to present and verify.

The PRESIDING OFFICER. Cannot counsel agree as to the general purport of the testimony?

Mr. HANLEY. I think we can, although there are certain parts of the cross-examination that Mr. Bronson made of this witness that we want made a part of the record.

The PRESIDING OFFICER. Very well. The witness may stand aside temporarily.

(The witness retired from the stand.)

PHYSICAL CONDITION OF WITNESS EDWARDS

Mr. LINFORTH. Mr. President, may I suggest to the honorable managers that Mr. Edwards, a witness subpoenaed, has notified us that he has an infection of the throat and ear and desires to go to the hospital. We have had him in wait-

ing this morning and I understood from Mr. Manager Perkins that he was to be called so he could be excused. I merely call attention to that in case the managers have overlooked it.

Mr. Manager BROWNING. Did we subpoena him?

Mr. LINFORTH. No, you did not; but my information was that you gentlemen asked him to be here, that you desired him. If you do not desire him, I would, under these conditions, ask leave to call him out of order as our own witness.

The PRESIDING OFFICER. What is the disposition of the managers?

Mr. Manager BROWNING. We do not care to put him on at this time. So far as counsel's application is concerned, we do not resist it. We are perfectly willing for them to put him on if they desire.

The PRESIDING OFFICER. Does counsel for the respondent feel that this is absolutely necessary at this time? Is it not possible that the witness can be here in a day or two?

Mr. LINFORTH. The witness advised me that he had picked up this infection in Chicago and that he had been doctoring it ever since he received it and he was afraid he would be ordered into the hospital. I would like for you, Mr. President, to interrogate him to see whether the situation is so serious that he should be called out of order.

Mr. Manager SUMNERS. We do not insist upon the Presiding Officer interrogating the witness to ascertain the fact. We are perfectly willing for him to come on.

The PRESIDING OFFICER. The House managers have no objection to his appearing at this time?

Mr. Manager SUMNERS. None at all.

Mr. LINFORTH. The Sergeant at Arms has just advised me that the witness left without waiting to hear further from us.

EXAMINATION OF THOMAS W. SLAVEN

Mr. Manager BROWNING. We will call Mr. Slaven. Thomas W. Slaven, having been duly sworn, was examined and testified as follows:

By Mr. Manager BROWNING:

Q. State your name, place of residence, and profession.—A. Thomas W. Slaven, Berkeley, Calif., attorney.

Q. With what firm are you connected?—A. Bronson, Bronson & Slaven.

Q. Were you so connected with them when the Lumbermen's Reciprocal Association matter arose?—A. I was.

Q. What was your first connection with the case?—A. It was about 3 days before the receiver was appointed when Mr. Roy Bronson, who had been handling the matter, told me he was leaving town and asked me to check up at the Industrial Accident Commission and see if an award had been issued out there in the case of Lay against Lumbermen's Reciprocal Association.

Q. Did your firm at that time represent the Lumbermen's Reciprocal Association?—A. We did.

Q. Who represented the petitioner in that case?—A. Mr. Reisner—J. D. Reisner.

Q. Of what firm, if any?—A. I believe it was Reisner & Deming.

Q. At the time the application for receivership was made before Judge Louderback were you in attendance?—A. I was.

Q. In what capacity?—A. Attorney for the defendant company, the Lumbermen's Reciprocal Association.

Q. And Mr. Reisner was representing the plaintiff or the petitioner?—A. He was.

Q. Do you remember on what date the application was made?—A. July 29, 1930.

Q. When you went to the Federal building that day, was that before or after your petition had been filed?—A. I went to the Federal building just before noon. The petition had been filed a few moments before I got there by Mr. Reisner.

Q. What judge's name did you draw in the lottery there?—A. When I arrived I found that Judge St. Sure's name had been drawn but that they found Judge St. Sure was out of town, so on a redraw Judge Louderback's name was drawn.

Q. Then what did you do after the name of Judge Louderback was drawn—you and Mr. Reisner?—A. Our intention

was to see the judge at 12 noon when he left the bench. I do not recall the reason why, but either his secretary or one of the clerks told me that we could not see him until 2 o'clock that afternoon and to come back then.

Q. Did you go back at that time?—A. We did.

Q. When the petition was presented, what was suggested, and by whom, if you recall, with regard to who would be the receiver in that case?—A. My first discussion as to who would be the receiver was with Mr. Reisner on that morning when I arrived out at the court.

Q. Did you come to any conclusion on it then?—A. No real conclusion. Mr. Reisner stated—well, he asked me, "Who is to be receiver here?" I said, "I do not know." He said, "Sam Shortridge, Jr., will be appointed." I believe he said it was fixed.

Q. Did you get any information in any other way that Sam Shortridge, Jr., was to be proposed?—A. About 10 or 15 minutes after that conversation with Mr. Reisner, and when we were told to return at 2 o'clock, I was handed a sheet of paper with three names on the paper. The first name was Samuel Shortridge, Jr. The other two names I did not know, and never heard of them, and I do not remember who they were.

Q. Who handed you this paper, as well as you remember?—A. Well, I believe it was the judge's secretary, but I am not entirely sure. It was the judge's secretary or one of the clerks there.

Q. What was the suggestion with regard to the paper? Why were these names given you?—A. That we should propose one of those three names as receiver.

Q. After you got into the judge's chambers to make the application, did anyone propose Mr. Shortridge at that time as receiver?—A. Yes.

Q. Who was that?—A. Mr. Reisner.

Q. Did you have anything to say about it yourself?—A. I said, "That is satisfactory to us."

Q. Then what request was made of you by the judge at that time, if any?—A. He said, "I will want that reduced to writing by both of you."

Q. Was the request reduced to writing?—A. It was.

Q. And signed by both of you?—A. It was.

Q. At that time was anything said about who was to be his counsel in the case?—A. It was not mentioned at all.

Q. Were you asked to recommend any one?—A. We were not.

Q. How long did you stay there, approximately, in the judge's chambers?—A. About 15 minutes.

Q. After you left there, where did you go?—A. I went back to my office.

Q. How long did it take you to get back there?—A. Another 15 minutes.

Q. What was the next thing you heard with regard to this receivership after you got back to your office?—A. We went back to court—at least, I went back to court—again, with the order appointing the receiver prepared, as I recall; and that was signed then by the judge. Then I went back to my office again. In other words, I made two trips there in the afternoon, according to my recollection.

Q. Did you see the judge on the second trip?—A. I believe I did. Yes; I am quite sure I did.

Q. Did anything transpire between you at that time except the signing of the order?—A. Nothing.

Q. What time did you get back to your office after this second visit?—A. Around 3:30.

Q. Then who was the next person you heard from with regard to the receivership?—A. About 10 or 15 minutes after I returned to my office word was sent in to me that a gentleman was outside who said that he was attorney for the receiver of the Lumbermen's Reciprocal Association. I said, "Bring him in."

Q. Who was it?—A. A gentleman was brought in and was introduced to me as Marshall Woodworth.

Q. Had you ever seen him before that you know of?—A. Not that I know of.

Q. What statement did he make to you about it then?—A. He said, "I happened to be out in Judge Louderback's court this afternoon. As I was passing through the court

room the bailiff came over to me and said, 'The judge wants to see you at the first recess.' I waited, and at the recess the judge told me that he wanted me to act as attorney for the receiver of the Lumbermen's Reciprocal Association." He said, "I know nothing about the matter at all; so, on hearing that you gentlemen were the attorneys for the company, I thought I had better come around and get acquainted"—words to that effect.

Q. You were not connected with the litigation with regard to the receivership after that time?—A. I was not.

Mr. Manager BROWNING. Take the witness.

Cross-examination by Mr. LINFORTH:

Q. Mr. Slaven, do you know who gave you the slip to which you have referred?—A. I do not.

Q. Do you know whether you received it in the clerk's office or from the judge's secretary?—A. No, sir.

Q. Did you show the slip to Mr. Reisner?—A. I believe he was right there with me. I have no recollection of showing it to him.

Q. Did you talk with him at all about the slip?—A. I have no recollection of that, either. I think the conversation we had, wherein Mr. Shortridge's name was mentioned, was just before the slip was handed to me.

Q. Yes; but I am trying to confine the examination for the moment to the slip. Do you recall whether you had any talk with Mr. Reisner about the slip?—A. I do not recall.

Q. And do you recall whether Mr. Reisner said anything to you about the slip?—A. I do not.

Q. And you do not recall the other two names that were on the slip?—A. I do not.

Q. What did whoever it was that gave you the slip say when the slip was handed to you?—A. That "one of these three names should be chosen as receiver", or "should be proposed as receiver, and you can see the judge at 2 o'clock this afternoon."

Q. Inasmuch as that person told you that you could see the judge at 2 o'clock that afternoon, does that help to refresh your memory as to whether or not it was the judge's secretary that handed you the slip?—A. It does not.

Q. Do you know whether or not your partner, Mr. Bronson, had any conversation with Mr. Reisner about the receiver before you took charge of the matter?—A. I do not know.

Q. Did you talk with Mr. Reisner as to who should be selected as receiver when you received the slip?—A. I do not know.

Q. Did you talk with him as to who should be the receiver before you got the slip?—A. It is my recollection that our conversation was just before I got the slip.

Q. And it is your recollection that Mr. Reisner suggested the name of Samuel M. Shortridge, Jr.?—A. It is.

Q. And when he suggested Mr. Samuel M. Shortridge, Jr., as receiver, what did you say?—A. Do you mean in the judge's chambers?

Q. I did not know it was in the judge's chambers. I thought it was before you went there.—A. Well, I am simply asking whether you mean in my morning conversation with Mr. Reisner, or in the afternoon when we were in the judge's chambers.

Q. When Mr. Reisner first suggested Samuel M. Shortridge, Jr., as receiver, did you agree to it?—A. I do not remember what I said. I believe I did say he would be all right; he would be satisfactory to me.

Q. That is your best recollection of the conversation when that gentleman was first mentioned? Is that true?—A. I think so. I am not very sure of that, but I think so.

Q. Then subsequently, when you appeared before the judge on the application for the receiver, was there any talk on that subject?—A. Just what do you mean? I do not understand.

Q. Did you or Mr. Reisner or the judge say anything about who should be receiver?—A. Yes.

Q. What was said?—A. The judge said, when we came in, "What is this matter? What is the company? What is it about?" And then, "Have you gentlemen any one to propose as receiver?" Mr. Reisner said, "Mr. Samuel Short-

ridge, Jr.", and I said, "Mr. Shortridge will be satisfactory to us."

Q. And that was the extent of the conversation on the subject between you two?—A. There was further conversation with the judge that I recall.

Q. Then what did the judge say, after you announced that Mr. Samuel M. Shortridge, Jr., was agreeable to you?—A. He said, "What is the size of the company? What amount of money is involved? Just what are the problems involved in this receivership?" I told him briefly that it was about \$150,000, was an insurance company writing general automobile insurance and workmen's compensation, and then he said, "Well, I see no reason why I should not appoint Mr. Shortridge if both of you gentlemen agree to him."

Q. Did he then suggest that he desired both of you to put your request in writing?—A. He did.

Q. And did both of you, before Judge Louderback signed the order appointing Mr. Samuel M. Shortridge, Jr., receiver, have that signed consent on file?—A. We did.

Q. Did the judge require a bond?—A. The order provided for a bond.

Q. Do you recall the amount?—A. I do not.

Q. Did either one of you make any suggestion about counsel?—A. We did not.

Q. And when you appeared at that time, you advised Judge Louderback that you were representing the defendant as its attorney?—A. Yes, sir.

Q. And Mr. Reisner advised Judge Louderback that he represented the plaintiff?—A. Yes, sir.

Q. And did you advise Judge Louderback that in your opinion a receiver was necessary and advisable?—A. Yes, sir.

Q. You did not make any request of Judge Louderback to appoint the insurance commissioner of the State of California receiver in that matter, did you?—A. No, sir.

Q. His name was not mentioned by either one of you to Judge Louderback, was it?—A. It was not mentioned.

Mr. LINFORTH. That is all.

Redirect examination by Mr. Manager BROWNING:

Q. Had you known anything about the request that had been made from some sources for the commissioner of insurance to be appointed receiver?—A. I did not.

Q. Had you had anything to do with the case up to the time you appeared there to ask for the receiver to be appointed?—A. I had not. Up to the time Mr. Bronson left town, about 3 days before that, on a Friday, I believe, I had nothing to do with it at all. It was on Monday, the 28th, that at Mr. Bronson's request I phoned out to the Industrial Accident Commission and found that they were ready to issue an award, a judgment of \$5,000, on that particular day. It was my understanding from Mr. Bronson that the award was not going through; but he said, "Phone and check up on it Monday, anyway."

Mr. Manager BROWNING. That is all.

Mr. LINFORTH. We have no further questions.

OFFER OF DOCUMENTS

Mr. Manager BROWNING. Mr. President, two appeals were taken from Judge Louderback's rulings in this case to the circuit court of appeals. We have a certified copy of the transcript in both cases, which we offer as evidence at this time.

The PRESIDING OFFICER. Is it the desire of counsel that those shall be made a part of this record?

Mr. Manager BROWNING. I think it is essential that they shall be, Mr. President.

The PRESIDING OFFICER. They are all available in other ways.

Mr. Manager BROWNING. But we are not permitted to prove by the witnesses what is in these transcripts, and we do not know any other way to get it before the Senate.

The PRESIDING OFFICER. Once they are introduced and marked for identification as exhibits they might be used, although not made part of the permanent record, the Chair thinks. However, if it is the desire of the managers on the part of the House to have them made part of

the record, there seems to be no objection to them. The Chair had hoped we might avoid that.

Mr. Manager BROWNING. We request that they be made part of the record.

The PRESIDING OFFICER. Very well.

Mr. LONG. Mr. President, a point of order. That does not mean that that whole book will have to be printed at the Senate's expense, does it?

Mr. Manager BROWNING. We suggest that that matter be withheld until we can determine whether we will ask to have excerpts printed. We do not want to be too voluminous about it.

The PRESIDING OFFICER. That order will be entered.

(The first documents referred to, consisting of two volumes, was marked "U.S.S. Exhibit 49." The second document was marked "U.S.S. Exhibit 50.")

REEXAMINATION OF DELGER TROWBRIDGE

Mr. Manager BROWNING. Call Mr. Trowbridge back.

Delger Trowbridge, having been heretofore duly sworn, was recalled and testified as follows:

By Mr. Manager BROWNING:

Q. Mr. Trowbridge, were you present in court when the hearing on the motion to discharge the receiver on the 8th of August was had before Judge Louderback?—A. I was.

Q. I will ask you if you at that time testified on the status of the claim of Helen Lay?—A. I did.

Q. What was the status of it at that time?—A. At that time the claim had been set aside by an order of the commission granting the petition to rehearing upon the defendant, Bos Construction Co.

Q. Was that information given to the court?—A. That information was given to the court on questioning by Mr. Guarena, representing the Insurance Commission of the State of California, and either he or the court asked me for some evidence of that fact, and I produced a certified copy of the order of the commission granting the petition for rehearing made that morning prior to the hearing.

Q. Do you know whether or not the petition for receivership was based on this claim of Helen Lay?—A. It was.

Q. Did you have any further connection with the Lumbermen's Reciprocal Association after that hearing?—A. I had no further direct connection with them.

Q. Did you have any further contact with Judge Louderback touching it?—A. Not after that day.

Q. Who was the attorney for the insurance commissioner in that contest?—A. Mr. Frank Guarena.

Mr. Manager BROWNING. I believe you may take the witness.

Cross-examination by Mr. HANLEY:

Q. Frank L. Guarena was the attorney who ex parte asked for the rehearing on behalf of the insurance carriers, was he not?—A. I cannot tell you without examining the petition for rehearing. It was my offhand recollection that the petition was filed in propria persona, but it may be that Mr. Guarena appeared as attorney for the Bos Construction Co. I have the record here. I will look at it.

Q. Let us have the record and see.—A. It appears to have been filed in propria persona.

Q. While it was put in propria persona, who actually took it up with your Industrial Accident Commission and had the award set aside and a rehearing granted?—A. All I know about it is that the paper was filed in our office in the usual way and we acted upon it. I think I know what you are trying to get me to say, and I will be glad to help you if you will ask the question directly.

Q. Is it not true that Mr. Guarena appeared there and asked you to set aside the award?—A. He did not appear there, but in order to make it clear I will state that I know that he actually prepared the petition that was signed by Mr. Bos.

Q. The petition for the award had been consented to by everyone. That is true, is it not?—A. No; it had not been consented to by the employer, the Bos Construction Co., because they had no notice of the filing of the application or of the hearing itself.

Q. Was any notice given to the Lumbermen's Reciprocal Association at the time the rehearing was granted?—A. Mr. Roy Bronson represented them, and he himself initiated the proceeding by bringing Mrs. Lay out to the commission and consenting to the holding of the hearing on behalf of the Lumbermen's Reciprocal Association.

Q. I mean the setting aside.—A. No. The Lumbermen's Reciprocal Association had notice of the filing of the petition. What did you ask me?

Q. I say, did they have any notice that the matter was coming on for a rehearing?—A. They were served with a copy of the petition for rehearing.

Q. Are you sure of that?—A. I am sure of that.

Q. Have you any papers here that show that?—A. No; I have no papers here that show that, but I know that in the files of the commission, which I examined myself at the time, there was a notation that all parties had been served with notice of the petition for rehearing.

Q. I will call your attention to the record, if the counsel will give me the record.

The PRESIDING OFFICER (to the witness). When you say the petition was signed in propria persona, do you mean by the insurance commissioner, or by the attorney you have named?

The WITNESS. I should have used the English language. The petition was signed by the president of the Bos Construction Co. in person, without any attorney representing him. In other words, the defendant Bos Construction Co. signed the petition itself, without any attorney's name appearing on the petition.

The PRESIDING OFFICER. Is this inquiry material? It seems to me it is all aside from the main question here, and is taking undue time. We ought to shorten it if it is possible. I do not want to rush counsel.

By Mr. HANLEY:

Q. The point I am coming to is that neither the plaintiff, Helen Lay, nor the Lumbermen's Reciprocal Association, the defendant and plaintiff in the receivership case, asked for the rehearing that was granted by the Industrial Accident Commission. That is true, is it not?—A. That is true.

Q. And that the award of the \$5,000 which had been made was set aside without their consent or their knowledge?—A. It was set aside without their consent. They knew of the filing of the petition for rehearing, because a copy of the petition was served on them.

Q. And Mr. Guereña, who was then attorney for the State insurance commission, is the party who prepared the papers for the petition for rehearing?—A. That is my information.

Mr. HANLEY. That is all.

Redirect examination by Mr. Manager BROWNING:

Q. In whose name was this petition filed to rehear this claim?—A. In the name of the Bos Construction Co.

Q. What was the ground on which they objected to the original award?—A. The ground, I think—

Mr. LINFORTH. Just a moment. I submit that if he is going into a matter of record, the record would speak for itself on that.

The PRESIDING OFFICER. It seems to me the record is the best evidence. But why go into it? There is no good purpose to be served by it, it seems to me. Perhaps counsel is leading up to some other point which he wishes to make.

Mr. Manager BROWNING. The point is this: Insistence is being made by counsel for the respondent that the rehearing was without notice to other parties, and without excuse, and we wanted to show why this rehearing was granted, and why the claim was disallowed on the second hearing.

The PRESIDING OFFICER. This witness has testified clearly that there was notice.

Mr. Manager BROWNING. Then we want to show why the petition was denied on the second hearing when it had been allowed on the first.

The PRESIDING OFFICER. You mean by the respondent?

Mr. Manager BROWNING. No; by the commissioner himself.

The PRESIDING OFFICER. How would that bind the respondent?

Mr. Manager BROWNING. Mr. President, the proof is that in the respondent's court, on a hearing, this witness testified that the claim on which the petition for receivership had been based originally had been reheard and had been disallowed, and respondent certainly had notice of that fact at the time he continued the receivership on a baseless claim, and we insist that this witness should be permitted to show why, on the reconsideration of the claim, he denied it, on whose application, and on what ground.

Mr. LINFORTH. Mr. President, may I add just a word? I do not so understand the testimony of the witness, namely, that the claim had been disallowed. I understood the witness to say a rehearing had been granted.

Mr. Manager BROWNING. We do not want any doubt about that. I desire to ask the witness if at that time the claim had been disallowed or if the petition for rehearing only had been filed?

The WITNESS. Only a petition for rehearing had been filed, and our action on the petition was to grant the petition for rehearing and set aside the award.

By Mr. Manager BROWNING:

Q. And at that time the award on the claim had been set aside?—A. It had been set aside.

Q. And respondent was notified of that at the trial?—A. Respondent was notified of that at the trial.

Mr. Manager BROWNING. That is all.

Mr. HANLEY. I think that is all, Mr. President.

The PRESIDING OFFICER. The witness is excused.

(The witness retired from the stand.)

RECESS

Mr. ASHURST. Mr. President, before making a motion for a recess for 40 minutes, I should like to have the attention of the managers on the part of the House and the attorneys for the respondent and ask them if they are prepared that a recess shall be taken for 40 minutes?

The PRESIDING OFFICER. Will the attorneys for the managers on the part of the House and for the respondent give their attention?

Mr. ASHURST. Mr. President, I am about to make a motion for a recess for 40 minutes.

I move that the Senate, sitting as a Court of Impeachment, take a recess for 40 minutes.

The motion was agreed to; and (at 1 o'clock p.m.) the Senate, sitting as a Court of Impeachment, took a recess for 40 minutes. On the expiration of the recess the Senate, sitting as a court, reassembled.

CALL OF THE ROLL

Mr. ROBINSON of Arkansas. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Coolidge	Kean	Reed
Ashurst	Costigan	Kendrick	Robinson, Ark.
Austin	Couzens	Keyes	Robinson, Ind.
Bachman	Cutting	King	Schall
Bailey	Dickinson	La Follette	Sheppard
Bankhead	Dill	Lewis	Shipstead
Barbour	Duffy	Logan	Smith
Barkley	Erickson	Long	Steiwer
Black	Fess	McAdoo	Stephens
Bone	Fletcher	McCarran	Thomas, Okla.
Bratton	Frazier	McGill	Thomas, Utah
Brown	George	McKellar	Townsend
Bulkley	Glass	McNary	Trammell
Bulow	Goldsborough	Metcalf	Tydings
Byrd	Gore	Murphy	Vandenberg
Byrnes	Hale	Neely	Van Nuys
Capper	Harrison	Norris	Wagner
Caraway	Hastings	Nye	Walcott
Carey	Hatfield	Patterson	Walsh
Clark	Hayden	Pittman	Wheeler
Connally	Hebert	Pope	White

The PRESIDING OFFICER. Eighty-four Senators having answered to their names, a quorum is present.

The managers on the part of the House will proceed.

Mr. Manager PERKINS. Mr. President, since the session of this morning, one of the witnesses on the part of the House, Mr. Randolph Whiting, has been taken ill and has

been obliged to retire to his hotel. One of the witnesses, Mr. Dittmore, has had an operation performed and is in the hospital. One witness, Mr. Guereña, is on his way to Washington and will arrive sometime late this afternoon. If it can be understood and agreed that we may put these witnesses on in chief when we can avail ourselves of them, the managers will now rest the case on the part of the House.

The PRESIDING OFFICER. May it not be agreed as to what they would testify? I assume counsel for the respondent probably knows what the testimony of the witnesses is to be.

Mr. LINFORTH. Mr. President, we will enter into some stipulation to that effect, because when the evidence is closed we may desire to make some motion before we proceed, and we should like to have the evidence closed before we do that. If the honorable managers will state what they expect to prove by these witnesses, we may stipulate. If we could have a conference on the subject, it might expedite matters and be more agreeable.

The PRESIDING OFFICER. Perhaps it might be advantageous if counsel could confer on that for a moment and see if they could agree.

Mr. KING. Mr. President, I move that the Senate take a recess for 15 minutes to permit counsel to confer.

The motion was agreed to; and at (1 o'clock and 50 minutes p.m.) the Senate, sitting as a Court of Impeachment, took a recess. On the expiration of the recess, the Senate, sitting as a court, reassembled.

STIPULATION—TESTIMONY OF FRANK L. GUERENA AND HAROLD A. DITTMORE

The PRESIDING OFFICER. Are the managers on the part of the House ready to proceed?

Mr. Manager PERKINS. We are ready to proceed.

Mr. President, we have endeavored to reach a stipulation with the attorneys for the respondent, and I believe we have reached a stipulation, so far as the testimony of Mr. Guereña is concerned, that the testimony given in the hearings on September 12, 1932, and printed in the record of the hearings of the special committee of the House of Representatives, be read in lieu of his testimony being taken here; and that a stipulation be entered into with reference to the testimony of Mr. Dittmore, the witness, who is lying in the hospital.

Mr. LINFORTH. We have consented, Mr. President, that the testimony of Mr. Guereña may be read. We have also agreed to stipulate that if Mr. Dittmore was here he would testify that before and since the year 1925, almost nightly, he would see the respondent in the lobby of the Fairmont Hotel, where the aunt of the respondent was living, in conversation with Mr. W. S. Leake; at the time they were sitting alone and when no others were near them; and that during the years that Mr. Leake has been residing at the Fairmont Hotel, he kept no bank account but used the hotel as the means of his bank account. Is that correct?

Mr. Manager PERKINS. I should like to know whether that stipulation states that the respondent and Mr. Leake were in conversation together.

Mr. LINFORTH. The stipulation was that they were in conversation together when no one else was near them.

Mr. Manager PERKINS. That is correct.

Mr. LINFORTH. I want the stipulation, Mr. President, thoroughly understood. We do not stipulate to those facts and we do not admit those facts, but inasmuch as the witness, Mr. Dittmore, is confined in the hospital and cannot be here, we are willing, upon the assurance and the statement of the learned managers, to stipulate that if he was here he would so testify.

The PRESIDING OFFICER. Is that satisfactory to the managers on the part of the House?

Mr. Manager PERKINS. That is satisfactory to the managers.

Mr. President, pursuant to the stipulation, the managers on the part of the House will now proceed to read, if it be agreeable to the Senate, the testimony of Mr. Frank L. Guereña.

The PRESIDING OFFICER. May the Chair interrupt to ask, could the manager not have that go into the record without reading or does he wish to read it?

Mr. Manager PERKINS. In view of the motion which we expect that counsel for respondent is about to make, it perhaps ought to be read. I do not know whether it would be possible for this body to decide the motion without having first heard this testimony.

The PRESIDING OFFICER. The Chair will inquire if it is lengthy?

Mr. Manager PERKINS. It is about a dozen printed pages.

The PRESIDING OFFICER. Perhaps counsel had better read it for the information of the Senate.

Mr. Manager Perkins proceeded to read from the testimony of Frank L. Guereña before the special committee of the House of Representatives, and read as follows:

Frank L. Guereña, being duly sworn by the chairman, testified as follows:

Direct examination by Mr. BROWNING:

Q. You are Frank L. Guereña?—A. Yes, sir.

Q. You are a practicing attorney in the city and county of San Francisco?—A. Yes, sir.

Q. Do you remember the equity receivership case in the Lumbermen's Reciprocal Association matter?—A. Yes, sir.

Q. In what capacity were you connected with that?—A. I represented E. F. Mitchell, insurance commissioner of California, who was ordered by the United States District Court to show cause in the equity proceeding.

Q. I will ask you to give the history of that case, then, from that point.

Mr. Manager PERKINS. Shall I read the colloquy between counsel that follows or merely the testimony?

Mr. HANLEY. If it explains the testimony, it may be read.

Mr. Manager PERKINS. Very well. [Continuing the reading:]

Mr. HANLEY. Isn't that a matter of record? This is just repetition. It is a record proposition.

Mr. SUMNERS—

Mr. LINFORTH. Mr. President, may I suggest that, in the interest of saving time, the colloquy between the counsel be omitted and that merely the testimony be read?

The PRESIDING OFFICER. If that is agreeable to both sides, the Chair does not think there will be any objection to that course being followed.

Mr. Manager PERKINS. That is agreeable to the managers, and I will read the testimony as suggested. [Continuing the reading:]

Mr. BROWNING. You may proceed, Mr. Guereña.

The WITNESS. My first knowledge of any difficulty with the association was in the latter part of July 1930, when I was advised of the situation by Mrs. Long, deputy insurance commissioner of California.

I asked her if the insurance company at that time was in receivership in Texas, the home State. She said it was not. I asked whether the authorities in Texas had sequestered any of the assets of the association at that time. She said it had not. I gave her directions to immediately send an examiner, equipped with proper credentials, into the San Francisco office of the association, to assume possession, under that authority, of all property and all assets of every kind, and also instructed that the examiner be equipped with a demand to be served upon Mr. Brockman, who was the Pacific coast manager of the association, for delivery to the examiner of all notes or other assets of that character capable of manual delivery.

I also instructed that the examiner remain in possession of the office.

When advised by the deputy commissioner that there was money in the bank, in the Crocker-First National Bank, I advised that an order be served upon the bank demanding that that money be held intact and not permitted to be withdrawn. I personally dictated the demands that I felt were necessary for that purpose, including the notice to the bank. Those are all incorporated in the record, and all preceded the filing of this bill of complaint in the equity proceeding.

As I recall, my next discussion concerning the matter was with Mr. Roy Bronson, of the local law firm of Bronson, Bronson & Slaven. Mr. Bronson came to my office, 11 Sutter Street. We had some discussion and some argument in a friendly way concerning the appointment of a receiver, the substance of the conversation being that Mr. Bronson expressed his apprehension that the Texas authorities would move in and take the assets or a considerable portion of them out of California. Bronson also expressed his opinion that under the California law that was in

effect the commissioner of insurance of California could not act until there was an appointment of a receiver in the home State, or until there were assets of the company seized by the authorities in the home State. We discussed and argued that matter, and I expressed at that time to Mr. Bronson my views, with which he did not agree; also that the commissioner under the circumstances had power to go in and do the things that I just related that I instructed the deputy commissioner should be done, putting an examiner in charge and seizing the assets.

There was also some discussion concerning the appointment of Mr. Mitchell, the insurance commissioner, as receiver on the Federal side. My recollection is, at that time, I expressed to Mr. Bronson my views, that a State officer would not be able to serve under a Federal appointment, that he could serve only under the State law under appointment by a State court.

That is the substance of that discussion.

By Mr. SUMNERS:

Q. Do you mean that as commissioner he could only serve to do these particular things for the State; and if he became receiver in a Federal action he would act as receiver, as any other human being, and not as an officer of the State commission?—A. Yes; he would in any event. He would be acting in any event, but not in an official capacity, my view being he could not act in an official capacity on the Federal side. I know that an examiner of the department, Mr. King, was equipped with the demands and credentials that I have related, and went to the place of the association in San Francisco. I also know personally that the demand for the moneys be not withdrawn was served upon the Crocker-First National Bank of San Francisco. All of this preceding the filing of the petition in this equity matter.

The petition was filed on the 29th of July 1930, but I did not know that personally until, I think, a day or two later. In any event, before the filing of the petition, Mrs. Long, of the department, at my suggestion had kept the wires pretty hot between here and Texas trying to stimulate some activity there, so we could move ahead promptly and act in the State court, assuming that the commissioner would be appointed on the State's side here. However, Texas did not move until the 1st of August 1930. At that time a receiver was appointed in Texas, and the next day I prepared and filed for the commissioner a proceeding in the Superior Court of San Francisco asking for the liquidation of the association, and asking that the commissioner be appointed liquidator under the terms of the State liquidation act, and also asking that Mr. Brockman, Pacific coast manager, be ordered into court a few days later—I don't recall the date at this moment, but I think it was the 2d of August—to show cause why he and the association should not be restrained from doing any more business, and also the temporary order was issued on August 2, the day of the filing, which was served the same day upon Mr. Brockman, directing the cessation of business and the withholding of all assets.

Q. Prior to the issuance of the notice to the California agent to show cause why the business should not be suspended, had business, as a matter of fact, been suspended?—A. Yes, Mr. Chairman; on the 23d of July 1930 the license had been taken away in Texas by the Texas authorities, and on the 24th of July of the same year the license was taken away here by the commissioner of insurance.

By Mr. BROWNING:

Q. May I ask right there—as a matter of fact, without giving the details of the statute, do you have a provision in your State statute by which you can take charge in a preliminary way before receivership is actually applied for under your State law?—A. Under the State laws that then existed, Mr. Browning, the language was that if it appeared to the commissioner that there was danger of irreparable injury to the creditors and others dealing with the association or affected by its transactions, and if it appeared to the commissioner that there had been a misappropriation or sequestration of any assets of the association, he then could summarily go into possession and seize the assets and call upon the peace officers, if desired and if necessary, to take summary possession.

Having that in mind, the demand of which was served upon the manager specifically directing the delivery to the commissioner of a negotiable note, which we were advised was in his possession, and that note was not turned over when the demand was served, and I regarded that as a sufficient indication of sequestration to justify exercise of summary power, and so the summary power was exercised in the way indicated.

At this point Mr. Manager BROWNING continued the reading of the testimony of Mr. Guereña, as follows:

Q. And that was before the application for receivership in either the State or Federal court was applied for?—A. That was during the period from July 25 to July 28, to and including those dates. I just recall that I am a little bit inaccurate on some of these dates. The Texas receivership was appointed on July 31. The petition was filed by the commissioner in the State court on August 1, and on August 2 the commissioner was served with a restraining order issued by Judge Louderback on the Federal side, directing him to show cause before Judge Louderback on the following Monday.

By Mr. SUMNERS:

Q. Will you be good enough to check up on these dates and find out when any definite action was taken?—A. I have not chronologically stated—

Mr. SUMNERS (interrupting). I think it would be rather good to have an exact statement, a chronological statement.

The WITNESS. If you will hand me the opening brief on the first appeal, I can give that to you.

(Document handed to the witness.)

Q. Give those to us if you can.—A. On July 23, 1930, Texas revoked specific authority of this association, that is, its right to do insurance business on that date. On the following day the insurance commissioners of California did the same thing here. On the same day, the 24th of July, the commissioner of insurance directed the manager here not to transact any other business. On the next day, July 25, Mr. King, the examiner for the insurance department, was equipped in the way I have stated with authority and went to the association offices in San Francisco and entered into possession of all that was there.

On the 25th of July the manager, Mr. Brockman, was served with a written demand to file a statement of all moneys and negotiables in his possession or under his control, and to advise the commissioner where such moneys and negotiables were located, and to hold all the moneys and negotiables intact and make no expenditures of funds. On the 26th of July the notice I have referred to was served on the Crocker-First National Bank of San Francisco to freeze the Lumbermen's account. On July 26, 1930, Mr. Brockman advised the commissioner that he had a 10-year negotiable note for \$18,063.78 to the association made by Feather River pine mill. He said that note was deposited in the safe-deposit box—

Mr. SUMNERS (interrupting). Don't go into details.

The WITNESS. All right. On July 28 the Crocker-First National Bank acknowledged the demand letter regarding the account. On July 28 the commissioner served upon Brockman a demand to surrender the note that I have referred to. On July 31 the receiver was appointed in Texas. On August 1 the State proceedings were instituted by the commissioner.

Q. What do you call State proceedings? Were you required to go into a State court?—A. It was instituted through the filing of a petition by the commissioner in the superior court.

By Mr. BROWNING:

Q. The law requires you to take that course?—A. Yes. In order that the commissioner be appointed liquidator, the first step was the filing of a petition—

Q. I understand.—A. (Continuing.) And the issuance of an order to show cause. That was issued on the day of the filing of the petition, August 1. That was directed against the manager. He was ordered to come into court on August 17 to show cause why the commissioner should not be appointed liquidator. On August 1 that temporary restraining order was served upon the manager by the commissioner. On August 7 the association—that is, Mr. Brockman representing it, the manager—appeared in the superior court and an agreement was made for a continuance. As a matter of fact, that matter was held in abeyance under an agreement because of the pendency of the matter on the Federal side. We waited until that was disposed of.

By Mr. SUMNERS:

Q. When was the petition filed in the Federal court in that connection?—A. The petition was filed in the Federal court in that connection on July 29.

Mr. SUMNERS. I think that is sufficient on the dates. It will help us to understand the situation.

A. Well, on the same day that the manager was served with an order to show cause, issued in the State proceedings, the commissioner was served with an order to show cause issued by the Federal court in equity proceedings directing the commissioner to show cause on the 4th of August. The commissioner was actually served, because the papers came immediately to me on Saturday morning, and the return date was the following Monday, and on the following Monday, not having been able to prepare the answer and return a showing over Sunday, I appeared before Judge Louderback and requested and obtained a continuance until August 8.

Mr. SUMNERS. You have complied with my request. Thank you.

Mr. BROWNING. We just want to get a full story of the case, Mr. Chairman.

Mr. SUMNERS. You are through with me. Go ahead with your story.

The WITNESS (continuing). On August 8 the commissioner appeared on the Federal side and made a double showing, consisting of a number of affidavits, reciting the things I have already enumerated, and also a petition to revoke the appointment of Mr. Shortridge as receiver, alleging various grounds, based upon the claim that the commissioner of the State had first acted; that the matter was dedicated and reserved to the jurisdiction of the State, and under the circumstances the Federal receiver should not have been appointed.

That matter—the petition rather—was heard on the 8th. Testimony was taken and the matter was argued. It was thereafter briefed, and about the last of September the Federal court made its order denying the petition to vacate the appointment of the Federal receiver and issued a permanent injunction against the commissioner. If you are interested in the treatment of that, I can tell you the substance.

Mr. SUMNERS. No.

Mr. BROWNING. It is in the record.

Q. Mr. Guereña, what proof was offered, if any, in affidavit form by you to apprise the Federal court of the position and contention of the State commissioner?

Mr. SUMNERS. Is that of record, Mr. Browning?

Mr. BROWNING. Yes, it is; but I would like to get it in this record.

Mr. SUMNERS. You can get the record of the witness' testimony.

Mr. BROWNING. Yes. I would like to insert it in our report. It is in the Federal court record of the hearing.

Mr. SUMNERS. What is the point of that?

Mr. BROWNING. The proof which the commissioner offered to apprise the court of his intention.

Mr. SUMNERS. It may go in.

Mr. HANLEY. Whatever proof is offered, let the whole proof go in, if they are going to put part of it in. Don't take an involved matter and not put the whole thing in.

Mr. SUMNERS. I have already ruled, gentlemen.

The WITNESS. There was proof by both sides.

Mr. SUMNERS. Incorporate at this point the record in that matter.

The WITNESS. It is all set out, Mr. Chairman, in the transcript on the first appeal.

(Government document in no. 6340 entitled "United States Circuit Court of Appeals, *DeForest Mitchell as Insurance Commissioner of the State of California, appellant, v. Helen Lay and Lumbermen's Reciprocal Association and Samuel M. Shortridge, Jr.*", as fact that the citation on appeal had not been served within the 30-day period indicated in the citation.)

By Mr. BROWNING:

Q. Just what is that citation, Mr. Guereña?—A. That citation is substantially—it increases the time of the appeal and it directs the preparation of the record on the appeal within the 30-day period, and the practice is to serve that citation, through the marshal, during that 30 days, on the opposing counsel.

By Mr. SUMNERS:

Q. What is the explanation as to why that was not done?—A. Well, it was primarily an oversight which occurred in my office, Mr. Chairman, and I was heartened, however, by the fact that the understanding was that the purpose of the citation was merely directory, and was to apprise the other side of the pendency of the appeal or the intention to take an appeal, and I thought I was sure they had ample notice because we had constantly negotiated during the 30-day period, and during that period the statement of the evidence, or bill of exceptions, was in course of preparation and had been discussed by the attorneys for the Federal receiver and by me.

On the 4th of December, when I was so advised by Judge Loderback's secretary, I had made the request of his secretary that I be given the engrossed statement of the evidence, which had been prepared for the purpose of appeal. That had been left theretofore with Judge Loderback's secretary, and when left had been signed by counsel on each side, by Mr. Woodworth for the Federal receiver and by me for the commissioner. In other words, at that point we had agreed on the sufficiency and the accuracy of that statement.

Miss Berger, on the 4th of December, left the anteroom and went in through the door leading into the judge's chambers and came back after a few moments and told me—brought the document with her, and I saw that it had the signature of Judge Loderback on it. I also saw some notations on the side of the signature; that is, I saw there were some notations, and I tried to see them and did not succeed, and my seeing them was not aided at all. On the contrary, the secretary was careful, apparently careful, to see that I did not see those notations, but I did see the signature, and she took her scissors and cut off the lower portion of the last page of the engrossed statement and destroyed or retained, at any rate, that part which contained the signature of the judge and the notations, the nature of which I do not know. Then the secretary returned to me the engrossed bill. Of course, the engrossed bill, which is on file, will show that clipped page.

At this point Mr. Manager LEWIS continued the reading of the testimony of Mr. Guereña, as follows:

Q. Let me see that engrossed bill.

The WITNESS (continuing). I stated at that time to the judge's secretary that I did not think our rights had been lost to go on with the appeal by reason of the fact that the other side was fully notified by reason of the fact that the statement of the evidence had been stipulated to—we had gotten that far along—but she said she was positive the judge would not sign it. I then asked her to give back to me the blank form of order which had theretofore been left with Miss Berger, my purpose being to use that form of order and go to the circuit judge or to one of the circuit judges and ask one of those judges to sign the order, which, after he was so advised, he had the power under the rules of procedure to do, and I made that request because, as a matter of convenience, that saved going back to my office, and I thought I could have it retyped in the building here.

(Document requested by the chairman furnished by the clerk to Mr. SUMNERS.)

Q. When was the expiration of your 30 days?—A. It is the last day, on the 30th of November.

Q. This document I have here was dated November 18, 1930. There appears the signature of the attorney for the insurance commissioner, the attorney for the receiver, the attorney for the plaintiff, and the attorney for the defendant. Were any other lawyers connected with that?—A. Yes; there were other lawyers connected with it, Mr. Chairman. At that time there was the firm of Reisner & Deming, representing Helen Lay, the plaintiff, who were active in the case; the firm of Bronson, Bronson & Slaven, representing the defendant association, who were active in the case.

Q. Well, for the purpose of protecting your appeal, was this document filed prior to the preparation of the appeal?—A. Yes.

Q. For the purpose of protecting your appeal, was the agreement or signature of any other attorneys then necessary?—A. I assumed

that the only signatures necessary were those of Mr. Woodworth for the Federal receiver and me for the insurance commissioner, the controversy being between the two parties; that is my recollection. I don't recall just how that page was made up. We could check up on that.

Q. These 30 days had to do with reference to the giving of the formal notice to the defendants here whose signatures appear here?—A. Yes, sir.

Q. You are sure about that?—A. Now, just a minute and I will be sure. I will refer to the citation. The citation is on page 140 of the transcript, on the first appeal, Mr. Chairman. It is directed to Helen Lay, the plaintiff, to her attorney, to the association and its attorneys—Mr. Bronson and his firm—to Mr. Shortridge, the receiver, and to his attorneys, directing them to appear within 30 days from the date of the citation, which was the 30th of October, and show cause why the writ issued by the judge should not be vacated and reversed, and why the order denying the petition to vacate the appointment of receiver should not be reversed and the petition granted.

Q. On July 18, under the signature of the attorneys there appears, "There was an order approving and settling filing of exceptions." In this particular situation, if approved, would it be approved by the judge and the judge's signature would have followed?—A. It would be approved, and the practice is to have the approval follow the signature of the counsel.

Q. Do you understand my question?—A. I thought I did.

Q. I ask you this way: Supposing the signature of the attorney, or the words "Order approving and settling bill of exceptions"—those words preceded the signature of the judge?—A. Yes; that is the way I prepared the order, Mr. Chairman, and that is the way it was presented to the court.

By Mr. BROWNING:

Q. Now, Mr. Guereña, you were speaking of just a copy of a citation which you asked the judge—A. (Interrupting.) A copy of the order, the blank order, had been left there, which, if signed, would have been an order extending the time for docketing the case, which would have constituted the statement of the evidence on bill of exceptions.

By Mr. SUMNERS:

Q. You left that with the secretary of the judge how long before the expiration of the 30 days?—A. I don't recall, Mr. Chairman. I am sure it was several days; I am sure it was soon after the date shown there was signature.

Q. Is there any memorandum or any record in this proceeding that would fix that date definitely?—A. I am not sure about that, but I will make investigation and advise the chairman if I can find any memorandum that would help fix that date. My best recollection is that it was very soon after the date which the statement bears following the signature underneath.

(Reporter's note: In accordance with previous request, Mr. Guereña telephoned the following statement on September 10, 1932: "It was either on November 18, 1930, or a day or two thereafter, not later than that; and it remained there with him until December 4, when his secretary clipped off the signature and returned what was left of it to me.")

Q. In order that the record may clearly show, there is appended the sheet that has been clipped, but there is appended to it, however, an order approving and settling bill of exceptions, which is dated December 12, 1930. What is the effect of that order? The reason I am asking this question is, in order to save, if this record has to be examined by anybody else, the necessity of having to dig through the whole thing to arrive at our conclusions. I wish you would examine that document, please. Now, Mr. BROWNING, I am not interfering with you examination?

Mr. BROWNING. Not at all.

Mr. SUMNERS. I would like to fix this date.

Mr. BROWNING. That is all right, sir.

The WITNESS. Yes, sir; I have examined it.

By Mr. SUMNERS:

Q. What is the difference between the effect of the approval as of date of December 12 and the approval if it had occurred under date of November 13?—A. It would make no difference in effect between the date when the signature was clipped off in the way I have described, and the date of December 12, shown on that attached rider, but then there is an application for additional time made to the circuit court, and that—

Q. (Interrupting.) Then let's get this clear. If there is no difference between them, what is the point of contention?—A. You told me to tell the story, sir.

Mr. BROWNING. Mr. Chairman, I could state that, but I believe the Chair will understand the pertinency of it when he has finished his recital.

The WITNESS. The reason I asked for the formal order again was I would have the convenience of it in getting an order from a circuit judge. It was refused me by the secretary, and I asked to see the judge, and she said the judge was not available. That was about 2:30 on the afternoon of December 4. Immediately thereafter I consulted Mr. O'Brien, the clerk of the circuit court, and after consulting him, I hurried to my office, which was Sutter and Montgomery, a mile, more or less, from here, to prepare an order and bring it back here to submit to one of the circuit judges. I got back here with the prepared order around 3:30 that afternoon and asked to see Judge Rudkin, and told his secretary, a young man, I had the order, and he said that Mr. Woodworth, who is attorney for Mr. Shortridge, had already been there a little bit before, and that he had left word to be advised of any application that I might make for an extension of time. I was ushered in to Judge Rudkin's chambers and explained the situation, and he did not at that time give me the order extending the time, but

said he would have the matter heard before that court 2 days later, the 6th—Saturday morning—of September, and the order for that purpose was made and served, and on the 6th, a representative of mine appeared there and the matter was discussed and the order was made extending the time for the docketing of the cause to December 22, 1930.

The next thing to do was to get that statement of the evidence signed, and the 6th was a Saturday. On the 8th my office endeavored to find out whether this statement of the evidence had been approved by Judge Louderback, and throughout that week, the 8th, 9th, 10th, and 11th, we endeavored to see Judge Louderback personally about the matter, to ask for his approval and to get the statement so we might turn it over to the clerk, which, with the other papers, would have made the appeal to be docketed by the 22d.

After having had the one experience but a short time before, I did not want to have it again, and we pressed pretty hard all that week of the 8th on that, and we were repeatedly promised that it would be signed, and the reason I can say that with some definiteness is that I was so concerned about the delay then, and afraid of another slip-up on it, that I prepared a petition for a writ of mandate, which I expected to have the circuit court issue directing Judge Louderback to approve the statement of the evidence. The petition that I have here in my hand, the original is dated in blank, but I did not need to use it. It was never filed, because on the 12th of December Judge Louderback approved the statement of the evidence, and the matter went forward.

By Mr. BROWNING:

Q. That was the matter that went to the circuit court on that appeal?—A. That was the first appeal, that was decided on the 24th of February 1931.

Q. It was reversed and remanded?—A. It was reversed and remanded.

Q. In reading the order of the court, after the remand by the circuit court, I find that there was a provision inserted in that order to the effect that the receiver for the Federal court would turn over to the commissioner, as State receiver, the assets of the estate within 30 days provided no appeal was taken by the commissioner from the fees allowed?—A. That is in the order of December 15, 1931.

Q. Was that order carried out?—A. No; I don't know what you mean by "carried out." That provision in the order I saw when the formal decree was shown me by Mr. Woodworth, Mr. Shortridge's attorney. I told him at that time that that was in defiance of the circuit court order, because things had happened which the circuit court said should happen before the delivery. The circuit court decided that when the commissioner was appointed on the State side, and when Judge Louderback had settled the amount of the receiver, that the assets should be turned over to the commissioner. Those things happened. The delivery had not been made. Even after the 15th of December 1931, when the accounts of the Federal receiver were settled, theretofore the commissioner had been appointed on the State side and was ready and anxious to get the assets together afterward. But nevertheless that provision remained in the order that was appealed from on the second appeal. I objected to it for the reason I stated, and because it was necessary for someone to take charge of those assets and start handling them in the proper way.

Shortly after the 15th of December the second appeal was taken from that order. I assure you that was well within the 30 days, and there were many extensions for the docketing of the cause, because the record was long, and it was in January that the assets were turned over, but notwithstanding the provision in the order—

Mr. SUMNERS (interrupting). What time in January?

A. I will give you that, sir, in just a moment. [Examining record.] It was January 12 or 14, I think; some on the 12th and some on the 14th of January.

Mr. SUMNERS. Mr. BROWNING, have you got the court record there showing clearly the date when these assets were turned over?

Mr. BROWNING. Yes; it is in the transcript.

The WITNESS. I will give it to you.

Mr. BROWNING. As I recall, it was turned over on stipulation.

The WITNESS. After the order was made of December 15, settling the Federal receiver's account, the order of Judge Louderback, the appeal steps were taken, and one of them was the assignment of error, and one of the assignments of error, which was specific and included in a group assignment, was the presence of that provision you mention, the 30-day provision in the order; and after that assignment, including that specification, had been filed, the delivery was offered to us in the form of a stipulation, and I have the form of the stipulation that was prepared by counsel for Mr. Shortridge. It does not bear any date.

Mr. BROWNING. Can you get the date from the transcript that you have there?

A. Yes; I have it. It was served on me on the 9th of January, Mr. Chairman—the first and the last page. [Document shown to Mr. BROWNING.] The insert is my change, and I told Mr. Woodworth when he called at my office with that proposed stipulation for the turning over of the assets, that in view of the pendency of the appeal, where one of the alleged errors specified was the presence of that 30-day provision in the order, that I was not going to sign the stipulation in that form, and I said I wanted a clause that the signing of the stipulation would be without prejudice to the rights of either party on the second appeal, and I redictated the second page of the proposed stipulation and included that feature, and as so modified, the stipulation was signed and filed and the delivery made. That is my page in there. [Document examined by the chairman.] Here is a copy, Mr.

Chairman, of the order as modified and as signed. [Examined by the chairman.] The original, of course, is on file. The original is on page 722 of volume 2 of the second appeal transcript.

Mr. BROWNING. I think that is all.

Cross-examination by Mr. HANLEY:

Q. There was one matter I wanted to go into so that the record will show it; that is, the activities of this attorney with reference to the setting aside of the award of Mr. Delger Trowbridge, but that is in the testimony, as I understand it.—A. You mean the source of that, the history of that?

Q. Your activities in appearing for the insured and setting aside the award, your solicitation—that is all in the record, isn't it?—A. I would answer "Yes" to the question in that form. There is, in the first record, and I can point it out to you if you are really interested in it. In the first appeal, during the hearing on August 8 that I referred to, Mr. Roy Bronson asked me the question, "Who prepared or who drew?"—I can't give the exact language—"the petition for rehearing which had been filed by the employer of the deceased husband of Helen Lay, who was the complainant in this equity proceeding?" and I answered, "I did", which is a fact.

Q. Then the evidence along that line, the testimony adduced by Mr. Bronson at that time in the hearing, is part and parcel of the record, isn't it?—and we stipulate it all go in.—A. The question that was asked me and my answer are all in the record; but I cannot give the page, Mr. Hanley.

Mr. HANLEY. That is all I want.

Mr. SUMNERS. You don't mind giving the page reference to the stenographer for the convenience of the committee?

Mr. HANLEY. Oh, no.

Mr. SUMNERS. You have no questions to ask?

Mr. HANLEY. No. All right.

(Reporter's note: The page reference above referred to was secured from Mr. Hanley afterward, as follows: P. 118 of printed transcript of record, no. 6340.)

(This page reference will be found in exhibit no. 20-E of this record, which is a complete copy of the printed transcript of record above referred to, secured from Mr. Guereña's files by the reporter, there being no extra copies on file in the Federal court at this time.)

Mr. SUMNERS. Call your next witness.

(Mr. Reisner was then called, but did not respond.)

Mr. SUMNERS. It is 10 minutes to 12, gentlemen. How late do you want to run?

Mr. LA GUARDIA. Run to 12 o'clock.

Mr. SUMNERS. If you have any witness, put him on.

Mr. LA GUARDIA. Mr. Gilbert.

Mr. BROWNING. There is one question I want to ask Mr. Guereña that I really overlooked.

Q. Mr. Guereña, when you made the objection to the allowance of expenses for the receiver in this case, I will ask you what, if anything, the court said to you in response and what the circumstances were leading up to it.—A. Well, I don't know just exactly what you refer to. There were 20 pages of exceptions filed to the fourth and final account which ran also to the three preceding accounts, and there was considerable of a hearing, taking of testimony on the account. All of that testimony is in the transcript on the second appeal, but the argument concerning those objections and that account is not in the record. I think there was a reporter present, and the only discussion between the court and myself—that is, Judge Louderback and myself—concerning my argument was with reference to my insistence that there was unreasonableness exhibited in the extent and the character of charges made by the receiver's counsel for his meals—

Q. (interrupting). What were some of those?—A. (continuing). And for his traveling expense.

Q. What were some of those expenses?—A. Without going into detail, I will say just generally that the testimony—

Mr. SUMNERS (interrupting). Pardon me just a minute. You may identify sufficiently the nature of statements about that, but don't go into any details about this beyond sufficiently to relate what statements are in the transcript.

A. The record, Mr. Chairman, shows the allowances which were made, or for the expenditures which were allowed, for food and means to the receiver and to his counsel, to which objection was made by the commissioner. For instance, on October 6 the expense for meals ran \$10 to \$12, and I was urging the unreasonableness of that allowance and was told by the court that my insistence on that objection was petty. That is the extent of the exchange. I didn't agree, but I didn't get any chance to say so.

Mr. SUMNERS. Anything further?

Mr. BROWNING. That is all.

Mr. Manager BROWNING. Mr. President, I offer at this time the order of the court in this Lumbermen's Reciprocal Association case, filed December 16, 1931, containing the proviso which has just been read out of the testimony.

The PRESIDING OFFICER. It will be made a part of the record.

(See U.S.S Exhibit 51.)

Mr. Manager BROWNING. Mr. President, we want to offer an original letter, which was included in the testimony taken in San Francisco last September, from Mr. John Douglas Short to Mr. Hathaway, his father-in-law. We offer it for the record.

The PRESIDING OFFICER. It will be made a part of the record.

(See U.S.S. Exhibit 52.)

Mr. HANLEY. What is the date of it?

Mr. Manager BROWNING. The date of it is March 27, 1931, showing that he is enclosing a check for \$5,000.

Mr. LINFORTH. And the reasons for enclosing the check.

Mr. Manager BROWNING. Yes; setting out an involved family transaction, stating what he owes Mr. Hathaway, and that he is enclosing a check for \$5,000.

EXAMINATION OF RANDOLPH V. WHITING

Mr. Manager BROWNING. Call Mr. Randolph Whiting. Randolph V. Whiting, having been duly sworn, was examined and testified as follows:

By Mr. Manager SUMNERS:

Q. Mr. Whiting, will you state to the court your name, business, and residence?—A. Randolph V. Whiting; an attorney; I reside in San Francisco, Calif.

Q. Have you recently been president of the Bar Association of San Francisco?—A. I was until last January, about the middle.

Q. Do you recall the correspondence between yourself as president of the bar association and the President of the United States, and later with the Committee on the Judiciary of the House of Representatives?—A. I do.

Mr. Manager SUMNERS. Mr. President, I think it is fair to the entire situation to state at this point that Mr. Whiting was president of the Bar Association of San Francisco at the time the correspondence took place which initiated this investigation. He is tendered to the court in order that it may have all the information it may desire with reference to that point. We do not care to press the interrogation beyond the point of the pleasure of the President, in the first instance, and the court itself, of course.

By Mr. Manager SUMNERS:

Q. Will you state why it was that the letter was written—it is already in evidence here—to the Committee on the Judiciary with reference to the proposed investigation?

Mr. LINFORTH. Mr. President, we object to that question as being utterly immaterial to any issue here. The investigation was started and made. The reason for it cannot be material upon this inquiry. If there was correspondence between members of the Bar Association and the witness, that correspondence would be hearsay so far as the respondent is concerned. We are here to meet these charges. How the charges happened to be brought is not a material issue here.

Mr. Manager SUMNERS. Mr. President, I quite recognize that, under the ordinary rules governing the admission of testimony, a very serious question would present itself with reference to the admission of this testimony. That is the reason why I took the precaution of advising the Chair and the court with reference to the character of testimony or information which was sought to be elicited from this witness. The witness is here. He was the president of the Bar Association of San Francisco at the time this matter was initiated.

I gather from the testimony which has been adduced, and probably the same result will come from testimony which will be adduced, that these questions will come to the minds of Senators—and I will be very brief: Whether this prosecution was initiated by a disgruntled litigant, whether it was initiated by the stock exchange, or how it came to be initiated, as bearing upon the whole situation.

Here is the president of the Bar Association of San Francisco, who, acting in his official capacity, did initiate this investigation, and he knows the reasons which prompted his action, and the situation which obtained at the time of that action. We tender the witness to the Senate, and if it desires to have the information the witness is here prepared to give it.

The PRESIDING OFFICER. This witness would be competent to testify if within his knowledge he knew of some facts which have a bearing upon these charges. Whatever he initiated, either personally or in conjunction with members of the bar of his city or otherwise, it seems to the present occupant of the chair has all merged into the articles of

impeachment brought to the Senate by the honorable managers on the part of the House, and we are concerned with those now, and not with the first steps taken by this witness, either individually or in conjunction with others, in bringing that result about.

Mr. Manager SUMNERS. Mr. President, in view of that attitude on the part of the President—and certainly the managers have no disposition to complain with reference to it—we will not press further examination of this witness at this time, reserving the right, of course, if later on it may be desired, to tender the witness in rebuttal.

The PRESIDING OFFICER. Then you are excused, Mr. Whiting.

(The witness retired from the stand.)

Mr. Manager SUMNERS. Mr. President, the managers have no further evidence to offer at this time.

Mr. LINFORTH. Mr. President, if it would not be asking too much, we would very much appreciate an adjournment until tomorrow in order that we may determine whether or not to make a motion which we are considering at this time. We expected that the testimony of other witnesses would be introduced, and that the case of the prosecutors would not be concluded this early. If the Senate and you, Mr. President, can grant my request, the respondent will be ready to proceed at any time tomorrow which you may designate.

Mr. Manager SUMNERS. Mr. President, will the President permit an observation on the part of the managers?

The PRESIDING OFFICER. Certainly.

Mr. Manager SUMNERS. Our suggestion is to this effect, that counsel for the respondent begin the presentation of their case, and while it may not be according to the usual procedure, the managers on the part of the House would not object, if tomorrow counsel for respondent should determine to present the motion indicated, to have the motion presented then as of this time. I merely make that suggestion in the interest of the economy of time.

The PRESIDING OFFICER. The Chair is disposed to submit that question to the Senate for its determination and will entertain any motion which a Senator may desire to make.

Mr. LONG. Mr. President, I have been engaged in a committee meeting. What is the motion, may I ask?

The PRESIDING OFFICER. The motion now proposed is to take an adjournment until tomorrow morning, at which time counsel for the respondent will have determined whether they will move for a dismissal of the articles of impeachment or to proceed with the introduction of evidence. Is that correctly stated, the Chair will inquire of counsel?

Mr. LINFORTH. That is substantially correct, Mr. President. We propose, if we follow that course, to make a motion which is tantamount to a demurrer to the evidence.

RECESS

Mr. ASHURST. I move that the Senate take a recess for 1 hour so that the honorable attorneys on the part of the respondent may determine whether or not they wish to make any such motion. It seems to me that an hour is appropriate time. I make that motion.

The PRESIDING OFFICER. The question is on the motion of the Senator from Arizona.

The motion was agreed to; and (at 3 o'clock and 1 minute p.m.) the Senate sitting as a Court of Impeachment took a recess for 1 hour. On the expiration of the recess the Senate sitting as a court reassembled.

CALL OF THE ROLL

Mr. VANDENBERG. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. HEBERT in the chair). The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Barkley	Byrd	Coolidge
Ashurst	Black	Byrnes	Costigan
Austin	Bone	Capper	Couzens
Bachman	Bratton	Caraway	Cutting
Bailey	Brown	Carey	Dickinson
Bankhead	Bulkeley	Clark	Dill
Barbour	Bulow	Connally	Duffy

Erickson	Kean	Murphy	Steinwer
Fess	Kendrick	Neely	Stephens
Fletcher	Keyes	Norris	Thomas, Okla.
Frazier	King	Nye	Thomas, Utah
George	La Follette	Patterson	Townsend
Glass	Lewis	Pittman	Trammell
Goldsborough	Logan	Pope	Tydings
Gore	Long	Reed	Vandenberg
Hale	McAdoo	Robinson, Ark.	Van Nuys
Harrison	McCarran	Robinson, Ind.	Wagner
Hastings	McGill	Schall	Walcott
Hatfield	McKellar	Sheppard	Walsh
Hayden	McNary	Shipstead	Wheeler
Hebert	Metcalf	Smith	White

The PRESIDING OFFICER. Eighty-four Senators having answered to their names, a quorum is present. Is counsel for the respondent ready to proceed?

TESTIMONY ON BEHALF OF RESPONDENT

Mr. LINFORTH. Mr. President, on behalf of the respondent, we wish to thank the Presiding Officer and the Senate for the courtesy of giving us an hour within which to confer. Counsel are under instructions from the respondent not to make any motion but to proceed to offer the proof.

The PRESIDING OFFICER. Very well, gentlemen. Call your first witness.

EXAMINATION OF ROY A. BRONSON

Mr. LINFORTH. Call Mr. Roy Bronson.

Roy A. Bronson, having previously been duly sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. Mr. Bronson, you have already been a witness in this matter on behalf of the prosecution?—A. I have.

Q. How long have you been practicing law?—A. Twenty years.

Q. How long have you known Herbert Erskine?—A. For about 25 or 30 years.

Q. How long have you known his brother, Morse Erskine?—A. Ever since he has practiced law, which, I believe, is something like 10 or 12 years.

Q. And did you know the senior member of that firm in his lifetime, Mr. Keyes?—A. I did.

Q. Do you know what the reputation of Herbert Erskine is, as a man and a lawyer, in the community where he resides?—A. I do.

Q. Is it good or bad?—A. It is excellent.

Q. And what is the reputation of his brother, Morse Erskine?—A. It is excellent also.

Q. And what was the reputation of the deceased member of the firm, Mr. Keyes?—A. The very highest.

Mr. LINFORTH. That is all.

The PRESIDING OFFICER. Do Managers on the part of the House desire to ask the witness any questions?

Mr. Manager SUMNERS. We do not.

(The witness retired from the stand.)

EXAMINATION OF THOMAS W. SLAVEN

Mr. LINFORTH. Call Mr. T. W. Slaven.

Thomas W. Slaven, having been previously duly sworn, was examined, and testified as follows:

By Mr. LINFORTH:

Q. Mr. Slaven, you have already been a witness in behalf of the other side to this proceeding?—A. I have.

Q. How long have you been practicing as an attorney?—A. Fifteen years.

Q. Do you know Herbert Erskine?—A. I do.

Q. How long have you known him?—A. About 10 years.

Q. Do you know his brother, his partner, Morse Erskine?—A. I do.

Q. How long have you known him?

Mr. Manager SUMNERS. Just a minute. Mr. President, we do not object at all to the testimony, but in order to save time we believe that the interrogation ought to be directed to the reputation of the attorney whose reputation was brought in question this morning by a question asked by counsel for the respondent.

Mr. LINFORTH. May I add one word in reply, Mr. President? The witness Brown, after testifying that the reputation of Herbert Erskine was not good, then refused to answer a question as to the reputation of Morse Erskine. So I think, under that state of affairs, in justice to those

men, it is proper to use the witness on the other side in defense of that situation. We are 3,000 miles away from home where these men practice and where they live, but, fortunately, we have some lawyers here on the other side in this case that know them.

Mr. Manager SUMNERS. Mr. President, will the Chair hear me for just a moment?

The PRESIDING OFFICER. The manager may proceed.

Mr. Manager SUMNERS. I may suggest to the Chair that on a former examination of Mr. Brown it was disclosed that he did at that time testify that Mr. Erskine's reputation was not good. Counsel for the respondent knew that. At the time they propounded the question this morning to Mr. Brown they brought out that information or testimony themselves. We are not at all objecting, notwithstanding the fact that they put it in issue themselves and knew exactly what was going to happen when they asked the question. We do not at all object to this witness answering questions with regard to the reputation of a lawyer whose reputation was put in issue by counsel for the respondent. We do not at all object to that.

Mr. LINFORTH. Mr. President, will you allow me one word in defense of a brother lawyer? True, upon preliminary statement, Mr. Brown did make the statement which he repeated here. Some weeks ago when I was in the city of Washington in connection with this proceeding the Chairman of the Judiciary Committee of the Senate told us that the Treasury of this country was at the defense of the respondent, if necessary, but he asked us to bear in mind existing conditions and not to pile up unnecessary expense. For that reason we did not bring attorneys 3,000 miles to substantiate the reputation of these men, but we are fortunate in having some of the lawyers on the other side in this case who know them; and I say, inasmuch as the witness referred to declined to answer the question as to what the reputation of Morse Erskine was, in fairness to any lawyer, we ought to be permitted to remove the insinuation, if it is no more than that, from the declination of that witness to answer the question as to what the reputation of Morse Erskine was.

The PRESIDING OFFICER. The opinion of the present occupant of the chair is that this is a matter in which the Senate is not concerned. It is not the issue here. The Chair appreciates the attitude of counsel in wishing to clear the reputation of a fellow member of the bar. The Chair can well appreciate their desire to do that. On the other hand, the Chair does not feel justified in allowing the time of the Senate to be taken up in any such inquiry. While the Chair is going to allow this witness for the time being to testify, he will not permit the inquiry to proceed any further.

Mr. LINFORTH. We bow to the wishes of the Chair, and we shall not call anyone else on the subject.

Mr. Manager SUMNERS. The managers did not put in issue the reputation of Mr. Erskine, and do not now question it, and never have questioned it.

Mr. LINFORTH. But your witness did.

Mr. Manager SUMNERS. You asked him the question.

The PRESIDING OFFICER. The Chair does not think we ought to waste any further time on this issue. Proceed with the examination.

By Mr. LINFORTH:

Q. What is the reputation of Morse Erskine in the community in which he lives for honesty, integrity, and ability as a lawyer?—A. It is of the highest.

Q. And his brother Herbert?—A. Likewise I know it to be the highest.

Mr. LINFORTH. No further questions.

Mr. McKELLAR. Mr. President, I have a question I want to ask.

The PRESIDING OFFICER. The Senator from Tennessee propounds an inquiry, which the clerk will read.

The legislative clerk read as follows:

Q. Do you know the general reputation of John Douglas Short? If you do, what is the general reputation of John Douglas Short for truth and veracity and as a lawyer?

The WITNESS. For truth and veracity I know the reputation of Mr. Short to be good. As for his ability as a lawyer I am unable to state.

The PRESIDING OFFICER. Are there any further inquiries? If not, the witness may be excused.

EXAMINATION OF J. H. ZOLINSKY

Mr. LINFORTH. We will call Mr. Zolinsky.

J. H. Zolinsky, having been duly sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. Mr. Zolinsky, will you state your residence and occupation?—A. My residence is San Francisco. My occupation is an accountant.

Q. How long have you been following the business of an accountant?—A. About 13 years.

Q. Were you the accountant for Russell-Colvin & Co. before the appointment of the receiver?—A. I was.

Q. How long had you been the accountant of that firm before the receivership?—A. About 3 years.

Q. Following the receivership, were you employed by the receiver, Mr. Hunter?—A. I was.

Q. Did you continue from that time on in the employment of Mr. Hunter as accountant?—A. Yes; I was.

Q. Can you tell the Presiding Officer and the Senate what the balance sheet, taken March 11, 1930, the date of the receivership of that concern, showed, so far as assets and liabilities were concerned?—A. There were firm assets and firm securities amounting to \$1,521,096.54. There were also held for customers securities to the amount of \$1,538,879.81, making a total of assets of \$3,059,976.35.

Q. According to the balance sheet at the date of the receivership?—A. Yes, sir.

Q. According to the books of the company, what was the appraised value of the securities—not their assets but securities—belonging to Russell-Colvin Co. at the date of the receivership?—A. The appraised value of securities belonging to Russell-Colvin was \$503,267.25, not including any belonging to customers.

Q. Did they have assets other than securities?—A. Yes; they had about \$1,000,000 of other assets, including membership seats. There was some cash, accounts due from customers, and miscellaneous.

Q. In round numbers as of the date of the receivership the assets were approximately \$1,000,000?—A. That is right.

Q. How many claims were presented and filed with the receiver?—A. There were 679 claims filed with the receiver.

Q. Can you state from your record the aggregate sum of those claims filed with the receiver?—A. Yes; they were \$1,722,004.53.

Q. Do your books show and can you state the amount due by Russell-Colvin & Co. on that date for bank loans, brokers' loans, and repurchase agreements in total?—A. Yes; that amounted to \$973,170.94.

Q. Were the securities held by Russell-Colvin & Co. at the time of the receivership pledged by them for an amount in excess of what Russell-Colvin & Co. had loaned on them?—A. Yes; they were.

Q. How much more did that concern pledge them for than they had loaned on them, in round numbers?—A. That was about \$359,000.

Q. From your books can you state how much in cash was paid by the receiver to the customers who had preferred claims?—A. I do not understand the question. Was that the amount paid to—

Q. Let me withdraw the question and put it in a different form. How much did the receiver pay to the customers of the firm in cash and securities?—A. It totaled \$830,439.73.

Q. Can you state how much of that was paid by the receiver to those customers in cash?—A. It was \$328,406.72.

Q. Was the balance paid in stock of the appraised value of the difference?—A. Yes; it was.

Q. According to your books how much was paid to the secured customers by the receiver in the liquidation, in percent?—A. One hundred percent was paid to the secured claimants.

Q. The secured claims were paid 100 percent?—A. Yes, sir.

Mr. LONG. Mr. President, I send a question to the desk. The PRESIDING OFFICER. The Senator from Louisiana propounds a question, which the clerk will read.

The legislative clerk read as follows:

Q. Was the firm of Erskine & Erskine associated as attorneys for the receiver with John Douglas Short?

Yes; they were.

By Mr. LINFORTH:

Q. Having told us that in the liquidation the secured customers received 100 percent of their claims, how much did the marginal customers not entitle to priority receive in percentage?—A. They have already received 48.07 percent.

Q. Are there still assets out of which a further dividend will be paid them?—A. Yes; they will receive about 6.8 percent additional.

Q. Making, in round numbers, how much in percentage?—A. About 55 percent.

Q. What have the general creditors received in percentage?—A. So far they have received 28 percent.

Q. Are there assets remaining out of which they will be paid an additional percentage?—A. They will receive an additional 12 percent, making a total of 40 percent.

Q. What remaining assets are there at the present time? I do not mean to specify what they are, but in total?—A. In total we have assets of about \$65,000, and in addition to that we have uncollected customers' accounts of \$179,000.

Q. In figuring the percentage that will still be paid, have you figured anything on the \$170,000 and odd of uncollected accounts?—A. We have not figured anything on the \$179,000 of uncollected accounts.

Q. The balance you have referred to from your record—A. \$65,000.

Q. Is it due from solvent concerns?—A. It is all due from solvent concerns.

Q. And good?—A. Yes, sir.

Mr. LINFORTH. Take the witness.

Cross-examination by Mr. Manager SUMNERS:

Q. Your statement is that there will be 12 percent more paid to the general creditors?—A. Yes, sir.

Q. And that the money is due from solvent concerns?—A. Yes, sir.

Q. Why have you not already collected the money?—A. Why, of that amount \$5,200 is being held in escrow by the legal firm who had charge of the Farmers' Investment Co., which was liquidated by the receiver. They are waiting to turn it over to Mr. Hunter.

Q. What are they waiting for?—A. I could not tell you that; some legal difficulty in closing that concern. It should have been paid, I understand, several years ago. I do not know why it has not been paid.

Q. How do you know it is going to be paid?—A. I know they have it in escrow. Mr. Hunter sold the stocks which made up this sum of money and was asking for it several times. I do not know why he has not been paid it.

Q. What I am trying to find out is how you know it is going to be paid. You have testified that it is going to be paid, and it has been in escrow for these years.—A. It should be paid, because it was a subsidiary of Russell-Colvin. There is no liability against it that I know of.

Q. And yet it is being held in escrow?—A. Yes; it is being held in escrow by the attorneys who were in charge of the corporation.

Q. And you testify it is going to be paid and distributed to the general creditors?—A. Yes, sir.

Q. You swear to that?—A. That is, \$5,000 of the amount.

Q. You swear to that?—A. Yes, sir; an additional amount—that is, \$5,000 of the \$65,000. The other large amount is \$58,000, with interest, due on a contract of sale of securities, sale of notes of the Anchorage Light & Power Co., which contract is secured by all the common stock of the company and is being paid off in regular payments. We have received so far \$12,000 on the sale.

Q. What position did you hold with the Russell-Colvin Co. prior to the receivership?—A. I was the accountant, in charge of the accounts.

Q. What does that mean?—A. I was in charge of all the accounting for the firm, all the bookkeepers and margin customers and cashiers, and so forth.

Q. Was it part of your duties to trace these accounts that you had with other brokers—New York brokers, and so forth?—A. Yes, sir.

Q. You did that before. Did you continue your responsibility in that regard after your employment by the receiver?—A. We never had to trace the securities before the receivership in the same light as we had to trace them for the receiver. There was no occasion to trace before the receivership that I know of.

Q. Did you have the responsibility of making those tracings after the receiver took control?—A. Yes; I did.

Q. Under anybody's direction as to the plan of procedure?—A. Yes. Mr. Short laid out the routine, separating the various classifications of customers for tracing.

Q. Mr. Short, the attorney for the receiver?—A. The attorney.

Q. Did the receiver have anything to do with that?—A. Mr. Hunter was with us, working with us on it. We had quite a few people working on the actual work.

Q. What was the character of the assets of the Russell-Colvin Co. when the receiver took charge?—A. The character? They had their securities. The investment department securities were being sold. We had the accounts receivable, money due from customers. We had the membership, the firm membership account, the stock-exchange seats; money due it from various accounts, such as the Consolidated Paper Box Co., one of its subsidiaries. There was some cash on hand. There was, of course, furniture and fixtures. They were the principal assets.

Q. How many companies held these pledged securities?—A. We had a total of some forty odd different pledgees, different pools—some very small and some large.

Q. How many other concerns held the pledged securities, margined securities?—A. How many concerns were they pledged with?

Q. Yes; that is right.—A. Around 40.

Q. Were they located in San Francisco or in New York?—A. They were all located in San Francisco—San Francisco and California. Lots of them were up-State and down south a way; and some of the companies had correspondents in New York.

Q. You did not have any securities pledged in New York?—A. Well, the largest account, E. A. Pierce & Co., had the most of their securities in New York, held for us there. We had the account with the San Francisco office.

Q. What made up the three million assets, briefly?—A. There was \$500,000 worth of firm securities. We had—

Q. You need not be too particular. I do not care for too much detail.—A. All right. The seats, the exchange seats, were \$75,000. Due from customers were \$650,000; and there was cash, \$43,000. There were furniture and fixtures of an appraised value of \$7,700; and there were miscellaneous items due from different concerns of over \$100,000.

Q. The customers owing you the \$650,000 were marginal customers, were they not?—A. Yes, sir; they were all marginal customers.

Q. And you had the stocks pledged to secure the indebtedness that was owing?—A. Yes, sir.

Q. How much did those stocks lack of being of value equal to the amount that was owing to you by these customers?—A. I have not got the figures at that time. I have what they were later sold for, and what the customers still owe on those stocks.

Q. How much were they sold for?—A. They were sold for an amount which left a balance due the receivership of \$179,000.

Q. Do you assume from that statement that they lacked \$179,000 of bringing the amount originally pledged?—A. If I am right, originally about \$140,000 were the amounts that we considered deficit accounts. Those were accounts that did not have enough collateral to secure the indebtedness.

Q. What has been the accounting cost since the receiver has been in charge?—A. The accounting cost?

Q. The accounting cost.

The PRESIDING OFFICER. Mr. Witness, some of the Senators are unable to hear, and it has been suggested that the microphone be raised 8 or 10 inches. Suppose you try that.

Mr. KING. Mr. President, may I take the liberty—although I am violating the rule—of asking the President to instruct the witness to speak louder? He drops his voice and those of us who are near lose some of his sentences.

The PRESIDING OFFICER. The witness will please raise his voice all the time. It is rather difficult to hear. The acoustics are not particularly good and Senators have to strain a good deal to hear what is said.

By Mr. Manager SUMNERS:

Q. In order that the court may get the mechanics of this thing, is it not true that much of the payments to which you refer—and much of the indebtedness—simply meant that you recovered the pledged securities and delivered them back to the persons who have pledged them?—A. Well, of course, we secured the remaining securities from the pledgees after the pledges were satisfied and distributed them to claimants.

Q. I should like to repeat my question. As I understand from your statement, much of the assets and much of the liabilities of this concern had to do with pledged securities?—A. Yes, sir.

Q. In winding up that part of the transactions of the concern, what you had to do was to recover these pledged securities and deliver them to the respective pledgors?—A. That is right, sir.

Q. About what percentage of the business of winding up the receivership did that character of transaction constitute?—A. You mean of the accounting part of the receivership?

Q. You can answer it either way, or both ways, if you like.—A. Of course the tracing of the securities involved both the securities pledged and unpledged. I do not know just what percentage we spent on the tracing.

Q. Perhaps we can get at it in this way: Since the receiver took charge of the Russell-Colvin Co. it has not been a going concern? It has not bought and sold stock?—A. That is correct; yes, sir.

Q. It has been purely a liquidating receivership?—A. Yes, sir.

Q. And is it not true that the process of liquidation was to recover first the unsold stocks and deliver them back to the persons to whom they respectively belonged?—A. Well, that was not our procedure. We traced all securities into the various pledges, determined which securities had been sold, whose securities had been sold, and the losses and gains thereon, and then delivered to the customers the remaining securities or the cash equivalent, the cash realized from the sale of the securities by pledges. Some of the securities the pledgees sold out at the commencement of the receivership. Others were sold by the receiver later on.

Q. Do you mean that the securities that were pledged with A, B, or C were sold by A, B, or C under the original authorization of sale, and they paid themselves the amount of money that the Russell-Colvin Co. owed to them? Is that true?—A. Yes; most of the banks and brokers did that. There were several who did not do it.

Q. With regard to those transactions where the brokers pursued the first policy, what you had to do was to find out what part of the entire amount received, having already determined with reference to these pools that you have indicated, belonged to each of the pledgors?—A. Yes, sir.

Q. Then you had some securities which the Russell-Colvin Co. had underwritten; did you not?—A. Yes, sir.

Q. Did you have to do with the transactions concerning their sale?—A. Yes; I did. Well, I had to do with the records, of course, concerning their sale. I had to do with the sales of those securities which were pledged, owing to us, Colvin & Co.—those underwritings.

Q. How long was it before the bulk of the business of this concern was wound up under the receivership? Let me put it in this way: What percentage of the bulk of the transactions of the receivership was wound up in the first 3 months?—A. The first 3 months there was very little wound up. At the end of the first 3 months, if I recall, we had

completed receiving all the claims from the various claimants and determining the classification of those claims.

Mr. Manager SUMNERS. I do not think it is profitable to pursue this any further.

The PRESIDING OFFICER. Are there any further questions?

Mr. LINFORTH. No further questions.

Mr. KING. Mr. President, I send an interrogatory to the desk.

The PRESIDING OFFICER. The Senator from Utah propounds an interrogatory, which will be read by the clerk.

The legislative clerk read as follows:

Q. How long was the Russell-Colvin Co. in the hands of the receiver?

The WITNESS. The company went into the hands of the receiver March 11, 1930, and I suppose to date. Its work was finished quite a while ago. Final payments out of firm accounts, and so forth, were paid in the fall of 1931. However, they received a general distribution from the general fund early this year.

Mr. McKELLAR. Mr. President, I send up two questions, which I ask to have read.

Mr. LONG. Mr. President, a point of order. I think that question would mean in point of years. I will ask the Chair to ask the witness to answer how many years or months it was. I do not get exactly what he means by that.

The PRESIDING OFFICER. The Chair suggests that the Reporter read the answer to the interrogatory for the information of the Senate.

The Official Reporter read as follows:

A. The company went into the hands of the receiver March 11, 1930, and I suppose to date. Its work was finished quite a while ago. Final payments out of firm accounts, etc., were paid in the fall of 1931. However, they received a general distribution from the general fund early this year.

Mr. Manager SUMNERS. There is one question I overlooked asking the witness.

Mr. McKELLAR. May I have read the questions which I have sent to the desk?

The PRESIDING OFFICER. The manager will permit the interrogatories of the Senator from Tennessee to be propounded.

Mr. Manager SUMNERS. Yes; I beg pardon.

The legislative clerk read the first question, as follows:

Q. How many lawsuits were brought by the attorneys for the receiver?

The WITNESS. I do not know the total number of lawsuits.

The legislative clerk read the second question, as follows:

Q. How much was recovered on such suits as were brought?

The WITNESS. I have not the figures on those suits.

Mr. McKELLAR. Mr. President, I desire to ask another question in order to finish the matter. I will have it ready in a moment.

The PRESIDING OFFICER. Very well. In the meantime, the manager for the House has a question.

By Mr. Manager SUMNERS:

Q. I should like to ask you, Mr. Witness, how much of the assets of the Russell-Colvin Co. was paid out to the receiver and the attorney for the receiver?—A. The receiver and his attorney received \$90,000. Do you mean what percentage?

Q. No. Will you please state the sums paid respectively to the receiver and the attorney for the receiver?—A. The attorneys of the receiver received \$51,250. The receiver was paid \$40,500.

Q. For how long a period of time was that?—A. Mr. Hunter was actively on the job all last year, all 1932, and on and off to the present date.

Q. How long after the receiver qualified and took charge of the property was this payment made to the receiver?—A. The receiver was paid in the spring—I have not the exact date—the spring of 1931.

Q. Can you fix the date a little more definitely and give us some information as to how long the receiver had been in charge of the property at the time the payment was

made?—A. I think just about a year after the commencement of the receivership.

Q. Is that true also with reference to the attorney for the receiver?—A. They both were paid at the same time.

Q. Do you know how much time the attorney for the receiver devoted to this receivership?—A. I know he was with us most of the first year practically all the time—that is, with the accounting end of it. Of course, I do not know just what extra time he spent.

Q. How long was Mr. Erskine with you?—A. Mr. Morse Erskine was with us a while on the tracing of the claims and preparing the different classifications of customers.

Q. For how long a period of time, if you know?—A. I imagine for about the first 6 months we were working together.

Q. He was there, then, practically all the time?—A. He was there on and off; not as steady as Mr. Short.

Q. Did Mr. Short come down in the morning and stay until evening?—A. Yes; he did. Many times he was there the full day just the same as we were.

Q. Were there many days when he was not there? We are trying to get a picture.—A. Yes; I know. I know sometimes, of course, he was working with Mr. Hunter on other things, and then we would call him in on our work. Of course, we did not bother with the sale of the other assets of the company.

Q. Were there any other attorneys who worked with you during that period, representatives of the Russell-Colvin Co.? Were they there at any time?—A. I worked up some figures for Mr. Brown at one time. He was the only one.

Q. There were no other attorneys representing anybody else who had contact with the activities of the receiver?—A. There were other attorneys representing claimants who came.

Q. I am asking with regard to attorneys who helped to complete the settlement of the estate.—A. Yes, the attorneys for the creditors' committee went over the outline of the work we were doing, and went over certain accounts in which they were interested.

Mr. Manager SUMNERS. That is all.

The PRESIDING OFFICER. The Senator from Tennessee desired to propound an inquiry.

Mr. McKELLAR. Mr. President, I have an interrogatory which I desire to propound.

The PRESIDING OFFICER. The clerk will read the interrogatory.

The legislative clerk read as follows:

Q. Will you ascertain how much money was recovered by means of lawsuits brought by attorneys for the receiver, and give the total sum to the reporter in answer to this question?

Mr. Manager SUMNERS. Mr. President, in that connection I respectfully suggest to the president that it would perhaps be valuable to have retained as a part of the record in this case the memoranda from which the witness has testified.

The PRESIDING OFFICER. I think perhaps that might well be made a part of the record for the information of the Senate.

Mr. Manager SUMNERS. We respectfully ask that it may be made a part of the record.

The PRESIDING OFFICER. That may be done, Mr. Zolinsky, and it will be here in safe-keeping, and will be available to you at a later date.

(See U.S.S. Exhibit 53.)

Mr. McKELLAR. Mr. President, I do not think the witness answered the question and stated whether he would get the information that was asked for.

The WITNESS. I have not a record of the different lawsuits that were instituted by the attorneys.

Mr. KING. Mr. President, I send two interrogatories to the desk, which I desire to have propounded to the witness.

Mr. McKELLAR. One moment. May I suggest, without writing it, that the witness has not answered the question I asked? This witness is an accountant for the company, and all I ask is how much money is shown by his account to have been received from lawsuits. Surely he ought to be able to

find out from his accounting how much money was received as a result of lawsuits.

The WITNESS. One of the principal suits by the attorney, or the work by the attorney, was in the case of the Consolidated Paper Box Co., on which we received about \$211,000 in cash and credits to the pledgees.

The PRESIDING OFFICER. The Senator from Utah propounds the following interrogatories, which the clerk will read.

The legislative clerk read as follows:

Q. For how many months did Short serve as attorney?

The WITNESS. For about the first 6 months, or most of the first year, he served a good deal with the accounting department, showing us the claims, and later with the receiver as well, in disposing of the other firm assets. That was a period of, I should say, about 2 years—less than 2 years.

Q. For how many months did Erskine serve as attorney?

The WITNESS. It is my recollection, or my opinion, that on all the cases, outside of the claims for securities, Mr. Erskine worked with Mr. Short. As a matter of fact, I want to say that Mr. Short, even to the present time, is interested in conducting some of the suits against some of the deficit accounts which we are trying to collect.

Mr. FLETCHER. Mr. President, I send an interrogatory to the desk.

The PRESIDING OFFICER. The Senator from Florida propounds the following interrogatory, which the clerk will read.

The legislative clerk read as follows:

Q. What were the total expenses paid out by the receiver in addition to the compensation to the receiver and the attorneys out of the trust funds?

The PRESIDING OFFICER. The clerk informs the Chair that there are two interrogatories. The witness will be directed to answer the first, which has just been propounded, and then the second will be propounded to him.

The WITNESS. There were about \$50,000 expenses.

Q. What were the different items of expense?

The WITNESS. There were office salaries, amounting to approximately \$29,000; rent, about \$4,000; and there were fees to other attorneys, about \$17,000.

Mr. McCARRAN. Mr. President, I send three interrogatories to the desk.

The PRESIDING OFFICER. The Senator from Nevada propounds three interrogatories, which the clerk will read.

The legislative clerk read as follows:

Q. How much did the creditors realize from the estate?

The WITNESS. The average paid to all creditors amounts to a little over 65 percent and the amount of money and securities paid amounted to \$830,000.

Q. What was the total amount of the estate?

The WITNESS. The total amount of the estate was \$3,000,000.

Q. What was the appraised value of the estate?

The WITNESS. That is the appraised value, or book value, in either case.

Mr. McKELLAR. Mr. President, I have two interrogatories I wish to propound.

The PRESIDING OFFICER. The Senator from Tennessee propounds the following interrogatories, which the clerk will read.

The legislative clerk read as follows:

Q. What were the fees to other attorneys for?

The WITNESS. In one case there was a firm of attorneys representing a client in New York that replevined their stock. In other cases there was a fee allowed to the attorneys representing the firm of Russell-Colvin & Co. That is the record I have on that.

Q. If Mr. Short and Messrs. Erskine & Erskine were employed, why was \$17,000 paid to other attorneys?

The WITNESS. I do not know why it was paid. I guess that will have to be answered by someone else.

Recross-examination by Mr. Manager SUMNERS:

Q. Mr. Zolinsky, you stated, as I understood your statement, that the attorneys have recovered in a lawsuit two hundred thousand and some odd dollars in the Consolidated Paper Box Co. matter. Do you not know, as a matter of fact, there was not any lawsuit at all about that; that that was merely a sale of the property?—A. I said that I have no information as to the number of suits filed, except those filed against customers, which are in process of collection now; but I stated there was a great deal of legal work on that Consolidated Box case, and that is the reason I mentioned it.

Q. But did you or not mention it in response to an inquiry as to what had been recovered by lawsuits on the part of these attorneys?—A. I did.

Q. What lawsuit was instituted?—A. As I said, I know there was a good deal of legal work. I do not know just what kind of a suit was brought against it, and, as I said before, I have no record of all the suits that were brought in this case.

Q. In other words, you do not know whether there was any suit brought at all or not in that matter?—A. I know there were some suits, but I have no record of what suits were brought.

Q. I do not want to take too much time on this, but I am speaking now with respect to the Consolidated Paper Box Co., the only concern that you pointed out definitely with reference to which there had been a lawsuit. I want to know what lawsuit that was.—A. I do not know whether there was a lawsuit or not. I know there was a good deal of legal work.

Q. Do you not know that it was not a lawsuit, that it was a negotiation and sale, and that Mr. De Lancey Smith had the major part to do with reference to the negotiation and sale and closing of the matter?—A. I know that Mr. De Lancey Smith worked on it.

Mr. Manager SUMNERS. That is all.

Redirect examination by Mr. LINFORTH:

Q. May I ask just one further question? You recall, do you not, that the court made an order allowing, if I remember correctly, \$8,750 to Brown & Smith as attorneys for the defendant and to Thelen & Marrin; at the same time it made an allowance of forty-six thousand and odd dollars to Keyes & Erskine. Is that \$8,750 a part of the amount that you have mentioned?—A. Yes; it is.

Q. One further question. Can you tell the Presiding Officer and the Senate about when the dividend was paid to the creditors?—A. The first amount was paid in September 1931, and prior to that we had satisfied the full-paid-security claimants.

Q. And was there a second dividend payment?—A. There were two general dividend payments; as a matter of fact, there were three before the end of 1931; a fourth dividend was paid in March of this year.

Q. That is, the last dividend was paid in March of this year?—A. Yes, sir.

Q. Was that a small one?—A. It was 3 percent of the general claims.

Mr. LINFORTH. I think that is all.

Recross-examination by Mr. Manager SUMNERS:

Q. Just one question, and I am sure I am through. How much was paid to the general creditors in money?—A. In money?

Q. Yes; how much has actually been paid to the general creditors—what percentage of their respective claims?—A. We have paid 28 percent so far.

Q. How much does that amount to?—A. It amounts to \$168,595.82.

Mr. BLACK. I send to the desk an interrogatory.

The PRESIDING OFFICER. The Senator from Alabama propounds an interrogatory, which the clerk will read.

The legislative clerk read as follows:

Q. Who were the other lawyers receiving the \$17,000, and what amount did each receive, and where are such lawyers located?

The WITNESS. The attorneys for the plaintiff received \$4,375; the same amount to attorneys for the defendant.

The attorneys for the defendant were De Lancey Smith and Francis Brown; the attorneys for the plaintiff, I think, were Thelen & Marrin. One thousand dollars was paid to a New York firm of attorneys on account of securities held for the agency, and there were \$7,000 of miscellaneous legal expenses, which includes clerical and legal expense as well.

Mr. BLACK. Mr. President, I should like for the clerk to be instructed again to read the question to the witness so that he may answer the entire question.

The PRESIDING OFFICER. The clerk will again read the interrogatory.

The legislative clerk read as follows:

Q. Who were the other lawyers receiving the \$17,000, and what amount did each receive, and where are such lawyers located?

The WITNESS. De Lancey Smith and Francis Brown, San Francisco, received \$4,375; Thelen & Marrin, attorneys for the plaintiff, received the same amount, \$4,375, also of San Francisco; \$1,000 was paid through Pillsbury, Madison & Sutro, of San Francisco, for account of a New York firm. I do not know the name of that firm. There was still \$7,000 for miscellaneous amounts that I have not here. I think most of them are for court and different clerical expenses.

Mr. KING. Mr. President, I submit two interrogatories.

The PRESIDING OFFICER. The clerk will read the interrogatories propounded by the Senator from Utah.

The legislative clerk read as follows:

Did all the members of the Erskine & Short firm render services in the handling of the Russell-Colvin estate?

The WITNESS. Not to my knowledge.

The PRESIDING OFFICER. The clerk will read the second interrogatory propounded by the Senator from Utah.

The legislative clerk read as follows:

Q. Who were the members of the firm of Erskine & Short?

The WITNESS. I know of Mr. Morse and Mr. Herbert Erskine and Mr. Short. I did not have any business with the other members.

Mr. KING. I submit two further interrogatories.

The PRESIDING OFFICER. The Senator from Utah submits two interrogatories, which the clerk will read.

The legislative clerk read as follows:

Q. Is Hunter still acting as receiver?

The WITNESS. He is.

The PRESIDING OFFICER. The clerk will read the second interrogatory propounded by the Senator from Utah.

The legislative clerk read as follows:

Q. To whom were the payments made which, as you said, constituted 100 per cent?

The WITNESS. They were made to security claimants who had paid their accounts in full. The securities were held in safe keeping. They were also claims such as United States Government taxes, and other taxes, and employees' salaries and salesmen's commissions.

Mr. BLACK. I send another interrogatory to the desk.

The PRESIDING OFFICER. The Senator from Alabama propounds an interrogatory, which the clerk will read.

The legislative clerk read as follows:

Q. What lawyers received the miscellaneous expenses of \$7,000; and if you do not have it in the account now, do you have it accessible?

The WITNESS. I can procure that information. I do not think that it was paid to any attorneys. I believe it was just for legal expenses in court and for stenographers, and so on, in the different cases.

Mr. McKELLAR. Mr. President, I submit another inquiry.

The PRESIDING OFFICER. The Senator from Tennessee propounds an inquiry, which the clerk will read.

The legislative clerk read as follows:

Q. Are John Douglas Short and Erskine & Erskine here in Washington in attendance on this case?

The WITNESS. Yes; they are.

Mr. LINFORTH. Mr. President, may I state, for the information of the Presiding Officer and those who are here, that Mr. Herbert Erskine is here and Mr. Short is also here. The other Mr. Erskine will come by airplane. He is not

here at the present time. I want the witness to be exactly correct about it.

Mr. BONE. Mr. President, I wish to submit an interrogatory.

The PRESIDING OFFICER. The Senator from Washington propounds an interrogatory, which the clerk will read.

The legislative clerk read as follows:

Q. Why were other San Francisco lawyers retained to represent or defend when the receiver had his own lawyers?

The WITNESS. I do not think the other firms were retained by the receiver.

Mr. BONE. That does not quite answer the question.

The PRESIDING OFFICER. Will the reporter please read the answer?

The Official Reporter read as follows:

A. I do not think the other firms were retained by the receiver.

Mr. LINFORTH. If I may be permitted to ask a question, I think I can make it clear to Senators in a moment. Mr. Witness, as to the \$8,750 paid to Thelen & Marrin and to Smith & Brown, they were attorneys for the plaintiff and defendant, respectively, in the Russell-Colvin lawsuit, were they not?

The WITNESS. Yes, sir.

By Mr. LINFORTH:

Q. And they were not employed, any one of them, by the receiver?—A. They were not employed by the receiver.

Q. And the work that they did in connection with the Russell-Colvin matter was the basis of the application which they made to the court direct for compensation, was it not?—A. I believe it was. It had nothing to do with the work, so far as I know, of the receivership.

Q. And the court made an order allowing those gentlemen the amount that you testified to?—A. It was allowed by the court, I know.

Q. At no time were either one of those four gentlemen employed by the receiver?—A. They were not.

The PRESIDING OFFICER. Are there any further interrogatories?

Mr. LINFORTH. As a suggestion, Mr. President, the service rendered by those gentlemen started with the filing of the petition, which resulted in the appointment of the receiver, and such services as they rendered during the receivership. I will ask the witness if that is right?

The WITNESS. That is correct.

The PRESIDING OFFICER. Are there any further questions?

Mr. McCARRAN. Mr. President, I desire to submit a question.

The PRESIDING OFFICER. The Senator from Nevada propounds an interrogatory, which the clerk will read.

The legislative clerk read as follows:

Q. Is it not true that the bulk of the work was in the nature of accountancy rather than law?

The WITNESS. I would say that for the first year Mr. Short spent most of his time on accounting problems and later on the sale of the various firm assets. I do not know just what percentage could be applied to each.

The PRESIDING OFFICER. Are there any further questions?

Mr. Manager SUMNERS. We have no further questions.

Mr. BLACK. I desire to ask a question. I thought it would probably be asked, but, as it has not been, I send it to the desk.

The PRESIDING OFFICER. The Senator from Alabama propounds the following interrogatory, which the clerk will read.

The legislative clerk read as follows:

Q. What fee did you receive as an accountant?

The WITNESS. I received a salary of \$290 a month until December 1931, my regular salary, the same as I received from the firm.

The PRESIDING OFFICER. If there are no further questions, the witness may be excused.

Mr. Manager SUMNERS. We have no further questions.

Mr. McCARRAN. Mr. President, as a matter of inquiry of the Chair, do I understand the statement held in the hands of the witness while he was testifying is to be made of record here?

The PRESIDING OFFICER. That is the understanding.

Mr. McCARRAN. Is that a full statement of litigation conducted or defended during the course of the administration of the estate?

The PRESIDING OFFICER. The Chair cannot answer that interrogatory. Under the rule, the Chair suggests that one of the managers on the part of the House could propound it, and then the witness may answer it, if he is able to answer.

Mr. Manager SUMNERS. Mr. President, in order to save time may I propound the question?

The PRESIDING OFFICER. The manager may.

Mr. Manager SUMNERS. Does the statement to which reference has been made contain the entire statement with reference to the litigation either instituted and prosecuted or defended by counsel for the receiver?—A. I do not think it is complete. All the figures I have given this afternoon, of course, are in there.

Q. May I ask why do you think it is not complete?—A. Well, there may be more details which I have on the books of the company. These are just excerpts from the books, in somewhat round figures.

Mr. McCARRAN. Mr. President, I desire to submit an inquiry.

The PRESIDING OFFICER. The Senator from Nevada propounds an inquiry, which the clerk will read.

The legislative clerk read as follows:

Q. Why was it necessary to retain and pay outside San Francisco counsel during the receivership while the receiver had his own attorneys?

The WITNESS. I think that no outside firms were retained by the receivership. Those outside fees were paid to the attorneys of the old partnership of Russell-Colvin & Co. and for the plaintiff in making the application for receivership.

Mr. KING. Mr. President, I submit the following interrogatory.

The PRESIDING OFFICER. The Senator from Utah propounds an inquiry, which the clerk will read.

The legislative clerk read as follows:

Q. Does the statement contain the names of claims filed or presented?

The WITNESS. My statement does not reveal the names, but they were filed in court at the first hearing for compensation.

Mr. BONE. Mr. President, I submit a further interrogatory.

The PRESIDING OFFICER. The Senator from Washington propounds a further interrogatory, which the clerk will read.

The legislative clerk read as follows:

Q. Did the court allow \$7,000 to a law firm for the preparation of a receivership petition?

The WITNESS. Not that I know of. There were two amounts of \$4,300 apiece that were allowed to the attorney for the plaintiff and the attorneys for the defendant for work done in preparing the application and also for assistance given during some other deals.

The PRESIDING OFFICER. Are there any further questions? If not, the witness will be excused.

EXAMINATION OF HERBERT W. ERSKINE

Mr. LINFORTH. Shall we proceed, Mr. President?

The PRESIDING OFFICER. Yes; call your next witness.

Mr. LINFORTH. We will call Herbert W. Erskine.

Herbert W. Erskine, having been duly sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. Please state your name.—A. Herbert W. Erskine.

Q. Where do you live?—A. I live in the city of Piedmont, Alameda County, Calif.

Q. What is your profession?—A. I am an attorney at law.

Q. How long have you been practicing as an attorney at law?—A. Twenty-five years.

Q. In San Francisco?—A. Yes.

Q. What is the name of your present firm?—A. Keyes & Erskine.

Q. That firm is made up of whom?—A. It is made up of my brother and myself, since Mr. Keyes, my former senior law partner, died.

Q. When was it that Mr. Keyes was deceased?—A. He died in April of 1928.

Q. Is Mr. John Douglas Short connected with your firm in any capacity?—A. Yes.

Q. How long has he been connected with that firm?—A. Approximately 5 years.

Q. In what capacity?—A. He is associated with us, and also employed by us.

Q. Under what terms and arrangements?—A. We carry all the office overhead—rent, stenographers, telephone, and everything—and paid him up until last year \$200 a month, and divided whatever business we jointly handled. In addition to that, he had his own business.

Q. On whatever business was jointly handled he received what proportion?—A. One half.

Q. In addition to that arrangement he has his own business, did you say?—A. Yes.

Q. How long were you in partnership with Mr. Alexander Keyes?—A. 1917.

Q. Down to the time of his death?—A. Down to the time of his death; yes.

Q. Have you been in the past the attorney for the Humboldt Savings Bank of San Francisco?—A. Yes. Mr. Keyes was the president of the bank and I was a director, and we were attorneys for the bank from the time I went to work for him until the bank was purchased or merged with the United Securities Bank & Trust Co., which later on became one of the parts of the Bank of America.

Q. How long were you one of the directors of the Humboldt Savings Bank?—A. I should say approximately 4 or 5 years prior to its absorption by the Bank of America.

Q. Are you one of the attorneys at the present time for the Bank of America at San Francisco?—A. Yes.

Q. How long have you been one of the attorneys for the Bank of America?—A. Ever since the absorption of the Humboldt Bank by the Bank of America chain.

Q. Were you one of the directors of the Bank of America?—A. Up until this January; yes.

Q. Have you also been one of the governors of the San Francisco Bar Association?—A. Yes; I was governor of the bar association for two terms, 1931 and 1932.

Q. How long have you known John Douglas Short?—A. I should say 20 years.

Q. How long has he been practicing law?—A. Approximately that time; perhaps 18 years.

Mr. LONG. Mr. President, I did not understand the question or answer. May I have it read?

The PRESIDING OFFICER. The reporter will read as requested.

The Official Reporter read as follows:

Q. How long has he been practicing law?—A. Approximately that time; perhaps 18 years.

By Mr. LINFORTH:

Q. How old a man is John Douglas Short?—A. I do not know, but I think he is about 37 to 39 years of age. I would not say exactly.

Q. Do you know Francis C. Brown, who was a witness in this proceeding?—A. I believe I met him in 1924, but only vaguely believe it. He was a relative of Mr. Keyes, my former partner, and came in to ask us for employment at that time. I believe I met him then.

Q. Have you had any relations with him since then?—A. No; I have not. I do not know the man by sight even.

Q. Have you ever had any differences with him?—A. None; no.

Q. Do you know Mr. H. B. Hunter, the receiver?—A. Yes.

Q. How long have you known Mr. Hunter?—A. I have known Mr. Hunter ever since I became general counsel for

the United Security Bank & Trust Co. That was about 5 years ago.

Q. Before you became one of its attorneys in this receivership matter had you had any business relations with him?—A. Oh, yes.

Q. In what connection?—A. He was auditor for the branches of the United Security Bank & Trust Co. and when we were merging and absorbing various branches, I think 23 or 25 of them throughout the State of California, my work brought me in contact with him.

Q. He was at that time employed in what capacity?—A. He was an auditor of the United Security Bank.

Q. Did you know him when he was also connected with the Mercantile Bank of San Francisco?—A. Slightly, but not professionally until he was connected with our bank.

Q. At the time of his appointment as receiver I understand he was connected with the firm of Cavalier & Co., stockbrokers in San Francisco and Oakland?—A. Yes.

Q. Were you attorney for Cavalier & Co.?—A. Yes; in some things.

Q. And had been for how long?—A. I was not under a regular retainer from them, but I represented them in some various phases of litigation for 4 or 5 years.

Q. In that way had you come in contact with Mr. H. B. Hunter?—A. Yes. The last case I handled for Cavalier, he was one of the men I came in contact with.

Q. Had your firm and in particular yourself had any experience in stockbrokerage transactions prior to this receivership?—A. Some.

Q. When you were a director and attorney for the Humboldt Savings Bank, was it also a member of the San Francisco Stock Exchange?—A. Yes. It had what is known as an "associate membership" in the San Francisco Stock Exchange.

Q. During those years did you have stock-transaction business with them?—A. Oh, yes; a great many.

Q. And also while you had been attorney for the Bank of America?—A. Yes.

Q. Who first spoke to you about your firm representing Mr. Hunter as receiver in the Russell-Colvin case?

Mr. LONG. Mr. President, at this point I want to propound two questions.

The PRESIDING OFFICER. The Senator from Louisiana propounds two interrogatories which the clerk will read.

The legislative clerk read the first interrogatory, as follows:

Q. Did you say that Lawyer Brown asked you for a job about 1924, or when?

The WITNESS. He asked my deceased partner, Alexander Keyes, for employment in 1924, approximately.

The legislative clerk read the second interrogatory, as follows:

Q. Why did you not hire Brown?

The WITNESS. Because I suppose we had enough men on hand at the time. I had nothing to do either with not hiring him or the hiring of him.

By Mr. LINFORTH:

Q. Who first spoke to you about representing Mr. Hunter as receiver?—A. Mr. Short.

Q. Do you recall when and where it was that he first spoke to you on that subject?—A. I believe it was in my office the morning after Mr. Hunter received his appointment.

Q. What talk did you have with him at that time on the subject of your firm being associated with him as attorney for Mr. Hunter?—A. He stated that Mr. Hunter had discussed with him the matter of employing our firm with him as attorneys for him as receiver, and we discussed it briefly and I stated that we would be glad to accept the employment.

Q. Were you at that time familiar in a general way with this kind of work in this receivership matter?—A. In a general way; yes.

Q. Which members or member of your firm paid particular attention to this receivership matter?—A. My brother.

Q. What was his name?—A. Morse Erskine.

Q. Are you familiar in a general way with the work done by Mr. Short in connection with that matter?—A. Yes; I am.

Q. How much of their time, to your knowledge, was devoted to this receivership matter?—A. All of Mr. Short's time for at least a year was devoted to it, and my brother devoted substantially all of his time for about 4 months in the beginning of the first year of it, and for about 4 months at the end of the first year of it, and in the interim approximately three quarters of his time.

Q. After the expiration of the first year are you familiar with what time was devoted by each one of them to the affairs of this receivership?—A. I am.

Q. Will you state, not exactly, but approximately?—A. My brother did not devote so much time after the first year to it. I think after the settlement of the account and the recasting of the account, which had to be done on a couple of occasions, Mr. Short from that time on handled it exclusively.

Q. During this period that you have spoken of, did you employ other lawyers in your office to do the work that your brother and Mr. Short had been doing prior to this receivership?—A. Yes; you see, we were doing a great deal of work for the Bank of America at the time, and my brother does most of that work. Mr. Short did some of it; and when we had to take him off that work, we had to get one other lawyer and then promote a man in the office that we already had.

Q. During the receivership were you or your brother called into consultation by Mr. Short or the receiver at various times?—A. Various times: yes.

Q. How frequently?—A. Well, many, many times. That would be hard to say, just how frequently. It was one of the big jobs in our office, and we were at it all the time, Sundays and Saturdays and all the time.

Q. Are you familiar with the report of H. B. Hunter on claims filed by him with the court?—A. Yes; I am.

Q. And also with the general report and account of Mr. Hunter as receiver in that matter?—A. Yes.

Q. I hand you these two documents and ask you if those are copies of his reports?—A. Yes; that is a copy of the report on claims, and I believe this is a copy of his general report, with the exception, I think, of some exhibits that are not attached to it.

Mr. LINFORTH. We offer these two papers. I do not care to have them printed in the record; but, to avoid that, I will ask a few questions in regard to them.

The PRESIDING OFFICER. Very well. The clerk will mark them.

(The first report was marked "U.S.S. Exhibit A", and the second report was marked "U.S.S. Exhibit B.")

Mr. LONG. Mr. President, a point of order.

The PRESIDING OFFICER. The Senator from Louisiana will state it.

Mr. LONG. Could not those documents, instead of being printed in the record, be printed as exhibits, as Senate documents, to save expense?

The PRESIDING OFFICER. That is a matter for the Senate to determine, if it desires them printed as Senate documents.

Mr. LONG. It seems to me quite important to have before us the nature of the work, to see just what the receiver did.

The PRESIDING OFFICER. The Chair will entertain a motion as to what disposition shall be made of them.

Mr. LONG. I move that they be printed as Senate documents.

Mr. KING. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. KING. If I may be permitted to state it without writing it, ought not the wishes of counsel for the respective parties to be considered in determining that question?

The PRESIDING OFFICER. Counsel for the respondent said he did not care to have these reports made a part of the record.

Mr. LINFORTH. Mr. President, I have no desire in the matter, if it is the desire of the Senate to have them printed.

My suggestion was to try to adopt a short course to save the expense of having them printed. If the Senators desire them printed—

Mr. LONG. I withdraw my point.

The PRESIDING OFFICER. The Senator withdraws his motion. You may proceed.

By Mr. LINFORTH:

Q. The report of the receiver on claims embraces 102 printed pages, does it not?—A. Yes.

Mr. LINFORTH. For the purpose of avoiding printing the matter in the record, I should like it to appear that it has an index or table of contents which, if I read it, will point to the contents of the paper, and may save the necessity of printing it in the record. It is headed:

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Exhibit F (location of securities).....	1
Exhibit G (original claims).....	2
Exhibit H (statement of "A" claims).....	2
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Exhibit J (statement of "B" claims).....	3
Classification of claims.....	2
Method of settlement.....	3
Form of statement discussed.....	4-9
What the claims involve.....	10
Tracing securities.....	11
Cost of tracing generally.....	12
Business of Russell-Colvin & Co.....	12
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"Grain in the bin" doctrine.....	17
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Interest and dividends.....	26
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Assessment of costs.....	30
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List of all claims filed in response to court order.....	36
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List of claims to securities which have been satisfied.....	67
List of claims of secured creditors (banks and brokers) which have been satisfied.....	71
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List of claims of general creditors.....	89
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In conclusion.....	98

Then, on the next page, follow two lists of authorities cited.

By Mr. LINFORTH:

Q. Did your report deal with the subjects referred to in the title to which I have called your attention?—A. It did.

Mr. Manager SUMNERS. Will counsel for the respondent permit an interruption?

Mr. LINFORTH. Certainly.

Mr. Manager SUMNERS. I desire to suggest to counsel for the respondent that on page 499 of the hearings before the special committee in San Francisco the document to which the gentleman is making reference appears to have been printed in full; and for the convenience of the Senate it might be suggested that if it is desired resort may be had to this document without the necessity for printing it.

Mr. LINFORTH. There is no objection to that so far as the respondent is concerned.

The PRESIDING OFFICER. Very well.

By Mr. LINFORTH:

Q. Mr. Erskine, this general report and account of Mr. Hunter embraces 49 pages?—A. Yes; 49.

Q. And has a list of the subjects under discussion on the first 2½ pages thereof, does it not?—A. Yes.

Mr. LINFORTH. May I inquire of the honorable Manager of the House, Mr. SUMNERS, whether this paper to which he has referred is also printed in the record?

Mr. Manager SUMNERS. I am quite sure it is. If counsel will indicate the title of the paper, I will verify that.

Mr. LINFORTH. The paper is entitled "General Report and Account of H. B. Hunter, Receiver in Equity in Russell-Colvin & Co."

Mr. Manager SUMNERS. I am sure it is. I can give complete assurance in just a moment. Is it First General Report, may I ask counsel?

Mr. LINFORTH. It is not designated as "First". It is designated as "General Report and Account." My information will not enable me to answer as to whether it is the first.

Mr. Manager BROWNING. The first General Report and Account, and report of the cash receipts and disbursements, is on page 419. The first report of Hunter on claims is on page 458.

Mr. Manager SUMNERS. I think I can give counsel assurance, if I may, that the document is incorporated in the volume of exhibits.

Mr. Manager BROWNING. I am sure it is.

Mr. LINFORTH. Upon the assurance of counsel that it is also contained in that record, it is unnecessary further at this time to refer to it.

Mr. President, may I inquire whether this is a convenient time for an adjournment?

Mr. McKELLAR. Mr. President, before an adjournment is taken, I should like to have two interrogatories propounded, so that the record will show them.

The PRESIDING OFFICER. The Senator from Tennessee propounds two interrogatories, which will be read.

The legislative clerk read as follows:

Q. How were the fees your firm received from the receivership of Russell-Colvin & Co. divided between the members of your firm? How much did Mr. Short get, and how much did each of the others get?

The WITNESS. The fee was divided in half. Mr. Short received one half, and our firm received the other half, and it went into the cash receipts of the firm, and was divided in accordance with the partnership articles between myself and my brother. I received 60 percent of it, and he received 40 percent of it.

Q. How many suits were brought by your firm for the receiver? What was the aggregate amount received in all suits?

The WITNESS. I could not answer that last question without reference to the records. I am not familiar enough with that particular phase of it.

Mr. McKELLAR. Without writing the question, may I be permitted to ask the witness whether he will get that information?

The PRESIDING OFFICER. Is it possible for the witness to get that information and furnish it to the Senate?

The WITNESS. Yes.

Mr. McKELLAR. That will be entirely satisfactory.

Mr. LINFORTH. Mr. President, I may add that Mr. Short is here, and he no doubt will have full information on that subject.

The PRESIDING OFFICER. So long as the information comes from some witness, I take it that it will be satisfactory to the Senator.

Mr. McKELLAR. We will let the witness take his own course about it.

The PRESIDING OFFICER. Whether or not the Senate shall proceed further in the consideration of the case remains with the Senate to determine. Do counsel desire to have an adjournment at this time for some reason?

Mr. LINFORTH. I would appreciate very much an adjournment, Mr. President and Senators.

EXHIBITS ADMITTED IN EVIDENCE

The documents this day admitted in evidence, marked, respectively, "U.S.S. Exhibit 40" to "U.S.S. Exhibit 53",

both inclusive, with the exception of "U.S.S. Exhibit 49" and "U.S.S. Exhibit 50", which were not ordered printed, are as follows:

U.S.S. EXHIBIT 40

IN THE SOUTHERN DIVISION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

AMERICAN CAN CO., A CORPORATION, PLAINTIFF, v. GOLDEN STATE ASPARAGUS CO., A CORPORATION, DEFENDANT. IN EQUITY NO. 2683-K

Petition of receiver for authority to employ counsel

To the Honorable the Judge of the United States District Court in and for the Northern District of California, Southern Division: The petition of George N. Edwards respectfully represents to this court:

1. That he is the duly appointed, qualified, and acting receiver in equity in the above-entitled matter, having been duly appointed and qualified thereunder on the 5th day of September 1930;

2. That your petitioner finds that his duties as such receiver are very complicated and that in managing the property of said Golden State Asparagus Co., a corporation, your petitioner is constantly confronted with legal questions as to the extent of the authority of and the nature of the duties of your petitioner as said receiver;

3. That it also will be necessary to prepare petitions, orders, and other legal documents required in the administration of your petitioner's office and to do such things as are necessary to the end that your petitioner shall have proper legal advice; that because of the legal questions involved it is imperative that your petitioner be allowed to employ counsel to represent him in the discharge of his duties as said receiver;

4. That your petitioner purposes, upon the granting of this petition, to employ Messrs. Dinkelspiel & Dinkelspiel, attorneys at law of the city and county of San Francisco, State of California, as counsel, who have agreed to accept as compensation for any services rendered to your receiver such amount of money as may be allowed therefor by this court.

Wherefore said receiver prays that he be authorized and directed to employ said firm of attorneys as his counsel at the expense of said estate.

Dated September 8, 1930.

GEO. N. EDWARDS, Receiver.

UNITED STATES OF AMERICA, STATE OF CALIFORNIA,

City and County of San Francisco, ss:

George N. Edwards, being first duly sworn, deposes and says: That he is the petitioner named in the foregoing petition; that he makes solemn oath that the facts contained in the foregoing petition are true, except as to the matters which are therein stated on his information or belief, and as to those matters he believes it to be true.

GEORGE N. EDWARDS.

Subscribed and sworn to before me this 8th day of September 1930.

AMY B. TOWNSEND,

Notary Public in and for the City and County of San Francisco, State of California.

U.S.S. EXHIBIT 41

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE NORTHERN DISTRICT OF CALIFORNIA, SOUTHERN DIVISION

AMERICAN CAN CO., A CORPORATION, PLAINTIFF, v. GOLDEN STATE ASPARAGUS CO., A CORPORATION, DEFENDANT. IN EQUITY, NO. 2683-L

Order approving and affirming first report and account of receiver and ordering compensation paid to receiver, attorneys for receiver, attorneys for plaintiff, and attorneys for defendant

The first report and account of George N. Edwards, receiver in equity of Golden State Asparagus Co., defendant above named, and the petition of Messrs. Dinkelspiel & Dinkelspiel, attorneys for said George N. Edwards, for compensation, and the petition of Chickering & Gregory, attorneys for plaintiff above named, for compensation for services rendered to said receiver, and the petition of Messrs. Cushing & Cushing, attorneys for defendant above named, for compensation for services rendered to said receiver, having come on for hearing this 26th day of March 1932,

And it appearing that notice was given to plaintiff and defendant and to all creditors of Golden State Asparagus Co., in accordance with the order fixing time and place for the hearing of the aforesaid petition, and after the introduction of evidence, both oral and documentary, concerning said petitions heretofore referred to, and good cause appearing therefor,

It is hereby ordered, adjudged, and decreed that the first account and report of the receiver be, and the same is hereby, approved and affirmed, and that the petition of the receiver for compensation is hereby granted in the sum of \$14,000 on account, of which sum \$9,000 has up to and including the 5th day of September 1932 been advanced in monthly salary and is hereby deducted from the total of said \$14,000 allowed; and

It is further ordered, adjudged, and decreed that the petition of Messrs. Dinkelspiel & Dinkelspiel, attorneys for said receiver, for compensation for services rendered to said receiver is hereby granted in the sum of \$14,000 on account.

Dated April 1, 1932.

HAROLD LOUDERBACK,

Judge of the United States District Court.

U.S.S. EXHIBIT 42

No. 02109

HOTEL FAIRMONT

SAN FRANCISCO

REGISTRATION CARD

Date, September 21, 1929..... Acct. No. 5848
Name, Sam Leake..... Room 26
Street, Guest..... Rate \$3.00
City and State, S. F..... Clerk W. D.

Notice to guests: This hotel keeps a fireproof safe and will not be responsible for money, jewelry, documents, or other articles of unusual value, and small compass unless placed therein.
Chg. Sam Leake, room 679.

U.S.S. EXHIBIT 43

The Fairmont Hotel, San Francisco, Calif. Sam Leake. Room 26. Rate, \$90
[Account no. 2566. Previous account no. 5848R. Forward to account no. 2595]

		Room	Res- taur- ant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1929 Sept.							Bro't forw'd	\$9.00
\$9.00	24	\$3.00							12.00
12.00	25	3.00			\$1.87		Val. \$1.00		17.87
17.87	26	3.00							20.87
20.87	27	3.00							23.87
23.87	28	3.00							26.87
26.87	29	3.00							29.87
29.87	30	3.00							32.87

The Fairmont Hotel, San Francisco, Calif. Sam Leake. Room 26. Rate, \$75
[Account no. 2595. Previous account no. 2566. Forward to account no. 2849]

		Room	Res- taur- ant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1929 Oct.							Bill rendered	\$32.87
\$32.87	1	\$2.90							35.77
35.77	2	2.90			\$1.45				40.12
40.12	3	2.90							43.02
43.02	4	2.90							45.92
45.92	5	2.90							48.82
48.82	6	2.90							51.72
51.72	7	2.90							54.62
54.62	8	2.90							57.52
57.52	9	2.90			.98				61.40
61.40	10	2.90							64.30
64.30	11	2.41							66.71
66.71	12	2.41							69.12
69.12	13	2.21							71.23
71.23	Adj.	.20							71.53
71.53	14	2.41							73.94
73.94	15	2.41					\$17.47	Adj. \$5.00Cr.	66.45
66.45	16	2.41			1.39		17.48	Adj. 4.90Cr.	71.25
71.25	17	2.41					Val. 1.00	Csh. 27.87Cr.	45.79
45.79	18	2.41							48.20
48.20	19	2.41							50.61
50.61	20	2.41							53.02
53.02	21	2.41							55.43
55.43	22	2.41			1.45				59.29
59.29	23	2.41							61.70
61.70	24	2.41							64.11
64.11	25	2.41							66.52
66.52	26	2.41							68.93
68.93	27	2.41							71.34
71.34	28	2.41							73.75
73.75	29	2.41							76.16
76.16	30	2.41							78.57
78.57	31	2.70							81.27

[Account no. 2849. Previous account no. 2595. Forward to account no. 3116]

		Room	Res- taur- ant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1929 Nov.							Bill rendered	\$81.27
\$81.27	1	\$2.50							83.77
83.77	2	2.50							86.27
86.27	3	2.50							88.77
88.77	4	2.50							91.27
91.27	5	2.50						Csh. \$50.00Cr.	43.77
43.77	6	2.50							46.27
46.27	7	2.50			\$2.16			Csh. 31.27Cr.	50.93
50.93	8	2.50							22.16
22.16	9	2.50							24.66
24.66	10	2.50							27.16
27.16	11	2.50							29.66
29.66	12	2.50							32.16
32.16	13	2.50							34.66
34.66	14	2.50							37.16
37.16	15	2.50			1.64				41.30
41.30	16	2.50							43.80
43.80	17	2.50							46.30
46.30	18	2.50						Val. \$1.00	49.80
49.80	19	2.50			1.18				53.48
53.48	20	2.50							55.98
55.98	21	2.50							58.48
58.48	22	2.50			\$0.20				61.13
61.13	23	2.50							63.63
63.63	24	2.50							66.13
66.13	25	2.50			.20				68.83
68.83	26	2.50							71.33
71.33	27	2.50			1.20				75.08
75.08	28	2.50							77.58
77.58	29	2.50			.10				80.13
80.13	30	2.50							82.63

The Fairmont Hotel, San Francisco, Calif. Sam Leake. Room 23. Rate, \$75—Contd.

[Account no. 3116. Previous account no. 2849. Forward to account no. 20]

		Room	Restau- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1929								
	Dec.						Bill rendered		\$82.68
\$82.68	1	\$2.41							85.09
85.09	2	2.41							87.50
87.50	3	2.41							89.91
89.91	4	2.41							92.32
92.32	5	2.41							94.73
94.73	6	2.41							97.14
97.14	7	2.41						Csh. \$82.68Cr.	16.87
16.87	8	2.41							19.28
19.28	9	2.41							21.69
21.69	10	2.41							24.10
24.10	11	2.41							26.51
26.51	12	2.41							28.92
28.92	13	2.41							31.33
31.33	14	2.41							33.74
33.74	15	2.41							36.15
36.15	16	2.41							38.56
38.56	17	2.41							40.97
40.97	18	2.41			\$1.47		Val. \$1.75		46.60
46.60	19	2.41							49.01
49.01	20	2.41							51.42
51.42	21	2.41		\$0.30					54.13
54.13	22	2.41							56.54
56.54	23	2.41							58.95
58.95	24	2.41							61.36
61.36	25	2.41							63.77
63.77	26	2.41							66.18
66.18	27	2.41			1.65				70.24
70.24	28	2.41							72.65
72.65	29	2.41							75.06
75.06	30	2.41							77.47
77.47	31	2.70							80.17

[Account no. 20. Previous account no. 3116. Forward to account no. 310]

		Room	Restau- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1930								
	Jan.						Bill rendered		\$80.17
\$80.17	1	\$2.41							82.28
82.28	2	2.41						Adj. \$0.30Cr.	84.69
84.69	3	2.41			\$1.79				88.89
88.89	4	2.41							91.13
91.13	5	2.41						Csh. 80.17Cr.	13.54
13.54	6	2.41							15.95
15.95	7	2.41							18.36
18.36	8	2.41							20.77
20.77	9	2.41							23.18
23.18	10	2.41							25.59
25.59	11	2.41							28.00
28.00	12	2.41							30.41
30.41	13	2.41							32.82
32.82	14	2.41							35.23
35.23	15	2.41							37.64
37.64	16	2.41			1.29				41.34
41.34	17	2.41							43.75
43.75	18	2.41							46.16
46.16	19	2.41							48.57
48.57	20	2.41		\$0.10					51.08
51.08	21	2.41			1.04				54.53
54.53	22	2.41		.10					57.04
57.04	23	2.41							59.45
59.45	24	2.41					Val. \$1.00		62.86
62.86	25	2.41							65.27
65.27	26	2.41							67.68
67.68	27	2.41							70.09
70.09	28	2.41							72.50
72.50	29	2.41							74.91
74.91	30	2.41							77.32
77.32	31	2.70			.99				81.01

[Account no. 310. Previous account no. 20. Forward to account no. 587]

		Room	Restau- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1930								
	Feb.						Bill rendered		\$81.01
\$81.01	1	\$2.67							83.68
83.68	2	2.67							86.35
86.35	3	2.67							89.02
89.02	4	2.67							91.69
91.69	5	2.67			\$1.24				95.60
95.60	6	2.67	\$2.30	\$0.20					100.77
100.77	7	2.67		.10					103.54
103.54	8	2.67		.10					106.31
106.31	9	2.67						Csh. \$81.01Cr.	27.97
27.97	10	2.67							30.64
30.64	11	2.67							33.31
33.31	12	2.67							35.98
35.98	13	2.67							38.65
38.65	14	2.67							41.32
41.32	15	2.67							43.99
43.99	16	2.67							46.66
46.66	17	2.67			2.30				51.63
51.63	18	2.67						Adj. .46Cr.	53.84
53.84	19	2.67			.74				57.25
57.25	20	2.67							59.92
59.92	21	2.67							62.59
62.59	22	2.67							65.26
65.26	23	2.67							67.93
67.93	24	2.67							70.60
70.60	25	2.67							73.27
73.27	26	2.67							75.94
75.94	27	2.67				\$75.94			78.61
78.61	28	2.91		.20					81.72

The Fairmont Hotel, San Francisco, Calif. Sam Leake. Room 23. Rate, \$75—Contd.

[Account no. 587. Previous account no. 310. Forward to account no. 873]

		Room	Restau- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1930								
	Mar.						Bill rendered		\$81.72
\$81.72	1	\$2.41							84.13
84.13	2	2.41							86.54
86.54	3	2.41							88.95
88.95	4	2.41							91.36
91.36	5	2.41							93.77
93.77	6	2.41						Csh. \$81.72Cr.	14.46
14.46	7	2.41							18.27
18.27	8	2.41			\$1.40				20.68
20.68	9	2.41							23.09
23.09	10	2.41							25.50
25.50	11	2.41			.98				28.89
28.89	12	2.41							31.30
31.30	13	2.41		\$0.20					33.91
33.91	14	2.41							36.32
36.32	15	2.41							38.73
38.73	16	2.41							41.14
41.14	17	2.41							43.55
43.55	18	2.41		.10	1.29		Val. \$1.00		48.35
48.35	19	2.41							50.76
50.76	20	2.41							53.17
53.17	21	2.41							55.58
55.58	22	2.41							57.99
57.99	23	2.41							60.40
60.40	24	2.41							62.81
62.81	25	2.41		.30	.20				65.72
65.72	26	2.41							68.13
68.13	27	2.41							70.54
70.54	28	2.41							72.95
72.95	29	2.41							75.36
75.36	30	2.41							77.77
77.77	31	2.70							80.47

[Account no. 873. Previous account no. 587. Forward to account no. 1144]

		Room	Restau- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1930								
	Apr.						Bill rendered		\$80.47
\$80.47	1	\$2.50						Csh. \$80.47Cr.	4.79
4.79	2	2.50			\$2.29				7.23
7.23	3	2.50							9.70
9.70	4	2.50							12.29
12.29	5	2.50							14.79
14.79	6	2.50							17.23
17.23	7	2.50			\$1.50	\$0.20			21.49
21.49	8	2.50							23.99
23.99	9	2.50							26.49
26.49	10	2.50							28.99
28.99	11	2.50			1.43				32.92
32.92	12	2.50							35.42
35.42	13	2.50							37.92
37.92	14	2.50		.75					41.02
41.02	15	2.50		.75					44.42
44.42	16	2.50							46.92
46.92	17	2.50							49.42
49.42	18	2.50		1.50			Fee \$0.25		53.67
53.67	19	2.50			1.08				57.25
57.25	20	2.50							59.75
59.75	21	2.50		1.50					63.75
63.75	22	2.50							66.25
66.25	23	2.50							68.75
68.75	24	2.50							71.25
71.25	25	2.50							73.75
73.75	26	2.50							76.25
76.25	27	2.50							78.75
78.75	28	2.50							81.25
81.25	29	2.50							83.75
83.75	30	2.50			2.13				88.33

[Account no. 1144. Previous account no. 873. Forward to account no. 1394]

	1930									
	May							Bill rendered		\$88.38
\$88.38	1	\$2.41						Csh. \$88.38Cr.		90.79
90.79	2	2.41								4.82
4.82	3	2.41	\$1.50							8.73
8.73	4	2.41								11.14
11.14	5	2.41								13.55
13.55	6	2.41								15.96
15.96	7	2.41								18.37
18.37	8	2.41								20.78
20.78	9	2.41	\$0.10	\$1.26						24.55
24.55	10	2.41								26.96
26.96	11	2.41								29.37
29.37	12	2.41	1.50							
	12		3.30					Fee \$0.50		37.08
37.08	13	2.41								39.49
39.49	14	2.41		.98						42.88
42.88	15	2.41								45.29
45.29	16	2.41								47.70
47.70	17	2.41								50.11
50.11	18	2.41								52.52
52.52	19	2.41								54.93
54.93	20	2.41								57.34
57.34	21	2.41								59.75
59.75	22	2.41								62.16
62.16	23	2.41								64.57
64.57	24	2.41								66.98
66.98	25	2.41								69.39
69.39	26	2.41								71.80
71.80	27	2.41	3.00					Csh. .50		77.71
77.71	28	2.41								80.12
80.12	29	2.41								82.53
82.53	30	2.41								84.94
84.94	31	2.70								87.64

The Fairmont Hotel, San Francisco, Calif. Sam Leake. Room 26. Rate, \$75—Contd.
[Account no. 1394. Previous account no. 1144. Forward to account no. 1637]

	Room	Restau- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
1930 June						Bill rendered		\$87.64
\$87.64	1	\$2.50					Csh. \$87.64Cr.	2.50
2.50	2	2.50				Csh. \$0.25		10.33
10.33	3	2.50				Val. 4.00		16.83
16.83	4	2.50						19.33
19.33	5	2.50						21.83
21.83	6	1.66						23.49
23.49	7	1.66						25.15
25.15	8	1.66						26.81
26.81	9	1.66				22.84	Adj. 1.68Cr.	28.49
28.49	10	1.66						30.11
30.11	11	1.66						31.77
31.77	12	1.66			.97			33.40
33.40	13	1.66						35.06
35.06	14	1.66						36.72
36.72	15	1.66						38.38
38.38	16	1.66						40.04
40.04	17	1.66						41.70
41.70	18	1.66						43.36
43.36	19	1.66						45.02
45.02	20	1.66						46.68
46.68	21	1.66						48.34
48.34	22	1.66						50.00
50.00	23	1.66						51.66
51.66	24	1.66						53.32
53.32	25	1.66						54.98
54.98	26	1.66						56.64
56.64	27	1.66						58.30
58.30	28	1.66						59.96
59.96	29	1.66						61.62
61.62	30	1.88						63.28

[Account no. 1637. Previous account no. 1394. Forward to account no. 1859]

1930 July						Bill rendered		\$62.82
\$62.82	1	\$1.61					Csh. \$62.82Cr.	1.61
1.61	2	2.41						4.02
4.02	3	2.41						6.43
6.43	4	2.41	\$0.10					8.84
8.84	5	2.41			\$2.50			11.25
11.25	6	2.41						13.66
13.66	7	2.41						16.07
16.07	8	2.41						18.48
18.48	9	2.41						20.89
20.89	10	2.41						23.30
23.30	11	2.41						25.71
25.71	12	2.41						28.12
28.12	13	2.41						30.53
30.53	14	2.41						32.94
32.94	15	2.41						35.35
35.35	16	2.41						37.76
37.76	17	2.41						40.17
40.17	18	2.41						42.58
42.58	19	2.41						44.99
44.99	20	2.41						47.40
47.40	21	2.41						49.81
49.81	22	2.41						52.22
52.22	23	2.41	\$0.75		2.56	Fee \$0.25		54.63
54.63	24	2.41						57.04
57.04	25	2.41						59.45
59.45	26	2.41						61.86
61.86	27	2.41	1.50			Fee .25		64.27
64.27	28	2.41						66.68
66.68	29	2.41						69.09
69.09	30	2.41						71.50
71.50	31	2.70						74.20

[Account no. 1859. Previous account no. 1637. Forward to account no. 2084]

1930 Aug.						Bill rendered		\$82.11
\$82.11	1	\$2.41					Csh. \$82.11Cr.	2.41
2.41	2	2.41				Val. \$0.75		5.27
5.27	3	2.41				Fee .25		7.68
7.68	4	2.41	\$1.50					10.09
10.09	5	2.41			\$2.97			12.50
12.50	6	2.41						14.91
14.91	7	2.41						17.32
17.32	8	2.41						19.73
19.73	9	2.41						22.14
22.14	10	2.41						24.55
24.55	11	2.41						26.96
26.96	12	2.41						29.37
29.37	13	2.41						31.78
31.78	14	2.41						34.19
34.19	15	2.41						36.60
36.60	16	2.41						39.01
39.01	17	2.41						41.42
41.42	18	2.41	.75		2.70	Csh. .25		43.83
43.83	19	2.41						46.24
46.24	20	2.41						48.65
48.65	21	2.41						51.06
51.06	22	2.41						53.47
53.47	23	2.41						55.88
55.88	24	2.41						58.29
58.29	25	2.41						60.70
60.70	26	2.41						63.11
63.11	27	2.41						65.52
65.52	28	2.41						67.93
67.93	29	2.41						70.34
70.34	30	2.41						72.75
72.75	31	2.70						75.16

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The Fairmont Hotel, San Francisco, Calif. Sam Leake. Room 26. Rate, \$75—Contd.
[Account no. 2084. Previous account no. 1859. Forward to account no. 2294]

	Room	Restau- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
1930 Sept.						Bill rendered		\$99.63
\$99.63	1	\$2.50						102.13
102.13	2	2.50						104.63
104.63	3	2.50						107.13
107.13	4	2.50						110.00
110.00	5	2.50					Csh. \$99.63Cr.	12.50
12.50	6	2.50						17.00
17.00	7	2.50						19.50
19.50	8	2.50						22.00
22.00	9	2.50						24.50
24.50	10	2.50						27.00
27.00	11	2.50						29.50
29.50	12	2.50						32.00
32.00	13	2.50						34.50
34.50	14	2.50						37.00
37.00	15	2.50						39.50
39.50	16	2.50						42.00
42.00	17	2.50						44.50
44.50	18	2.50						47.00
47.00	19	2.50						49.50
49.50	20	2.50						52.00
52.00	21	2.50						54.50
54.50	22	2.50						57.00
57.00	23	2.50						59.50
59.50	24	2.50						62.00
62.00	25	2.50						64.50
64.50	26	2.50						67.00
67.00	27	2.50						69.50
69.50	28	2.50						72.00
72.00	29	2.50						74.50
74.50	30	2.50						77.00

[Account no. 2294. Previous account no. 2084. Forward to account no. 2519]

1930 Oct.						Bill rendered		\$87.77
\$87.77	1	\$2.41					Csh. \$87.77Cr.	4.23
4.23	2	2.41						6.64
6.64	3	2.41						9.05
9.05	4	2.41						11.46
11.46	5	2.41						13.87
13.87	6	2.41						16.28
16.28	7	2.41						18.69
18.69	8	2.41						21.10
21.10	9	2.41						23.51
23.51	10	2.41						25.92
25.92	11	2.41						28.33
28.33	12	2.41						30.74
30.74	13	2.41						33.15
33.15	14	2.41						35.56
35.56	15	2.41						37.97
37.97	16	2.41						40.38
40.38	17	2.41						42.79
42.79	18	2.41						45.20
45.20	19	2.41						47.61
47.61	20	2.41						50.02
50.02	21	2.41						52.43
52.43	22	2.41						54.84
54.84	23	2.41						57.25
57.25	24	2.41						59.66
59.66	25	2.41						62.07
62.07	26	2.41						64.48
64.48	27	2.41						66.89
66.89	28	2.41						69.30
69.30	29	2.41						71.71
71.71	30	2.41						74.12
74.12	31	2.70						76.53

[Account no. 2519. Previous account no. 2294. Forward to account no. 2743]

	1930					Bill rendered		\$90.11
	Nov.					Fee \$0.25		96.91
\$90.11	1	\$2.50	\$2.55	\$1.50			Csh. \$90.11Cr.	9.30
96.91	2	2.50						11.80
9.30	3	2.50						14.30
11.80	4	2.50						19.18
14.30	5	2.50	1.00	1.13		Fee. 25		21.68
19.18	6	2.50						25.78
21.68	7	2.50	\$0.10			Val. \$1.50		28.28
25.78	8	2.50						30.78
28.28	9	2.50						33.28
30.78	10	2.50						35.78
33.28	11	2.50						38.28
35.78	12	2.50						40.78
38.28	13	2.50						45.45
40.78	14	2.50		2.17				47.95
45.45	15	2.50						50.45
47.95	16	2.50						56.85
50.45	17	2.50	3.40			Fee. 50		59.35
56.85	18	2.50						61.85
59.35	19	2.50						65.40
61.85	20	2.50		1.05				71.10
65.40	21	2.50	1.85			Fee. 25		73.60
	22		.10			Val. 1.00		76.10
71.10	23	2.50						78.60
73.60	24	2.50						81.10
76.10	25	2.50						83.60
78.60	26	2.50						86.10
81.10	27	2.50						88.70
83.60	28	2.50						92.80
86.10	29	2.50	.10					96.30
88.70	30	2.50		1.60				
92.80	31	2.50						

The Fairmont Hotel, San Francisco, Calif. Sam Leake. Room 26. Rate, \$75—Contd.
[Account no. 519. Previous account no. 262. Forward to account no. 820]

		Room	Restan- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1931 Mar.						Bill rendered		\$38.92
\$38.92	1	\$2.41							101.33
101.33	2	2.41	\$0.75						104.49
104.49	3	2.41							105.90
106.90	4	2.41							109.31
109.31	5	2.41							111.72
111.72	6	2.41						Csh. \$98.92Cr.	15.21
15.21	7	2.41					Val. \$1.00		18.62
18.62	8	2.41							21.03
21.03	9	2.41							23.44
23.44	10	2.41			\$2.26				29.11
28.11	11	2.41							30.52
30.52	12	2.41	.75				Fee .25		33.93
33.93	13	2.41							36.34
36.34	14	2.41							38.75
38.75	15	2.41							41.16
41.16	16	2.41							43.57
43.57	17	2.41			1.67				47.65
47.65	18	2.41							50.03
50.06	19	2.41							52.47
52.47	20	2.41							54.88
54.88	21	2.41							57.29
57.29	22	2.41							59.70
59.70	23	2.41							62.11
62.11	24	2.41							64.52
64.52	25	2.41							66.93
66.93	26	2.41	1.40	\$0.20			Fee .25		71.19
71.19	27	2.41	1.15	.20			Fee .25		75.20
75.20	28	2.41		.40					78.01
78.01	29	2.41							80.42
80.42	30	2.41			2.22				85.05
85.05	31	2.70							87.75

[Account no. 820. Previous account no. 519. Forward to account no. 1119]

	1931 Apr.				Bill rendered		\$87.75
\$87.75	1	\$2.50		\$0.10			90.35
90.35	2	2.50					92.85
92.85	3	2.50		\$1.61			96.96
96.96	4	2.50				Cash \$87.75Cr.	11.71
11.71	5	2.50					14.21
14.21	6	2.50		.10			16.81
16.81	7	2.50					19.31
19.31	8	2.50					21.81
21.81	9	2.50					26.81
24.31	10	2.50					
26.81	11	2.50					30.31
30.31	12	2.50			Val. \$1.00		32.81
32.81	13	2.50					35.31
35.31	14	2.50					37.81
37.81	15	2.50					40.31
40.31	16	2.50					42.81
42.81	17	2.50					45.31
45.31	18	2.50					47.81
47.81	19	2.50					50.31
50.31	20	2.50					52.81
52.81	21	2.50					55.31
55.31	22	2.50	\$3.00				61.31
61.31	23	2.50		.10		Fee .50	63.91
63.91	24	2.50					66.41
66.41	25	2.50		.20	1.72		70.83
70.83	26	2.50					73.33
73.33	27	2.50					75.83
75.83	28	2.50	1.50			Fee .25	80.08
80.08	29	2.50					82.58
82.58	30	2.50	3.00			Fee .50	88.58

[Account no. 1119. Previous account no. 820. Forward to account no. 1417]

[illegible]

The Fairmont Hotel, San Francisco, Calif. Sam Leake. Room 26. Rate, \$75—Contd.
[Account no. 1417. Previous account no. 1119. Forward to account no. 1716]

	Room	Res- taur- ant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
1931 June							Bill rendered	\$86.26
\$86.26	1	\$2.50						2.50
2.50	2	2.50					Csh. \$86.26 Cr.	5.00
5.00	3	2.50						7.50
7.50	4	2.50						10.00
10.00	5	2.50						12.50
12.50	6	2.50						15.00
15.00	7	2.50						17.50
17.50	8	2.50						20.00
20.00	9	2.50						22.50
22.50	10	2.50						25.00
25.00	11	2.50						27.50
27.50	12	2.50						30.00
30.00	13	2.50						32.50
32.50	14	2.50						35.00
35.00	15	2.50						37.50
37.50	16	2.50						40.00
40.00	17	2.50						42.50
42.50	18	2.50						45.00
45.00	19	2.50						47.50
47.50	20	2.50						50.00
50.00	21	2.50						52.50
52.50	22	2.50						55.00
55.00	23	2.50						57.50
57.50	24	2.50						60.00
60.00	25	2.50						62.50
62.50	26	2.50						65.00
65.00	27	2.50						67.50
67.50	28	2.50						70.00
70.00	29	2.50						72.50
72.50	30	2.50						75.00

[Account no. 1716. Previous account no. 1417. Forward to account no. 2016]

	Room	Res- taur- ant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
1931 July							Bill rendered	\$75.00
\$75.00	1	\$2.41					Csh. \$75.00 Cr.	2.41
2.41	2	2.41					Fee \$0.50	9.32
9.32	3	2.41						11.73
11.73	4	2.41						14.14
14.14	5	2.41						16.55
16.55	6	2.41						18.96
18.96	7	2.41					Fee .50	29.32
29.32	8	2.41						31.73
31.73	9	2.41					Fee .25	35.89
35.89	10	2.41					Fee .25	40.05
40.05	11	2.41					Val. 2.00	44.46
44.46	12	2.41						46.87
46.87	13	2.41						49.28
49.28	14	2.41						51.69
51.69	15	2.41						54.10
54.10	16	2.41						56.51
56.51	17	2.41						58.92
58.92	18	2.41						61.33
61.33	19	2.41						63.74
63.74	20	2.41						66.15
66.15	21	2.41						68.56
68.56	22	2.41						70.97
70.97	23	2.41						73.38
73.38	24	2.41						75.79
75.79	25	2.41						78.20
78.20	26	2.41						80.61
80.61	27	2.41						83.02
83.02	28	2.41						85.43
85.43	29	2.41						87.84
87.84	30	2.41						90.25
90.25	31	2.70						92.95

[Account no. 2016. Previous account no. 1716. Forward to account no. 2316]

	Room	Res- taur- ant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
1931 Aug.							Bill rendered	\$112.99
\$112.99	1	\$2.41					Csh. \$112.99 Cr.	115.40
115.40	2	2.41						117.81
117.81	3	2.41						120.22
120.22	4	2.41						122.63
122.63	5	2.41						125.04
125.04	6	2.41						127.45
127.45	7	2.41						129.86
129.86	8	2.41						132.27
132.27	9	2.41						134.68
134.68	10	2.41						137.09
137.09	11	2.41						139.50
139.50	12	2.41						141.91
141.91	13	2.41						144.32
144.32	14	2.41						146.73
146.73	15	2.41						149.14
149.14	16	2.41						151.55
151.55	17	2.41						153.96
153.96	18	2.41						156.37
156.37	19	2.41						158.78
158.78	20	2.41						161.19
161.19	21	2.41						163.60
163.60	22	2.41						166.01
166.01	23	2.41						168.42
168.42	24	2.41						170.83
170.83	25	2.41						173.24
173.24	26	2.41						175.65
175.65	27	2.41						178.06
178.06	28	2.41						180.47
180.47	29	2.41						182.88
182.88	30	2.41						185.29
185.29	31	2.70						187.99

The Fairmont Hotel, San Francisco, Calif. Sam Leake. Room 26. Rate, \$75—Contd.
[Account no. 2316. Previous account no. 2016. Forward to account no. 2616]

	Room	Res- taur- ant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
1931 Sept.							Bill rendered	\$91.82
\$91.82	1	\$2.50					Csh. \$91.82 Cr.	2.50
2.50	2	2.50						5.00
5.00	3	2.50						7.50
7.50	4	2.50						10.00
10.00	5	2.50						12.50
12.50	6	2.50						15.00
15.00	7	2.50						17.50
17.50	8	2.50						20.00
20.00	9	2.50						22.50
22.50	10	2.50						25.00
25.00	11	2.50						27.50
27.50	12	2.50						30.00
30.00	13	2.50						32.50
32.50	14	2.50						35.00
35.00	15	2.50						37.50
37.50	16	2.50						40.00
40.00	17	2.50						42.50
42.50	18	2.50						45.00
45.00	19	2.50						47.50
47.50	20	2.50						50.00
50.00	21	2.50						52.50
52.50	22	2.50						55.00
55.00	23	2.50						57.50
57.50	24	2.50						60.00
60.00	25	2.50						62.50
62.50	26	2.50						65.00
65.00	27	2.50						67.50
67.50	28	2.50						70.00
70.00	29	2.50						72.50
72.50	30	2.50						75.00

[Account no. 2616. Previous account no. 2316. Forward to account no. 2917]

	Room	Res- taur- ant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
1931 Oct.							Bill rendered	\$93.56
\$93.56	1	\$2.41					Csh. \$93.56 Cr.	95.97
95.97	2	2.41						98.38
98.38	3	2.41						100.79
100.79	4	2.41						103.20
103.20	5	2.41						105.61
105.61	6	2.41						108.02
108.02	7	2.41						110.43
110.43	8	2.41						112.84
112.84	9	2.41						115.25
115.25	10	2.41						117.66
117.66	11	2.41						120.07
120.07	12	2.41						122.48
122.48	13	2.41						124.89
124.89	14	2.41						127.30
127.30	15	2.41						129.71
129.71	16	2.41						132.12
132.12	17	2.41						134.53
134.53	18	2.41						136.94
136.94	19	2.41						139.35
139.35	20	2.41						141.76
141.76	21	2.41						144.17
144.17	22	2.41						146.58
146.58	23	2.41						148.99
148.99	24	2.41						151.40
151.40	25	2.41						153.81
153.81	26	2.41						156.22
156.22	27	2.41						158.63
158.63	28	2.41						161.04
161.04	29	2.41						163.45
163.45	30	2.41						165.86
165.86	31	2.70						168.56

[Account no. 2917. Previous account no. 2616. Forward to account no. 3214]

	Room	Res- taur- ant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
1931 Nov.							Bill rendered	\$81.19
\$81.19	1	\$2.50					Csh. \$81.19 Cr.	83.69
83.69	2	2.50						86.19
86.19	3	2.50						88.69
88.69	4	2.50						91.19
91.19	5	2.50						93.69
93.69	6	2.50						96.19
96.19	7	2.50						98.69
98.69	8	2.50						101.19
101.19	9	2.50						103.69
103.69	10	2.50						106.19
106.19	11	2.50						108.69
108.69	12	2.50						111.19
111.19	13	2.50						113.69
113.69	14	2.50						116.19
116.19	15	2.50						118.69
118.69	16	2.50						121.19
121.19	17	2.50						123.69

The Fairmont Hotel, San Francisco, Calif. Sam Leake. Room 28. Rate, \$75—Contd.
[Account no. 3214. Previous account no. 2917. Forward to account no. 12]

	Room	Restau- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
1931 Dec.						Bill rendered		\$82.70
\$82.70	1	\$2.41	\$0.90					88.01
88.01	2	2.41					Csh. \$82.70 Cr.	5.72
5.72	3	2.41						8.13
8.13	4	2.41						10.54
10.54	5	2.41						12.95
12.95	6	2.41						15.36
15.36	7	2.41						17.77
17.77	8	2.41						20.18
20.18	9	2.41						22.59
22.59	10	2.41						25.00
25.00	11	2.41						27.41
27.41	12	2.41						29.82
29.82	13	2.41						32.23
32.23	14	2.41						34.64
34.64	15	2.41						37.05
37.05	16	2.41						39.46
39.46	17	2.41						41.87
41.87	18	2.41						44.28
44.28	19	2.41						46.69
46.69	20	2.41						49.10
49.10	21	2.41						51.51
51.51	22	2.41						53.92
53.92	23	2.41						56.33
56.33	24	2.41						58.74
58.74	25	2.41						61.15
61.15	26	2.41						63.56
63.56	27	2.41						65.97
65.97	28	2.41						68.38
68.38	29	2.41						70.79
70.79	30	2.41						73.20
73.20	31	2.70						75.90

[Account no. 12. Previous account no. 3214. Forward to account no. 313]

1932 Jan.						Bill rendered		\$75.90
\$75.90	1	\$2.41					Csh. \$75.90 Cr.	2.41
2.41	2	2.41						4.82
4.82	3	2.41						7.23
7.23	4	2.41						9.64
9.64	5	2.41						12.05
12.05	6	2.41						14.46
14.46	7	2.41						16.87
16.87	8	2.41						19.28
19.28	9	2.41						21.69
21.69	10	2.41						24.10
24.10	11	2.41						26.51
26.51	12	2.41						28.92
28.92	13	2.41						31.33
31.33	14	2.41						33.74
33.74	15	2.41						36.15
36.15	16	2.41	\$0.10					38.56
38.56	17	2.41						40.97
40.97	18	2.41						43.38
43.38	19	2.41						45.79
45.79	20	2.41						48.20
48.20	21	2.41						50.61
50.61	22	2.41						53.02
53.02	23	2.41						55.43
55.43	24	2.41						57.84
57.84	25	2.41						60.25
60.25	26	2.41						62.66
62.66	27	2.41						65.07
65.07	28	2.41						67.48
67.48	29	2.41						69.89
69.89	30	2.41				Val. \$2.50		72.30
72.30	31	2.70						75.00

[Account no. 313. Previous account no. 12. Forward to account no. 611]

1932 Feb.						Bill rendered		\$77.60
\$77.60	1	\$2.58					Csh. \$77.60 Cr.	80.18
80.18	2	2.58						5.16
5.16	3	2.58						7.74
7.74	4	2.58						10.32
10.32	5	2.58						12.90
12.90	6	2.58						15.48
15.48	7	2.58						18.06
18.06	8	2.58	\$1.50					20.64
20.64	9	2.58						23.22
23.22	10	2.58						25.80
25.80	11	2.58						28.38
28.38	12	2.58						30.96
30.96	13	2.58						33.54
33.54	14	2.58						36.12
36.12	15	2.58	3.00			Fee \$0.25		38.70
38.70	16	2.58						41.28
41.28	17	2.58						43.86
43.86	18	2.58						46.44
46.44	19	2.58						49.02
49.02	20	2.58						51.60
51.60	21	2.58						54.18
54.18	22	2.58						56.76
56.76	23	2.58						59.34
59.34	24	2.58						61.92
61.92	25	2.58						64.50
64.50	26	2.58						67.08
67.08	27	2.58						69.66
69.66	28	2.58						72.24
72.24	29	2.58	1.50					74.82
74.82	30	2.58						77.40
77.40	31	2.76						80.16

The Fairmont Hotel, San Francisco, Calif. Sam Leake. Room 28. Rate, \$75—Contd.
[Account no. 611. Previous account no. 313. Forward to account no. 911]

	Room	Restau- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
1932 Mar.						Bill rendered		\$81.25
\$81.25	1	\$2.41					Csh. \$81.25 Cr.	2.41
2.41	2	2.41	\$3.00					7.82
7.82	3	2.41						10.23
10.23	4	2.41						12.64
12.64	5	2.41						15.05
15.05	6	2.41						17.46
17.46	7	2.41						19.87
19.87	8	2.41						22.28
22.28	9	2.41						24.69
24.69	10	2.41						27.10
27.10	11	2.41						29.51
29.51	12	2.41	\$0.20					31.92
31.92	13	2.41						34.33
34.33	14	2.41						36.74
36.74	15	2.41						39.15
39.15	16	2.41						41.56
41.56	17	2.41						43.97
43.97	18	2.41						46.38
46.38	19	2.41						48.79
48.79	20	2.41						51.20
51.20	21	2.41	1.50					53.61
53.61	22	2.41		.10				56.02
56.02	23	2.41						58.43
58.43	24	2.41						60.84
60.84	25	2.41						63.25
63.25	26	2.41						65.66
65.66	27	2.41						68.07
68.07	28	2.41						70.48
70.48	29	2.41						72.89
72.89	30	2.41						75.30
75.30	31	2.70						78.00

[Account no. 911. Previous account no. 611. Forward to account no. 1213]

1932 Apr.						Bill rendered		\$79.80
\$79.80	1	\$2.50					Csh. \$79.80 Cr.	2.50
2.50	2	2.50						5.00
5.00	3	2.50						7.50
7.50	4	2.50						10.00
10.00	5	2.50						12.50
12.50	6	2.50						15.00
15.00	7	2.50	\$3.00			Fee \$0.50		17.50
17.50	8	2.50						20.00
20.00	9	2.50						22.50
22.50	10	2.50						25.00
25.00	11	2.50						27.50
27.50	12	2.50						30.00
30.00	13	2.50						32.50
32.50	14	2.50						35.00
35.00	15	2.50						37.50
37.50	16	2.50						40.00
40.00	17	2.50						42.50
42.50	18	2.50						45.00
45.00	19	2.50	3.00					47.50
47.50	20	2.50						50.00
50.00	21	2.50						52.50
52.50	22	2.50						55.00
55.00	23	2.50						57.50
57.50	24	2.50						60.00
60.00	25	2.50						62.50
62.50	26	2.50						65.00
65.00	27	2.50	3.00					67.50
67.50	28	2.50						70.00
70.00	29	2.50	\$0.10					72.50
72.50	30	2.50						75.00
75.00	31	2.50						77.50

[Account no. 1213. Previous account no. 911. Forward to account no. 1517]

1932 May						Bill rendered		\$85.00
\$85.00	1	\$2.41					Csh. \$85.00 Cr.	2.41
2.41	2	2.41						4.82
4.82	3	2.41						7.23
7.23	4	2.41						9.64
9.64	5	2.41	\$3.00					12.05
12.05	6	2.41						14.46
14.46	7	2.41						16.87
16.87	8	2.41						19.28
19.28	9	2.41						21.69
21.69	10	2.41						24.10
24.10	11	2.41						26.51
26.51	12	2.41						28.92
28.92	13	2.41						31.33
31.33	14	2.41						33.74
33.74	15	2.41						36.15
36.15	16	2.41						38.56
38.56	17	2.41						40.97
40.97	18	2.41						43.38
43.38	19	2.41						45.79
45.79	20	2.41						48.20
48.20	21	2.41	3.00					50.61
50.61	22	2.41						53.02
53.02	23	2.41						55.43</

The Fairmont Hotel, San Francisco, Calif. Sam Leake. Room 26. Rate, \$75—Contd.
[Account no. 1517. Previous account no. 1213. Forward to account no. 1818]

		Room	Res- taur- ant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1932 June							Bill rendered	
\$83.25	1	\$2.50						Csh. \$83.25Cr.	\$83.25
2.50	2	2.50							2.50
5.00	3	2.50							5.00
7.50	4	2.50							7.50
10.00	5	2.50							10.00
12.50	6	2.50							12.50
15.00	7	2.50							15.00
17.50	8	2.50							17.50
20.00	9	2.50							20.00
22.50	10	2.50							22.50
25.00	11	2.50							25.00
27.50	12	2.50							27.50
30.00	13	2.50							30.00
32.50	14	2.50							32.50
35.00	15	2.50							35.00
37.50	16	2.50							37.50
40.00	17	2.50							40.00
42.50	18	2.50							42.50
45.00	19	2.50							45.00
47.50	20	2.50							47.50
50.00	21	2.50							50.00
52.50	22	2.50							52.50
55.00	23	2.50							55.00
57.50	24	2.50							57.50
60.00	25	2.50							60.00
62.50	26	2.50							62.50
65.00	27	2.50							65.00
67.50	28	2.50							67.50
70.00	29	2.50							70.00
72.50	30	2.50							72.50

[Account no. 1818. Previous account no. 1517. Forward to account no. 2116]

	1932 July							Bill rendered	
\$75.20	1	\$2.41							\$75.20
77.61	2	2.41							77.61
80.02	3	2.41							80.02
82.43	4	2.41							82.43
84.84	5	2.41							84.84
	6	\$2.10							
	7	1.50							
15.90	8	2.41						Fee \$0.25	15.90
18.31	9	2.41						Csh. \$75.20Cr.	18.31
20.72	10	2.41							20.72
23.13	11	2.41							23.13
25.54	12	2.41							25.54
27.95	13	2.41							27.95
30.36	14	2.41							30.36
32.77	15	2.41							32.77
35.18	16	2.41							35.18
37.59	17	2.41							37.59
40.00	18	2.41							40.00
42.41	19	2.41							42.41
44.82	20	2.41							44.82
47.23	21	2.41							47.23
49.64	22	2.41							49.64
52.05	23	2.41							52.05
54.46	24	2.41							54.46
56.87	25	2.41							56.87
59.28	26	2.41							59.28
61.69	27	2.41							61.69
64.10	28	2.41							64.10
66.51	29	2.41							66.51
68.92	30	2.41							68.92
71.33	31	2.41							71.33

[Account no. 2116. Previous account no. 1818. Forward to account no. 2335]

	1932 Aug.							Bill rendered	
\$80.10	1	\$2.41						Csh. \$80.10Cr.	\$80.10
2.41	2	2.41							2.41
4.82	3	2.41							4.82
7.23	4	2.41							7.23
9.64	5	2.41							9.64
12.05	6	2.41							12.05
14.46	7	2.41							14.46
16.87	8	2.41							16.87
19.28	9	2.41							19.28
21.69	10	2.41							21.69
24.10	11	2.41							24.10
26.51	12	2.41							26.51
28.92	13	2.41							28.92
31.33	14	2.41							31.33
33.74	15	2.41							33.74
36.15	16	2.41							36.15
38.56	17	2.41							38.56
40.97	18	2.41							40.97
43.38	19	2.41							43.38
45.79	20	2.41							45.79
48.20	21	2.41							48.20
50.61	22	2.41							50.61
53.02	23	2.41							53.02
55.43	24	2.41							55.43
57.84	25	2.41							57.84
60.25	26	2.41							60.25
62.66	27	2.41							62.66
65.07	28	2.41							65.07
67.48	29	2.41							67.48
69.89	30	2.41							69.89
72.30	31	2.41							72.30

The Fairmont Hotel, San Francisco, Calif. Sam Leake. Room 26. Rate, \$75—Contd.
[Account no. 2335. Previous account no. 2116. Forward to account no. 2558]

		Room	Res- taur- ant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1932 Sept.							Bill rendered	
\$77.35	1	\$2.50						Csh. \$77.35Cr.	\$77.35
2.50	2	2.50							2.50
5.00	3	2.50							5.00
7.50	4	2.50							7.50
10.00	5	2.50							10.00
12.50	6	2.50							12.50
15.00	7	2.50							15.00
17.50	8	2.50							17.50
20.00	9	2.50							20.00
22.50	10	2.50							22.50
25.00	11	2.50							25.00
27.50	12	2.50							27.50
30.00	13	2.50							30.00
32.50	14	2.50							32.50
35.00	15	2.50							35.00
37.50	16	2.50							37.50
40.00	17	2.50							40.00
42.50	18	2.50							42.50
45.00	19	2.50							45.00
47.50	20	2.50							47.50
50.00	21	2.50							50.00
52.50	22	2.50							52.50
55.00	23	2.50							55.00
57.50	24	2.50							57.50
60.00	25	2.50							60.00
62.50	26	2.50							62.50
65.00	27	2.50							65.00
67.50	28	2.50							67.50
70.00	29	2.50							70.00
72.50	30	2.50							72.50

[Account no. 2558. Previous account no. 2335. Forward to account no. 2779]

	1932 Oct.							Bill rendered	
\$85.20	1	\$2.41						Val. \$1.00	\$85.20
87.61	2	2.41							87.61
90.02	3	2.41							90.02
92.43	4	2.41							92.43
94.84	5	2.41							94.84
	6	2.41							
15.90	7	2.41							15.90
18.31	8	2.41							18.31
20.72	9	2.41							20.72
23.13	10	2.41							23.13
25.54	11	2.41							25.54
27.95	12	2.41							27.95
30.36	13	2.41							30.36
32.77	14	2.41							32.77
35.18	15	2.41							35.18
37.59	16	2.41							37.59
40.00	17	2.41							40.00
42.41	18	2.41							42.41
44.82	19	2.41							44.82
47.23	20	2.41							47.23
49.64	21	2.41							49.64
52.05	22	2.41							52.05
54.46	23	2.41							54.46
56.87	24	2.41							56.87
59.28	25	2.41							59.28
61.69	26	2.41							61.69
64.10	27	2.41							64.10
66.51	28	2.41							66.51
68.92	29	2.41							68.92
71.33	30	2.41							71.33
73.74	31	2.41							73.74

[Account no. 2779. Previous account no. 2558. Forward to account no. 2993]

	1932 Nov.					Bill rendered		\$79.05
\$79.05	1	\$2.50					Csh. \$79.05Cr.	2.50
2.50	2	2.50						5.00
5.00	3	2.50						7.50
7.50	4	2.50						10.00
10.00	5	2.50						12.50
12.50	6	2.50						15.00
15.00	7	2.50	\$0.10					17.60
17.60	8	2.50						20.10
20.10	9	2.50						22.60
22.60	10	2.50				Val. \$0.75		25.85
25.85	11	2.50						28.35
28.35	12	2.50						30.85
30.85	13	2.50						33.35
33.35	14	2.50	\$1.50					37.35
37.35	15	2.50						39.85
39.85	16	2.50						42.35
42.35	17	2.50						44.85
44.85	18	2.50						47.35
47.35	19	2.50						49.85
49.85	20	2.50						52.35
52.35	21	2.50						54.85
54.85	22	2.50						57.35
57.35	23	2.50						59.85
59.85	24	2.50						62.35
62.35	25	2.50						64.85
64.85	26	2.50						67.35
67.35	27	2.50						69.85
69.85	28	2.50						72.35
72.35	29	2.50						74.85
74.85	30	2.50						77.35

The Fairmont Hotel, San Francisco, Calif. Sam Leake. Room 28. Rate, \$75—Contd.
[Account no. 2993. Previous account no. 2779. Forward to account no. 16]

		Room	Restau- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1932 Dec.							Bill rendered	\$77.35
\$77.35	1	\$2.41							79.76
79.76	2	2.41							82.17
82.17	3	2.41						Csh. \$77.35Cr.	7.23
7.23	4	2.41							9.64
9.64	5	2.41							12.05
12.05	6	2.41	\$1.20					Fee. \$0.25	15.91
15.91	7	2.41							18.32
18.32	8	2.41							20.73
20.73	9	2.41							23.14
23.14	10	2.41							25.55
25.55	11	2.41							27.96
27.96	12	2.41							30.37
30.37	13	2.41							32.78
32.78	14	2.41	\$0.20						35.39
35.39	15	2.41							37.80
37.80	16	2.41							40.21
40.21	17	2.41							42.62
42.62	18	2.41							45.03
45.03	19	2.41							47.44
47.44	20	2.41							49.85
49.85	21	2.41							52.26
52.26	22	2.41							54.67
54.67	23	2.41		.30					57.38
57.38	24	2.41							59.79
59.79	25	2.41							62.20
62.20	26	2.41							64.61
64.61	27	2.41							67.02
67.02	28	2.41							69.43
69.43	29	2.41							71.84
71.84	30	2.41	3.00					Fee. 25 Csh. .75	77.50
77.50	31	2.70							80.95

[Account no. 16. Previous account no. 2993. Forward to account no. 243]

		Room	Restau- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1933 Jan.							Bill rendered	\$80.95
\$80.95	1	\$2.41							83.33
83.33	2	2.41							85.77
85.77	3	2.41						Csh. \$80.95Cr.	88.18
88.18	4	2.41							9.64
9.64	5	2.41							12.05
12.05	6	2.41							14.46
14.46	7	2.41	\$0.10						16.97
16.97	8	2.41							19.38
19.38	9	2.41	.20						21.99
21.99	10	2.41							24.40
24.40	11	2.41							26.81
26.81	12	2.41							29.22
29.22	13	2.41							31.63
31.63	14	2.41							34.04
34.04	15	2.41							36.45
36.45	16	2.41							38.86
38.86	17	2.41							41.27
41.27	18	2.41							43.68
43.68	19	2.41							46.09
46.09	20	2.41							48.50
48.50	21	2.41							50.91
50.91	22	2.41							53.32
53.32	23	2.41							55.73
55.73	24	2.41							58.14
58.14	25	2.41							60.55
60.55	26	2.41							62.96
62.96	27	2.41							65.37
65.37	28	2.41							67.78
67.78	29	2.41							70.19
70.19	30	2.41							72.60
72.60	31	2.70							75.30

[Account no. 243. Previous account no. 16. Forward to account no. 460.]

		Room	Restau- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1933 Feb.							Bill rendered	\$75.30
\$75.30	1	\$2.67							77.97
77.97	2	2.67							80.64
80.64	3	2.67							83.31
83.31	4	2.67							85.98
85.98	5	2.67							88.65
88.65	6	2.67							91.32
91.32	7	2.67							93.99
93.99	8	2.67						Csh. \$75.30Cr.	21.36
21.36	9	2.67							24.03
24.03	10	2.67							26.70
26.70	11	2.67						Val. \$0.75	30.12
30.12	12	2.67							32.79
32.79	13	2.67							35.46
35.46	14	2.67							38.13
38.13	15	2.67	\$1.50					Fee. 25	42.55
42.55	16	2.67							45.22
45.22	17	2.67							47.89
47.89	18	2.67							50.56
50.56	19	2.67							53.23
53.23	20	2.67							55.90
55.90	21	2.67							58.57
58.57	22	2.67							61.24
61.24	23	2.67							63.91
63.91	24	2.67	\$0.40						66.98
66.98	25	2.67							69.65
69.65	26	2.67							72.32
72.32	27	2.67							74.99
74.99	28	2.91							77.90

The Fairmont Hotel, San Francisco, Calif. Sam Leake. Room 28. Rate, \$75—Contd.
[Account no. 460. Previous account no. 243. Forward to account no. 691]

		Room	Restau- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1933 Mar.							Bill rendered	\$77.90
\$77.90	1	\$2.41							80.31
80.31	2	2.41						Csh. \$77.90Cr.	4.82
4.82	3	2.41							7.23
7.23	4	2.41							9.64
9.64	5	2.41							12.05
12.05	6	2.41							14.46
14.46	7	2.41							16.87
16.87	8	2.41							19.28
19.28	9	2.41							21.69
21.69	10	2.41							24.10
24.10	11	2.41							26.51
26.51	12	2.41							28.92
28.92	13	2.41	\$1.50					Val. \$0.75 Fee. 25	33.58
33.58	14	2.41							36.24
36.24	15	2.41							38.65
38.65	16	2.41							41.06
41.06	17	2.41						Val. 1.00	44.47
44.47	18	2.41							46.88
46.88	19	2.41							49.29
49.29	20	2.41							51.70
51.70	21	2.41							54.11
54.11	22	2.41							56.52
56.52	23	2.41							58.93
58.93	24	2.41							61.34
61.34	25	2.41							63.75
63.75	26	2.41							66.16
66.16	27	2.41							68.57
68.57	28	2.41							70.98
70.98	29	2.41							73.39
73.39	30	2.41							75.80
75.80	31	2.29							78.50

[Account no. 691. Previous account no. 460. Forward to account no. 912]

		Room	Restau- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1933 Apr.							Bill rendered	\$78.50
\$78.50	1	\$2.50							81.00
81.00	2	2.50							83.50
83.50	3	2.50							86.00
86.00	4	2.50							88.50
88.50	5	2.50						Csh. \$78.50Cr.	13.45
13.45	6	2.50							15.95
15.95	7	2.50							18.45
18.45	8	2.50						Val. \$1.00	21.95
21.95	9	2.50							24.45
24.45	10	2.50							26.95
26.95	11	2.50							29.45
29.45	12	2.50							31.95
31.95	13	2.50							34.45
34.45	14	2.50							36.95
36.95	15	2.50							39.45
39.45	16	2.50							41.95
41.95	17	2.50							44.45
44.45	18	2.50							46.95
46.95	19	2.50							49.45
49.45	20	2.50							51.95
51.95	21	2.50							54.45
54.45	22	2.50						Val. .75	57.70
57.70	23	2.50							60.20
60.20	24	2.50							62.80
62.80	25	2.50							65.30
65.30	26	2.50							67.80
67.80	27	2.50							70.30
70.30	28	2.50							72.80
72.80	29	2.50						Val. 2.00	77.30
77.30	30	2.50							79.80

U.S.S. EXHIBIT No. 44

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100

[Account no. 129. Previous account no. 3081. Forward to account no. 438]

		Room	Restau- rant	Tele- phone	Laun- dry	Mis- cella- neous	Advances	Credits	Balance
	1928 Jan.							Bill rendered	\$250.39
\$250.39	2	\$3.22	\$0.75					Nws. \$4.60 Fee. 25	80.64
	2		2.50					Fee. 40	83.31
11.72	3	3.22	2.15					Fee. 40	85.98
	3		.75					Fee. 25	88.65
								Nws. .90	91.32
20.39	4	3.22	2.50					Dgs. 1.00	93.99
	4		.70	\$0.10				Csh. 25.00	21.36

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 129. Previous account no. 3081. Forward to account no. 438]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$85.67	1928 Jan. 8	\$3.22	\$0.75	\$0.75			Fee \$0.25		
91.04	9	3.22	2.40				Fee .40		\$91.04
73.26	10	3.22	2.75	.20			Fee .40		
80.23	11	3.22	2.75				Fee .25	Csh. \$25.00 Cr.	73.26
87.15	12	3.22	2.70	.20			Fee .40		80.23
92.07	13	3.22	1.75				Fee .40		87.15
	13		2.35				Fee .40		92.07
	13		.75				Fee .40		
100.79	14	3.22	2.00				Fee .25		100.79
	14		.75				Brb. 2.00		
109.41	15	3.22	.75	.10			Fee .40		109.41
113.73	16	3.22	.75				Fee .25		113.73
	16		2.55				Fee .40		
120.90	17	3.22	1.75				Csh. 10.00		120.90
	17		.75	.10			Fee .25		
137.37	18	3.22	2.35				Fee .40		137.37
143.34	19	3.22	1.75				Fee .40		143.34
	19		2.00				Fee .25		
150.71	20	3.22	2.50				Brb. 2.00		150.71
	20		.75	.10			Fee .40		
157.93	21	3.22	2.05				Fee .25		157.93
	21		.75				Fee .40		
166.60	22	3.22	.75	.20			Fee .25		166.60
	22						Fee .40		
171.42	23	3.22	2.05				Csh. .10		171.42
	23		.75	.30			Fee .25		
178.09	24	3.22	2.50				Fee .40		178.09
	24						Fee .40		
184.61	25	3.22	.75				Fee .25		184.61
	25		2.45	.20			Fee .40		
191.88	26	3.22	2.40				Fee .25		191.88
	26		.75				Fee .40		
198.90	27	3.22	.75				Fee .25		198.90
	27		2.05	.10			Fee .40		
205.67	28	3.22	.75				Brb. 2.00		205.67
	28		1.75	.10			Fee .40		
213.49	29	3.22	.75				Fee .25		213.49
	29						Fee .40		
218.36	30	3.22	2.35				Fee .25		218.36
	30		.75				Fee .40		
225.33	31	3.22	.75	.10			Csh. 10.00		225.33
	31						Fee .25		
239.65	Feb. 1	3.40	.75				Fee .25		239.65
	1		2.95				Fee .40		

[Account no. 438. Previous account no. 129. Forward to account no. 723]

\$247.40	1928 Feb. 2	\$3.44	\$1.70				Bill rendered		\$247.40
	2		.75				Nws. \$5.00	Csh. \$247.40 Cr.	10.89
10.89	3	3.44	2.20				Fee .25		
	3		.75	\$0.10			Fee .25		
18.53	4	3.44	.75				Fee .40		18.53
	4		2.20				Fee .25		
	4		.65				Fee .40		
28.47	5	3.44	.75				Brb. 2.00		28.47
	5						Csh. 50.00		
82.91	6	3.44	2.25				Fee .25		82.91
	6		.75	.20			Fee .40		
90.20	7	3.44	.75				Fee .25		90.20
	7		2.00				Fee .40		
97.04	8	3.44	2.25				Fee .25		97.04
	8		.75	.10			Fee .40		
104.23	9	3.44	.75				Fee .25		104.23
	9		2.25	.10			Fee .40		
111.42	10	3.44	1.75				Fee .25		111.42
	10		.75	.10			Fee .40		
118.11	11	3.44	.75				Brb. 2.00		118.11
	11		2.00				Fee .40		
126.95	12	3.44	.75	.10			Fee .25		126.95
131.49	13	3.44	2.65				Fee .25		131.49
	13		.75	.10			Fee .40		
139.08	14	3.44	2.05				Fee .25		139.08
	14		1.50	.10			Fee .40		
150.07	15	3.44	1.90				Csh. 3.00		150.07
	15		.75	.10			Fee .25		
156.96	16	3.44	1.75				Nws. .05		156.96
	16		.75				Fee .40		
163.55	17	3.44	2.10				Fee .25		163.55

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 438. Previous account no. 129. Forward to account no. 723]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$172.19	1928 Feb. 17		\$0.75				Fee \$0.25		
	17		1.85				Fee .25		\$172.19
	18	3.44	.75	\$0.10			Fee .40		
229.13	19	3.44	.65	.20			Brb. 2.00		229.13
233.42	20	3.44	.75				Csh. 50.00		233.42
	20		4.05	.30			Fee .25		
242.71	21	3.44	.75				Fee .40		242.71
	21		2.00				Fee .25		
249.65	22	3.44	2.40	.10			Fee .40		249.65
	22		.75				Fee .25		
256.89	23	3.44	.75				Fee .40		256.89
	23		2.25				Fee .25		
263.98	24	3.44	2.00				Fee .40		263.98
	24		.75				Fee .25		
275.82	25	3.44	.75				Csh. 5.00		275.82
	25		2.00	.10			Fee .40		
284.76	26	3.44	.75				Brb. 2.00		284.76
289.20	27	3.44	3.95				Fee .25		289.20
297.09	28	3.44	2.20				Fee .50		297.09
	28		2.00				Fee .40		
305.63	29	3.44	.75				Fee .40		305.63
	29		1.30				Fee .25	Csh. \$100.00 Cr.	
211.77	Mar. 1	3.68	.75						211.77
	1		1.75						

[Account no. 726. Previous account no. 438]

\$217.95	1928 Mar. 2	\$3.22	\$1.95				Bill rendered		\$217.95
	2		.75	\$0.10			Fee \$0.50		
	2						Fee .40		
230.37	3	3.22	.75				Nws. 5.00		230.37
	3		2.00	.10			Fee .25		
	3						Fee .25		
241.09	4	3.22	.75	.10			Csh. 20		241.09
345.41	5	3.22	2.10				Brb. 3.80		345.41
	5		.75				Fee .25		
352.13	6	3.22	.75				Csh. 100.00		352.13
	6		2.20				Fee .25		
141.00	7	3.22	.75				Fee .40	Csh. \$217.95 Cr.	141.00
	7		2.70				Fee .25		
148.32	8	3.22	.75				Fee .40		148.32
	8		2.30	.10			Fee .25		
155.34	9	3.22	.75				Fee .25		155.34
	9		2.75	.10			Fee .25		
162.66	10	3.22	.75				Csh. 5.00		162.66
	10		2.05	.20			Fee .25		
176.53	11	3.22	.75				Brb. 2.00		176.53
180.75	12	3.22	.75				Fee .40		180.75
	12		2.10				Fee .25		
187.47	13	3.22	.75				Fee .40		187.47
	13		2.10	.45			Fee .25		
244.64	14	3.22	2.15				Csh. 50.00		244.64
	14		.75	.10			Fee .40		
251.51	15	3.22	.75				Fee .25		251.51
	15		2.05				Fee .40		
257.78	16	3.22	0.75				Fee .25		257.78
	16		2.00				Fee .40		
264.40	17	3.22	.75				Brb. 2.00		264.40
	17						Fee .40		
271.02	18	3.22	.75				Fee .25		271.02
275.24	19	3.22	2.10				Fee .25		275.24
	19		.75	\$0.10			Fee .40		
282.06	20	3.22	.75				Fee .25		282.06
	20		2.25	.10			Fee .40		
283.63	21	3.22	.75				Fee .25		283.63
	21		2.40	.20			Fee .40		
296.25	22	3.22	1.55				Fee .25		296.25
	22		.75				Fee .40		
312.42	23	3.22	.75				Brb. 10.00		312.42
	23		4.60	.10			Fee .65		
321.99	24	3.22	2.10				Fee .25		321.99
	24		.75				Fee .25		
341.06	25	3.22	.75				Csh. 10.00		341.06
345.28	26	3.22	.75				Dgs. .35		345.28
	26		2.00	.20			Brb. 2.00		
352.10	27	3.22	2.30				Fee .40		352.10
	27						Fee .25		

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 726. Previous account no. 433]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1928								
	Mar.								
	27		\$0.75	\$0.10			Fee \$0.40		\$359.12
\$359.12	28	\$3.22	.75				Csh. 4.40		
	28		2.05	.10			Fee .25		369.89
369.89	29	3.22	3.45	.20			Fee .75		
377.91	30	3.22	.85				Fee .40		
	30		1.40						377.91
	30		.75	.50			Fee .25		
387.33	31	3.22	2.40				Csh. 2.50		
	31		.75				Brb. 2.00		387.33
							Fee .40		
							Fee .25		
							Csh. .35		
							Val. 1.00	Csh. \$150.00Cr.	247.75

[Account no. 1004. Previous account no. 726. Forward to account no. 1275]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1928								
	Apr.								
\$252.25	2	\$3.33	\$0.75				Bill rendered		\$252.25
	2		2.00	\$0.10			Fee \$0.25		
							Fee .40		
258.78	3	3.33	2.30				Fee .40	Tfr. \$0.30Cr.	258.78
	3		.75				Nws. 5.10		
							Fee .25		270.91
270.91	4	3.33	2.25				Fee .40		
	4		.75	.30			Fee .25	Csh. 251.95Cr.	26.24
26.24	5	3.33	1.80				Csh. 50.00		
	5		.75	.55			Fee .40		
							Fee .25		
83.32	6	3.33	2.00				Fee .50		
	6		1.75				Fee .40		
	6		.75	.10			Fee .25		93.00
93.00	7	3.33	.75				Fee .40		
	7		2.25	.10			Fee .25		
							Brb. 2.00		102.08
102.08	8	3.33					Fee .25		
105.41	9	3.33	2.15				Fee .40		
	9		.85	.10			Fee .40		112.49
112.49	10	3.33	.85				Fee .25		
	10		2.30				Fee .25		119.62
119.62	11	3.33	2.35				Csh. 1.00		
	11		.75				Nws. .10		
							Fee .40		
							Fee .25		127.80
127.80	12	3.33	.85				Csh. 50.00		
	12		2.60	.10			Fee .25		184.93
184.93	13	3.33	2.10				Csh. 10.00		
	13		.75	.10			Fee .25		
							Fee .40	Csh. 100.00Cr.	101.86
101.86	14	3.33	1.75				Brb. 2.00		
	14		.75	.10			Fee .40		
							Fee .25		110.44
110.44	15	3.33	1.85				Fee .40		
							Fee .25		
116.27	16	3.33	.75				Fee .25		
	16		1.95	.30			7.45	Adj. 1.00Cr.	121.85
121.85	17	3.33	.85				Fee .25		
	17		2.05				Fee .40		129.13
129.13	18	3.33	2.70	.50			Fee .40		
136.05	19	3.33	.85				Fee .40		136.05
	19		1.85				Fee .40		
	19		2.20				Fee .25		145.34
145.34	20	3.33	.75				Fee .40		
	20		2.00	.10			Fee .25		152.17
152.17	21	3.33	2.20				Dgs. .35		
	21		.85				Fee .25		
							Brb. 2.00		161.15
161.15	22	3.33	.75				Fee .25		
							Fee .40		165.88
165.88	23	3.33	2.10				Fee .40		
	23		.85	.10			Fee .25		172.91
172.91	24	3.33	.75				Fee .40		
	24		2.15	.10			Fee .25		179.89
179.89	25	3.33	1.75				Fee .25		
	25		.85	.20			Fee .25		186.52
186.52	26	3.33	2.30				Fee .25		
	26		.85				Fee .40		193.65
193.65	27	3.33	2.10				Fee .40		
	27		.75	.30			Fee .25		200.78
200.78	28	3.33	.75				Brb. 2.00		
	28		1.85				Fee .25		209.21
209.21	29	3.33	.75				Fee .25		
213.54	30	3.33	2.15				Fee .50		213.54
	30		2.00	.30			Fee .40		222.22
	May								
222.22	1	3.43	2.20				Fee .40		
	1		.85	.10			Fee .25		229.45

[Account no. 1275. Previous account no. 1004. Forward to account no. 1524]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1928								
	May								
\$229.45	2	\$3.22	\$0.75				Fee \$0.25		
	2		2.45	\$0.30			Fee .40		
							Nws. 5.00		\$241.82

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate \$100—Continued

[Account no. 1275. Previous account no. 1004. Forward to account no. 1524]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1928								
	May								
\$241.82	3	\$3.22	\$2.25				Fee \$0.25		
	3		.85				Fee .40		\$248.79
248.79	4	3.22	.75				Fee .40		
	4		2.30				Fee .25	Csh. \$329.45Cr.	26.28
26.28	5	3.22	2.55				Fee .25		
	5		.75				Brb. 2.00		
							Fee .40		35.43
35.43	6	3.22	.75	\$0.40			Csh. 50.00		
							Fee .25		90.05
90.05	7	3.22	2.30				Fee .40		
	7		.75				Fee .25		96.97
96.97	8	3.22	2.00				Fee .40		
	8		.75				Fee .25		103.59
103.59	9	3.22	1.85				Fee .25		
	9		.75				Fee .40		110.06
110.06	10	3.22	2.25				Csh. 20.00		
	10		.75				Fee .40		
							Fee .25		136.93
136.93	11	3.22	.75				Fee .40		
	11		2.25				Fee .25		143.80
143.80	12	3.22	.75				Fee .40		
	12		.40				Brb. 2.00		
	12		2.05	.20			Fee .25		
							Val. 1.00		154.07
154.07	13	3.22	1.85	.20			Csh. .10		
							Fee .40		159.84
159.84	14	3.22	.75				Fee .25		
	14		2.10	.20			20.27	Tfr. .40Cr.	166.36
166.36	15	3.22	.75				Fee .25		
	15		2.10	.10			Fee .40		172.78
172.78	16	3.22	1.75				Fee .25		
	16		.75	.40			Fee .40		179.95
179.95	17	3.22	2.00				Fee .45		
	17		2.25				Fee .40		188.27
188.27	18	3.22	2.20				Fee .40		
	18		.75	.10			Fee .25		195.19
195.19	19	3.22	.75				Fee .25		
	19		4.00				Brb. 2.00		205.91
205.91	20	3.22	.75				Fee .50		
							Csh. 25.00		235.13
235.13	21	3.22	.75				Fee .25		
	21		2.45				Fee .40		242.20
242.20	22	3.22	.75				Fee .40		
	22		2.40				Fee .25		249.22
249.22	23	3.22	.75				Fee .25		
	23		2.15				Fee .40		255.99
255.99	24	3.22	2.20				Fee .25		
	24		.75	.10			Fee .40		262.91
262.91	25	3.22	2.35				Fee .25		
	25		.75				Fee .40		269.48
269.48	26	3.22	.75				Brb. 3.50		
	26		2.15				Fee .25		280.15
280.15	27	3.22	.75				Fee .25		
	27		.75				Fee .25		284.37
284.37	28	3.22	2.60				Fee .40		
	28		2.15	.40			Fee .25		291.59
291.59	29	3.22	.75				Fee .40	Csh. 75.00Cr.	223.76
223.76	30	3.22	.75				Fee .40		
	30		2.15	.20			Fee .40		230.73
230.73	31	3.22	2.60				Fee .25		
	31		.75				Fee .40		237.95
237.95	June								
	1	3.40	.75				Fee .40		
	1		1.85				Fee .25		244.60

[Account no. 1524. Previous account no. 1275. Forward to account no. 1756]

	1928								
	June								
244.60	2	\$3.33	\$2.70				Bill rendered		\$244.60
	2		.75				Nws. \$4.00		
							Fee. 40		
							Fee. 25		
							Brb. 2.00		258.63
258.63	3	3.33	.75				Fee. 25		
262.96	4	3.33	.75				Fee. 40		262.96
	4		2.50	\$0.10			Csh. 150.00		
							Fee. 25	Csh. \$244.60Cr.	175.69
175.69	5	3.33	.75				Fee. 25		
	5		2.55				Fee. 40		182.97
182.97	6	3.33	.75				Fee. 25		
	6		2.60	.20			Fee. 40		190.50
190.50	7	3.33	2.65				Fee. 25		
	7		.75	.10			Fee. 40		197.98
197.98	8	3.33	2.15				Fee. 25		
	8		.75				Fee. 40		204.86
204.86	9	3.33	.75				Fee. 25		
	9		2.85				Brb. 2.00		
							Fee. 40		
							Csh. 25.00		239.44
239.44	10	3.33	.75				Fee. 25		
243.77	11	3.33	1.95				Fee. 25		243.77
	11		.75	.10			Fee. 50		250.65
250.65	12	3.33	2.30				Fee. 25		

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 1524. Previous account no. 1275. Forward to account no. 1756]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1928 June								
\$257.68	12		\$0.75				Fee \$0.40		\$257.68
	13	\$3.33	2.20				Fee .25		
	13		.75	\$0.10			Fee .40		264.71
264.71	14	3.33	2.15	.20			Fee .40		270.79
270.79	15	3.33	2.90				Csh. 2.50		
	15		.75	.30			Csh. 10.00		
							Fee .40		
291.22	16	3.33	2.40				Brb. 2.00		291.22
	16		.75				Fee .40		
							Fee .25		300.35
300.35	17	3.33	.75				Fee .25		304.68
304.68	18	3.33	2.20				Fee .40		
	18		.75				Fee .25		311.61
311.61	19	3.33	.75				Fee .25		
	19		2.15	.20			Fee .40		318.69
318.69	20	3.33	.75				Fee .40		
	20		2.20	.20			Fee .25		326.07
326.07	21	3.33	2.10				Nws. .25		
	21		.75	.30			Fee .25		333.20
333.20	22	3.33	2.50				Fee .40		
	22		.75	.10			Fee .25		340.53
340.53	23	3.33	.75				Nws. .05		
	23		2.20	.20			Fee .40		
							Brb. 2.00		349.71
349.71	24	3.33					Fee .25		353.04
353.04	25	3.33	2.35				Fee .40		359.12
359.12	26	3.33	2.35				Fee .25		
	26		.75				Fee .40		365.80
365.80	27	3.33	2.50				Fee .25		
	27		.75	.10			Fee .40		373.53
373.53	28	3.33	.75				Csh. 5.00		
	28		1.75				Fee .40		385.01
385.01	29	3.33	.75				Fee .25		
	29		2.40				Csh. \$175.00Cr.		217.14
217.14	30	3.33	.75				Fee .25		
	30		2.15				Brb. 2.00		226.02
226.02	July 1	3.43	.75				Fee .25		
							Fee .25		230.70

[Account no. 1756. Previous account no. 1524. Forward to account no. 1990]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1928 July								
\$230.70	2	\$3.22	\$2.80				Bill rendered		\$230.70
237.92	2	3.22	.75	\$0.20			Fee \$0.25		237.92
	3	3.22	.75				Nws. 4.60		
	3		2.45	.10			Fee .40		250.09
250.09	4	3.22	.75				Fee .25		
354.46	5	3.22	2.30				Csh. 100.00		354.46
130.88	5	3.22	.75	.20			Fee .25		
135.10	6	3.22	.75				Fee .25		130.88
	7	3.22	2.30				Brb. 2.00		135.10
143.62	7	3.22	.75				Fee .25		
	8	3.22	.75	.10			Fee .25		143.62
143.62	9	3.22	2.00				Fee .40		
	9		3.15	.20			Fee .50		148.34
157.91	10	3.22	2.15				Fee .25		
	10		.75	.10			Csh. 50.00		157.91
							Fee .40		
217.28	11	3.22	2.80				Val. 2.50		217.28
	11		.75				Fee .25		224.70
224.70	12	3.22	2.00				Fee .40		
	12		.75	.10			Fee .25		231.42
231.42	13	3.22	1.75				Fee .40		
	13		.75	.10			Fee .25		237.89
237.89	14	3.22	.75				Brb. 2.00		
							Csh. 25.00		260.11
260.11	15	3.22	2.40				Fee .25		
	15		.75				Val. .75		276.88
276.88	16	3.22	2.15				Fee .25		
	16		.75	.20			Fee .40		283.85
283.85	17	3.22	.75				Fee .25		
	17		2.30				Fee .40		290.77
290.77	18	3.22	.75				Fee .25		
	18		2.15	.30			Fee .40		297.84
297.84	19	3.22	.75				Fee .25		
	19		2.00	.10			Fee .40		304.16
304.16	20	3.22	2.45				Fee .25		
	20		.75				Fee .40		311.63
311.63	21	3.22	.75				Fee .25		
	21		2.05				Fee .40		318.30
318.30	22	3.22	.75				Fee .25		

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate \$100—Continued

[Account no. 1756. Previous account no. 1524. Forward to account no. 1990]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1928 July								
\$322.53	23	3.22	.75				Fee \$0.40		\$322.53
	23		2.05				Fee .25		329.19
329.19	24	\$3.22	2.35				Fee .25		
	24		.75				Fee .40		336.16
336.16	25	3.22	.75				Fee .25		
	25		2.05				Fee .40		342.83
342.83	26	3.22	.75				Fee .40		
	26		2.15				Fee .25		349.60
349.60	27	3.22	.75				Csh. 5.00		
	27		1.80				Fee .25		361.02
							Fee .40		367.79
361.02	28	3.22	.75				Fee .25		
367.79	28		2.15				Fee .40		371.76
371.76	29	3.22	.75				Fee .25		
	30	3.22	2.30				Fee .40		378.93
	30		.75				Fee .25		
378.93	31	3.22	2.15				Fee .25		
	31		.75				Fee .40	Csh. \$175.00Cr.	210.70
210.70	Aug. 1	3.40	1.70				Fee .40		
	1		.75	\$0.10			Fee .25		217.35

[Account no. 1990. Previous account no. 1756. Forward to account no. 2247]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1928 Aug.								
\$217.35	2	\$3.22	\$0.75				Bill rendered		\$217.35
	2		1.95				Fee \$0.40		
							Fee .25		
							Csh. 10.00		
							Nws. 4.60		
							Val. 1.75		
21.17	3	3.22	.75				Fee .40		29.79
	3		2.15	\$0.10			Fee .25		
29.79	4	3.22	2.30				Fee .40		36.71
	4		.75				Fee .25		40.93
36.71	5	3.22	.75				Fee .40		
40.93	6	3.22	2.45				Fee .25		48.00
	6		.75				Fee .40		54.62
48.00	7	3.22	2.00				Fee .25		
	7		.75				Fee .40		54.62
54.62	8	3.22	.75				Fee .25		
	8		2.15	.10			Fee .25		61.49
61.49	9	3.22	.75				Fee .25		
	9		2.00	.10			Fee .40		68.21
68.21	10	3.22	1.95				Val. 1.25		
	10		.75				Fee .40		76.03
							Fee .25		82.65
76.03	11	3.22	2.00				Fee .40		
	11		.75				Fee .25		86.97
82.65	12	3.22	.75	.10			Fee .25		
86.97	13	3.22	5.25				Fee .50		97.24
	13		.75	.30			Fee .25		
97.24	14	3.22	.75				Fee .40		103.88
	14		2.00				Fee .25		
103.88	15	3.22	.75				Fee .25		110.58
	15		2.10				Fee .40		
110.58	16	3.22	2.50				Fee .25		
	16		.75				Fee .40		118.80
118.80	16		.90	.10			Fee .25		
	17	3.22	.75				Csh. 10.00		135.72
	17		2.10	.20			Fee .40		
135.72	18	3.22	2.30				Fee .25		142.64
	18		.75				Fee .40		146.86
142.64	19	3.22	.75				Fee .25		
146.86	20	3.22	.75				Fee .25		
	20		2.35	.10			Dgs. .90		154.83
154.83	21	3.22	.75				Fee .40		
	21		2.10	.10			Fee .25		161.65
161.65	22	3.22	.75				Fee .40		
	22		2.00				Fee .25		168.27
168.27	23	3.22	.75				Fee .40		
	23		2.15				Fee .25		175.04
175.04	24	3.22	2.00				Fee .60		
	24		3.75	.40			Fee .50		185.51
185.51	25	3.22	.75				Fee .25		
	25		2.15				Fee .40		192.28
192.28	26	3.22	.75				Fee .25		196.50
196.50	27	3.22	.75				Fee .25		
	27		2.35				Fee .40		203.47
203.47	28	3.22	2.15				Fee .25		
	28		.75	.10			Fee .40		210.34
210.34	29	3.22	2.00				Fee .25		
	29		.75				Fee .40		216.96
216.96	30	3.22	2.00				Fee .25		
	30		.75	.10			Fee .40		223.63
223.63	31	3.22	2.10				Fee .25		
	31		.75	.20			Fee .40		230.60
230.60	Sept. 1	3.40	2.15				Fee .25		
	1		.75				Fee .40		237.55

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate \$100—Continued

[Account no. 2247. Previous account no. 1990. Forward to account no. 2521]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$237.55	1928 Sept. 2	\$3.33	\$0.75				Bill rendered		\$237.55
							Fee \$0.25		
							Csh. 50.00		
290.63	3	3.33	.75				Fee .25	Tfr. \$1.25Cr.	290.63
58.66	4	3.33	2.15	\$0.40			Nws. 4.60	Csh. 236.30Cr.	58.66
69.54	5	3.33	2.15				Fee .40		69.54
76.42	6	3.33	.75				Fee .40		76.42
	6	3.33	.75				Dgs. .90		
	6		2.35	.20			Fee .45		
84.65	7	3.33	2.00				Fee .25		84.65
91.58	8	3.33	.75	.20			Fee .40		91.58
	8	3.33	2.15				Fee .30		
98.51	9	3.33	.75				Fee .40		98.51
							Csh. 60.00		
162.09	10	3.33	.75				Dgs. .25		162.09
	10		2.15	.10			Fee .25		
169.12	11	3.33	2.15				Fee .45		169.12
	11		.75	.20			Fee .40		
176.20	12	3.33	.75				Fee .25		176.20
	12		2.60	.10			Fee .40		
183.63	13	3.33	2.00				Fee .25		183.63
	13		.75	.10			Fee .40		
190.46	14	3.33	2.15				Fee .25		190.46
	14		.75	.40			Fee .40		
197.34	15	3.33	.65				Fee .25		197.34
	15		2.15	.20			Fee .40		
204.62	16	3.33	.75				Fee .15		204.62
208.95	17	3.33	2.00				Fee .25		208.95
	17		.75	.10			Fee .40		
215.78	18	3.33	2.15				Fee .25		215.78
	18		.75	.30			Fee .40		
222.96	19	3.33	2.00				Fee .25		222.96
	19		.75				Fee .40		
229.69	20	3.33	2.15	.10			Fee .40		229.69
235.67	21	3.33	2.00				Csh. 20.00		235.67
	21		.75				Fee .40		
262.40	22	3.33	.75				Fee .25		262.40
	22		2.15	.20			Fee .40		
269.48	23	3.33	.75				Fee .25		269.48
273.81	24	3.33	.75				Fee .25		273.81
	24		2.25	.20			Fee .40		
280.99	25	3.33	.75				Csh. 10.00		280.99
	25		2.15				Fee .25		
298.37	26	3.33	.80	.10			Fee .25		298.37
	26		1.75	.20			Fee .40		
305.70	27	3.33	.75				Fee .25		305.70
	27		2.15	.10			Fee .40		
312.68	28	3.33	2.15				Fee .25		312.68
	28		.75	.30			Fee .40		
189.86	29	3.33					Csh. 130.00Cr.		189.86
193.19	30	3.33							193.19
									196.52
196.52	Oct. 1	3.43	.75				Fee .40		196.52
	1		2.15	.20			Fee .25		203.70

[Account no. 2521. Previous account no. 2247. Forward to account no. 2815]

\$203.70	1928 Oct. 2	\$3.22	\$0.75				Bill rendered		\$203.70
	2		2.15	\$0.35			Nws. \$4.00		
11.72	3	3.22	2.05				Fee .40		11.72
18.39	4	3.22	.75				Fee .25		18.39
24.46	5	3.22	2.15	.30			Fee .40		24.46
	5		.75				Fee .25		
31.28	6	3.22	.75	.20			Csh. 100.00		31.28
	6		2.15				Fee .25		
138.05	7	3.22	.75	.20			Fee .40		138.05
142.22	8	3.22	.75				Fee .25		142.22
	8		2.15	.10			Fee .40		
149.34	9	3.22	.75				Fee .25		149.34
	9		2.00				Fee .40		
155.96	10	3.22	2.15				Fee .25		155.96
	10		.75	.10			Fee .40		
162.83	11	3.22	.75				Fee .25		162.83
	11		2.00	.20			Fee .40		
169.65	12	3.22	2.10				Fee .25		169.65
	12		.75	.20			Fee .40		
176.57	13	3.22	2.00				Csh. 25.00		176.57
	13		.75				Fee .25		
208.19	14	3.22	.75				Fee .25		208.19
212.41	15	3.22	3.45				Dgs. .25		212.41

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate \$100—Continued

[Account no. 2521. Previous account no. 2247. Forward to account no. 2815]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$220.93	1928 Oct. 15		\$0.75	\$0.10			Fee \$0.50		\$220.93
	16	\$3.22	.75				Fee .25		
227.70	16		2.15				Fee .25		227.70
	17	3.22	2.15				Fee .40		
234.67	17		.75				Fee .25		234.67
	18	3.22	1.75	.20			Fee .40		
241.24	18		.75				Fee .25		241.24
	19	3.22	2.05				Fee .40		
247.91	19		.75				Fee .25		247.91
	20	3.22	2.15				Fee .40		
254.68	20		.75				Fee .25		254.68
258.90	21	3.22	.75				Fee .25		258.90
	22	3.22	2.15				Fee .40		
265.67	22		.75				Fee .25		265.67
	23	3.22	2.15				Csh. 10.00		
	23		.75	.30			Fee .25		
282.74	24	3.22	.75				Fee .40		282.74
	24		2.15				Fee .40		
289.51	25	3.22	2.15				Fee .25		289.51
	25		.75				Fee .40		
297.28	26	3.22	.75				Val. 1.00		297.28
	26		2.15				Fee .25		
304.05	27	3.22	2.15				Fee .40		304.05
	27		.15				Csh. 25.00		
336.17	27		.75	.20			Fee .25		336.17
	28	3.22	.75				Dgs. .35		
340.74	29	3.22	.75				Fee .25		340.74
344.71	30	3.22	2.00				Fee .40		344.71
350.18	31	3.22	2.15				Fee .25		350.18
	31		.75				Fee .40		
207.35	Nov. 1	3.40	2.20				Csh. \$150.00Cr.		207.35
	1		.75	.10			Fee .25		
							Fee .40		214.45

[Account no. 2815. Previous account no. 2521. Forward to account no. 3220]

\$214.45	1928 Nov. 2	\$3.33	\$2.15						\$214.45
	2		.75	\$0.20			\$4.60		
236.13	3	3.33	.75				Csh. .40		236.13
	3		2.15	.10			Csh. .25		
243.11	4	3.33	.75				Csh. 10.00		243.11
							Csh. .40		
132.99	5	3.33	2.15				Csh. .25		132.99
	5		2.00	.10			Csh. .40		
141.37	6	3.33	2.60				Csh. .25		141.37
	6		.75	.10			Csh. .40		
148.80	7	3.33	.75				Fee .25		148.80
	7		2.00	.20			Fee .40		
155.73	8	3.33	2.15				Fee .25		155.73
	8		.75				Fee .40		
162.61	9	3.33	2.00				Fee .25		162.61
	9		.75				Fee .40		
168.09	10	3.33	2.15				Fee .40		168.09
	10		.75	.10			Dgs. 2.15		
178.07	11	3.33	.75	.10			Dgs. .25		178.07
							Csh. .25		
183.15	12	3.33	.75				Csh. .40		183.15
	12		2.25	.40			Csh. 10.00		
199.88	13	3.33	.75				Val. 10.00		199.88
	13		2.35	.30			Fee .25		
217.91	14	3.33	1.75				Fee .40		217.91
	14		1.50	.10			Fee .25		
275.49	15	3.33	2.15				Csh. 50.00		275.49
	15		.75	.30			Fee .50		
282.67	16	3.33	.75	.50			Fee .40		282.67
	16						Fee .25		
288.50	17	3.33	.75				Dgs. 1.00		288.50
	17		2.15	.30			Fee .25		
295.68	18	3.33	.75				Fee .40		295.68
300.01	19	3.33	2.00				Fee .25		300.01
	19		.75	.10			Dgs. .25		
307.09	20	3.33	3.45				Fee .25		307.09
	20		.75				Fee .50		
315.37	21	3.33	1.85				Fee .25		315.37
	21		2.15	.30			Fee .40		
323.15	22	3.33	.75	.30			Fee .25		323.15
327.43	23	3.33	1.75				Fee .40		327.43
	23		.75	.20			Fee .25		
							Fee .40		334.36

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 2815. Previous account no. 2521. Forward to account no. 3220]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$334.36	1928 Nov.						Fee \$0.40		
	24	\$3.33	\$0.75				Fee .25		\$340.69
340.69	25	3.33	1.60	\$0.10			Dgs. .45		345.97
345.97	26	3.33	1.00						
	26		2.35				Fee .25		352.90
352.90	27	3.33	.75				Fee .40		
	27		2.05	.30			Csh. 5.00		
							Fee .40		
							Fee .25		365.38
365.38	28	3.33	2.15				Dgs. .75		
	28		.75				Dgs. .25		
							Fee .25		
							Fee .40		373.26
373.26	29	3.33	2.50				Fee .50		379.59
379.59	30	3.33	2.15				Fee .40		
	30		.75	.20			Fee .25	Csh. \$150.00Cr.	236.67
236.67	Dec. 1	3.33	1.95				Fee .40		
	1		.75				Fee .25		243.35
243.35	2	.10							243.45

[Account no. 3220. Previous account no. 2315. Forward to account no. 141]

\$243.45	1928 Dec.						Fee \$0.25		\$243.45
	2	\$3.22	\$2.50				Fee .40		250.57
250.57	3	3.22	2.15				Nws. 4.50		
	3		.75	\$0.10			Dgs. .50		
							Fee .25		
							Fee .40		262.54
262.54	4	3.22	.75				Csh. 100.00		
	4		2.15	.30			Fee .25		
							Fee .40		369.61
369.61	5	3.22	.75				Csh. 3.50		
	5		2.15				Dgs. .45		
136.88	6	3.22	2.60				Fee .25		
	6		.75	.40			Fee .40	Csh. \$243.45Cr.	136.88
144.50	7	3.22	2.00				Fee .25		
	7		.75				Fee .40		144.50
151.12	8	3.22	.75				Fee .25		151.12
155.09	9	3.22	2.40				Fee .25		155.09
	9		.75				Fee .25		
							Csh. 50.00		211.96
211.96	10	3.22	2.70				Fee .40		
	10		.75				Fee .25		219.03
219.03	11	3.22	4.80				Fee .40		
	11		.75	.10			Fee .25		228.05
228.05	12	3.22	2.05				Fee .25		
	12		.75				Fee .25		
							Fee .50		
							Fee .40		235.47
235.47	13	3.22	2.10				Fee .25		
	13		.75				Fee .40		
							Dgs. .35		242.54
242.54	14	3.22	2.10				Fee .25		
	14		.75				Fee .40		249.26
249.26	15	3.22	2.10				Fee .25		
	15		.75				Fee .40		
							Fee .25		255.98
255.98	16	3.22	2.30				Fee .40		
	16		.75	.10			Fee .25		
							Fee .25		263.00
263.00	17	3.22	2.10				Fee .25		
	17		.75				Fee .40		
							Fee .25		269.72
269.72	18	3.22	.75				Fee .25		
	18		2.45				Fee .40		
							Dgs. .75		276.79
276.79	19	3.22	2.10				Fee .25		
	19		.75				Fee .40		
							Fee .25		284.26
284.26	20	3.22	1.95				Fee .40		
	20		.75				Fee .25		290.18
290.18	21	3.22	2.00				Fee .25		
	21		.75				Fee .40		
							Fee .25		297.45
297.45	22	3.22	1.15				Por. .43		
	22		.75	.20			Fee .40		
							Fee .25		303.85
303.85	23	3.22	.75				Csh. 5.00		
	23		2.35				Fee .25		
							Fee .40		315.42
315.42	24	3.22	2.10				Fee .25		
	24		.75	.10			Fee .40		
							Fee .25		322.64
322.64	25	3.22	.75				Csh. 2.80		
							Fee .50		329.91
329.91	26	3.22	2.05				Fee .25		
	26		.75	.20			Fee .40		
							Fee .25		336.78
336.78	27	3.22	2.10				Fee .40		
	27		.75				Fee .25		
							Fee .25		343.50
343.50	28	3.22	2.10				Fee .40		
	28		.75				Fee .25		
							Fee .40		350.22
350.22	29	3.22	2.15				Fee .25		
	29		.75				Fee .40		
							Fee .25		356.99
356.99	30	3.22	2.15				Fee .25		
	30		.75				Fee .50		
							Fee .40		363.86
363.86	31	3.22	2.80				Dgs. 1.00		
	31		.75	.20					

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 3220. Previous account no. 2815. Forward to account no. 141]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$212.48	1929 Jan.						Fee \$0.25	Csh. \$160.00Cr.	\$212.48
	1	\$3.40	\$2.40				Fee .25		
	1		.75				Fee .50		219.78

[Account no. 141. Previous account no. 3220. Forward to account no. 461]

	1929								
	Jan.								
\$219.78	2	\$3.22	\$2.00				Bill rendered		\$219.78
	2		.75				Fee \$0.25		
							Nws. 4.60		
							Fee .40		
231.00	3	3.22	1.75						231.00
	3		.75				Fee .25		
236.97	4	3.22	.75						236.97
	4		2.00				Fee .50		
243.44	5	3.22	.75						243.44
	5		2.10				Fee .40		
249.91	6	3.22	.75	\$0.10			Fee .25		249.91
							Fee .25		
							Fee .40		
							Fee .20		255.08
255.08	7	3.22	.75				Fee .25		
	7		2.10	.10			Csh. 125.00	Csh. \$219.78Cr.	166.72
166.72	8	3.22	2.10	.10			Fee .40		
							Dgs. 1.35		
							Csh. 10.00		183.89
183.89	9	3.22	2.10				Fee .25		
	9		.75	.10			Dgs. .50		
							Fee .40		
							Fee .40		191.61
191.61	10	3.22	.75				Csh. 20.00		
	10		2.10				Fee .40		
							Fee .25		218.33
218.33	11	3.22	2.15				Fee .25		
	11		.75				Fee .40		225.10
225.10	12	3.22	.75				Fee .25		
	12		1.75				Fee .40		231.47
231.47	13	3.22	2.30				Fee .25		
	13		.75				Fee .40		238.39
238.39	14	3.22	.35				Fee .15		
	14		.70	.40			Fee .25		
							Csh. 25.00		268.46
268.46	15	3.22	2.10				Fee .40		
	15		.75				Fee .25		275.18
275.18	16	3.22	3.65				Fee .25		
	16		.75	.10			Fee .50		283.65
283.65	17	3.22	.75				Fee .25		
	17		1.90				Fee .40		
							Dgs. 1.25		291.42
291.42	18	3.22	.75	.10			Fee .25		
295.74	19	3.22	.75						295.74
	19		2.10						
							Fee .25		301.81
301.81	20	3.22	.75				Fee .40		
	20		2.50				Fee .25		
309.18	21	3.22	1.05				Fee .40		309.18
							Fee .25		315.35
315.35	22	3.22	5.05				Fee .25		
	22		.75				Fee .40		325.02
325.02	23	3.22	.75	.10			Fee 1.00		
330.34	24	3.22	.75				Fee .25		
							Fee .25		330.34
	24		2.35	.40			Fee .40		337.71
337.71	25	3.22	.75				Fee .40		
	25		1.95	.20			Fee .25		344.48
344.48	26	3.22	2.10				Fee .25		
	26		.75				Fee .40		351.20
351.20	27	3.22	.75	.10			Fee .25		
355.52	28	3.22	1.15				Dgs. .70		355.52
	28		2.00				Fee .40		
	28		2.00				Fee .40		
							Fee .40		365.79
365.79	29	3.22	.75				Fee .25		
	29		1.05				Fee .25		
371.31	30	3.22	.75				Fee .40		371.31
	30		2.20	.20			Fee .25		
228.33	31	3.22	.75				Csh. 150.00Cr.		228.33
	31		2.70	.10			Fee .25		
							Fee .40		235.75
235.75	Feb. 1	3.40	.75				Fee .40		
	1		2.60	.20			Fee .25		243.35

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 461. Previous account no. 141. Forward to account no. 758]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$160.38	1929 Feb. 6	\$3.57	\$2.20				Fee \$0.25		
	6		.75	\$0.30			Csh. 5.00		
							Fee .25		
							Fee .40		
							Csh. 20.00		
							Fee .40	\$193.50	
193.50	7	3.57	2.25				Fee .25		
	7		.75	.10			Dgs. .40	201.22	
201.22	8	3.57	2.15				Fee .40		
	8		.75				Fee .40		
							Fee .25	208.34	
208.34	9	3.57	2.40				Fee .25		
	9		.75				Fee .40	215.71	
215.71	10	3.57	2.50				Fee .25		
	10		.75				Fee .40	223.18	
223.18	11	3.57	.75				Fee .25		
	11		2.90				Fee .40	231.05	
231.05	12	3.57	.75				Fee .40		
	12		2.55	.20			Fee .25	238.77	
238.77	13	3.57	2.40				Dgs. 1.00		
	13		.75	.10			Fee .25		
							Fee .40	247.24	
247.24	14	3.57	.75				Fee .40		
	14		1.90				Fee .25	254.11	
254.11	15	3.57	2.55				Fee .40		
	15		.75	.10			Fee .25	261.73	
261.73	16	3.57	.75				Fee .40		
	16		2.00				Fee .25	268.70	
268.70	17	3.57	.75						
	17		3.45				Fee .40	276.47	
276.47	18	3.57	.75				Fee .25		
	18		1.90				Fee .25		
							Adj. \$1.00Cr.	282.99	
282.99	19	3.57	1.85				Fee .25		
	19		.75	.10			Csh. 5.00		
							Fee .40	295.36	
295.36	20	3.57	1.95				Dgs. .45		
	20		.75				Fee .40	302.28	
302.28	21	3.57	.75				Fee .25		
	21		2.65				Fee .40	309.90	
309.90	22	3.57	1.90				Fee .40		
	22		.75	.30			Fee .25	317.07	
317.07	23	3.57	.75				Fee .25		
	23		1.70	.35			Fee .40	324.09	
324.09	24	3.57	2.10				Fee .40		
	24		.75				Fee .25	331.16	
331.16	25	3.57	.75				Fee .40		
	25		2.50				Fee .25	339.28	
339.28	26	3.57	2.70				Dgs. .65		
	26		.75	.10			Fee .40	347.05	
347.05	27	3.57	2.10				Fee .25		
	27		1.25	.10			Fee .40	354.72	
354.72	28	3.57	.75				Fee .25		
	28		2.15				Fee .40	361.84	
361.84	Mar. 1	3.61	2.35				Fee .25		
	1		.75	.10			Fee .40	Csh. 150.00Cr.	219.30

[Account no. 758. Previous account no. 461. Forward to account no. 1055]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$219.30	1929 Mar. 2	\$3.22	\$2.10				Bill rendered		\$219.30
	2		.75				Fee \$0.25		
							Fee .40		
230.62	3	3.22	.75				Nws. 4.60	230.62	
	3		2.85				Fee .40		
238.09	4	3.22	.75				Fee .25	238.09	
	4		2.30	\$0.30			Csh. 100.00		
344.91	5	3.22	.75				Fee .25	344.91	
	5		2.30	.20			Fee .40		
							Csh. \$219.30Cr.	133.13	
133.13	6	3.22	1.50				Fee .25		
	6		.75				Fee .40	139.25	
139.25	7	3.22	.75				Fee .25		
	7		1.80	.10			Fee .40	145.77	
145.77	8	3.22	2.10				Fee .40		
	8		.75	.10			Fee .25	152.59	
152.59	9	3.22	2.05				Fee .25		
	9		.75				Fee .40	159.25	
159.25	10	3.22	2.45				Fee .25		
	10		.75				Fee .40	166.33	
166.33	11	3.22	1.65				Fee .25		
	11		.75	.10			Csh. 8.00		
							Fee .40	182.49	
182.49	12	3.22	1.90				Dgs. 1.79		
	12		.75	.10			Fee .25		
							Dgs. 1.50	190.61	
190.61	13	3.22	.75				Fee .40		
	13		2.05				Fee .25	197.28	
197.28	14	3.22	.75				Fee .40		
	14		2.00				Fee .25	203.90	
203.90	15	3.22	2.50				Fee .40		
	15		.75				Fee .25	211.02	

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 758. Previous account no. 461. Forward to account no. 1055]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$211.02	1929 Mar. 16	\$3.22	\$2.30				Fee \$0.25		
	16		.75				Fee .40		
267.94	17	3.22	.75				Csh. 50.00	\$267.94	
	17		2.25				Fee .40		
							Fee .25	270.81	
274.81	18	3.22	.75				Fee .40		
	18		2.25				Fee .25	281.78	
281.78	19	3.22	2.35				Fee .40		
	19		.75	\$0.20			Fee .25	288.65	
288.65	20	3.22	1.50				Fee .25		
	20		.75				Fee .40	Csh. \$100.00Cr.	195.07
195.07	21	3.22	.75				Fee .40		
	21		2.35	.20			Fee .25	Csh. 50.00Cr.	152.24
152.24	22	3.22	2.35				Fee .25		
	22		.75	.10			Fee .40	159.31	
159.31	23	3.22	.75				Fee .40		
	23		2.45				Fee .25	166.13	
166.13	24	3.22	2.50				Fee .40		
	24		.75				Fee .25	173.50	
173.50	25	3.22	1.95				Fee .25		
	25		.75				Fee .40	180.07	
180.07	26	3.22	2.25				Fee .25		
	26		.75				Fee .40	186.94	
186.94	27	3.22	.75				Fee .40		
	27		2.15	.20			Fee .25	193.91	
193.91	28	3.22	2.10				Fee .40		
	28		.75				Fee .25	200.63	
200.63	29	3.22	2.45				Fee .25		
	29		.75	.20			Fee .40	207.90	
207.90	30	3.22	2.40				Fee .40		
	30		.75	.40			Fee .25	215.32	
215.32	31	3.22	.75				Fee .50		
								219.79	
219.79	Apr. 1	3.40	2.10				Fee .40		
								225.69	

[Account no. 1055. Previous account no. 758. Forward to account no. 1356]

	1929 Apr.								
\$225.69	2	\$3.33	\$2.25				Nws. \$4.60		
	2		.75	\$0.30			Fee. 25		\$237.17
237.17	3	3.33	5.50				Fee. 40		
	3		.75				Fee. 25		
							Fee. 75		
							Csh. 100.00		
348.15	4	3.33	.75				Fee. 25		348.15
352.48	5	3.33	1.65				Fee. 25		352.48
	5		.75	.20			Fee. 40	Csh. \$225.69Cr.	133.37
133.37	6	3.33	.75				Fee. 40		
	6		2.45				Fee. 25		140.55
140.55	7	3.33	.75				Fee. 25		144.88
144.88	8	3.33	2.20				Fee. 25		
	8		.75				Fee. 40		151.81
151.81	9	3.33	.75				Fee. 25		
	9		2.40				Fee. 40		158.94
158.94	10	3.33	2.25				Fee. 25		
	10		.75				Fee. 40		165.92
165.92	11	3.33	.75				Fee. 25		
	11		1.80				Fee. 40		172.45
172.45	12	3.33	2.10				Fee. 25		
	12		.75				Fee. 40		179.28
179.28	13	3.33	2.35				Fee. 40		
	13		.75				Fee. 25		186.36
186.36	14	3.33	.75						
	14		1.95				Fee. 25		192.64
192.64	15	3.33	1.90				Fee. 25		
	15		.75	.10			Fee. 40		
199.77	16	3.33	.75				Fee. 40		199.77
	16		3.20	.10			Fee. 25		
207.80	17	3.33	1.95				Fee. 40		207.80
	17		.75				Fee. 40		
							Fee. 25		214.48
214.48	18	3.33	2.10	.10			Fee. 40		
	18		2.55				Fee. 50		220.41
220.41	19	3.33	2.00				Fee. 40		
	19		.75				Fee. 25		229.19
229.19	20	3.33	.75				Fee. 40		
	20		2.35	.30			Fee. 40		236.57
236.57	21	3.33	1.00				Fee. 25		241.15
241.15	22	3.33	2.65				Fee. 40		
	22		.75				Fee. 25		248.53
248.53	23	3.33	2.55				Fee. 25		
	23		.90				Fee. 40		
	23		.75	.10			Fee. 25		257.06
257.06	24	3.33	1.65				Fee. 40		
	24		.75	.10			Fee. 25		263.54
263.54	25	3.33	1.75				Dgs. 2.60		
	25		.75	.10			Fee. 25		
272.32	26	3.33	.75				Fee. 40		272.32
	26		2.65				Fee. 25		
							Fee. 40		280.10
280.10	27	3.33	.75						
	27		2.50				Fee. 25		286.93
286.93	28	3.33	1.00				Fee. 40		291.66
291.66	29	3.33	2.05				Fee. 40		
	29		.75	.20			Fee. 25		298.64
298.64	30	3.33	2.20				Fee. 40		

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 1055. Previous account no. 758. Forward to account no. 1356]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1929 Apr. 30		\$0.75	\$0.10			Fee \$0.25	Csh. 100.00Cr.	\$205.67
\$205.67	May 1	\$3.43	.75					Csh. 205.67Cr.	6.43

[Account no. 1356. Previous account no. 1055. Forward to account no. 1733]

\$6.43	1929 May 2	\$3.22	\$2.00				Bill rendered		\$6.43
	2		1.80	\$0.20			Csh. \$3.50		
	2						Fee. 40		
							Fee. 25		
							Nws. 4.60		
							Fee. 40		
							Fee. 40		
23.20	3	3.22	1.50				Fee. 40		
	3		2.45				Fee. 40		
31.17	4	3.22	2.30				Csh. 10.00		
	4		.75	.10			Fee. 25		
							Fee. 40		
							Fee. 40		
48.19	5	3.22	1.00	.10			Fee. 25		
52.76	6	3.22	2.50				Fee. 40		
	6		.75				Fee. 25		
59.98	7	3.22	1.90				Fee. 40		
							Fee. 25		
65.75	8	3.22	.75				Fee. 25		
	8		.75	.20			Fee. 25		
70.92	9	3.22	2.55				Fee. 25		
	9		.75				Fee. 25		
77.69	10	3.22	.60				Fee. 40		
	10		.75				Fee. 40		
	10		1.70				Fee. 40		
85.01	11	3.22	2.20				Dgs. .75		
	11		.75				Fee. 25		
91.93	12	3.22	1.00				Fee. 25		
							Fee. 40		
97.05	13	3.22	1.00				Fee. 25		
							Dgs. .75		
102.27	14	3.22	1.00				Fee. 25		
	14		2.25				Fee. 25		
	14		2.40				Fee. 40		
111.64	15	3.22	1.00				Csh. 5.00		
	15		2.45				Fee. 25		
124.36	16	3.22	1.90				Fee. 40		
	16		1.00	.20			Fee. 25		
130.93	17	3.22	190.00				Fee. 40		
	17		2.15				Fee. 25		
	17		1.00				Fee. 40		
328.35	18	3.22	1.00				Fee. 40		
	18		2.10				Fee. 25		
145.32	19	3.22	1.25	.10			Fee. 25		
150.14	20	3.22	3.40				Fee. 25		
	20		1.00				Fee. 50		
158.51	21	3.22	2.05				Fee. 25		
	21		1.00				Fee. 40		
165.43	22	3.22	1.00				Fee. 25		
	22		1.05				Fee. 40		
171.35	23	3.22	1.00				Fee. 25		
	23		2.20				Fee. 40		
	23		.80	.10			Fee. 40		
179.32	24	3.22	1.95				Fee. 40		
184.89	25	3.22	2.45				Fee. 25		
	25		1.00				Fee. 40		
191.81	26	3.22	.95	.10			Fee. 40		
196.48	27	3.22	1.00				Fee. 25		
	27		2.45				Fee. 25		
203.65	28	3.22	1.00				Fee. 40		
	28		1.75				Fee. 40		
							Fee. 25		
210.67	29	3.22	1.00	.35			Nws. .25		
	29		1.85	.20			Fee. 25		
							Fee. 40		
218.19	30	3.22	.90				Fee. 25		
222.56	31	3.22	2.20				Fee. 25		
	31		1.00	.10			Fee. 40		

[Account no. 1738. Previous account no. 1356. Forward to account no. 1964]

\$229.73	1929 June 1	\$3.33	\$1.00	\$0.10			Bill rendered		\$229.73
234.41	2	3.33	.65				Fee \$0.25		234.41
238.64	3	3.33	1.50				Fee. 15		238.64
							Fee. 40		
118.64	4	3.33	1.00				Nws. 4.60		118.64
	4		1.85	.40			Fee. 25		
25.87	5	3.33	2.45				Fee. 40		25.87
	5		1.00	.20			Fee. 25		
33.50	6	3.33	2.10				Fee. 40		33.50
	6		1.00				Fee. 25		
40.18	7	3.33	2.40	.25			Fee. 40		40.18
	7		1.00	.25			Fee. 40		
							Fee. 25		
48.46	8	3.33	2.55				Fee. 25		48.46
	8		1.00				Fee. 40		
55.99	9	3.33	.65				Fee. 15		55.99
60.12	10	3.33	1.85						60.12

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 1738. Previous account no. 1356. Forward to account no. 1964]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$66.75	1929 June 10		\$1.00	\$0.20			Fee \$0.25		\$66.75
	11	\$3.33	1.00				Fee. 25		
	11		2.25				Fee. 40	Csh. \$250.00Cr.	176.02
176.02Cr.	12	3.33	2.40				Fee. 40		
	12		1.00	.20			Fee. 25		
							Fee. 40		
168.04Cr.	13	3.33	1.00				Fee. 40		168.04
	13		3.00				Fee. 25		
160.06Cr.	14	3.33	1.00				Fee. 25		160.06
	14		1.80	.20			Fee. 40		
153.08Cr.	15	3.33	.65				Fee. 40		153.08
	15		2.55	.10			Fee. 15		
145.90Cr.	16	3.33	.65				Fee. 15		145.90
141.77Cr.	17	3.33	1.00				Fee. 15		141.77
	17		1.80	.10			Fee. 40		
							Fee. 25		
134.89Cr.	18	3.33	1.15				Fee. 25		134.89
	18		1.00	.10			Fee. 25		
128.66Cr.	19	3.33	2.20				Fee. 40		128.66
	19		1.00				Fee. 40		
121.48Cr.	20	3.33	1.00				Fee. 25		121.48
	20		2.45	.40			Fee. 40		
				.10			Fee. 25		
113.55Cr.	21	3.33	2.40				Nws. .15		113.55
	21		1.00				Fee. 40		
							Fee. 25		
106.02Cr.	22	3.33	2.00				Csh. 5.00		106.02
	22		1.00				Fee. 40		
							Fee. 25		
94.04Cr.	23	3.33	.65				Fee. 25		94.04
99.81Cr.	24	3.33	1.45				Fee. 25		99.81
	24		1.00	.10			Fee. 40		
83.28Cr.	25	3.33	1.00				Fee. 25		83.28
	25		2.45	.10			Fee. 25		
							Fee. 40	Csh. 200.00Cr.	275.75
275.75Cr.	26	3.33	1.00				Dgs. 1.00		
	26		2.70				Fee. 25		
							Fee. 40		
267.07Cr.	27	3.33	1.00				Fee. 25		267.07
262.49Cr.	28	3.33	1.95				Fee. 40		262.49
	28		1.00				Fee. 25		
	28		3.75	.30			Flr. 1.00		
							Fee. 40		
							Fee. 25		
							Fee. 65		
249.86Cr.	29	3.33	2.30				Nws. 4.60		249.86
	29		1.25				Fee. 40		
							Fee. 25		
237.73Cr.	30	3.43	1.25				Fee. 15		237.73
									232.90

[Account no. 1964. Previous account no. 1738. Forward to account no. 2221]

\$232.90Cr.	1929 July 1	\$3.22	\$1.00				Bill rendered		\$232.90
	1		2.10	\$0.20			Fee \$0.25		
							Fee. 40	Csh. \$100.00Cr.	325.73
325.73Cr.	2	3.22	1.40				Nws. 4.60		
	2		2.15				Fee. 25		
							Fee. 40		
313.71Cr.	3	3.22	1.00				Csh. 5.00		313.71
	3		1.35				Fee. 40		
							Fee. 25		
302.49Cr.	4	3.22	1.00				Fee. 40		302.49
298.02Cr.	5	3.22	2.15				Fee. 25		298.02
	5		1.00	.20			Fee. 40		
							Csh. 200.00		
90.80Cr.	6	3.22	1.50				C.o.d. 9.00		90.80
	6		1.00	.10			Fee. 25		
							Fee. 50		
75.23Cr.	7	3.22	1.00				Fee. 15		75.23
70.86Cr.	8	3.22	2.50				Fee. 50		70.86
	8		.90				Fee. 40		
63.74Cr.	9	3.22	2.50				Fee. 40		63.74
	9		1.00	.10			Fee. 25		
							Fee. 40	Csh. 100.00Cr.	155.87
155.87Cr.	10	3.22	1.20				Fee. 40		155.87
	10		1.00	.10			Fee. 25		
149.70Cr.	11	3.22	2.10				Fee. 25		149.70
	11		1.00				Fee. 25		
143.13Cr.	12	3.22	1.00				Fee. 25		143.13
	12		2.15				Fee. 25		
							Fee. 40		
136.11Cr.	13	3.22	1.70				Fee. 40		136.11
	13		1.00				Fee. 25		
129.54Cr.	14	3.22	1.00				Fee. 40		129.54
							Fee. 25		
124.67Cr.	15	3.22	1.85				Fee. 25		124.67
	15		1.00				Fee. 40		
							Fee. 25	Adj. .30Cr.	118.25

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 1964. Previous account no. 1738. Forward to account no. 2221]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1929 July						Fee \$0.40		\$106.28
\$106.28 Cr.	17	\$3.22	\$2.30				Fee .25		
	17		1.00				Fee .50		99.01
99.01 Cr.	18	3.22	1.65				Fee .40		
	18		1.00				Fee .25		92.49
92.49 Cr.	19	3.22	1.00						
	19		1.80	\$0.10			Fee .40		85.72
85.72 Cr.	20	3.22	1.00				Fee .25		
	20		1.70				Fee .40		79.15
79.15 Cr.	21	3.22	.80				Fee .25		
74.88 Cr.	22	3.22	1.00				Fee .40		68.41
	22		1.50	.10			Fee .25		62.04
68.41 Cr.	23	3.22	1.50				Fee .40		
	23		1.00				Fee .25		62.04
62.04 Cr.	24	3.22	2.25				Fee .40		54.82
	24		1.00	.10			Fee .25		54.82
54.82 Cr.	25	3.22	2.75				Csh. 5.00		42.00
	25		1.00	.20			Fee .25		35.28
42.00 Cr.	26	3.22	1.85				Fee .40		
	26		1.00				Fee .25		28.71
35.28 Cr.	27	3.22	1.00				Fee .40		
	27		1.70				Fee .25		24.64
28.71 Cr.	28	3.22	.65				Fee .40		
24.64 Cr.	29	3.22	2.35				Fee .25		17.22
	29		1.00	.20			Fee .40		9.90
17.22 Cr.	30	3.22	1.00				Fee .25		
	30		2.45				Fee .40		5.15
9.90 Cr.	31	3.40	1.00	.10			Fee .25		

[Account no. 2221. Previous account no. 1964. Forward to account no. 2481]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1929 Aug.						Bill rendered		\$5.15
\$5.15 Cr.	1	\$3.22	\$1.00				Nws. \$4.60		
	1		1.50				Fee .25		194.18
194.18 Cr.	2	3.22	1.00				Fee .40		187.81
	2		1.50				Fee .25		180.79
187.81 Cr.	3	3.22	2.05				Fee .40		166.52
	3		1.00	\$0.10			Fee .25		166.52
180.79 Cr.	4	3.22	.80				Csh. 10.00		127.16
	4						Fee .25		127.16
166.52 Cr.	5	3.22	1.00				Csh. 100.00		60.75
	5		.90				Fee .40		60.75
60.75 Cr.	6	3.22	1.00				Fee .25		53.75
	6		2.00	.10			Fee .40		53.75
53.75 Cr.	7	3.22	1.00				Fee .50		47.31
	7		1.50				Fee .25		47.31
47.31 Cr.	8	3.22	2.25				Fee .25		40.10
	8		1.00				Fee .40		40.10
40.10 Cr.	9	3.22	2.55				Fee .40		32.67
	9		1.00	.10			Fee .25		32.67
32.67 Cr.	10	3.22	1.65				Fee .25		26.03
	10		1.00	.10			Fee .40		21.63
26.05 Cr.	11	3.22	1.15				Fee .25		21.63
21.63 Cr.	12	3.22	1.00				Fee .40		17.22
	12		1.85	.10			Fee .15		17.22
64.71 Cr.	13	3.22	1.00				Fee .25		58.23
	13		1.95				Fee .40		58.23
58.23 Cr.	14	3.22	1.00				Fee .25		51.32
	14		1.70				Fee .40		46.63
51.32 Cr.	15	3.22	1.00	.20			Fee .25		39.43
46.65 Cr.	16	3.22	1.00				Fee .40		39.43
	16		2.25	.10			Fee .25		39.43
39.43 Cr.	17	3.22	1.00				Fee .40		29.21
	17		2.00	.10			Brb. 3.25		29.21
29.21 Cr.	18	3.22	.95	.30			Fee .25		238.80
	18		.25	.35			Fee .40		16.87
23.89 Cr.	19	3.22	1.00				Fee .25		60.15
	19		1.85	.30			Fee .40		53.68
16.87 Cr.	20	3.22	1.85				Fee .25		53.68
	20		1.00				Fee .40		3.39
60.15 Cr.	21	3.22	1.50				Fee .25		10.11
	21		1.00	.10			Fee .40		10.11
53.68 Cr.	22	3.22	1.00				Fee .25		19.48
	22		2.20				Csh. 50.00		23.60
3.39	23	3.22	1.00				Fee .40		35.07
	23		2.25				Fee .25		41.49
10.11	24	3.22	1.00				Brb. 2.00		41.49
	24		2.00	.10			Fee .40		48.36
19.48	25	3.22	.65	.10			Fee .25		52.63
23.60	26	3.22	1.50				Csh. 5.00		
	26		1.00	.10			Fee .25		
35.07	27	3.22	1.85				Fee .40		
	27		1.00	.10			Fee .25		
41.49	28	3.22	1.50				Fee .40		
	28		1.00	.10			Fee .25		
48.36	29	3.22	1.00				Fee .40		
	29						Fee .25		

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 2221. Previous account no. 1964. Forward to account no. 2481]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1929 Aug.						Fee \$0.25		
\$52.83	30	\$3.22	\$1.00	\$0.50			Fee .40		\$53.20
	31	3.40	1.00				Fee .25		
58.20	31		2.65				Brb. 2.50	Csh. \$50.00 Cr.	18.00

[Account no. 2481. Previous account no. 2221. Forward to account no. 2759]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1929 Sept.						Bill rendered		\$18.00
\$18.00	1	\$3.33	\$0.80				Fee \$0.15	Csh. \$18.00 Cr.	4.23
	2	3.33	1.00				Fee .25		8.86
4.23	3	3.33	1.50				Fee .40		15.44
8.86	3		1.00	\$0.10			Fee .25		15.44
15.44	4	3.33	1.95				Fee .25		22.47
	4		1.00	.10			Fee .40		22.47
22.47	5	3.33	1.00				Fee .25		29.55
	5		1.70	.40			Fee .40		29.55
29.55	6	3.33	1.00				Fee .25		40.88
	6		2.25	.10			Fee .40		40.88
40.88	7	3.33	2.40				Csh. 10.00		56.36
	7		1.00	.10			Fee .25		60.59
56.36	8	3.33	.75				Brb. 2.00		65.37
60.59	9	3.33	1.25	.20			Fee .40		65.37
65.37	10	3.33	1.00				Fee .15		
	10		2.10	.10			Fee .20		
76.35	11	3.33	1.00				Nws. 3.60		
	11		2.10				Fee .40		
83.43	12	3.33	2.40				Fee .25		76.35
	12		1.00				Fee .40		83.43
90.81	13	3.33	1.00				Fee .25		90.81
	13		1.75	.10			Fee .40		97.64
97.64	14	3.33	1.90				Fee .25		
	14		1.00				Fee .40		
108.97	15	3.33	1.25				Brb. 3.00		
113.80	16	3.33	1.50				Dgs. 1.45		
	16		1.00				Fee .25		108.97
120.38	17	3.33	1.00				Fee .25		113.80
	17		1.80				Fee .50		120.38
127.16	18	3.33	1.00				Fee .25		120.38
	18		1.75				Fee .40		127.16
133.89	19	3.33	1.50				Fee .25		133.89
	19		1.00				Fee .40		133.89
140.37	20	3.33	1.00				Fee .25		140.37
	20		1.80				Csh. 5.00		140.37
151.75	21	3.33	1.00				Fee .25		151.75
	21		1.40	.10			Fee .40		151.75
160.63	22	3.33	1.25	.10			Brb. 2.00		
165.56	23	3.33	3.00				Fee .25		160.63
	23		1.00				Fee .25		165.56
173.64	24	3.33	1.50				Fee .50		173.64
	24		1.00				Fee .25		
179.92	25	3.33	1.50				Fee .40		179.92
	25		1.00	.10			Fee .50		179.92
187.00	26	3.33	1.00				Fee .25		187.00
	26		1.50				Fee .40		187.00
193.58	27	3.33	1.00				Fee .25		193.58
	27		1.50	.10			Fee .50		193.58
200.26	28	3.33	1.00				Brb. 2.00		200.26
	28		1.85	.10			Fee .25		200.26
209.29	29	3.33	1.60				Fee .40		209.29
214.47	30	3.43	1.85				Fee .25		214.47
	30		1.00				Fee .50		221.50

[Account no. 2759. Previous account no. 2481. Forward to account no. 3019]

	1929 Oct.						Bill rendered		\$221.50
\$221.50	1	\$3.22	\$3.00	\$0.20			Fee \$0.25		
	1		1.00	.10			Fee. 50		229.77
229.77	2	3.22	2.15				Fee. 25		
	2		1.00	.10			Fee. 50	Csh. \$221.50Cr.	15.49
15.49	3	3.22	1.00				Fee. 25		
	3		1.85	.10			Fee. 25	Csh. 100.00Cr.	78.09
78.09Cr.	4	3.22	2.10				Nws. 3.60		
	4		1.00	.10			Fee. 25		
							Fee. 50		
							Fee. 25		67.32
67.32Cr.	5	3.22	1.90				Fee. 50		
	5		1.00				Brb. 3.25		57.20
57.20Cr.	6	3.22	.65	.20			Fee. 20		
				.20			Fee. 50		52.23
52.23Cr.	7	3.22	1.00						
	7		1.85	.10			Fee. 25		45.81
45.81Cr.	8	3.22	2.40				Fee. 50		
	8		1.00				Fee. 40		
							Fee. 25		38.04
38.04Cr.	9	3.22	1.00				Fee. 25		

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 2759. Previous account no. 2481. Forward to account no. 3019]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1929 Oct.								
\$31.17Cr.	9		\$1.70	\$0.20			Fee \$0.50		\$31.17
	10	\$3.22	1.00				Fee .50		
24.50Cr.	11	3.22	1.50	.20			Fee .25		24.50
	11	3.22	3.00				Fee .25		
16.33Cr.	12	3.22	1.00	.10			Fee .60		16.33
	12	3.22	1.00	.10			Fee .25		
9.76Cr.	13	3.22	.65				Brb. 2.00		9.76
5.89Cr.	14	3.22	1.00						5.89
	14		1.85				Csh. 100.00		
							Fee .25		
101.18	15	3.22	1.00				Fee .50		101.18
	15		1.70				Fee .25		
107.85	16	3.22	1.00				Fee .25		107.85
	16		1.85				Fee .50		
114.67	17	3.22	1.80				Fee .25		114.67
	17		1.00	.10			Dgs. 1.60		
122.64	18	3.22	1.00	.10			Fee .25		122.64
	18						Fee .40		
127.61	19	3.22	1.50				Csh. 5.00		127.61
	19		1.00				Fee .25		
							Brb. 2.00		
140.58	20	3.22	.65				Fee .20		140.58
							Fee .50		
145.15	21	3.22	1.50				Fee .40		145.15
	21		1.00				Fee .25		
151.52	22	3.22	1.60				Dgs. 2.85		151.52
	22		.50	.10			Fee .40		
110.19	23	3.22	1.65	.10			Csh. \$30.00Cr.		110.19
115.36	24	3.22	1.35				Fee .20		115.36
	24		1.50						
121.43	25	3.22	1.50				Dgs. 1.00		121.43
	25		.90				Fee .40		
							Fee .25		
79.10	26	3.22	1.30				Csh. 50.00Cr.		79.10
	26		1.60				Fee .25		
14.23Cr.	27	3.22					Csh. 100.00Cr.		14.23
11.01Cr.	28	3.22	1.60				Fee .25		11.01
	28		1.50				Fee .40		
4.04Cr.	29	3.22	.80						4.04
	29		.35				Fee .40		
	29		1.50	.10			Fee .25		
2.58	30	3.22	1.50				Fee .20		2.58
	30		.60	.20			Fee .40		
							Dgs. .25		
8.95	31	3.40	1.50				Csh. 25.00Cr.		8.95
									11.15

[Account no. 3019. Previous account no. 2759. Forward to account no. 3303]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1929 Nov.								
\$11.15Cr.	1	\$3.33	\$1.85				Bill rendered		\$11.15
	1		1.50				Fee \$0.40		
							Nws. 3.60		
							Csh. 11.15		
12.27	2	3.33	1.50				Fee .40		12.27
	2		1.00	\$0.30			Dgs. 1.19		
							Brb. 3.00		
22.30	3	3.33	.65	.10			Fee .40		22.30
26.58	4	3.33	3.45				Fee .25		26.58
	4		1.00	.30			Dgs. .25		
35.16	5	3.33	1.00				Csh. 5.00		35.16
	5		3.00				Dgs. .25		
							Fee .50		
48.99	6	3.33	1.00	.20			Fee .25		48.99
53.77	7	3.33	1.00				Fee .25		53.77
	7		3.00				Fee .40		
	7		1.50	.10			Fee .50		
63.85	8	3.33	1.00				Fee .25		63.85
	8		1.80				Brb. 4.00		
							Fee .25		
74.63	9	3.33	1.00						74.63
	9		2.00				Fee .40		
81.36	10	3.33	.65				Fee .20		81.36
85.79	11	3.33	1.50				Fee .25		85.79
	11		1.00				Fee .40		
92.02	12	3.33	2.00				Fee .25		92.02
	12		1.00	.10			Fee .40		
							Fee .25		
99.35	13	3.33	1.50				Fee .25		99.35
	13		1.00	.10			Fee .40		
105.93	14	3.33	1.00				Fee .40		105.93
	14		1.50	.10			Fee .25		
							Csh. 5.00		
117.51	15	3.33	1.50				Fee .25		117.51
	15		1.00				Fee .40		
123.99	16	3.33	1.00				Brb. 2.00		123.99
	16		1.50				Fee .25		
132.07	17	3.33	1.00				Fee .25		132.07
							Fee .50		
137.15	18	3.33	1.50						137.15
	18		1.00	.10			Fee .25		

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 3019. Previous account no. 2759. Forward to account no. 3303]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1929 Nov.								
\$143.33	19	\$3.33	\$1.50				Fee \$0.25		\$143.33
	19		1.00	\$0.10			Fee .40		
							Fee .40		
150.31	20	3.33	1.00				Fee .40		150.31
	20		1.85				Fee .25		
42.86Cr.	21	3.33	1.00				Fee .40		42.86
	21		1.70				Fee .25		
35.98Cr.	22	3.33	1.00				Fee .25		35.98
	22		1.50				Fee .40		
							Dgs. .75		
28.75Cr.	23	3.33	1.50				Fee .25		28.75
	23		1.00	.10			Csh. 5.00		
17.57Cr.	24	3.33	1.00				Fee .25		17.57
							Fee .40		
12.59Cr.	25	3.33	1.50				Fee .40		12.59
	25		1.00				Fee .25		
4.11Cr.	26	3.33	1.50				Brb. 2.00		4.11
	26		1.00				Fee .25		
2.37	27	3.33	1.00				Fee .40		2.37
	27		1.65	.10			Fee .25		
9.10	28	3.33	2.00				Fee .40		9.10
	28		1.00				Fee .25		
15.68	29	3.33	1.00				Fee .75		15.68
	29		1.50				Fee .40		
							Fee .25		
22.91	30	3.43	1.00				Brb. 2.25		22.91
	30		1.50						
							Csh. 25.00Cr.		

[Account no. 3303. Previous account no. 3019. Forward to account no. 206]

	1929 Dec.					Bill rendered		\$6.34
\$6.34	1	\$3.22	\$1.00			Nws. \$3.60		
						Fee. 25		
						Fee. 40		14.81
14.81	2	3.22	1.00			Fee. 40		
	2		1.65			Fee. 25		21.33
21.33	3	3.22	1.55			Fee. 40		
	3		1.00	\$0.10		Fee. 25		
						Csh. .54		28.39
28.39	4	3.22	.75			Fee. 40		
	4		1.50			Fee. 25		34.51
34.51	5	3.22	.75			Dgs. .85		
	5		1.50			Val. 1.50		
						Dgs. 3.55		
						Fee. 40		
						Fee. 25		46.53
46.53	5					Csh. \$6.34Cr.		40.19
40.19	6	3.22	1.50			Fee. 25		
	6		1.00			Fee. 40		46.56
						Val. .25		
46.56	7	3.22	1.50			Brb. 2.00		
	7		.75			Fee. 40		
						Fee. 25	100.00Cr.	45.07
45.07Cr.	8	3.22	1.00			Fee. 25		40.60
40.60Cr.	9	3.22	1.50			Fee. 25		
	9		.75			Fee. 25		
						Fee. 40		34.48
34.48Cr.	10	3.22	.75			Fee. 25		
	10		1.50			Fee. 40		
						Dgs. 1.44		26.92
26.92Cr.	11	3.22	1.50			Fee. 40		
	11		2.00			Fee. 40		19.40
19.40Cr.	12	3.22	1.00			Fee. 25		
	12		.75					
	12		1.50			Dgs. .50		12.28
12.28Cr.	13	3.22	.75			Fee. 25		
	13		1.50			Fee. 40	Tfr. 1.00Cr.	6.66
6.66Cr.	14	3.22	1.50			Brb. 3.00		
	14		.75	.10		Fee. 40		
						Fee. 25		
						Dgs. .20		2.76
2.76	15	3.22	1.00			Fee. 20		7.18
7.18	16	3.22	1.50			Csh. 100.00		
	16		.75			Fee. 25		112.90
112.90	17	3.22	1.50			Dgs. 1.44		
	17		.75	.10		Fee. 40		
						Fee. 25		
						Fee. 40		120.96
120.96	18	3.22	2.45			Fee. 25		
	18		.75			Fee. 40	Csh. 75.00Cr.	53.03
53.03	19	3.22	1.90			Fee. 50		
	19		1.50			Fee. 25		
	19		.75	.10		Dgs. 1.00		62.25
62.25	20	3.22	.75			Fee. 25		
	20		.85			Csh. 5.00		
						Fee. 40		72.72
72.72	21	3.22	1.50			Fee. 40		
	21		.75			Fee. 25		
						Brb. 2.00		80.84
80.84	22	3.22	1.00			Dgs. 1.69		
						Fee. 25		87.00

*The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued*

[Account no. 205. Previous account no. 3303. Forward to account no. 492]

[Account no. 492. Previous account no. 206. Forward to account no. 763]

	1930 Feb.				Bill rendered	
\$26.67	1	\$3.57	\$0.75		\$0.50	\$26.67
	1		3.20	\$0.10	Fee. 25	
					Nws. 3.60	
40.64	2	3.57	1.00		Brb. 2.00	40.64
45.46	3	3.57	.40		Fee. 25	45.46
	3		1.50		Fee. 25	
	3		.75		Fee. 40	52.33
52.33	4	3.57	1.50		Fee. 25	
	4		1.50		Fee. 50	
	4		.75		Csh. 5.00	65.40
65.40	5	3.57	1.50		C.o.d. 2.79	
	5		.75		Dgs. 25	
					Fee. 25	
					Fee. 40	74.91
74.91	6	3.57	1.50		Fee. 25	
	6		.75		Fee. 40	
					Dgs. 1.00	82.38
82.38	7	3.57	.75		Fee. 50	
	7		1.50		Fee. 25	
88.95	8	3.57	1.50		Brb. 3.25	88.95
	8		.75		Fee. 25	
					Fee. 40	98.67
98.67	9	3.57	1.00		Fee. 25	103.49
103.49	10	3.57	.75		Fee. 40	
	10		1.50		Dgs. 1.69	
					Fee. 25	
111.65	11	3.57	.75		Fee. 40	111.65
	11		1.50		Fee. 25	118.12
118.12	12	3.57	.75		Fee. 40	
	12		1.70		Fee. 25	124.79
124.79	13	3.57	1.75		Fee. 25	
	13		.75		Fee. 40	
					Dgs. 1.00	132.51
132.51	14	3.57	.75		Fee. 40	
	14		2.05	.20	Fee. 25	139.73
139.73	15	3.57	1.50		Fee. 40	
	15		.75		Fee. 25	
					Csh. 2.00	148.20
148.20	16	3.57	.80	.10	Fee. 25	152.92
152.92	17	3.57	.75		Fee. 25	
	17		1.50		Fee. 40	
					Dgs. .50	159.89
159.89	18	3.57	1.50		Fee. 25	
	18		1.50		Fee. 50	
	18		.75		Csh. 5.00	172.96
172.96	19	3.57	.75		Fee. 25	
	19		1.50		Fee. 40	179.43
179.43	20	3.57	.75		Fee. 25	
	20		1.50		Fee. 40	185.90
185.90	21	3.57	1.50		Fee. 25	
	21		.75		Fee. 40	
					Dgs. .40	192.77
192.77	22	3.57	2.30		Brb. 2.00	
	22		.75		Fee. 25	
					Fee. 40	202.04
202.04	23	3.57	.65		Fee. 20	
	23		2.75		Fee. 40	209.21
209.21	24	3.57	.75		Fee. 40	
	24		1.50		Fee. 25	216.08
216.08	25	3.57	.75		Fee. 25	
	25		1.50		Fee. 40	222.55
222.55	26	3.57	.75		Fee. 40	
	26		1.50		Fee. 25	20.98Cr.
20.98Cr.	27	3.57	.75		Fee. 25	
	27		1.50	.10	Fee. 40	14.41
14.41Cr.	28	3.61	1.25	.10	Fee. 40	
	28		.75		Dgs. 1.39	6.91

[Account no. 763. Previous account no. 492. Forward to account no. 1048]

\$6.91Cr.	1930 Feb. 28		\$0.60			Bill rendered		\$6.91
6.31Cr.	Mar. 1	\$3.22	.75			Fee \$0.40		6.31
						Fee .25		
						Csh. 2.50		.81
.81	2	3.22	.65			Nws. 3.60		
8.48	3	3.22	.75			Fee 20		8.48
	3		1.60			Fee 40		
						Fee 25	Adj. \$0.15Cr.	14.55

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 763. Previous account no. 492. Forward to account no. 1048]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$14.55	1930 Feb.						Fee \$0.25		
	4	\$3.22	\$0.75				C.o.d. 2.52		
	4		1.50				Dgs. 30		\$23.09
23.09	5	3.22	1.50				Fee. 40		
	5		.75				Fee. 25		
	5		1.50	\$0.10			Fee. 50		31.31
31.31	6	3.22	1.50	.20			Fee. 25		
	6		.75	.25			Fee. 40		37.88
37.88	7	3.22	.75				Fee. 25		
	7		1.50				Fee. 40		44.00
44.00	8	3.22	.75				Fee. 40		
	8		2.35				Csh. 2.00		
							Fee. 25		52.97
52.97	9	3.22	.65				Fee. 25		
57.09	10	3.22	.75				Fee. 50		57.09
	10		1.50				Fee. 25		
	10		1.50				Dgs. 1.44		
66.25	11	3.22	1.50	.10			Fee. 40		66.25
	11		.75	.35			Fee. 25		
72.82	12	3.22	.75				Nws. .05		72.82
	12		2.20				Fee. 40		
							Fee. 25		79.69
79.69	13	3.22	1.50				Fee. 25		
	13		1.50				Fee. 50		
	13		.75	.35			Dgs. .30		88.06
88.60	14	3.22	.75				Fee. 25		
	14		1.50				Fee. 40		
	14		1.50				Fee. 25		
							Dgs. .25		96.18
96.18	15	3.22	.75				Csh. 5.00		
	15		2.30				Dgs. .25		
							Csh. 2.00		111.85
							Dgs. .75		
111.85	16	3.22	.50				Fee. 1.00		
							Fee. 15		115.9
115.97	17	3.22	.75	.20			Fee. 25		
							Dgs. .40		120.79
120.79	18	3.22	1.50				Fee. 25		
	18		.75				Fee. 40		126.91
126.91	19	3.22	.75				Fee. 40		
	19		1.50				Fee. 25		133.03
133.03	20	3.22	1.50				Fee. 50		
	20		.75				Fee. 25		140.75
140.75	21	3.22	1.50				Fee. 40		
	21		.75				Fee. 25		146.87
146.87	22	3.22	1.50				Fee. 50		
	22		2.15				Dgs. .65		
	22		.75				Csh. 2.00		
							Fee. 25		157.89
157.89	23	3.22	.65				Fee. 25		
162.01	24	3.22	.75				Fee. 25		162.01
	24		3.30				Brb. .50		
							Fee. 50		170.78
170.78	25	3.22	.75				Dgs. .25		
175.00	26	3.22	2.00				Fee. 25		175.00
	26		.75				Fee. 25		
181.62	27	3.22	1.00	.10			Fee. 40		181.62
186.19	28	3.22	.75				Fee. 25		
	28		1.50				Dgs. 1.44		193.75
193.75	29	3.22	1.50				Fee. 40		
	29		1.50				Csh. .25		
	29		.75	.25			Brb. 3.00		
							Fee. 50		204.97
204.97	30	3.22	.65				Fee. 25		
209.04	31	3.40	.75				Fee. 20		209.04
	31		1.50				Fee. 40	Csh. \$200.00Cr.	15.34

[Account no. 1048. Previous account no. 763. Forward to account no. 1309]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$15.34	1930 Apr.						Bill rendered		\$15.34
	1	\$3.33	\$3.30				Fee \$0.50		
8.13	1		.75				Fee. 25	Csh. \$15.34Cr.	8.13
	2	3.33	.75				Dgs. 1.05		
	2		1.40	\$0.10			Fee. 25		
10.01	3	3.33	1.50				Nws. 3.60		19.01
	3		.75				Fee. 25		
25.92	4	3.33	.75				Csh. 1.08		25.92
	4		2.65				Fee. 40		
33.70	5	3.33	.75				Fee. 25		33.70
	5		2.30	.30			Brb. 2.00		
							Fee. 20		
							Fee. 40		43.83
43.83	6	3.33					Dgs. .85		
47.16	7	3.33	.75						47.16
	7		1.50				Fee. 40		
							Adj. .05		53.44
53.44	8	3.33	.75				Fee. 50		
	8		3.00				Fee. 25		61.27
61.27	9	3.33	1.50				Fee. 25		
	9		.75				Fee. 40		67.50

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The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 1048. Previous account no. 763. Forward to account no. 1309]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$67.50	1930 Apr.						Fee \$0.40		
	10	\$3.33	\$0.75				Fee. 25		
	10		1.50				Dgs. 1.94		\$75.67
75.67	11	3.33	.75				Fee. 25		
	11		2.85				Dgs. .25		
83.50	12	3.33	1.50				Fee. 40		83.50
	12		.75				Brb. 3.00		
							Fee. 25		92.73
92.73	13	3.33	3.65				Fee. 40		
99.71	14	3.33	1.25	\$0.10			Fee. 50		99.71
							Fee. 40		105.79
105.79	15	3.33	.75				Dgs. .50		
	15		1.50				Fee. 50		113.62
113.62	16	3.33	1.50				Fee. 25		
	16		.75	.10			Fee. 40		121.10
121.10	17	3.33	1.50	.20			Dgs. 1.40		
	17		.75	.10			Fee. 25		
127.33	18	3.33	2.10				Fee. 50	Adj. \$0.40Cr.	127.33
	18		.75	.10			Fee. 40		134.26
134.26	19	3.33	1.70				Fee. 25		
	19		.75				Brb. 2.00		142.69
							Fee. 40		146.02
142.69	20	3.33							
146.02	21	3.33	1.50				Fee. 25		
	21		.75				Fee. 40	Csh. 100.00Cr.	54.05
54.05	22	3.33	1.50				Fee. 25		
	22		.75	.10			Fee. 40		60.38
60.38	23	3.33	.75				Fee. 25		
	23		1.50				Fee. 40		66.61
66.61	24	3.33	.75				Fee. 40		
	24		1.80				Fee. 25		73.14
73.14	25	3.33	1.50				Fee. 50		
	25		2.00				Fee. 40		81.72
81.72	26	3.33	1.50				Dgs. .85		
	26		.75				Fee. 40		89.95
89.95	27	3.33					Brb. 2.00		
93.28	28	3.33	1.50				Fee. 25		93.28
	28		.75				Fee. 50		101.21
101.21	29	3.33	.75				Fee. 25		
	29		1.50				Fee. 40		107.44
107.44	30	3.43	1.50				Fee. 40		
	30		.75	.20			Fee. 25		113.97

[Account no. 1309. Previous account no. 1048. Forward to account no. 1546]

	1930 May					Bill rendered		\$113.97
\$113.97	1	\$3.22	\$0.75	\$0.10		Csh. \$0.25		
7.92	2	3.22	2.00			Nws. 3.60	Csh. \$113.97Cr.	7.92
14.74	2		.75	.20		Fee. 40		
	3	3.22	.75			Fee. 25		14.74
						Fee. 40		
						Brb. 2.00		21.36
21.36	4	3.22	1.80			Fee. 25		
	4		3.65					30.03
30.03	5	3.22	3.05			Fee. 50		
	5		.75			Fee. 25		38.30
38.30	6	3.22	.75			Fee. 50		
	6		1.80			Fee. 25		55.28
55.28Cr.	7	3.22	.75			Fee. 40	Csh. 100.00Cr.	
	7		1.80			Fee. 25		48.86
48.86Cr.	8	3.22	3.30			Fee. 50		
	8		.75			Fee. 25		40.84
40.84Cr.	9	3.22	.75			Fee. 25		
	9		1.80			Fee. 40		34.42
34.42Cr.	10	3.22	.75			Dgs. 1.84		
	10		1.80			Fee. 25		
						Csh. 2.00		24.16
24.16Cr.	11	3.22	4.00	.10		Fee. 40		
16.34Cr.	12	3.22	.75			Fee. 50		16.34
512.12Cr.	13	3.22	1.80			Fee. 25	Csh. 500.00Cr.	512.12
	13		.75			Fee. 40		
505.70Cr.	14	3.22	3.30			Fee. 25		505.70
	14		.75			Fee. 25		497.68
497.68Cr.	15	3.22	.75			Fee. 50		
	15		1.80			Fee. 25		491.66
491.66Cr.	16	3.22	.75			Dgs. 1.35		
	16		1.65	.20		Fee. 40		483.84
483.84Cr.	17	3.22	.75			Brb. 2.00		
	17		1.70			Fee. 25		
						Fee. 40	Csh. 550.00Cr.	
1,425.12Cr.	18	3.22	4.00			Fee. 50	Csh. 400.00Cr.	1,425.12
1,367.90Cr.	19	3.22	.75			Csh. 50.00		
	19		1.50			Fee. 40		
						Fee. 25		
						Fee. 50		1,361.28
1,361.28Cr.	20	3.22	1.50			Fee. 25		
	20		.75			Dgs. .25		1,355.33

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 1309. Previous account no. 1048. Forward to account no. 1546]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1930 May								
\$1,355.31Cr.	21	\$3.22	\$1.50				Fee \$0.40		\$1,349.19
	21		.75				Fee .25		
1,349.19Cr.	22	3.22	.75						
	22		1.50	\$0.10			Csh. .40		
							Csh. .25		
							Csh. .40		
							Dgs. .40		1,342.17
1,342.17Cr.	23	3.22	.75						
	23		1.50				Csh. .40		
							Csh. .25		1,336.05
1,336.05Cr.	24	3.22	1.80				Fee .25		
	24		.75				Brb. 2.00		1,328.03
1,328.03Cr.	25	3.22					Fee .40		
							Dgs. 1.50		1,322.91
1,322.91Cr.	26	3.22	.75						
	26		1.95				Csh. .40		
							Csh. .25		1,316.34
1,316.34Cr.	27	3.22	.75				Csh. 500.00		
							Dgs. 1.19		812.12
812.12Cr.	28	3.22	.75				Csh. .40		
	28		1.50				Csh. .25		804.81
804.81Cr.	29	3.22	.75						
	29		1.50				Csh. .25		
							Csh. .40		798.69
798.69Cr.	30	3.22	.75						
	30		3.60				Fee .25		790.87
790.87Cr.	31	3.40	.75						
	31		1.50				Csh. .25		
							Brb. 2.50		
							Csh. .50		
							Csh. .50	Csh. \$100.00Cr.	881.47

[Account no. 1546. Previous account no. 1309. Forward to account no. 1751]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1930 June								
\$881.47Cr.	1	\$3.33	\$4.00				Bill rendered		\$881.47
							Nws. \$3.60		
							Csh. .40		
							Dgs. .60		869.54
869.54Cr.	2	3.33	1.50				Csh. 5.00		
	2		.75	\$0.20			Csh. .40		
							Csh. 201.75		656.36
656.36Cr.	3	3.33	3.00				Csh. .25		
	3		.75				Csh. .50		
							Csh. .25		648.53
648.53Cr.	4	3.33	1.80				Csh. .40		
	4		.75	.10			Csh. .25		642.20
642.20Cr.	5	3.33	1.50				Csh. .40		
	5		.75				Csh. .25		635.97
635.97Cr.	6	3.33	.75				Fee .40		
	6		1.50	.10			Fee .25		629.64
629.64Cr.	7	3.33	1.50				Csh. .25		
	7		.75				Brb. 3.00		
							Csh. .40		620.41
620.41Cr.	8	3.33							617.08
617.08Cr.	9	3.33	1.50				Csh. .40		
	9		.75				Csh. 50.00		
							Csh. .25		600.85
600.85Cr.	10	3.33	1.80				Csh. .25		
	10		.75				Fee .40		554.32
554.32Cr.	11	3.33	1.50				Fee .25		
	11		.75				Fee .40		548.09
548.09Cr.	12	3.33	.75				Fee .25		
	12		1.50				Fee 1.50		542.26
542.26Cr.	13	3.33	1.50				Fee .40		
	13		.75				Csh. 2.00		
							Fee .25		532.53
532.53Cr.	14	3.33	.75				Fee .40		
	14		1.85				Fee .25		
							Fee .40	Csh. \$50.00Cr.	575.55
575.55Cr.	15	3.33	4.00						568.22
568.22Cr.	16	3.33	1.50				Fee .40		
	16		.75				Fee .25		561.99
561.99Cr.	17	3.33	1.55				Fee .40		
	17		.75				Fee .25		555.71
555.71Cr.	18	3.33	1.50				Fee .40		
	18		.75				Fee .25		549.48
549.48Cr.	19	3.33	.65				Fee .25		
	19		1.50				Fee .40		542.60
542.60Cr.	20	3.33	1.95				Fee .40		
							Dgs. 1.54		535.33

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 1546. Previous account no. 1309. Forward to account no. 1751]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1930 June								
\$538.38Cr.	21	\$3.33	\$1.40				Fee \$0.50		
	21		.75				Brb. 2.00		
							Fee .25		\$527.15
527.15Cr.	22	3.33	4.00						519.82
519.82Cr.	23	3.33	.75						
	23		1.50				Fee .40		
							Fee .25		512.24
512.24Cr.	24	3.33	1.50				Dgs. 1.35		
	24		.75	\$0.10			Fee .40		
							Fee .25		505.91
505.91Cr.	25	3.33	1.50				Fee .40		
	25		.75	.30			Fee .25	Csh. \$500.00Cr.	999.38
999.38Cr.	26	3.33	3.25				Fee .40		
	26		.75	.20			Fee .25		992.20
992.20Cr.	27	3.33	.75				Fee .40		
	27		1.65	.10			Fee .25		985.72
985.72Cr.	28	3.33	2.20						
	28		.75				Brb. 2.00		
							Fee .25		977.19
977.19Cr.	29	3.33	4.00				Fee .40		
							Csh. 150.00		819.46
819.46Cr.	30	3.43	1.50						
	30		.75				Fee .25		813.53

[Account no. 1751. Previous account no. 1546. Forward to account no. 1988]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1930 July								
\$813.53Cr.	1	\$3.22	\$1.50				Bill rendered		\$813.53
	1		.75				Csh. \$62.82		
							Fee .25		744.59
744.59Cr.	2	3.22	1.50				Csh. .40		
	2		.75				Fee .40		
							Nws. 3.60		
							Fee .40		734.47
734.47Cr.	3	3.22	3.65				Fee .25		
	3		1.50	\$0.10			Fee .50		
							Dgs. 1.60		723.65
723.65Cr.	4	3.22	2.20				Fee .25		
	4		1.00						716.98
716.98Cr.	5	3.22	2.30	.10					711.36
711.36Cr.	6	3.22	4.00				Csh. 100.00		604.14
604.14Cr.	7	3.22	2.15						
	7		.75				Fee .25		
							Brb. 2.00		
							Dgs. 3.19		592.58
592.58Cr.	8	3.22	1.90				Csh. 5.00		
	8		.75	.10			Fee .25	Csh. \$80.00Cr.	661.36
661.36Cr.	9	3.22	2.60	.30			Csh. 250.00Cr.		905.24
	10	3.22	.75						
905.24Cr.	10		2.20				Fee .25		898.82
898.82Cr.	11	3.22	.75				Fee .25		
	11		2.50				Csh. 25.00		867.10
867.10Cr.	12	3.22	2.40						
	12		.75	.30			Dgs. 1.35		
							Fee .25		
							Brb. 3.75		855.08
855.08Cr.	13	3.22	6.00						845.86
845.86Cr.	14	3.22	.75				Fee .25		839.74
839.74Cr.	15	3.22	.75						
	15		1.90	.10			Fee .25		833.52
833.52Cr.	16	3.22	.75				Fee .25		
	16		2.55	.45			Fee .25		826.30
826.30Cr.	17	3.22	.75				Csh. 50.00		
	17		1.90				Fee .25		770.18
770.18Cr.	18	3.22	.75				Dgs. 2.75		
	18						Csh. 2.00		763.21
763.21Cr.	19	3.22	1.90				Fee .25		
	19		.75				Dgs. .25		754.84
754.84Cr.	20	3.22	2.70						748.92
748.92Cr.	21	3.22	2.25						
	21		.75				Fee .25		742.45
742.45Cr.	22	3.22	.75						
	22		2.35	.10			Fee .25		735.78
735.78Cr.	23	3.22	3.40						
	23		.75				Fee .25		728.16
728.16Cr.	24	3.22	2.40						
	24		.75				Fee .25		721.54
721.54Cr.	25	3.22	.75						
	25		2.50				Fee .25		714.82
714.82Cr.	26	3.22	.75				Fee .25		
	26		2.50				Csh. 2.00		
							Dgs. 1.65		704.45
704.45Cr.	27	3.22	4.00						697.23
697.23Cr.	28	3.22	.75						
	28		1.90	.10			Fee .25		691.01
691.01Cr.	29	3.22	4.50						
	29		.75				Fee .25		682.29
682.29Cr.	30	3.22	.75				Csh. 5.00		
	30		1.90	.20			Dgs. 1.35		669.62
							Fee .25		

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 1751. Previous account no. 1546. Forward to account no. 1983]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$669.62Cr.	1930 July								
	31	\$3.40	\$0.75						
	31		1.90				Fee \$0.25	Csh. \$100.00Cr.	
	31		1.50					Csh. 700.00Cr.	\$1,461.82

[Account no. 1983. Previous account no. 1751. Forward to account no. 2200]

\$1,461.82Cr.	1930 Aug.						Bill rendered		\$1,461.82
	1	\$3.22	\$0.75				Fee \$0.25		
	1		2.15				Nws. 3.60		1,451.85
1,451.85Cr.	2	3.22	.75				Fee .25		
	2		2.10	\$0.10			Csh. 2.00		1,443.43
1,443.43Cr.	3	3.22	4.00						1,436.21
1,436.21Cr.	4	3.22	1.90				Csh. 50.00		
	4		.75	.10			Fee .25		1,279.99
1,279.99Cr.	5	3.22	.75				Csh. 100.00		
	5		2.50				Fee .25		1,270.63
1,270.63Cr.	6	3.22	1.90				Dgs. 2.64		
	6		.75				Fee .25		1,264.51
1,264.51Cr.	7	3.22	.75						1,258.44
	7		1.90	.20					1,251.87
1,258.44Cr.	8	3.22	2.35				Fee .25		
1,251.87Cr.	9	3.22	.75				Csh. .15		1,242.65
	9		1.90	.10			Csh. 2.25		1,235.43
1,242.65Cr.	10	3.22	4.00				Fee .40		1,226.31
1,235.43Cr.	11	3.22	.75				Fee .25	Csh. \$400.00Cr.	
1,226.31Cr.	12	3.22	.75	.20			Fee .15		1,621.94
	12						Dgs. .25		1,621.94
1,621.94Cr.	13	3.22	3.00						1,612.52
	13		.75				Fee .25		1,605.00
1,612.52Cr.	14	3.22	1.90	.30					1,598.03
1,605.00Cr.	15	3.22	2.00				Csh. .40		
	15		.75				Dgs. .85		1,586.80
1,598.03Cr.	16	3.22	1.90				Csh. .25		1,579.43
	16		.75				Csh. .25		1,575.16
1,586.80Cr.	17	3.22	4.00	.10					1,568.84
1,579.43Cr.	18	3.22	.75	.10			Csh. .25		1,557.72
1,575.16Cr.	19	3.22	.75				Fee .20		1,553.50
	19		2.15				Csh. .25		1,547.08
1,568.84Cr.	20	3.22	1.90				Csh. 5.00		1,538.96
1,557.72Cr.	21	3.22	.75				Csh. .25		1,531.74
1,553.50Cr.	22	3.22	2.20				Csh. .25		1,522.72
	22		.75				Csh. .25		1,516.50
1,547.08Cr.	23	3.22	1.90				Csh. .25		1,310.18
	23		.75				Csh. 200.00		1,306.11
1,538.96Cr.	24	3.22	4.00				Csh. .25		1,200.69
1,531.74Cr.	25	3.22	3.40						1,194.17
	25		2.00				Csh. .40		1,190.02
1,522.72Cr.	26	3.22	1.90				Csh. .25		
	26		.75	.10			Csh. 200.00		1,310.18
1,516.50Cr.	27	3.22	1.90				Csh. .25		1,306.11
	27		.75	.20			Csh. 100.00		1,200.69
1,310.18Cr.	28	3.22	.75	.10					1,194.17
1,306.11Cr.	29	3.22	2.20				Csh. .25		1,190.02
1,200.69Cr.	30	3.22	1.90						
	30		.75	.40					
1,194.17Cr.	31	3.40	.75						

[Account no. 2200. Previous account no. 1983. Forward to account no. 2441]

\$1,190.02Cr.	1930 Sept.						Bill rendered		\$1,190.02
	1	\$3.33	\$0.75				Dgs. \$2.64		
	1		1.90				Dgs. 1.00		1,180.15
1,180.15Cr.	2	3.33	.75				Csh. .25		
	2		3.40				Csh. .25		1,266.52
1,266.52Cr.	3	3.33	.75				Nws. 3.60	Csh. \$100.00Cr.	
	3		1.90				Fee .25		1,260.59
1,260.59Cr.	4	3.33	1.90				Csh. 1.25		
	4		.75	\$0.20			Csh. .25		1,052.91
1,052.91Cr.	5	3.33	2.15				Csh. 200.00		
	5		.75				Csh. .25		1,046.43
1,046.43Cr.	6	3.33	1.70				Csh. 400.00		
	6		.75	.20			Csh. 2.00		638.20
638.20Cr.	7	3.33	4.00	.10			Csh. .25		630.77
630.77Cr.	8	3.33	1.90						624.54
	8		.75				Csh. .25		624.54
624.54Cr.	9	3.33	1.90				Dgs. 1.95		
	9		.75				Csh. 5.00		
							Csh. .40		
							Csh. .25		610.96

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 2200. Previous account no. 1983. Forward to account no. 2441]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$610.96Cr.	1930 Sept.								
	10	\$3.33	\$0.75						
	10		3.40	\$0.10			Fee \$0.25		\$603.13
603.13Cr.	11	3.33	.75						596.90
	11		1.90				Csh. .25		590.67
596.90Cr.	12	3.33	.75				Csh. .25		
	12		1.90						584.49
590.67Cr.	13	3.33	2.10						576.91
	13		.75				Csh. .25		568.58
584.49Cr.	14	3.33	4.00				Csh. .25		562.35
576.91Cr.	15	3.33	1.90				Csh. 2.00		554.27
	15		.75	.10			Csh. .25		547.94
568.58Cr.	16	3.33	1.90				Csh. 100.00		441.41
	16		.75				Csh. .25		435.43
562.35Cr.	17	3.33	.75				Csh. .25		428.10
	17		3.75				Fee .25		419.77
554.27Cr.	18	3.33	1.90				Csh. .25		413.44
	18		.75	.10			Csh. 2.00		413.44
547.94Cr.	19	3.33	2.20				Csh. .25		403.62
	19		.75				Csh. 100.00		397.64
441.41Cr.	20	3.33	1.65				Csh. .25		391.16
	20		.75				Csh. .25		372.27
435.43Cr.	21	3.33	4.00				Csh. 2.00		364.94
428.10Cr.	22	3.33	1.90				Csh. 10.00		357.01
	22		.75	.10			Csh. .25		357.01
419.77Cr.	23	3.33	1.90				Csh. .25		357.01
	23		.75	.10			Csh. .25		357.01
413.44Cr.	24	3.33	.75				Csh. .25		357.01
	24		2.45	.10			Dgs. 2.94		357.01
403.62Cr.	25	3.33	1.90						357.01
	25		.75						357.01
397.64Cr.	26	3.33	1.80				Csh. .25		357.01
	26		.75	.10			Csh. .25		357.01
391.16Cr.	27	3.33	1.80				Csh. 10.00		357.01
	27		.75	.10			Csh. .25		357.01
372.27Cr.	28	3.33	4.00				Csh. .25		357.01
364.94Cr.	29	3.33	.75				Csh. .25		357.01
	29		3.30	.30			Csh. .25		357.01
357.01Cr.	30	3.43	2.05	.20			Csh. 5.00		357.01
							Dgs. .45	\$315.00Cr.	660.88

[Account no. 2441. Previous account no. 2200. Forward to account no. 2664]

	1930 Oct.						Bill rendered		\$660.88
\$660.88Cr.	1	\$3.22	\$0.75				Csh. \$300.00		
	1		2.15				Fee .25		354.51
354.51Cr.	2	3.22	2.25						
	2		.75	\$0.10			Csh. .20		347.99
347.99Cr.	3	3.22	1.90				Nws. 3.60		
	3		.75				Csh. .25		338.27
338.27Cr.	4	3.22	1.80				Csh. 2.00		
	4		.75				Csh. .25		330.25
330.25Cr.	5	3.22	4.00						323.03
323.03Cr.	6	3.22	1.90				Csh. .25		
	6		.75	.20			Dgs. .25		316.46
316.46Cr.	7	3.22	1.90				Dgs. .25		
	7		.75	.10			Csh. .25		309.99
309.99Cr.	8	3.22	1.90						
	8		.75	.10			Fee .25		303.77
303.77Cr.	9	3.22	1.90						
	9		.75				Csh. .25		297.65
297.65Cr.	10	3.22	2.10						
	10		.75				Csh. .25		291.33
291.33Cr.	11	3.22	2.05						
	11		.75	.10			Csh. 2.00		
							Csh. .25		282.96
282.96Cr.	12	3.22	4.00						275.74
275.74Cr.	13	3.22	.75						
	13		1.90	.40			Csh. .25		269.22
269.22Cr.	14	3.22	.75	.10			Csh. .25		264.90
264.90Cr.	15	3.22	.75				Fee .25		
	15		1.80				Dgs. .85		258.03
258.03Cr.	16	3.22	3.35						
	16		.75				Fee .25		250.46
250.46Cr.	17	3.22	1.85						
	17		.75				Fee .25		244.39
244.39Cr.	18	3.22	1.85				Fee .25		
	18		.75				Brb. 2.00		
							Dgs. .50		235.82
235.82Cr.	19	3.22	4.00						228.60
228.60Cr.	20	3.22	3.30						
	20		.75	.10			Fee .25		220.96
220.96Cr.	21	3.22	.75						
	21		1.80				Fee .25		214.96
214.96Cr.	22	3.22	.75						
	22		1.45	.20			Fee .25		209.09
209.09Cr.	23	3.22	4.50	.10					201.27
201.27Cr.	24	3.22	2.30						
	24		.75	.10			Fee .25		194.65
194.65Cr.	25	3.22	1.85				Brb. 2.00		
	25		.75				Fee .25		186.58
186.58Cr.	26	3.22	4.00						179.35
179.36Cr.	27	3.22	.75				Dgs. 1.10		
	27		1.80	.10			Fee .25		172.14
172.14Cr.	28	3.22	1.90						
	28		.75	.30			Fee .25		165.72

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 2441. Previous account no. 2200. Forward to account no. 2664]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$165.72Cr.	1930 Oct.								
29	29	\$3.22	\$1.90						
159.40Cr.	30		.75	\$0.20			Fee \$0.25		\$159.40
30	30	3.22	3.30						
151.88Cr.	31		.75				Fee .25		151.88
31	31	3.40	2.30						
			.75	.10			Fee .25		145.08

[Account no. 2664. Previous account no. 2441. Forward to account no. 2883]

\$145.08Cr.	1930 Nov.						Bill rendered		\$145.08
1	1	\$3.33	\$0.75				Brb. \$2.00		
							Dgs. 1.29		
137.46Cr.	2	3.33	4.00				Fee .25		137.46
130.13Cr.	3	3.33	2.45				Nws. 3.60		130.13
	3		.75	\$0.10			Fee .40		
119.65Cr.	4	3.33	1.90				Csh. 1.00		119.65
	4		1.50	.20					
111.32Cr.	5	3.33	.90				Fee .25		111.32
	5		1.90	.20			Fee .25		
104.74Cr.	6	3.33	1.90				Dgs. 1.00		104.74
	6		.75	.10					
97.41Cr.	7	3.33	.75				Fee .25		97.41
	7		2.55	.30			Fee .25		
90.23Cr.	8	3.33	.75				Brb. 2.50		90.23
	8		1.85	.10			Dgs. 2.15		
81.45Cr.	9	3.33	4.00				Fee .25		81.45
71.97Cr.	10	3.33	.75				Dgs. .50		71.97
	10		1.90	.10					
65.14Cr.	11	3.33	.75	.10			Fee .25		65.14
	11						Csh. 40.00		
60.71Cr.	12	3.33	3.40				Fee .25		60.71
	12		.75	.10					
12.88Cr.	13	3.33	1.90				Fee .25		12.88
	13		2.65				Dgs. .85		
3.15Cr.	14	3.33	1.90				Csh. 6.00		3.15
	14		.75				Fee .25		
9.08	15	3.33	1.90				Brb. 2.00		9.08
	15		.75				Fee .25		
17.31	16	3.33	4.00				Csh. 1.00		17.31
24.64	17	3.33	.75	.10			Fee .25		24.64
	17								
30.07	18	3.33	2.70				Dgs. 2.75		30.07
	18		1.15	.20			Fee .25		
37.45	19	3.33	1.65	.30			Fee .65		37.45
	19								
45.73	20	3.33	2.80	.10			Dgs. 1.50		45.73
52.61	21	3.33	2.80				Fee .25		52.61
	21		.50	.10					
59.34	22	3.33	2.95				Dgs. 1.25		59.34
	22		.90				Fee .25		
69.52	23	3.33	3.00				Csh. 50.00		69.52
75.85	24	3.33	1.75	.50			Fee .25		75.85
81.43	25	3.33	.75				Dgs. 3.00		81.43
	25		.90						
89.41	26	3.33	.90				Csh. \$60.00Cr.		89.41
	26		1.25	.10					
35.74	27	3.33	2.55				Fee .25		35.74
	27		.25						
43.02	28	3.33	.75				Csh. 100.00Cr.		43.02
	28		.50				Fee .25		
	28		1.15	.50			56.65		
99.40Cr.	29	3.33	1.65				Dgs. .50		99.40
	29		.50				Dgs. 1.50		
88.72Cr.	30	3.43	2.90				Dgs. .85		88.72
	30		.50				Csh. 100.00Cr.		

[Account no. 2883. Previous account no. 2664. Forward to account no. 162]

\$181.89Cr.	1930 Dec.						Bill rendered		\$181.89
1	1	\$3.22	\$2.40				Nws. \$3.60		
	1		2.40				Dgs. 1.40		
168.37Cr.	2	3.22	.40				Fee .25		168.37
	2		2.10				Csh. 50.00		
	2		1.55				Fee .25		
159.85Cr.	3	3.22	2.00				Fee .25		159.85
	3		2.20						
150.43Cr.	4	3.22	1.80				Dgs. 1.50		150.43
	4		1.90				Fee .25		
	4		.50	\$0.10			Fee .25		
142.41Cr.	5	3.22	2.85						142.41
	5		1.60						
	5		1.50				Fee .25		
	5		.50	.20			Fee .25		
							Csh. 600.00Cr.		732.14

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 2883. Previous account no. 2664. Forward to account no. 162]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$732.14Cr.	1930 Dec.								
6	6	\$3.22	\$1.70						
	6		2.45				Fee \$0.25		
723.77Cr.	7	3.22	.50	\$0.10			Dgs. .15		723.77
	7		2.90						
	7		1.30						
715.85Cr.	8	3.22	.50						715.85
	8		3.00						
	8		1.90				Dgs. 1.25		
705.63Cr.	9	3.22	.50	.10			Fee .25		705.63
	9		1.70				Fee .25		
	9		.50				Fee .25		
487.41Cr.	10	3.22	2.30				Csh. 100.00	Csh. \$250.00Cr.	487.41
	10		.50						
837.19Cr.	11	3.22	1.70				Fee .25		837.19
	11		3.05				Dgs. 1.50		
801.62Cr.	12	3.22	2.10				Csh. 25.00		801.62
	12		2.00				Dgs. 2.75		
	12		.50				Fee .25		
793.20Cr.	13	3.22	1.85				Fee .25		793.20
	13		2.05				Dgs. .30		
	13		.50						
785.03Cr.	14	3.22	2.45				Fee .25		785.03
	14		1.65	.10					
779.01Cr.	15	3.22	1.45						779.01
	15		.85						
	15		.50						
771.79Cr.	16	3.22	.50	.20					771.79
	16		2.05						
	16		2.35				Csh. 5.00		
758.42Cr.	17	3.22	.50				Fee .25		758.42
	17		2.30						
	17		.50						
749.95Cr.	18	3.22	2.10	.10			Fee .25		749.95
	18		2.70				Csh. 100.00		
	18		1.70				Fee .25		
	18		.50	.40			Fee .25		
640.43Cr.	19	3.22	.50				Nws. .50		640.43
	19		1.75						
630.86Cr.	20	3.22	2.50	.10			Dgs. 1.50		630.86
	20		.50				Fee .25		
	20		2.80				Fee .25		
619.89Cr.	21	3.22	.85	.10			Brb. 3.00		619.89
	21		2.75						
613.17Cr.	22	3.22	.50				Dgs. .25		613.17
	22		2.45						
	22		1.35						
605.45Cr.	23	3.22	.50	.20			Fee .25		605.45
	23		3.40				Dgs. .85		
	23		1.25				Csh. 100.00		
495.98Cr.	24	3.22	.50						495.98
	24		1.85						
488.26Cr.	25	3.22	.50	.30			Csh. 5.00		488.26
	25		1.35						
	25		.50						
474.59Cr.	26	3.22	3.10	.10			Fee .50		474.59
467.62Cr.	27	3.22	.50				Fee .25		467.62
	27		1.90				Fee .25		
311.50Cr.	28	3.22	.75				Csh. 150.00		311.50
	28		4.00						
302.93Cr.	29	3.22	1.00	.10			Fee .25		302.93
	29		.75				Fee .25		
	29		1.90	.10			C.o.d. 3.75		
291.96Cr.	30	3.22	.50				Dgs. 1.00		291.96
	30		3.40				Fee .25		
283.59Cr.	31	3.40	.75	.10			Dgs. .75		283.59
	31		.75				Brb. 3.00		

[Account no. 162. Previous account no. 2883. Forward to account no. 414]

\$274.44Cr.	1931 Jan.						Bill rendered		\$274.44
1	1	\$3.22	\$2.40				Dgs. \$0.35		
264.87Cr.	2	3.22	.75				Nws. 3.60		264.87
	2		1.90	\$0.10			Fee .25		
183.65Cr.	3	3.22	3.40				Csh. 75.00		183.65
	3		.75	.10					
175.08Cr.	4	3.22	2.35				Dgs. 1.10		175.08
	4		.50				Dgs. 1.40		
167.86Cr.	5	3.22	.75				Fee .25		167.86
162.49Cr.	6	3.22	2.15						162.49
156.02Cr.	7	3.22	2.95	.30					156.02
	7		2.75						
	7		2.25						
147.25Cr.	8	3.22	.50				Nws. .05		147.25
	8		2.45						
	8		2.00				Dgs. .50		
138.33Cr.	9	3.22	.50				Fee .25		138.33
	9		2.95						
	9		1.85				Csh. 100.00		
28.11Cr.	10	3.22	.50	.30			Dgs. 1.40		28.11
	10		2.20						
	10		2.45						
	10		.50				Fee .25		19.49

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 162. Previous account no. 2833. Forward to account no. 414]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$19.49	1931 Jan.								
	11	\$3.22	\$2.25						
	11	1.70	1.70						
	11		.50	\$0.10					\$11.72
11.72Cr.	12	3.22	2.35						
	12		1.20				Dgs. \$02.85		
	12		.50	.30			C.o.d. 2.60		1.30
1.30	13	3.22	1.85				Fee .25		
	13		1.75				Fee .25		
	13		.50	.10					9.22
9.22	14	3.22	1.90						
	14		2.60						
	14		.50				Fee .25		17.69
17.69	15	3.22	1.75						
	15		1.85						
	15		.50	.40			Fee .25		25.66
25.66	16	3.22	2.75				Dgs. 1.40		
	16		1.90				Fee .25		
	16		.50	.30			Csh. 2.25		33.23
33.23	17	3.22	2.25						
	17		1.55						45.75
45.75	18	3.22	3.35						
	18		1.00						
	18		.50				Csh. 100.00	Csh. \$500.00Cr.	346.18
346.18Cr.	19	3.22	.50						
	19		2.30						
	19		3.10				Dgs. 1.65		335.41
335.41Cr.	20	3.22	1.65						
	20		2.00						
	20		.50	.10			Fee .25		327.69
327.69Cr.	21	3.22	.50						
	21		1.65				Csh. 100.00		
	21		2.70	.10			Fee .25		219.27
219.27Cr.	22	3.22	2.35						
	22		2.15						
	22		.25						
	22		.50				Fee .35		210.45
210.45Cr.	23	3.22	2.30				Fee .25		
	23		2.15				Csh. .95		
	23		.50	.10			Csh. 5.00		195.98
195.98Cr.	24	3.22	2.55				Csh. 50.00		
	24		2.00				Fee .30		137.91
137.91Cr.	25	3.22	1.80						132.89
132.89Cr.	26	3.22	2.35						
	26		1.15				Fee .25		
	26		1.25				Fee .25		124.42
124.42Cr.	27	3.22	4.30	.10			Dgs. 2.54		114.26
114.26Cr.	28	3.22	1.00				Dgs. 2.00		
	28		2.35				Fee .25		105.44
105.44Cr.	29	3.22	2.95	.10			C.o.d. 1.50		97.67
97.67Cr.	30	3.22	2.55						
	30		1.00	.20			Fee .25		90.45
90.45Cr.	31	3.40	3.50	.10				Csh. 40.00Cr.	123.45

[Account no. 414. Previous account no. 162. Forward to account no. 677]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$123.45Cr.	1931 Feb.								
	1	\$3.57	\$6.00				Bill rendered		\$123.45
11.12	2	3.57	3.50	\$0.30			Csh. \$125.00		11.12
91.51Cr.	3	3.57	1.00				Csh. \$100.00Cr.		81.51
							Dgs. .85		
							Fee .25		
							Nws. 3.60		72.24
72.24Cr.	4	3.57	1.00				Csh. 100.00		
	4		2.50	.20			Fee .25		35.28
35.28	5	3.57	4.45	.10					43.40
43.40	6	3.57	2.25						
	6		1.00				Fee .25		50.47
50.47	7	3.57	.90						
	7		4.80				Fee .25		59.99
59.99	8	3.57	2.60				Fee .25		
	8		.95				Dgs. .85		68.21
68.21	9	3.57	2.40				Fee .25		
	9		1.00	.10			Dgs. .50		76.03
76.03	10	3.57	.70						
	10		1.50				Fee .25		
	10		1.00	.60			C.o.d. 1.85		14.50
14.50Cr.	11	3.57	1.25				Csh. 100.00		
	11		3.05	.30			Fee .25		94.17
94.17	12	3.57	2.30				Fee .25		
	12		.95	.10			Fee .25		101.34
101.34	13	3.57	2.00	.10			Dgs. .25		
							Dgs. 1.49		
							Brb. .75		109.50
109.50	14	3.57	3.05	.10					
				.20			Dgs. 2.25		118.67
118.67	15	3.57		.50					122.74
122.74	16	3.57	3.00	.10					129.41
129.41	17	3.57	.80						
	17		1.50						135.28
135.28	18	3.57	1.50						140.35
140.35	19	3.57							143.92
143.92	20	3.57	1.50						148.99
148.99	21	3.57	1.50	.20					154.26
154.26	22	3.57	2.80	.10			Csh. 100.00		260.73
260.73	23	3.57	1.85				Fee .25		
	23		1.45	.30			Dgs. 2.39		
							Dgs. .30		270.84

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate \$100—Continued

[Account no. 414. Previous account no. 162. Forward to account no. 677]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$270.84	1931 Feb.								
	24	\$3.57	\$0.25						
	24		2.25						
	24		1.10				Dgs. \$0.61		\$278.62
278.62	25	3.57	2.55				Fee .25		
	25		1.60	\$0.60			Fee .25		287.44
287.44	26	3.57	3.15						
	26		1.05	.40			Fee .35	Csh. \$400.00Cr.	104.04
104.04Cr.	27	3.57	2.80						
	27		.90	.10			Fee .25		96.42
96.42Cr.	28	3.61	2.40						
	28		1.00				Fee .25		89.16

[Account no. 677. Previous account no. 414. Forward to account no. 974]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$89.16Cr.	1931 Mar.								
	1	\$3.22	\$1.95				Bill rendered		\$89.16
	1		1.50				Csh. \$140.00		
57.76	2	3.22	1.30				Fee .25		57.76
	2		1.85	\$0.30			Nws. 3.60		63.23
63.23	3	3.22	2.75				Fee .25		
	3		.85						75.35
75.35	4	3.22	1.00				Fee .25		
	4		1.50	.10			Fee .25		81.42
81.42	5	3.22	1.50				Fee .25		
	5		2.65				Dgs. .85		
							Csh. 100.00		189.89
189.89	6	3.22	2.30						
	6		1.40	.20			Fee .25		197.26
197.26	7	3.22	1.80						
	7		2.20				Brb. 1.75		206.23
206.23	8	3.22	2.80						
	8		.50				Fee .25		213.00
213.00	9	3.22	2.85						
	9		1.10	.30			Fee .25		220.72
220.72	10	3.22	1.50						
	10		2.90						228.34
228.34	11	3.22	1.50				Fee .25		
	11		2.15				Fee .25		235.71
235.71	12	3.22	1.90						
	12		1.10				Fee .25		242.18
242.18	13	3.22	1.40						
	13		.50						
	13		.50	.40			Fee .25		
248.45	14	3.22	2.30						
	14		1.80	.10					255.87
255.87	15	3.22	2.85						
	15		1.40				Fee .25		263.59
263.59	16	3.22	.85						
	16		2.00						
	16		1.50				Fee .25		271.41
271.41	17	3.22	1.10						
	17		2.20				Fee .25		278.18
278.18	18	3.22	2.35				Fee .25		
	18		1.20				Dgs. .55		285.75
285.75	19	3.22	2.00				Fee .25		
	19		3.15	.10			Fee .25		294.72
294.72	20	3.22	1.90						
	20		.50				Fee .25		300.59
300.59	21	3.22	2.45						
	21		.55				Csh. 50.00		356.81
356.81	22	3.22	2.35						
	22		.65	.10			Fee .25		363.53
363.53	23	3.22	1.50				Fee .25		
	23		1.55						370.05
370.05	24	3.22	1.55						
	24		1.15	.30					376.27
376.27	25	3.22	2.85				Fee .25		
	25		1.25	.10			Fee .25	Csh. \$800.00Cr.	415.91
415.91Cr.	26	3.22	2.30						
	26		.55				Csh. 5.00		404.74
404.74Cr.	27	3.22	2.10				Fee .25		
	27		1.15				Fee .25		397.77
397.77Cr.	28	3.22	2.40						
	28		.55				Fee .25		391.35
391.35Cr.	29	3.22	.55						
	29		3.05						384.83
384.83Cr.	30	3.22	1.15				Fee .25		
	30		2.15				Fee .25		375.51
375.51Cr.	31	3.40	1.70				Brb. 2.00	Csh. 140.00Cr.	510.41

[Account no. 974. Previous account no. 677. Forward to account no. 1262

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate \$100—Continued

[Account no. 974. Previous account no. 677. Forward to account no. 1262]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$287.77Cr.	1931 Apr. 4	\$3.33	\$2.15				Dgs. \$0.40 Fee. 10 Csh. 100.00 Fee. 25		\$181.04
181.04Cr.	5	3.33	2.25				Fee. 25		178.06
173.06Cr.	6	3.33	2.25				Brb. 2.00 Fee. 25		164.28
164.28Cr.	7	3.33	3.40				Dgs. 1.35 Fee. 25 Nws. 3.60		151.40
151.40Cr.	8	3.33	2.15				Fee. 25		144.92
144.92Cr.	9	3.33	2.15				Fee. 25		133.11
138.44Cr.	10	3.33	2.00				Fee. 25 Brb. 2.00 Csh. 5.00 Dgs. .85		117.48
133.11Cr.	11	3.33	.75				Fee. 25		110.05
	12	3.33	2.75				Fee. 25		103.67
117.48Cr.	13	3.33	1.00				Fee. 25		95.44
110.05Cr.	14	3.33	1.85				Fee. 25		89.26
103.67Cr.	15	3.33	.75				Dgs. 1.95		83.08
95.44Cr.	16	3.33	1.85				Fee. 25		75.95
89.26Cr.	17	3.33	.75				Fee. 25		30.63
83.08Cr.	18	3.33	2.80				Fee. 25		39.41
75.95Cr.	19	3.33	.75				Fee. 25		49.19
30.63Cr.	20	3.33	2.90				Fee. 25		55.67
	21	3.33	1.00				Csh. 50.00 Fee. 25		110.50
39.41Cr.	22	3.33	3.35				Fee. 25		118.48
49.19Cr.	23	3.33	2.15				Fee. 25		126.26
55.67Cr.	24	3.33	.75				Fee. 25		413.36
110.50Cr.	25	3.33	1.05				Fee. 25		406.53
118.48Cr.	26	3.33	3.65				Brb. 2.25 Csh. 10.00 Fee. 25		396.50
126.26Cr.	27	3.33	.75				Fee. 25		378.02
413.36Cr.	28	3.33	2.90				Fee. 25		370.69
406.53Cr.	29	3.33	1.50				Fee. 25		364.16
396.50Cr.	30	3.33	2.25				Fee. 25		
378.02Cr.	31	3.33	1.55				Fee. 25		
370.69Cr.	32	3.33	1.05				Fee. 25		

[Account no. 1262. Previous account no. 974. Forward to account no. 1562]

\$364.16Cr.	1931 May 1	\$3.22	\$2.10				Bill rendered Brb. \$3.25 Fee. 25		\$364.16
354.34Cr.	2	3.22	2.00				Fee. 15 Dgs. .85 Csh. 100.00		347.72
347.72Cr.	3	3.22	.30				Fee. 25		241.55
241.55Cr.	4	3.22	2.45				Nws. 3.50 Dgs. .90 Dgs. 1.25 Fee. 25 Fee. 25		231.08
231.08Cr.	5	3.22	1.10				Fee. 25		220.76
220.76Cr.	6	3.22	2.75				Fee. 25		213.99
213.99Cr.	7	3.22	.80				Csh. 50.00 Fee. 25		155.72
155.72Cr.	8	3.22	2.55				Fee. 25		151.00
151.00Cr.	9	3.22	1.80				Dgs. .25 Fee. 25		144.18
144.18Cr.	10	3.22	1.40				Fee. 25		138.16
138.16Cr.	11	3.22	.85				Csh. 50.00 Fee. 25		81.89
81.89Cr.	12	3.22	1.20				Csh. 1.00 Fee. 25		73.57
73.57Cr.	13	3.22	2.55				Fee. 25		66.65
66.65Cr.	14	3.22	1.30				Fee. 25		59.98
59.98Cr.	15	3.22	2.20				Fee. 25		53.71
53.71Cr.	16	3.22	.90				Brb. 2.00		45.19

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate \$100—Continued

[Account no. 1262. Previous account no. 974. Forward to account no. 1562]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$45.19Cr.	1931 May 17	\$3.22	\$2.15				Dgs. \$0.40 Fee. 10 Csh. 100.00 Fee. 25		\$38.87
38.87Cr.	18	3.22	.95				Fee. 25		526.55
526.55Cr.	19	3.22	2.60				Fee. 25		519.88
519.88Cr.	20	3.22	.90				Csh. 5.00 Csh. \$500.00Cr.		514.11
514.11Cr.	21	3.22	2.25				Fee. 25		503.99
503.99Cr.	22	3.22	.75				Fee. 25		497.32
497.32Cr.	23	3.22	2.25				Fee. 25		488.40
488.40Cr.	24	3.22	.45				Brb. 2.25 Fee. 25 Fee. 25		481.33
481.33Cr.	25	3.22	2.60				Fee. 25		475.26
475.26Cr.	26	3.22	1.00				Dgs. .15		468.49
468.49Cr.	27	3.22	1.95				Fee. 25		462.42
462.42Cr.	28	3.22	.75				Fee. 25		456.35
456.35Cr.	29	3.22	1.85				Fee. 25		890.48
890.48Cr.	30	3.22	.75				Csh. 450.00Cr.		893.36
893.36Cr.	31	3.40	1.90				Fee. 25		885.31
	32	3.40	.75				Fee. 25		
	33	3.40	1.00				Fee. 25		

[Account no. 1562. Previous account no. 1262. Forward to account no. 1853]

\$885.31Cr.	1931 June 1	\$3.33	\$2.20				Bill rendered Csh. \$200.00 Fee. 25 Nws. 3.60		\$885.31
675.18Cr.	2	3.33	.75				Fee. 25		675.18
675.18Cr.	3	3.33	2.15				Fee. 25		668.70
668.70Cr.	4	3.33	.75				Csh. 100.00 Csh. 5.00 Fee. 25 Fee. 25		557.22
557.22Cr.	5	3.33	1.85				Dgs. 1.85		549.09
549.09Cr.	6	3.33	.75				Fee. 25		541.96
541.96Cr.	7	3.33	1.95				Fee. 25		535.93
535.93Cr.	8	3.33	.75				Dgs. 1.85		529.10
529.10Cr.	9	3.33	2.25				Fee. 25		529.10
529.10Cr.	10	3.33	1.75				Fee. 25		521.97
521.97Cr.	11	3.33	.30				Dgs. .50		515.39
515.39Cr.	12	3.33	2.25				Fee. 25		509.31
509.31Cr.	13	3.33	.75				Fee. 25		503.13
503.13Cr.	14	3.33	1.85				Fee. 25		496.60
496.60Cr.	15	3.33	.75				Dgs. .85		491.17
491.17Cr.	16	3.33	2.20				Fee. 25		486.19
486.19Cr.	17	3.33	.75				Dgs. .15 Fee. 25		478.91
478.91Cr.	18	3.33	2.10				Fee. 25		471.63
471.63Cr.	19	3.33	1.50				Fee. 25		460.10
460.10Cr.	20	3.33	.60				Dgs. 1.25 Dgs. 1.40 Dgs. .50 Dgs. 1.00 Fee. 25		451.92
451.92Cr.	21	3.33	1.40				Dgs. .10 Csh. 50.00 Dgs. 1.25		392.54
392.54Cr.	22	3.33	1.75				Fee. 25		386.51
386.51Cr.	23	3.33	3.20				Fee. 25		378.73
378.73Cr.	24	3.33	1.10				Fee. 25		369.35
369.35Cr.	25	3.33	2.50				Dgs. 1.25 Fee. 25		361.17
361.17Cr.	26	3.33	1.65				Dgs. .85 Dgs. 1.15 Dgs. 1.25 Fee. 25		506.09
506.09Cr.	27	3.33	1.65				Csh. \$155.00Cr.		498.61
498.61Cr.	28	3.33	1.15				Dgs. 1.65		491.43

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 1562. Previous account no. 1262. Forward to account no. 1853]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$491.48Cr.	1931 June 27	\$3.33	\$0.50						
	27		.25						
	27			\$0.10			Dgs. \$0.10		\$485.00
485.00Cr.	28	3.33	.90				Fee .25		
	28		.50	.30			Dgs. 1.50		
							Dgs. .50		477.72
477.72Cr.	29	3.33	.85						
	29		1.50				Fee .25		
	29		.75				Dgs. .20		
	29			.10			Fee .25		470.24
470.24Cr.	30	3.43	.25				Fee .25		
	30		1.50				Fee .25		
	30		.50				Fee .25		
	30		.50	.40			Fee .25		
	30						Fee .25		462.16

[Account no. 1853. Previous account no. 1562. Forward to account no. 2149]

\$462.16Cr.	1931 July 1	\$3.22	\$0.50				Bill rendered		\$462.16
	1		.50				Fee \$0.25		
	1		1.40				Fee .25		
	1		.65				Csh. 200.00		255.39
255.39Cr.	2	3.22	1.50				C.o.d. 1.25		
	2		.85				Fee .25		
	2		.50	\$0.70			Dgs. 1.50		245.37
245.37Cr.	3	3.22	1.40				Fee .25		
	3		3.40				Fee .25		
	3		1.55				Fee .25		
	3		.50	.10			Fee .25		
							Nws. 3.60		230.60
230.60Cr.	4	3.22	1.75						
	4		.85						
	4		.80						
	4		.50	.30			Fee .25		222.93
222.93Cr.	5	3.22	.30				Fee .25		
	5		.80				Fee .25		
							Csh. 100.00		118.11
118.11Cr.	6	3.22	1.70						
	6		.95				Fee .25		
	6		.50				Fee .25		
	6		.75	.30			Fee .25		110.19
110.19Cr.	7	3.22	1.50				Dgs. 1.50		
	7		.50	.10			Fee .25		
							Fee .25		102.87
102.87Cr.	8	3.22	.50				Dgs. 1.65		
	8		.30				Fee .25		
	8		.55				Fee .25		
	8		1.50				Fee .25		
							Fee .25		94.15
94.15Cr.	9	3.22	.50						
	9		2.40						
	9		1.15	.10			Fee .25		86.53
86.53Cr.	10	3.22	1.50				Fee .25		
	10		1.05				Fee .25		
	10		.70	.60			Fee .25		78.71
78.71Cr.	11	3.22	.30						
	11		3.00				Fee .25		
	11		.50	.10			Dgs. 1.95		69.39
69.39Cr.	12	3.22	.85				Fee .25		
	12		.95				Fee .25		63.87
63.87Cr.	13	3.22	1.20						
	13		1.50						
	13		.80				Fee .25		
	13		1.20	.40			Fee .25		55.05
55.05Cr.	14	3.22	.85				Fee .25		
	14		1.50				Fee .25		
	14		.50	.20			Dgs. 1.75		46.53
46.53Cr.	15	3.22	.95						
	15		1.50				Fee .25		
	15		1.10				Fee .25		39.26
39.26Cr.	16	3.22	1.50						
	16		1.00				Fee .25		
	16		.85				Fee .25		
	16		1.10	.20			Fee .25		30.04
30.04Cr.	17	3.22	1.65						
	17		2.30						
	17		.80				Fee .25		
	17		.95	.50			Fee .25		20.12
20.12Cr.	18	3.22	1.50				Fee .25		
	18		1.40				Fee .25		
	18		.95	.10			Fee .25		
							Fee .25		11.95
11.95Cr.	19	3.22	1.30				Fee .25		
	19		.95				Fee .25		
							Dgs. .85		
							Dgs. 1.50		
							Fee .25		3.38
3.38Cr.	20	3.22	1.10				Fee .25		
	20		.85				Fee .25		
	20		1.20				Fee .25		
							Fee .25		4.84
4.84	21	3.22	1.70				Dgs. 1.10		
	21		1.50				Fee .25		
	21		.85				Fee .25		
	21		.95				Fee .25		13.81

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 1853. Previous account no. 1562. Forward to account no. 2149]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$13.81	1931 July 22	\$3.22	\$1.25				Fee \$0.25		
	22		3.00				Fee .25		
	22		1.85				Fee .25		\$24.13
24.13	23	3.22	1.80				Fee .25		
	23		3.00				Fee .25		
	23		.85				Fee .25		
	23		.95	\$0.20			Dgs. 1.65		36.55
36.55	24	3.22	1.50				Dgs. 1.50		
	24		1.50				Dgs. .25		
	24		.85				Fee .25		
	24		.95	.10			Fee .25		
47.17	25	3.22	.95				Fee .25		47.17
	25		1.65				Fee .25		
	25		.95				Fee .25		
	25		.50	.10			Csh. 60.00		115.04
115.04	26	3.22	.95				Fee .25		
	26		.50				Fee .25		
	26		1.55				Fee .25		122.26
122.26	27	3.22	1.50						
	27		1.60				Fee .25		
	27		.90				Fee .25		
	27		.95	.10			Fee .25		131.03
131.03	28	3.22	.85						
	28		.95				Fee .25		
	28		1.50				Fee .25		
	28		1.50				Fee .25		139.80
139.80	29	3.22	2.10				Fee .25		
	29		.85				Fee .25		
	29		1.20	.20			Fee .25		148.37
148.37	30	3.22	1.50						
	30		1.25				Fee .25		
	30		.90				Fee .25		
	30		.95	.10			Fee .25		
642.96	31	3.40	1.10				Csh. \$800.00Cr.		642.96
	31		1.55				Fee .25		
	31		.90				Dgs. 1.50		
	31		.45				Fee .25		Csh. 175.00Cr.
	31		.50	.20					807.61

[Account no. 2149. Previous account no. 1853. Forward to account no. 2457]

\$807.61Cr.	1931 Aug. 1	\$3.22	\$0.50				Bill rendered		\$807.61
	1		1.45				Dgs. \$1.25		
	1		.95	\$0.10			Fee .25		
							Fee .25		
798.79Cr.	2	3.22	.75				Dgs. .85		898.79
	2		.95	.30			Csh. 200.00		
							Fee .25		
							Fee .25		593.07
693.07Cr.	3	3.22	3.00				Fee .25		
	3		1.50				Nws. 3.60		
	3		.50				Fee .25		
	3		.95				Fee .25		579.30
579.30Cr.	4	3.22	1.50						
	4		1.60				Fee .25		
	4		1.15				Fee .25		
	4		.95	.10			Fee .25		570.03
570.03Cr.	5	3.22	1.00						
	5		1.50				Fee .25		
	5		1.70				Fee .25		
	5		.85	.20			Fee .25		560.81
560.81Cr.	6	3.22	1.50				Brb. 1.00		
	6		.90				Fee .25		
	6		.95	.10			Dgs. 1.25		
							Fee .25		551.39
551.39Cr.	7	3.22	1.70				Fee .25		
	7		1.05				Fee .25		
	7		.50				C.o.d. 1.50		
	7		.95	.30			Fee .25		541.17
541.17Cr.	8	3.22	1.50						
	8		1.65						
	8		.60				Fee .25		
	8		.95	.10			Fee .25		532.65
532.65Cr.	9	3.22	1.20						
	9		.50						
	9		1.45	.20			Fee .25		525.83
525.83Cr.	10	3.22	1.50				Fee .25		
	10		1.50				Dgs. 1.15		
	10		.85				Dgs. .25		
	10		.30				Fee .25		Csh. \$300.00Cr.
	10		.95	.30					815.31
815.31Cr.	11	3.22	.85				Fee .25		
	11		.85				Fee .25		
	11		3.00				Fee .25		
	11		1.20	.30			Dgs. 3.25		801.4
							Fee .25		
801.64Cr.	12	3.22	.25						
	12		.95				Fee .25		
	12		.85				Fee .25		
	12		1.50				Dgs. 1.25		
	12		2.05	.40			Fee .25		790.42

*The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate \$100.—Continued*

[Account no. 2457. Previous account no. 2149. Forward to account no. 2762]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
\$479.15 Cr.	1931 Sept. 3		\$0.85				Fee \$0.25		
	3		1.50				Fee. 25		\$479.12
470.12 Cr.	4	\$3.33	2.00						
	4		.75				Fee. 25		
	4		2.60				Dgs. 1.50		
	4		.90				Fee. 25		458.54
458.54 Cr.	5	3.33	.50						
	5		1.60				Fee. 25		
	5		1.50				Fee. 25		
	5		.90				Fee. 25		449.96
449.96 Cr.	6	3.33	.80				Fee. 25		
	6		.90				Fee. 25		
							Fee. 25		
443.93 Cr.	7	3.33	.50						443.93
	7		.90				Fee. 25		
438.95 Cr.	8	3.33	1.70						438.95
	8		1.50						
	8		1.50				Fee. 25		
	8		.90				Fee. 25		
429.27 Cr.	9	3.33	.90				Fee. 25		429.27
	9		1.95				Fee. 25		
	9		1.50				Fee. 25		
	9		1.60				Fee. 25		418.99
418.99 Cr.	10	3.33	.50						
	10		1.90				Fee. 25		
412.01 Cr.	10		.90	\$0.10			Fee. 25		412.01
	11	3.33	.90				Fee. 25		
	11		1.50				Fee. 25		
	11		1.25				Fee. 25		
	11		1.45	.10			Fee. 25		
							Fee. 25		403.23
403.23 Cr.	12	3.33	.90						
	12		1.10						
	12		.50				Fee. 25		
	12		3.00				Fee. 25	Csh. \$150.00 Cr.	543.90
543.90 Cr.	13	3.33	.50				Fee. 25		
	13		.90	.10			Fee. 25		538.57
538.57 Cr.	14	3.33	.90				Fee. 25		
	14		.50				Fee. 25		
	14		1.70				Csh. 50.00		
479.79 Cr.	14		1.50	.10			Fee. 25		479.79
	15	3.33	.90				Dgs. .75		
	15		1.20				Fee. 25		
	15		2.20	.10			Fee. 25		470.81
470.81 Cr.	16	3.33	.85						
	16		3.00						
	16		.70				Fee. 25		462.68
462.68 Cr.	17	3.33	1.35						
	17		2.50						
	17		.70				Fee. 25		454.55
454.55 Cr.	18	3.33	1.35				Fee. 25		
	18		1.40				Fee. 25		
	18		.90	.30			Dgs. .80		445.97
445.97 Cr.	19	3.33	1.75				Fee. 25		
	19		.50				Csh. 50.00		
	19		.90				Fee. 25		388.74
							Fee. 25		
388.74 Cr.	20	3.33	1.55						
	20		1.65						
	20		.90	.10			Fee. 25		380.96
380.96 Cr.	21	3.33	2.15						
	21		.90				Fee. 25		
	21		1.20	.10			Fee. 25		372.78

26	90	Fee	25	23
27	91	Fee	25	23

330.08Cr.	27	3.33	2.45				Fee .25	
	27		1.40				Fee .25	
	27		.90				Fee .25	321.00
							Fee .25	
321.00Cr.	28	3.33	1.85					
	28		.90				Fee .25	
	28		1.50	.10			Fee .25	312.82
312.82Cr.	29	3.33	3.35				Fee .25	
	29		1.50				Fee .25	
	29		.90				Fee .25	
							Dgs. .35	302.64
302.64Cr.	30	3.43	1.85					
	30	1.50	1.50					
	30		.90				Fee .25	Csh. 55.93Cr. 350.64

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 2762. Previous account no. 2457. Forward to account no. 3067]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1931 Oct.						Bill rendered		\$350.64
\$350.64Cr.	1	\$3.22	\$0.90						
	1		1.50				Fee \$0.25		
	1		1.50				Fee .25		
	1		.90				Csh. 50.00	292.12	
292.12Cr.	2	3.22	2.70				Fee .25		
	2		1.40				Fee .25		
	2		.90				Fee .25		
							Dgs. .45		
282.45Cr.	3	3.22	2.05				Fee .40	282.45	
	3		1.50				Fee .25		
	3		.90				Fee .25		
273.88Cr.	4	3.22	1.40				Dgs. .75	273.88	
	4		2.45				Fee .25		
	4		.90				Fee .25		
264.66Cr.	5	3.22	2.45					264.66	
	5		1.70						
	5		.90	\$0.20					256.19
256.19Cr.	6	3.22	1.90				Fee .25		
	6		1.50				Fee .25		
	6		.90				Fee .25		
							Dgs. 1.00		
246.67Cr.	7	3.22	.90				Fee .25	246.67	
	7		1.75				Csh. 100.00		
	7		.50	.20			Fee .25		
139.60Cr.	8	3.22	2.40				Dgs. .45	139.60	
	8		.90				Fee .25		
	8		.50	.10			Fee .25		
131.53Cr.	9	3.22	1.00				Fee .25		
	9		2.05				Fee .25		
	9		.90	.20					123.66
123.66Cr.	10	3.22	2.20						
	10		1.30	.60			Fee .25		
116.09Cr.	11	3.22	2.80					116.09	
	11		.85	.20					
109.02Cr.	12	3.22	.50				Fee .25		
	12		2.00				Dgs. 1.25		
100.70Cr.	13	3.22	1.90	.20				100.70	
	13		1.10				Fee .25		
94.23Cr.	14	3.22	2.35				Fee .25		
	14		1.30	.10			Dgs. .75		
86.01Cr.	15	3.22	2.15				Fee .25		
	15		1.30					79.09	
79.09Cr.	16	3.22	2.00				Fee .25		
	16		.85					72.77	
72.77Cr.	17	3.22	2.45				Csh. 50.00		
	17		.50				Fee .25	15.45	
	17		.90				Fee .25		
15.45Cr.	18	3.22	2.35				Fee .25		
	18		1.20				Fee .25		
7.93Cr.	19	3.22	1.75				Dgs. .75	7.93	
	19		1.40				Fee .25		
.56Cr.	20	3.22	2.00					.56	
4.66	21	3.22	1.90					4.66	
	21		1.40	.20			Fee .25		
11.63	22	3.22	.65				Fee .25		
	22		2.30				Fee .25		
18.05	23	3.22	2.30					18.05	
	23		.90					24.47	
24.47	24	3.22	1.50				Fee .25		
	24		.75				Fee .25	30.19	
30.19	25	3.22	2.70	.30				30.66	
36.66	26	3.22	.50				Fee .25		
	26		1.40				Fee .25		
	26		.90	.10				43.28	
43.28	27	3.22	.90				Dgs. 1.00		
	27		2.10				Fee .25		
	27		.50				Dgs. 1.20		
50.75	28	3.22	1.25				Csh. 50.00	50.75	
	28		1.05	.40			Csh. 25.00		
							Fee .25		
							Fee .25		
133.62	29	3.22	2.30				Dgs. 1.25		
	29		3.00				Fee .25		
	29		1.75				Fee .25		
62.41Cr.	30	3.22	1.45	.40			Csh. 200.00Cr.	62.41	
	30		1.15				Fee .25		
	30		1.85				Fee .25		
	30		.50	.50			Dgs. 2.15		
41.09Cr.	31	3.40	1.25				Csh. 200.00Cr.	41.09	

[Account no. 3067. Previous account no. 2762. Forward to account no. 3371]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1931 Nov.						Bill rendered		\$236.19
\$236.19Cr.	1	\$3.33							
232.86Cr.	2	3.33					Nws. \$3.60	232.86	
225.93Cr.	3	3.33						225.93	
222.60Cr.	4	3.33					Csh. \$235.00	15.73	
15.73	5	3.33					Csh. 200.00	219.06	

The Fairmont Hotel, San Francisco, Calif. Mr. and Mrs. W. S. Leake. Room 679.
Rate, \$100—Continued

[Account no. 3067. Previous account no. 2762. Forward to account no. 3371]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1931 Nov.								
\$219.06	6	\$3.33							\$222.39
222.39	7	3.33							225.72
225.72	8	3.33							229.05
229.05	9	3.33							232.38
232.38	10	3.33							235.71
235.71	11	3.33							239.04
239.04	12	3.33							242.37
242.37	13	3.33							245.70
245.70	14	3.33					Csh. 100.00		349.03
349.03	15	3.33							352.36
352.36	16	3.33						Csh. \$200.00Cr.	155.69
155.69	17	3.33						Csh. 50.00Cr.	109.02
109.02	18	3.33							112.35
112.35	19	3.33							115.68
115.68	20	3.33							119.11
119.11	21	3.33		\$0.10			Csh. 200.00		322.54
322.54	22	3.33		.10					325.87
325.87	23	3.33						Csh. 200.00Cr.	129.20
129.20	24	3.33							132.53
132.53	25	3.33							135.86
135.86	26	3.33							139.19
139.19	27	3.33				{ Val. }	Csh. .34		144.61
144.61	28	3.33				{ \$1.75 }			147.94
147.94	29	3.33							151.27
151.27	30	3.43					Csh. 1.41		156.11

The Fairmont Hotel, San Francisco, Calif. W. S. Leake. Room 679. Rate, \$100

[Account no. 3371. Previous account no. 3067. Forward to account no. 175]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
	1931 Dec.						Bill rendered		\$156.11
\$156.11	1	\$3.22					Csh. \$2.30		161.63
161.63	2	3.22							164.85
164.85	3	3.22							168.07
168.07	4	3.22					Csh. .22		
							Csh. 100.00		271.51
271.51	5	3.22							274.73
274.73	6	3.22							277.95
277.95	7	3.22		\$0.10					281.27
281.27	8	3.22							284.49
284.49	9	3.22							287.71
287.71	10	3.22							290.93
290.93	11	3.22					Csh. .18		294.33
294.33	12	3.22		.10					297.65
297.65	13	3.22		.10					300.97
300.97	14	3.22					Csh. \$400.00Cr.		95.81
95.81Cr.	15	3.22					Csh. 1,200.00Cr.		1,292.49
1,292.49Cr.	16	3.22							1,289.27
1,289.27Cr.	17	3.22							1,286.05
1,286.05Cr.	18	3.22							1,282.83
1,282.83Cr.	19	3.22							1,279.61
1,279.61Cr.	20	3.22							1,276.39
1,276.39Cr.	21	3.22							1,273.17
1,273.17Cr.	22	3.22							1,269.95
1,269.95Cr.	23	3.22							1,266.73
1,266.73Cr.	24	3.22					Csh. 50.00Cr.		1,313.51
1,313.51Cr.	25	3.22					Csh. 100.00Cr.		1,410.29
1,410.29Cr.	26	3.22							1,407.07
1,407.07Cr.	27	3.22							1,403.85
1,403.85Cr.	28	3.22							1,400.63
1,400.63Cr.	29	3.22					Csh. 25.00		1,372.41
1,372.41Cr.	30	3.22							1,369.19
1,369.19Cr.	31	3.40					Csh. 50.00		1,315.79

[Account no. 175. Previous account no. 3371. Forward to account no. 471]

	1932 Jan.								
\$1,315.79Cr.	1	\$3.22		\$0.10			Bill rendered		\$1,315.79
1,197.47Cr.	2	3.22					Csh. \$115.00		1,197.47
1,194.25Cr.	3	3.22							1,194.25
1,191.03Cr.	4	3.22					Nws. 3.60		1,191.03
1,184.21Cr.	5	3.22							1,184.21
1,180.99Cr.	6	3.22					Csh. 150.00		1,180.99
1,027.77Cr.	7	3.22							1,027.77
1,024.55Cr.	8	3.22		.20					1,024.55
				.20					
1,020.93Cr.	9	3.22							1,020.93
1,017.71Cr.	10	3.22					Csh. 50.00		1,017.71
964.49Cr.	11	3.22							964.49
961.27Cr.	12	3.22							961.27
958.05Cr.	13	3.22					Csh. 500.00		958.05
454.73Cr.	14	3.22		.10					454.73
451.51Cr.	15	3.22					Csh. 1.75		451.51
446.54Cr.	16	3.22							446.54
443.32Cr.	17	3.22		.10			Csh. 50.00		443.32
390.00Cr.	18	3.22							390.00
									386.78

The Fairmont Hotel, San Francisco, Calif. W. S. Leake. Room 679. Rate, \$100—Con.
[Account no. 175. Previous account no. 3371. Forward to account no. 471]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
1932 Jan.									
\$386.78Cr.	19	\$3.22							\$383.56
383.56Cr.	20	3.22							380.34
380.34Cr.	21	3.22							377.12
377.12Cr.	22	3.22							373.90
373.90Cr.	23	3.22		\$0.10			Tel. \$0.60 Csh. 100.00		269.98
269.98Cr.	24	3.22							266.76
266.76Cr.	25	3.22							263.54
263.54Cr.	26	3.22							260.32
260.32Cr.	27	3.22		.10					257.00
257.00Cr.	28	3.22							253.78
253.78Cr.	29	3.22							250.56
250.56Cr.	30	3.22							247.34
247.34Cr.	31	3.40						Csh. \$300.00Cr.	543.94

[Account no. 471. Previous account no. 175. Forward to account no. 761]

1932 Feb.									
\$543.94Cr.	1	\$3.44	\$1.50				Bill rendered Nws. \$3.60 Csh. 40.00		\$543.94
495.40Cr.	2	3.44	1.50					Csh. \$1.30Cr.	495.40
491.76Cr.	3	3.44	3.00						491.76
485.32Cr.	4	3.44	1.50						485.32
480.38Cr.	5	3.44							480.38
476.94Cr.	6	3.44	1.50	\$0.10			Csh. 100.00		476.94
371.90Cr.	7	3.44						Csh. 1.30Cr.	371.90
369.76Cr.	8	3.44							366.32
366.32Cr.	9	3.44	1.50						361.38
361.38Cr.	10	3.44							357.94
357.94Cr.	11	3.44	3.50						351.00
351.00Cr.	12	3.44	1.80						345.76
345.76Cr.	13	3.44	1.50				Csh. 200.00		140.82
140.82Cr.	14	3.44		.10					137.28
137.28Cr.	15	3.44							133.84
133.84Cr.	16	3.44	1.50	.10				Csh. 500.00Cr.	628.80
628.80Cr.	17	3.44	1.50						623.86
623.86Cr.	18	3.44	3.00				Csh. 450.00		167.42
167.42Cr.	19	3.44	2.10						161.88
161.88Cr.	20	3.44	1.50						156.94
156.94Cr.	21	3.44							153.50
153.50Cr.	22	3.44		.10					149.96
149.96Cr.	23	3.44	3.00						143.52
143.52Cr.	24	3.44	1.50				Csh. 50.00		88.58
88.58Cr.	25	3.44	1.50						83.64
83.64Cr.	26	3.44	3.25						76.95
76.95Cr.	27	3.44	1.50	.10					71.91
71.91Cr.	28	3.44							68.47
68.47Cr.	29	3.68	2.00	.10				Csh. 225.00Cr.	287.69

[Account no. 761. Previous account no. 471. Forward to account no. 1061]

1932 Mar.									
\$287.69Cr.	1	\$3.22	\$1.50				Bill rendered Nws. \$2.30 Flr. 1.90 Csh. 100.00		\$287.69
280.67Cr.	2	3.22							280.67
175.55Cr.	3	3.22	1.50						175.55
170.83Cr.	4	3.22	1.45						170.83
166.16Cr.	5	3.22							166.16
162.94Cr.	6	3.22							162.94
159.72Cr.	7	3.22	1.50						159.72
155.00Cr.	8	3.22	4.50						155.00
147.28Cr.	9	3.22		\$0.20			Csh. 50.00		147.28
93.86Cr.	10	3.22	3.00						93.86
87.64Cr.	11	3.22	2.90						87.64
81.52Cr.	12	3.22	1.50						81.52
76.80Cr.	13	3.22		.10					76.80
73.28Cr.	14	3.22		.20					73.28
570.06Cr.	15	3.22	1.50				Csh. 25.00		570.06
540.34Cr.	16	3.22	3.00	.10			Csh. 100.00		540.34
434.02Cr.	17	3.22	1.50						434.02
429.30Cr.	18	3.22	4.80						429.30
420.48Cr.	19	3.22	1.60	.25					420.48
415.36Cr.	20	3.22	.85	.30					415.36
410.99Cr.	21	3.22	1.00						410.99
405.72Cr.	22	3.22	.85	.20					405.72
398.35Cr.	23	3.22	.85	.30					398.35
393.88Cr.	24	3.22	.85	.40					393.88
389.31Cr.	25	3.22	1.55	.50					389.31
382.74Cr.	26	3.22	.85	.20			Nws. .35		382.74
383.09Cr.	27	3.22	1.50	.40				Tr. .35Cr.	383.09
375.92Cr.	28	3.22	.85	.50					375.92
372.30Cr.	29	3.22	1.50	.20					372.30
367.88Cr.	30	3.22		.10					367.88
364.26Cr.	31	3.40	1.50						364.26
359.54Cr.									359.54

The Fairmont Hotel, San Francisco, Calif. W. S. Leake. Room 679. Rate, \$100—Con.
[Account no. 1061. Previous account no. 761. Forward to account no. 1360]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
1932 Apr.									
\$354.64Cr.	1	\$3.33	\$2.60				Bill rendered Nws. \$2.30 Flr. 9.00 Csh. 50.00		\$354.64
346.41Cr.	2	3.33	1.50	\$0.10					346.41
282.48Cr.	3	3.33							282.48
279.15Cr.	4	3.33	1.50						279.15
274.32Cr.	5	3.33	3.00				Csh. 150.00		274.32
117.99Cr.	6	3.33	1.50						117.99
113.16Cr.	7	3.33							113.16
109.83Cr.	8	3.33	2.25						109.83
104.25Cr.	9	3.33							104.25
100.92Cr.	10	3.33		.10			Csh. 100.00		100.92
2.51	11	3.33	1.50						2.51
7.34	12	3.33	3.00						7.34
13.67	13	3.33	3.00				Csh. 100.00		13.67
120.00	14	3.33	1.50						120.00
124.83	15	3.33	2.00						124.83
130.76	16	3.33	1.50				Csh. \$150.00Cr.		130.76
14.41Cr.	17	3.33							14.41
11.08Cr.	18	3.33							11.08
7.75Cr.	19	3.33	3.00				Csh. 100.00		7.75
98.58	20	3.33	3.00						98.58
104.91	21	3.33					Csh. 500.00Cr.		104.91
391.76Cr.	22	3.33	2.60	.10					391.76
385.73Cr.	23	3.33		.20			Csh. 20.00		385.73
362.20Cr.	24	3.33							362.20
358.87Cr.	25	3.33	1.50						358.87
354.04Cr.	26	3.33	3.00						354.04
347.71Cr.	27	3.33		.40					347.71
343.98Cr.	28	3.33	1.50						343.98
339.15Cr.	29	3.33	1.60				Csh. 100.00		339.15
234.22Cr.	30	3.43					Csh. 200.00Cr.		234.22

[Account no. 1360. Previous account no. 1061. Forward to account no. 1662]

1932 May									
\$430.79Cr.	1	\$3.22					Bill rendered Nws. \$2.30 Csh. 30.00 Flr. 6.25		\$430.79
495.27Cr.	2	3.22	\$1.50				Csh. \$100.00Cr.		495.27
634.30Cr.	3	3.22	1.50	\$0.10			Csh. 150.00Cr.		634.30
629.48Cr.	4	3.22	1.50						629.48
624.76Cr.	5	3.22					Csh. 150.00		624.76
471.54Cr.	6	3.22	3.40	.20					471.54
464.72Cr.	7	3.22					Tel. .40 Tel. .54 Tel. .20 Csh. 100.00		464.72
460.56Cr.	8	3.22							460.56
457.14Cr.	9	3.22							457.14
353.92Cr.	10	3.22	1.50						353.92
349.20Cr.	11	3.22		.30					349.20
345.68Cr.	12	3.22	1.50	.20					345.68
340.76Cr.	13	3.22	1.40						340.76
336.14Cr.	14	3.22							336.14
332.92Cr.	15	3.22		.30					332.92
329.40Cr.	16	3.22					Csh. 100.00		329.40
226.18Cr.	17	3.22		.10					226.18
222.86Cr.	18	3.22		.10					222.86
219.54Cr.	19	3.22							219.54
216.32Cr.	20	3.22	1.25	.10			Csh. 125.00		216.32
86.75Cr.	21	3.22		.10					86.75
83.43Cr.	22	3.22							83.43
80.21Cr.	23	3.22							80.21
76.99Cr.	24	3.22	1.65	.10			Csh. 75.00		76.99
2.98	25	3.22							2.98
6.20	26	3.22	1.50						6.20
10.92	27	3.22	3.00				Tel. 1.23 Tel. .82 Csh. 100.00		10.92
18.37	28	3.22							18.37
122.41	29	3.22							122.41
125.63	30	3.22							125.63
129.85	31	3.40					Csh. 475.00Cr.		129.85

[Account no. 1662. Previous account no. 1360. Forward to account no. 1955]

	1932 June								
\$342.75Cr.	1	\$3.33					Bill rendered		\$342.75
187.12Cr.	2	3.33					Nws. \$2.30		187.12
183.79Cr.	3	3.33	\$1.40				Csh. 150.00		183.79
179.06Cr.	4	3.33		\$0.10			Csh. 200.00		179.06
24.37	5	3.33							24.37
27.70	6	3.33							27.70
31.03	7	3.33							31.03
34.36	8	3.33							34.36
37.69	9	3.33		.10					37.69
41.12	10	3.33							41.12
44.45	11	3.33		.20					44.45
47.98	12	3.33		.10					47.98
51.41	13	3.33							51.41
54.74	14	3.33							54.74
58.07	15	3.33					Csh. .10		58.07
61.50	16	3.33					Csh. 100.00		61.50
164.83	17	3.33	1.35						164.83
169.51	18	3.33							169.51
172.84	19	3.33							172.84
176.17	20	3.33							176.17
179.50	21	3.33		.20					179.50
183.03	22	3.33		.10					183.03
186.46	23	3.33							186.46
									189.79

The Fairmont Hotel, San Francisco, Calif. W. S. Leake. Room 679. Rate, \$100—Con.
[Account no. 2924. Previous account no. 2697. Forward to account no. 3138]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
1932	Nov.								
\$48.64Cr.	16	3.33		\$.35				Csh. \$200.00Cr.	\$244.66
244.66Cr.	17	3.33		.50					240.83
240.83Cr.	18	3.33		.10					237.40
237.40Cr.	19	3.33		.10					233.97
233.97Cr.	20	3.33		.20					230.44
230.44Cr.	21	3.33		.20					226.91
226.91Cr.	22	3.33		.10					223.48
223.48Cr.	23	3.33		.25					219.80
				.10					216.02
219.80Cr.	24	3.33		.45					212.44
216.02Cr.	25	3.33		.25					208.81
212.44Cr.	26	3.33		.30					205.28
208.81Cr.	27	3.33		.20					201.95
205.28Cr.	28	3.33							198.62
201.95Cr.	29	3.33							194.99
198.62Cr.	30	3.43		.20					

[Account no. 3138. Previous account no. 2924. Forward to account no. 153]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
1932	Dec.								
\$194.99Cr.	1	3.22		\$0.20			Bill rendered.		\$194.99
189.27Cr.	2	3.22		.10			Nws. \$2.30		189.27
185.95Cr.	3	3.22		.25					185.95
				.30					182.18
182.18Cr.	4	3.22		.10			Csh. 150.00		28.86
28.86Cr.	5	3.22		.20					25.44
25.44Cr.	6	3.22							22.22
22.22Cr.	7	3.22		.20					18.80
18.80Cr.	8	3.22							15.58
15.58Cr.	9	3.22		.25					12.36
				.10					11.23
162.01Cr.	10	3.22		.25				Csh. \$150.00Cr.	162.01
				.10					158.44
158.44Cr.	11	3.22		.25					154.52
				.25					150.85
154.52Cr.	12	3.22		.20					147.28
150.85Cr.	13	3.22		.15					143.76
147.28Cr.	14	3.22		.30					140.54
143.76Cr.	15	3.22							137.22
140.54Cr.	16	3.22		.10					133.77
137.22Cr.	17	3.22	\$1.95	.40			Csh. 50.00		81.65
81.65Cr.	18	3.22							78.43
78.43Cr.	19	3.22		.10					75.11
75.11Cr.	20	3.22		.10			Csh. 50.00		21.79
21.79Cr.	21	3.22		.10					18.47
18.47Cr.	22	3.22		.35					14.90
14.90Cr.	23	3.22		.10					11.58
11.58Cr.	24	3.22		.10					8.26
8.26Cr.	25	3.22		.25					4.49
				.30					.82
4.49Cr.	26	3.22		.40			Nws. .05		2.60
.82Cr.	27	3.22		.20					5.92
2.60	28	3.22		.10					100.56Cr.
5.92	29	3.22		.30				Csh. 50.00Cr.	97.24Cr.
	30	3.22		.10					93.74
100.56Cr.	31	3.40		.10					

[Account no. 158. Previous account no. 3138. Forward to account no. 338]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
1933	Jan.								
\$93.74Cr.	1	3.22		\$1.05			Bill rendered		\$93.74
				.20			Csh. \$50.00		36.97
36.97Cr.	2	3.22	\$0.85	.20			Nws. 2.30		32.70
32.70Cr.	3	3.22		.20					29.28
29.28Cr.	4	3.22		.20					25.86
25.86Cr.	5	3.22		.10			Csh. 100.00		77.46
77.46	6	3.22		.10					80.78
80.78	7	3.22		.25					84.85
				.60					88.27
64.85	8	3.22		.20					91.59
88.27	9	3.22		.10					4.99
91.59	10	3.22		.20			Csh. \$100.00Cr.		1.67
4.99Cr.	11	3.22		.10					1.65
1.67Cr.	12	3.22		.10					4.87
1.65	13	3.22							8.54
4.87	14	3.22		.25					11.86
				.10					15.08
8.54	15	3.22							18.50
11.86	16	3.22		.20					21.92
15.08	17	3.22		.20					25.44
18.50	18	3.22		.20					29.06
21.92	19	3.22		.30					67.52
25.44	20	3.22		.40					14.30
29.06	21	3.22		.20			Csh. 50.00		10.88
67.52Cr.	22	3.22							57.31
14.30Cr.	23	3.22		.20					53.04
10.88Cr.	24	3.22		.25					49.32
				.10					59.00
57.31Cr.	25	3.22		1.05					
53.04Cr.	26	3.22		.50					
49.32Cr.	27	3.22		.10			C.o.d. 105.00		

The Fairmont Hotel, San Francisco, Calif. W. S. Leake. Room 679. Rate, \$100—Con.
[Account no. 158. Previous account no. 3138. Forward to account no. 338]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
1933	Jan.								
\$59.00	28	3.22		\$0.20				Csh. \$200.00Cr.	\$137.58
137.58Cr.	29	3.22							134.36
134.36Cr.	30	3.22		.25					130.69
				.20					126.64
130.69Cr.	31	3.40		.25					
				.40					

[Account no. 388. Previous account no. 158. Forward to account no. 600]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
1933	Feb.								
\$126.64Cr.	1	3.57		\$0.25			Bill rendered		\$126.64
				.20			Csh. \$100.00		20.32
20.32Cr.	2	3.57		.10			Nws. 2.30		66.65
66.65Cr.	3	3.57		.30				Csh. \$50.00Cr.	62.78
62.78Cr.	4	3.57		.30					41.09
41.09	5	3.57		.10					44.76
44.76	6	3.57		.40				Csh. 50.00	98.73
98.73	7	3.57		.20					152.50
152.50	8	3.57						Csh. 50.00	31.07
31.07	9	3.57							34.64
34.64	10	3.57		.25					38.86
				.40					7.27
38.86	11	3.57		.30				Csh. 50.00Cr.	3.50
7.27	12	3.57		.20					.32
3.50Cr.	13	3.57		.25					3.99
	14	3.57		.10					7.56
3.99	15	3.57							11.23
7.56	16	3.57		.10					14.90
11.23	17	3.57		.10					18.47
14.90	18	3.57							23.34
18.47	19	3.57		1.00					23.09
				.20					19.52
				.10					15.95
23.34	20	3.57						Csh. 50.00Cr.	11.28
23.09Cr.	21	3.57							7.61
19.52Cr.	22	3.57							3.94
15.95Cr.	23	3.57		1.00					50.27
				.10					46.70
11.28Cr.	24	3.57		.10					42.89
7.61Cr.	25	3.57		.10					
3.94Cr.	26	3.57		.10				Csh. 50.00Cr.	
50.27Cr.	27	3.57							
46.70Cr.	28	3.61		.20					

[Account no. 600. Previous account no. 388. Forward to account no. 836]

		Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
1933	Mar.								
\$42.89Cr.	1	3.22					Bill rendered		\$42.89
36.07Cr.	2	3.22		\$0.20			Nws. \$3.60		36.07
32.65Cr.	3	3.22		.40					32.65
29.03Cr.	4	3.22	\$0.50	.75					29.03
	5	3.22	.85	.50					24.06
24.06Cr.	6	3.22	.80	.20					19.49
	7	3.22	.50	.40				Brb. .75	14.62
19.49Cr.	8	3.22	.35	.20					10.70
14.62Cr.	9	3.22	.50	.50				Brb. .75	5.68
10.70Cr.	10	3.22	.50	.50					1.46
	11	3.22	0.50	0.20				Brb. 0.75	2.26
5.68Cr.	12	3.22	.50	.20				Nws. .05	84.72
2.26	13	3.22	.50	.50					81.00
	14	3.22	.50	.50				Brb. .75	77.28
84.72Cr.	15	3.22	.50	.30					72.81
81.00Cr.	16	3.22	.50	.10					68.79
77.28Cr.	17	3.22	.45	.20					64.97
72.81Cr.	18	3.22	.45	.10					60.00
68.79Cr.	19	3.22	.45	.10					56.53
64.97Cr.	20	3.22	.45	.10				Csh. 10.00	52.56
	21	3.22		.10				Csh. 10.00	39.34
60.00Cr.	22	3.22							26.02
56.53Cr.	23	3.22						Csh. 10.00	22.80
52.56Cr.	24	3.22							9.58
39.34Cr.	25	3.22		.10					6.36
26.02Cr.	26	3.22		.10				Csh. 10.00	3.04
22.80Cr.	27	3.22		.10					10.28
9.58Cr.	28	3.22		.40					13.60
6.36Cr.	29	3.22		.20					17.22
3.04Cr.	30	3.22		.10					20.64
10.28	31	3.40		.20				Csh. 5.00	23.96
13.60								Csh. 50.00Cr.	17.44
17.22									
20.64									
23.96									

[Account no. 836. Previous account no. 600. Forward to

The Fairmont Hotel, San Francisco, Calif. W. S. Leake. Room 679. Rate, \$100—Con.
[Account no. 833. Previous account no. 600. Forward to account no. 1050]

	Room	Restaurant	Telephone	Laundry	Miscellaneous	Advances	Credits	Balance
1933								
Apr.								
\$90.77	8	\$3.33		\$0.10				\$34.20
64.20	9	3.33						67.53
67.53	10	3.33		.10				70.96
70.96	11	3.33		.10				74.39
74.39	12	3.33		.20				77.92
77.92	13	3.33						81.25
81.25	14	3.33		.30				84.88
84.88	15	3.33		.10				88.31
88.31	16	3.33						91.64
91.64	17	3.33		.20				95.17
95.17	18	3.33		.10				98.85
98.85	19	3.33						102.18
102.18	20	3.33		.30				105.81
105.81	21	3.33		.10				109.24
109.24	22	3.33			(Val. \$0.50)			113.07
113.07	23	3.33		.10				116.50
116.50	24	3.33	\$1.40					121.23
121.23	25	3.33	.45					125.01
125.01	26	3.33	.45	.10				128.89
128.89	27	3.33	.45	.20				132.87
132.87	28	3.33	.45					137.10
137.10	29	3.33	.45					142.83
142.83	30	3.43	.80	.10				147.16

U.S.S. EXHIBIT 45

Fairmont Hotel—Daily record of long-distance calls Tuesday, Mar. 11, 1930

Room no.	Name	Exchange	Number	Place	Telephone company charge	Hotel charge	House
6	Bearnes		248	San Mateo	\$0.15	\$0.25	
15	Boudwin		36F2	Campbell	.35	.45	
334	Storey		21259	Palo Alto	.55	.80	
200	Plant	Capitol	4324	Sacramento	.55	.80	
364	Blanding		6	Belvedere	.10	.20	
230	Squire		528	Mill Valley	.10	.20	
678	Shecky		26	San Rafael	.40	.50	
576	Gallois		47	Sausalito	.10	.20	
232	Swan		230	do.	Da.	Ca.	
Cash	Booth		3731	San Mateo	.15	.20	
551	Zelle		47	Sausalito	.20	.30	
324	Capalle		246	Woodside	Da.	Ca.	
536	Hale		5518	Palo Alto	.25	.35	
236	Field		393	Belmont	.20	.30	
679	Leake		471	Woodside	.25	.35	
Cash	Booth	Capitol	3000	Sacramento	.55	.55	
430	do.		380	Del Monte	.80	1.05	
200	Plant	Capitol	4324	Sacramento	.50	.75	
284	Phin		2503	Tucson, Ariz.	2.75	3.00	
540	Murphy	Murryhill	5835J	New York	10.75	11.00	
Cash	Booth		2104	Stockton	.25	.30	
246	Johnson		169	Chico	.75	1.00	
					19.70	22.55	

P. P., \$29.45.
Report, 29.45.

Fairmont Hotel—Daily record of long-distance calls Thursday, Mar. 13, 1930

Room no.	Name	Exchange	Number	Place	Telephone company charge	Hotel charge	House
323	McBryde		85	Martinez	\$0.25	\$0.35	
711	Lohmann		5306R	Burlingame	.15	.25	
334	Storey		21259	Palo Alto	.55	.65	
200	Plant		21833	do.	Ca.	Da.	
364	Blanding		103R	Belvedere	.10	.20	
544	Dickey		512	Monterey	.65	.90	
405	Norton		1147	San Mateo	.20	.30	
Acct.	Drum		5210	Burlingame	Da.	Ca.	
625	West		7034W	San Mateo	.30	.40	
204	Crane		5289J	Burlingame	.15	.25	
590	Warren		211338	Palo Alto	.25	.35	
Cash	Booth		967	Modesto	.85	.95	
118	Bonetti		3213	Stockton	.90	1.15	
648	Booth	Whitney	8723	Los Angeles	2.35	2.60	
366	Blanding		103R	Belvedere	.10	.20	
228	Bowen		4347	Burlingame	.20	.30	
House	Wood		528	Mill Valley	.10	.20	\$0.10
551	Zells		47	Sausalito	.15	.25	
544	Dickey	Wicker-sham.	3263	New York	Da.	Ca.	

Fairmont Hotel—Daily record of long-distance calls Thursday, Mar. 13, 1930—Continued

Room no.	Name	Exchange	Number	Place	Telephone company charge	Hotel charge	House
322	Capelle		246	Woodside	Da.	Ca.	
307	Peiser		8706	Los Angeles	Da.	Ca.	
622	West		7034W	San Mateo	\$0.15	\$0.25	
418	Murtief		172	do.	.15	.25	
590	Warren		21143	Palo Alto	.25	.35	
334	Storey		21259	do.	.30	.40	
681	Harner		6587	Burlingame	.15	.25	
483	Moser		152	Mill Valley	.10	.20	
283	McElwain		1369W	San Rafael	.25	.35	
679	Leake		471	Woodside	.25	.35	
246	Johnson			Willows (Mr. Lucas)	1.90	2.15	
394	Garrett		5092	Burlingame	Da.	Ca.	
583	Goldberg		7396W	Stockton	.25	.35	
303	Compton	H e m -stead.	8904	Los Angeles	3.85	4.10	
					14.85	18.10	\$0.10

1 Incoming: collect.

P. P., \$24.10.

Report, \$24.10.

U.S.S. EXHIBIT 46

Payments on Judge Louderback's account—room 26

	1929	
Oct. 17		\$27.87
Nov. 5		50.00
Nov. 8		31.27
Dec. 7		82.68
	1930	
Jan. 4		80.17
Feb. 8		81.01
Mar. 6		81.72
Apr. 1		80.47
May 2 (Lo. check 11-1-12)		88.38
June 1 (Lo. 11-1)		87.64
July 1 (c)		62.82
Aug. 1 (Lo. 11-1-12)		82.11
Sept. 4 (Lo. 11-1-12)		99.63
Oct. 1 (c)		87.77
Nov. 2 (Lo. 11-1-12)		90.11
Dec. 5 (Lo. 11-1-14)		95.33
	1931	
Jan. 4 (Lo. 11-1-12)		85.57
Feb. 1 (cash)		77.26
Mar. 6 (cash)		98.92
Apr. 4 (cash)		87.75
May 2 (cash)		88.58
June 1 (cash)		86.23
July 1 (cash)		75.00
Aug. 3 (Lo. 11-1-12)		112.99
Sept. 1 (Lo. 11-1-12)		91.82
Oct. 2 (Lo. 11-1)		93.56
Mar. 5 (cash)		81.19
Dec. 2 (Lo. 11-1)		82.70
	1932	
Jan. 1 (c)		75.90
Feb. 2 (Lo. 11-1)		77.63
Mar. 1 (Lo. 11-1)		81.25
Apr. 2 (Lo. 11-1)		79.80
May 1 (Lo. 11-1)		85.00
June 1 (cash)		83.25
July 5 (Lo. 11-16)		75.30
Aug. 1 (Lo. 11-1)		80.10
Sept. 1 (Lo. 11-1)		77.35
Oct. 3 (Lo. 11-1)		85.20
Nov. 1 (Lo. 11-1)		79.05
Dec. 3 (Lo. 11-1)		77.35
	1933	
Jan. 4 (Lo. 11-1)		80.95
Feb. 8 (cash)		75.30
Mar. 2 (Lo. 11-1)		77.90
Apr. 5 (Lo. 11-1)		78.50

U.S.S. EXHIBIT 47

MAY 18, 1933.

BEFORE THE INDUSTRIAL ACCIDENT COMMISSION OF THE STATE OF CALIFORNIA. CLAIM NO. 32249

MRS. HELEN LAY, APPLICANT, v. BOS CONSTRUCTION CO. AND LUMBERMEN'S RECIPROCAL ASSOCIATION, DEFENDANTS, CERTIFICATION

I, J. S. Thomas, assistant secretary of the Industrial Accident Commission of the State of California, hereby certify that the attached are full, true, and correct copies of application for adjustment of claim filed July 24, 1930; findings and award, filed

July 28, 1930; petition for rehearing by Bos Construction Co., defendant in the above-entitled matter, filed August 5, 1930; and order granting petition for rehearing of defendant Bos Construction Co. filed August 8, 1930, in the offices of the Industrial Accident Commission in the above-entitled case.

Attest my hand and seal of the Industrial Accident Commission of the State of California.

J. S. THOMAS,
Assistant Secretary.

Dated at San Francisco, Calif., this 8th day of May 1933.

(Form No. 34)

STATE OF CALIFORNIA, DEPARTMENT OF INDUSTRIAL RELATIONS, INDUSTRIAL ACCIDENT COMMISSION

Filed July 24, 1930, by H. L. White, secretary.

(A. E.)

APPLICATION FOR ADJUSTMENT OF CLAIM

Claim No. 32249

Mrs. Helen Lay, 803 Devisadero Street, San Francisco, applicant, v. Bos Construction Co. and Lumberman's Reciprocal Association, defendant, 1912 East Twenty-sixth Street, Oakland, Calif.; 206 Sansome Street, San Francisco.

1. On July 18, 1930, Golden B. Lay, while employed as structural-iron worker—laborer, at San Francisco, Calif., by Bos Construction Co., sustained injury arising out of and in the course of the employment, said injury being received in the following manner: Fell from building.

2. The parts of the body injured and subsequent results are: Fatal.

3. Employer's insurance carrier was Lumberman's Reciprocal Exchange.

4. Injured left work on same day, 193—, and disability continued to —, 193—.

5. Last payment of indemnity on —, 193—; last medical furnished by employer on —, 193—.

6. Medical or surgical treatment has been rendered by —.

7. Age of employee was 23 and the wage \$11 per day, working 5 days per week.

TO BE USED IN DEATH CASES ONLY

8. It is claimed that the deceased left the following-named dependent: Name, Helen Lay; age, 23; relationship, wife; address, 803 Devisadero Street, San Francisco.

9. A question has arisen with respect to the liability of the employer or insurance carrier, and the general nature of the claim in controversy is: Question of dependency.

Wherefore it is requested that a time and place be fixed for hearing and notice given, and that an order or award be made granting such relief as the party or parties may be entitled to.

MRS. HELEN LAY,
803 Devisadero Street,
San Francisco.

Dated at San Francisco, Calif., this 24th day of July 1930.

BEFORE THE INDUSTRIAL ACCIDENT COMMISSION OF THE STATE OF CALIFORNIA, CLAIM NO. 32249

MRS. HELEN LAY, APPLICANT, v. BOS CONSTRUCTION CO. AND LUMBERMEN'S RECIPROCAL ASSOCIATION, DEFENDANTS. FINDINGS AND AWARD FILED JULY 28, 1930

Applicant's representative: Charles F. Zerbe.

Defendants' attorneys: Bronson, Bronson & Slaven, appearing by Roy A. Bronson.

An application for adjustment of claim for compensation having been filed herein, and all parties having appeared, and the matter having been regularly heard before Frank J. Burke, referee, and submitted for decision, said referee now makes his findings and award as follows:

FINDINGS OF FACT

1. Golden B. Lay, the employee, since deceased, while employed as a structural-iron workers at San Francisco, Calif., by Bos Construction Co., on July 18, 1930, sustained injury, occurring in the course of and arising out of his employment as follows: Fell from a building, sustaining injuries resulting in almost instant death. At said time said employer's insurance carrier was Lumbermen's Reciprocal Association, and all parties were then subject to the provisions of the Workmen's Compensation, Insurance, and Safety Act of 1917.

2. The employee left surviving him, wholly dependent, Mrs. Helen Lay, who is entitled to a death benefit of \$5,000, payable at the rate of \$25 a week, together with an award for \$150 burial expense, payable directly to Halsted-Diercks & Co. Said payments are based upon earnings of \$11 a day for employment 5 days a week. No payments have been made thereon.

3. The applicant herein has requested that the entire death benefit be commuted without interest and made payable forthwith, and it is the opinion of this commission that it is for the best interests of said applicant that the entire death benefit be commuted in the sum of \$5,000 and made payable forthwith.

AWARD

Award is made in favor of Mrs. Helen Lay, the applicant, against Lumbermen's Reciprocal Association of a death benefit and burial expense in the total sum of \$5,150, payable as follows:

1. To the applicant, Mrs. Helen Lay, the sum of \$150 for the burial expense, payable directly to Halsted-Diercks & Co.

2. To the applicant, Mrs. Helen Lay, the sum of \$25 weekly, beginning July 19, 1930, and until the whole of this award shall have been paid.

It is ordered that the weekly payments herein be, and they are hereby, commuted to a lump sum without interest in the amount of \$5,000, payable forthwith to Mrs. Helen Lay, the applicant.

FRANK J. BURKE,
Referee, Industrial Accident Commission
of the State of California.

The above decision, made by Frank J. Burke, referee, was approved, ratified, confirmed, ordered filed, and made the decision of the Industrial Accident Commission of the State of California on July 28, 1930.

[SEAL]

H. L. WHITE, Secretary.

BEFORE THE INDUSTRIAL ACCIDENT COMMISSION OF THE STATE OF CALIFORNIA. CLAIM NO. 32249

MRS. HELEN LAY, APPLICANT, v. BOS CONSTRUCTION CO. AND LUMBERMEN'S RECIPROCAL ASSOCIATION, DEFENDANTS. FILED AUGUST 5, 1930

Petition for rehearing by Bos Construction Co., defendant in the above-entitled matter

To the Industrial Accident Commission of the State of California:

Now comes Bos Construction Co., one of the defendants in the above-entitled matter, and petitions for a rehearing under section 65 of the Workmen's Compensation Act, as grounds of this petition alleging:

I. That Adrian I. Bos is and has been at all times mentioned in the above-entitled matter doing business in the city and county of San Francisco, Calif., under the name of Bos Construction Co.; and that Adrian I. Bos and Bos Construction Co. are the employer involved in this matter.

II. That findings and award by the industrial accident commission in the above matter were made and filed on July 28, 1930.

III. That neither defendant Bos Construction Co. nor Adrian I. Bos had any notice of the pendency of this proceeding before the industrial accident commission until he was served with a copy of said findings and award.

IV. That it does not appear from said findings and award that the defendant Lumbermen's Reciprocal Association, the insurance carrier in the above matter, has assumed and agreed to pay the compensation covered by said findings and award, or that said carrier has served or caused to be served upon the applicant herein notice of its assumption of said liability, or that said carrier has filed a copy of such notice with the industrial accident commission, or that said carrier has been substituted in place of said employer in this proceeding, or that said employer has been dismissed from said proceeding or exonerated from liability under said findings and award; and therefore the defendant employer alleges that he is not exonerated or protected from liability in the above-entitled proceeding or in said findings and award.

V. That the defendant employer has not served or caused to be served upon the applicant or upon any person claiming compensation on account of the death involved herein, or upon the said insurance carrier, any notice that said carrier has in its policy, contract, or otherwise assumed and agreed to pay the compensation for which the defendant employer may be liable, or which has been awarded to the applicant herein by the terms of said findings and award; and that the defendant employer has not filed a copy of any such notice with the industrial accident commission.

VI. That it does not appear from the face of said findings and award or otherwise in this proceeding that the industrial accident commission is satisfied that the defendant carrier has through the issuance of its contract of insurance or otherwise assumed such liability for compensation, or that the defendant employer has been relieved from liability for compensation to the applicant or claimant, or that the defendant carrier has been substituted herein in place of the employer, or that the defendant employer has been dismissed herefrom.

VII. That the industrial accident commission acted without and in excess of its power in the making of the said findings and award and that the findings and award are contrary to law, in that the defendant employer, who is covered by compensation insurance, has not been dismissed herefrom and exonerated from liability for compensation on account of said accident.

VIII. That the evidence does not justify the said findings of facts and that said findings of facts do not support said award.

IX. That at the hearing of this matter before the industrial accident commission neither Earl Lay, M. Banovitch, nor Barney Downs was called as a witness in this matter; that at the time of said accident all of said persons were in the employ of the defendant employer, and that they were the only persons who were present at the time and place of the accident.

Wherefore the defendant employer prays that this petition for a rehearing in this matter be granted.

BOS CONSTRUCTION CO.,

By ADRIAN I. BOS,

Doing business under the name of Bos Construction Co.,

Defendant above named.

STATE OF CALIFORNIA,

City and county of San Francisco, ss:

Adrian I. Bos, being duly sworn, deposes and says:

That he has read the foregoing petition and knows the contents thereof and that they are true except as to those matters stated

therein upon information or belief, and as to such matters that he believes them to be true.

ADRIAN I. BOS.

Subscribed and sworn to before me this 5th day of August 1930.

[SEAL]

AGNES M. COLE,

Notary Public in and for the City and County of
San Francisco, State of California.

BEFORE THE INDUSTRIAL ACCIDENT COMMISSION OF THE STATE OF
CALIFORNIA

Claim No. 32249 (filed Aug. 8, 1930)

MRS. HELEN LAY, APPLICANT, v. BOS CONSTRUCTION CO. AND LUMBERMEN'S RECIPROCAL ASSOCIATION, DEFENDANTS. ORDER GRANTING PETITION FOR REHEARING OF DEFENDANT BOS CONSTRUCTION CO.

It appearing that the defendant, Bos Construction Co., in the above-entitled proceeding, has filed herein its petition for rehearing, on the ground that said defendant had no notice of any kind of the pendency of said proceeding until after the filing of the findings and award herein, and that it was not dismissed from liability in said findings and award, although it was insured against liability under the Workmen's Compensation, Insurance, and Safety Act by a policy of the defendant, Lumbermen's Reciprocal Association; and

It appearing that there is some question as to the solvency of the defendant, Lumbermen's Reciprocal Association, and that therefore prompt consideration should be given to said petition for rehearing: Now therefore

It is hereby ordered that said petition for rehearing of defendant, Bos Construction Co., be, and it is hereby granted, and said findings and award are hereby rescinded and set aside, and that further hearing of said claim be had after due notice is given to all parties interested.

INDUSTRIAL ACCIDENT COMMISSION
OF THE STATE OF CALIFORNIA,
WILL J. FRENCH,
DELGER TROWBRIDGE,

Commissioners.

[SEAL]

Dated at San Francisco, Calif., this 8th day of August 1930.

U.S.S. EXHIBIT 48

IN THE DISTRICT COURT OF APPEAL OF THE STATE OF CALIFORNIA IN
AND FOR THE FIRST APPELLATE DISTRICT, DIVISION 2

No. 7612

SAN FRANCISCO, September 30, 1930.

HELEN LAY, PETITIONER, v. THE INDUSTRIAL ACCIDENT COMMISSION OF THE STATE OF CALIFORNIA, BOS CONSTRUCTION CO., AND LUMBERMEN'S RECIPROCAL ASSOCIATION, RESPONDENTS, ON PETITION FOR A WRIT OF REVIEW

The above-entitled matter having been heretofore submitted and taken under advisement, and all and singular the law and premises having been fully considered,

It is ordered, adjudged, and decreed by the court that the petition for a writ of review in the above-entitled matter be, and the same is hereby, denied.

I, J. B. Martin, clerk of the District Court of Appeal of the State of California, in and for the first appellate district, do hereby certify that the foregoing is a true copy of an original judgment entered in the above-entitled matter on the 30th day of September 1930, and now remaining of record in my office.

Witness my hand and the seal of the court affixed at my office this 1st day of December A.D. 1930.

[SEAL]

J. B. MARTIN, Clerk.

By WM. B. SULLIVAN, Deputy.

I, J. B. Martin, clerk of the District Court of Appeal, State of California, in and for the first appellate district, do hereby certify that the preceding and annexed is a true and correct copy of remittitur issued in Matter No. 7612, *Lay v. Industrial Accident Commission, etc.*, as shown by the records of my office.

Witness my hand and the seal of the court this 5th day of May A.D. 1933.

[SEAL]

J. B. MARTIN, Clerk.

By WM. B. SULLIVAN, Deputy.

U.S.S. EXHIBIT 51

IN THE DISTRICT COURT OF THE UNITED STATES IN AND FOR THE
SOUTHERN DIVISION OF THE NORTHERN DISTRICT OF CALIFORNIA

HELEN LAY, PLAINTIFF, v. LUMBERMEN'S RECIPROCAL ASSOCIATION, DEFENDANT. EQUITY NO. 2655-L

Order approving fourth and final and supplemental accounts of receiver, denying petition for preferred claims, directing receiver to comply with order of United States Circuit Court of Appeals and thereupon discharging receiver and exonerating his bond

It appearing to the court that the fourth and final verified report and the verified supplemental report thereto of Samuel M. Shortridge, Jr., as receiver of the defendant, Lumbermen's Reciprocal Association, for the period from April 1, 1931, down to the present time, with the accompanying "Detailed statement of legal services, etc.", rendered by the attorney for the receiver, including "List of suits and proceedings", and a petition for the allowance of certain claims alleged to be preferred have come on for hearing before the court, upon the "exceptions and objections by E.

Forrest Mitchell, as insurance commissioner of the State of California", E. Forrest Mitchell, appearing by Frank L. Guereña, Esq., the receiver appearing by Marshall B. Woodworth, Esq., there being no appearance on behalf of either plaintiff or defendant inasmuch as neither excepted or objected to the fourth and final report and supplemental report thereto filed by the receiver nor to the petition for the allowance of certain claims alleged to be preferred, and testimony and evidence, oral and documentary, having been introduced with reference to said reports and petition for preferred claims, and said reports and petition and the exceptions thereto having been submitted to the court for its consideration and decision, and, due consideration having been by the court given to the same, and the court having made and filed its findings of fact and conclusions of law,

It is now here ordered, adjudged, and decreed that the exceptions to the said fourth and final report and the supplemental report thereto of Samuel M. Shortridge, Jr., as receiver of said defendant, Lumbermen's Reciprocal Association, be, and the same are hereby, overruled and denied, and that the said fourth and final report and the supplemental report thereto be, and the same are hereby, approved; that the "detailed statement of legal services, etc.", rendered by the attorney for the receiver, including "list of suits and proceedings", be, and the same are hereby, approved as full, true, and correct reports of the activities and services of said receiver and of the activities and legal services of his attorney during the period from April 1, 1931, down to the present time.

It is now here further ordered, adjudged, and decreed that the "Exceptions and objections to receiver's petition to pay certain preferred claims", filed by E. Forrest Mitchell as State insurance commissioner of California, be, and the same are hereby, sustained, and said petition for the allowance of the claims alleged to be preferred therein set forth be, and the same is hereby, denied without prejudice to the presentation of said claims to the receiver of the Superior Court of the State of California in and for the City and County of San Francisco in the suit now pending of E. Forrest Mitchell, as insurance commissioner of the State of California, plaintiff, v. Lumbermen's Reciprocal Association, and E. J. Brockmann, defendants, or in any other appropriate suit or proceeding, said claims being as follows: Claim of J. L. Kearney for legal services rendered in the receivership proceedings as set out in the petition for allowance of preferred claims and the itemized statement of legal services filed as an exhibit in support of said claim; claim of E. J. Brockmann, formerly Pacific coast manager of the defendant, Lumbermen's Reciprocal Association, for balance due on wages and commission contract from January 1, 1930, to July 29, 1930, in the sum of \$1,768.40; claim of General Re-Insurance Corporation, San Francisco, Calif., for \$1,652.36 for reinsurance on liabilities of the defendant, Lumbermen's Reciprocal Association, during the period of this receivership dating from July 29, 1930, and remaining in force at the present time; claim for \$136.70, being cash advanced for operating expenses in the San Francisco office; claim for \$15.58 reimbursement of Lumbermen's Reciprocal Association check no. 27 for \$15.58, which check was cashed by claimant during period of application for receivership and immediately prior to the appointment of the receiver.

It is now here further ordered, adjudged, and decreed that the fourth and final report of the receiver and the supplemental report thereto and the accounts involved therein be, and they are hereby, allowed, settled, and approved; that the moneys collected and received by the receiver as enumerated in said fourth and final report and the supplemental report thereto were properly and legally collected and received by said receiver and deposited in bank to the credit of said receivership; that the expenditures involved in said accounts were necessarily incurred and the services therein enumerated actually rendered and that the charges therefor were proper and reasonable and were proper charges against, and were properly paid out of, the funds of the estate of the defendant, Lumbermen's Reciprocal Association;

It is now here further ordered, adjudged, and decreed that no further or additional allowance on account of compensation for services rendered by the receiver or by his attorney be allowed for the period covered by the fourth and final report and the supplemental report thereto from April 1, 1931, down to the present time;

It is now here further ordered, adjudged, and decreed that the following items are allowed and directed to be paid by the receiver as being proper and reasonable and preferred costs and expenses connected with the administration of the receiver, to wit: Claim of Columbia Casualty Co. in the sum of \$33.30 being pro rata insurance for premium due on receiver's bond from July 30, 1931, up to and including the date of this order; claim of E. J. Brockmann for his witness fees in actual attendance in court upon the hearings of the settlement of the fourth and final report of the receiver and the supplemental report thereto including his traveling and subsistence expenses to and from Boulder City, Nev., in the sum of \$102.32, as per sworn voucher filed in this case; claim of R. Binet for the witness fees in actual attendance in court upon the hearings of the settlement of the fourth and final report of the receiver and the supplemental report thereto and mileage in the sum of \$5.20; also any further accruing court costs involved in these final proceedings;

It is now here further ordered, adjudged, and decreed that the decision, and the mandate thereafter issued and filed in this court, of the Circuit Court of Appeals for the Ninth Circuit rendered in the above-entitled case, entitled *E. Forrest Mitchell, as insurance commissioner of the State of California, appellant, v. Helen Lay,*

Lumbermen's Reciprocal Association, and Samuel M. Shortridge, Jr., as receiver of Lumbermen's Reciprocal Association, appellees, no. 6340 on the docket of the Circuit Court of Appeals for the Ninth Circuit, which decision recites, in part, that this court "is directed to settle the accounts of the receiver and to order the receiver to turn over to the appellant (E. Forrest Mitchell, as insurance commissioner of the State of California), all property seized under its order by the receiver as soon as the appellant (E. Forrest Mitchell, as insurance commissioner of the State of California) has secured an appointment as receiver thereof in the action now pending in the State court", be complied with and the receiver is hereby instructed to comply with said decision and mandate;

And, it further appearing to the court that said appellant, E. Forrest Mitchell, as insurance commissioner of the State of California, has, since said decision of the Circuit Court of Appeals for the Ninth Circuit, been appointed receiver of the Lumbermen's Reciprocal Association by the Superior Court of the State of California in and for the city and county of San Francisco in the suit now pending therein of *E. Forrest Mitchell, as insurance commissioner of the State of California, plaintiff, v. Lumbermen's Reciprocal Association and E. J. Brockmann, defendants;*

It is now here further ordered, adjudged, and decreed that Samuel M. Shortridge, Jr., receiver of Lumbermen's Reciprocal Association, defendant herein, be, and he is hereby, instructed and directed, within 30 days from the date of the signing and filing of this order, to deliver to the receiver appointed by the Superior Court of the State of California in and for the city and county of San Francisco, to wit, E. Forrest Mitchell, State insurance commissioner of California, any and all moneys in bank or otherwise held in the possession and custody of said Samuel M. Shortridge, Jr., as receiver of said defendant, Lumbermen's Reciprocal Association, and also any and all other assets, properties, books, records, papers, documents, notes, and all other personal property now in the possession or custody of said Samuel M. Shortridge, Jr., as receiver of said defendant, Lumbermen's Reciprocal Association, upon his obtaining and receiving a proper receipt or receipts therefor and filing said receipt or receipts with the clerk of the above-entitled court: *Provided, however,* That if within 30 days from the signing and filing of this order the attorney for E. Forrest Mitchell, State insurance commissioner of California and receiver appointed by the State Court of California, as above stated, shall appeal from this order, then the further execution and performance by said receiver of this order shall be stayed until the final action by the Circuit Court of Appeals for the Ninth Circuit on said appeal or until the other or further order of this court or of the Circuit Court of Appeals;

And it is now here further ordered, adjudged, and decreed that, upon the filing of said receipt or receipts with the clerk of the above-entitled court, said Samuel M. Shortridge, Jr., as receiver of said defendant, Lumbermen's Reciprocal Association, be, and he is hereby, released, exonerated, and discharged of any and all liability or otherwise as receiver of said defendant, Lumbermen's Reciprocal Association, and that his bond as such receiver, heretofore given and filed in the above-entitled suit in the sum of \$20,000, be, and the same is hereby, exonerated.

Done in open court, San Francisco, Calif., December 15, 1931.

HAROLD LOUDERBACK,
United States District Judge.

U.S.S. EXHIBIT 52

LAW OFFICES OF KEYES & ERSKINE,
March 27, 1931.

Mr. W. L. HATHAWAY,
San Francisco, Calif.

DEAR MR. HATHAWAY: We have finally received our compensation to date in the Russell-Colvin & Co. matter, and I can now take up at least a part of my obligations to you. The record in my two check books shows the following advances made me by you:

October 1929 (Crocker Bank)	\$200
December 1929 (Crocker Bank)	100
February 1930 (Crocker Bank)	100
June 1930 (Crocker Bank)	60
October 1930 (Bank of Italy)	100
December 1930 (Bank of Italy)	100
January 1931 (Crocker Bank)	1,500
Do	75
	2,235

I also have a note in my bill file stating that I owe you "\$500 for advances in 1929", which indicates that there is \$200 due in addition to the first two items above. If your records do not show this, we can correct it later.

In addition to these advances there is our understanding in respect to the 12½ acres you deeded us at Woodside that I should reimburse you for the balance remaining due on that portion of your purchase from the Spring Valley Water Co. in accordance with the memorandum you prepared at the time we arranged to build our house. The balance arrived at was \$3,651.61.

I am enclosing my check for \$5,000, of which \$2,435 is in repayment of your advances as above and the rest is on account of the Woodside property, which leaves a balance on this account of \$1,086.61.

Sincerely yours,

DOUGLAS.

U.S.S. EXHIBIT 53

The answer sets up that the appraised value of all securities belonging to the firm of Russell-Colvin Co. and its creditors was the sum of \$2,111,536.24, as of March 11, 1930.

Answer. This is correct.

The answer says that the appraised value of the firm securities, not including other assets was over one half million dollars.

Answer. This is correct. The exact amount was \$503,267.20.

The answer says that 679 claims were filed with the receiver for cash and securities, totaling \$1,722,402.51.

Answer. This is correct, but minor adjustments have been made to the extent of \$379.98, making the correct amount \$1,722,004.53.

Claims	\$1,722,004.53
Bank, brokers' repurchases	956,036.39

Total	2,678,040.92
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The answer says that the amount of bank loans and repurchase agreements included in the receivership was \$971,870.94.

Answer. This should have been bank and other loans, and should have been for \$1,300 more, being the Colvin loan from the Bank of America for the firm and secured by firm securities, so the correct amount should be, as above, \$971,870.94, plus the Colvin loan of \$1,300, making the total \$973,170.94.

Made up as follows:

Bank loans	\$341,632.50
Brokers' loans	495,858.89
Repurchase agreements	118,545.00
Tracey loan (secured by note)	17,134.55

Total, as above	973,170.94
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The answer says that the administration of the estate resulted in the payment to customers of cash \$385,745.70 and the delivery to customers of securities of the value of \$505,977.39.

Answer. The amount \$385,745.70 is not correct. The correct amount is \$328,406.72, the difference of \$57,338.98 being made up of a duplication of the Aiken estate claim, through E. A. Pierce & Co., of \$55,980.74 and readjustments of \$1,358.24. Also securities, delivered amount to \$502,033.04, instead of \$505,977.39, difference \$3,944.35 minor adjustment.

The answer says the ordinary margin customers of the firm not entitled to priority received 56 percent of their claims in cash and securities.

Answer. They have already received 48.07 percent, and will receive from the remaining assets 6.8 percent more.

The answer says that the claims of the general creditors, including the claims of marginal customers who were relegated to the position of general creditors for a portion of their claims amounted to \$505,277.44, of which amount \$152,733.97 represented the claims of general creditors not customers, and \$352,533.47 represented the claims of margin customers who were relegated to the position of general creditors.

Answer. The amount as shown by the books is \$539,230.39, but of this \$27,035.26 was afterward determined to constitute preferred claims, so deducting this amount leaves \$512,195.13.

Also some of the 21 excepting creditors succeeded by court proceedings in having their claims increased a total of \$6,917.69, thus making a total for the general creditors in the sum of \$512,195.13, instead of \$505,277.44 referred to in the answer.

The amount of the claims of general creditors not customers is \$152,733.97, as stated in the answer.

The answer says the general creditors have already received 28 percent of their claims with a prospect of an additional 12 percent.

Answer. This is correct.

The answer also says that the customers and creditors of the firm have received securities and cash to the amount of \$828,000, an average of 65 percent for all customers and creditors.

Answer. This is correct, except the amount should be \$830,439.60—a difference of \$2,439.76.

The amount paid in cash was	\$328,406.72
Securities	502,033.04

Total	830,439.76
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Summary showing what the receiver received and administered

Firm securities	\$311,801.67
Cash on hand at time of receivership	16,104.28
Collected on accounts and notes due from customers	512,944.53
Sale of furniture and fixtures	10,113.76
From the sale of miscellaneous assets	21,875.01
From the sale of stock-exchange seat	75,000.00

Total	947,839.25
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Remaining assets:

From sale of \$5,000, par value Consolidated Paper Box bonds belonging to Founders Investment Co., held in escrow	5,288.30
Furniture and fixtures	200.00
Anchorage Light & Power Co.	58,000.00
Cash on hand	1,629.55

Total	65,117.85
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Grand total	1,012,957.10
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Uncollected accounts	179,182.79
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Securities to be accounted for

Securities claimed "B".....	\$1,048,938.52
Securities claimed "B-1".....	118,160.01
Securities claimed "A".....	306,746.59
Total securities claimed.....	1,473,845.12
Unclaimed customers' securities.....	65,034.69
Securities due all customers.....	1,538,879.81
Firm securities.....	503,267.25
Total securities to be accounted for.....	2,042,147.06
Cash claimed on converted securities.....	68,390.18
Restated Futterman account.....	2,110,537.24
	999.00

Claims for cash and securities

Answer -----		\$1,722,402.51
	Answer	Corrected
A-----	\$374,535.75	\$374,535.75
B-1-----	118,160.01	118,761.03
B-----	1,049,937.52	1,048,938.52
		<hr/> 1,542,235.30
General-----	179,769.23	179,769.23
	<hr/> 1,722,402.51	<hr/> 1,722,004.53
Adjustments-----		397.98

Total claims filed.....	1,722,004.53
Additional liabilities to customers:	
Dividends claimed.....	28,901.09
Securities due customers unclaimed.....	65,034.69
Claims for securities and traced cash filed.....	1,542,235.30
Securities and cash due all customers (claimed and unclaimed).....	1,634,171.08
General claims filed.....	179,769.23
	1,813,940.31
Less unclaimed securities.....	65,034.69
Total claims filed.....	1,748,905.62

Receiver's balance sheet, March 11, 1930

Assets:	
Firm's securities, etc. (appraisal or book value).....	\$1,521,096.54
Customers' securities in pledge and vault.....	1,538,879.81
Total.....	3,059,976.35
Liabilities:	
Payable:	
Banks, brokers, etc., secured.....	956,036.39
Unsecured general creditors.....	153,995.21
Total.....	1,110,031.60
Due customers in securities and traced cash.....	1,634,171.08
	2,744,202.68
Net capital (partners' investment).....	315,773.67

Paid customers in cash

	From summary	Additions	Total
A.....	\$82,647.93	Bixby, \$1,250.....	\$91,519.82
B-1.....	23,486.69	Hewitt, \$7,612.89.....	23,486.69
B.....	41,872.13		41,872.13
Total.....	148,006.75		
Additional dividends on securities per fourth cash report.....			2,941.26
Total paid customers from pools.....			159,810.90
Paid customers relegated to general fund.....			100,649.12
Paid general claimants.....			40,911.44
Paid general claimants with preference.....			27,035.26
Total cash paid.....			328,406.72
Answer shows.....			385,745.70
Difference.....			57,338.98
Duplicated Aiken estate.....			55,980.74
Miscellaneous.....			1,358.24
			57,338.98

¹ Tracy loan, \$17,134.55, included in general creditors, unsecured.

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Securities and cash delivered to claimants

Securities:	
From summary statement.....	\$326,867.94
From report on claims.....	\$95,330.10
Tilbette's Anchorage, common.....	9,720.00
Delivered account Aiken estate.....	85,610.10
	89,830.00
Total.....	502,308.04
Bixby claim satisfied in cash.....	1,250.00
Transcontinental bond delivered Kemp.....	501,058.04
	975.00
Total.....	502,033.04

Cash:	
From summary statement.....	\$148,006.75
Dividend per fourth cash report.....	2,941.26
Paid Hewitt & Co. (account I.T.S.).....	7,612.89
Paid Bixby.....	1,250.00
Total.....	159,810.90

Paid to ordinary margin customers

Securities claimed by "B".....	\$1,048,938.52
Less owed.....	427,421.43
"B" customers' equity.....	621,517.09

Paid cash:	
Pools, not including dividends on stocks.....	23,948.46
General estate.....	100,649.12
Securities delivered.....	165,140.15
Total paid to "B" (46.6 percent).....	289,737.73

Or—	
Paid cash:	
Pools, including dividends on stocks.....	41,872.13
General estate.....	100,649.12
Securities delivered.....	165,140.15
Equity \$621,517.09 (48.07 percent).....	307,661.40
Dividends collected.....	17,923.67
New equity.....	639,440.76

Or—	
Paid cash:	
Pools, including dividends on stocks.....	41,872.13
General estate.....	143,784.45
Securities delivered.....	165,140.15

Including additional 12 percent from general fund (54.86 percent).....	350,796.73
New equity.....	639,440.76

Customers relegated to general fund

A.....	\$40.27
B.....	988.71
B-1.....	358,432.18

Correct.....	359,461.16
Answer shows.....	352,533.47

Difference.....	6,927.69
Allowed excepting claimants.....	6,917.69
Adjustment.....	10.00

Total.....	6,927.69
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General creditors.....	152,733.97
General creditors with preference.....	27,035.26

Total.....	179,769.23
Customers relegated to general creditors.....	359,461.16

Total general creditors.....	539,230.39
Answer shows.....	505,277.44

Difference.....	33,952.95
With preference.....	27,035.26
Allowed excepting claimants.....	6,917.69

Total.....	33,952.95
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Claimants received

Securities delivered.....	\$502,033.04
Cash (from pools).....	159,810.90
Cash (from general estate).....	168,595.82

Total cash paid.....	328,406.72
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Total paid in cash and securities.....	830,439.76
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Claimants received—Continued

Answer shows.....	\$828,000.00
Adjustment between value securities and cash delivered.....	2,439.76
Securities claimed "A".....	306,746.59
Traced cash claimed "A".....	67,789.16
Securities claimed "B".....	118,761.03
Do.....	1,048,938.52
General claimants.....	152,733.97
General claimants with preference.....	27,035.26

	1,722,004.53
Less customers debt.....	477,488.49

Total equities claimed (66.73 percent received).....	1,244,516.04
Dividends collected for customers (65.32 percent received).....	\$26,901.09

New equity.....	1,271,417.13
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Liabilities—Banks, brokers, and repurchases payable

Balance.....	\$956,036.39
Satisfied by sales.....	930,262.37

Became general creditors.....	25,774.02
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Assets—From securities, etc.

	Appraised or book value	Realized	Still to be realized
Cash.....	\$43,005.37	\$43,005.37	
Customers' accounts receivable.....	652,903.04	500,944.53	
Partners, etc., accounts receivable.....	27,174.28		
Notes receivable.....	59,684.94	12,000.00	
Firm inventory.....	503,267.25	311,801.67	\$58,000.00
Exchange seat.....	75,000.00	75,000.00	
Furniture and fixtures.....	7,703.80	10,113.76	200.00
Founders Investment Co.....	5,288.30		5,288.30
Miscellaneous.....	147,069.56	21,875.01	
Total.....	1,521,096.54	974,740.34	63,488.30
Cash.....			1,629.55
Assets May 1, 1933.....			65,117.85
Deficit accounts.....			179,132.79

Realized.....	\$974,740.34
Still to be realized Anchorage notes.....	58,000.00
Still to be realized furniture and fixtures.....	200.00
Still to be realized Founders Investment Co.....	5,288.30

Total realized.....	1,038,228.64
Appraised or book value Mar. 11, 1930.....	1,521,096.54

Loss—firm's assets.....	482,867.90
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Securities due all customers.....	\$1,538,879.81
Cash due "A" claimants (control, p. 53).....	68,390.18
Dividends claimed (summary \$23,-959.83, fourth cash report, \$2,-941.26).....	26,901.09
	1,634,171.08

Borrowed by customers (list of claims) (account receivable).....	477,488.49
Difference sales customers' securities between sales price and 3/11 value not collectible from customer.....	116,631.17
	594,119.66

	1,040,051.42
Securities delivered to claimants (schedule).....	502,033.04

	538,018.38
Cash paid to claimants (schedule).....	\$159,810.90
Tracing charge (summary).....	18,746.32
	178,557.22

Customers relegated to general fund.....	359,461.16
Paid general fund dividends nos. 1, 2, 3, and 4, 28 percent.....	100,649.12

Balance due.....	258,812.04
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Collected for accounts and notes of customers

Accounts receivable (per balance sheet).....	\$705,940.62
Less restated accounts.....	53,037.58
Due from customers.....	652,903.04
Partners and employees accounts.....	27,174.28
Notes receivable—Anchorage Light & Power Co.....	59,684.94

Total accounts and notes due.....	739,762.26
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Collected for accounts and notes of customers—Continued

Still outstanding:	
Accounts receivable.....	\$179,132.79
Note: Anchorage Light & Power Co.....	47,684.94
	\$226,817.73

Collected for accounts and notes of customers.....	512,944.53
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General creditors

		Unsecured	Preferred
Original general claimants.....	\$126,959.95	\$126,959.95	
Preferred claimants.....	27,035.26		\$27,035.26
Loan accounts relegated.....	25,774.02	25,774.02	
Customers accounts relegated.....	359,461.16	359,461.16	
Total.....	539,230.39	512,195.13	27,035.26
Paid to date.....	168,595.82	141,560.56	27,035.26
Balance due.....	370,634.57		

General creditor

Salary claims (preferred).....	\$3,635.38
Commissions (preferred).....	2,560.02
Taxes (preferred).....	20,839.86

Total.....	27,035.26
Miscellaneous unsecured general creditors.....	152,733.97

Total secured and unsecured general creditors.....	179,769.23
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Summary

Deposits.....	\$415,085.35
Withdrawals.....	393,238.57

Balance on hand Feb. 15, 1933.....	16,846.78
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(The above figures include transfers of funds from one account to another, and represent actual moneys deposited in all accounts, and withdrawals from all accounts.)

NOTE.—These figures do not include any accounts closed prior to the filing of the receiver's third account. Following is a statement of the actual net amount of cash received and paid out:

Receipts.....	\$483,981.67
Disbursements.....	467,134.89

Balance on hand Feb. 15, 1933.....	16,846.78
Less fourth general fund dividend.....	15,217.23

1,629.55

The receipts may be segregated as follows:

Partnership bank balances transferred to H. B. Hunter, receiver.....	16,104.28
Interest (includes bond interest and interest for the account of clients, as well as the estate of Russell-Colvin & Co.).....	15,621.42
Dividends (for the account of clients as well as the estate of Russell-Colvin & Co.).....	26,356.66
Post trading commissions.....	185.00
Expense refunds.....	1,470.45
Syndicate profits.....	1,857.87
Accounts receivable.....	8,220.04
Notes receivable.....	5,288.23
Proceeds:	
Liquidation of pledges.....	59,196.10
Redemption of securities.....	8,561.67
Sale of assets.....	192,052.18
Sales of securities.....	149,067.77

Total receipts.....	483,981.67
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The disbursements may be segregated as follows:

Dividends.....	2,941.26
Office salaries.....	28,978.85
Compensation to H. B. Hunter, receiver.....	40,500.00
Rent.....	4,054.29
Claims satisfied.....	189,000.78
Miscellaneous and legal expense.....	7,370.47
Fee to attorneys:	
For plaintiff.....	4,375.00
For defendant.....	4,375.00
In New York (Aiken estate matter).....	1,000.00
For receiver.....	51,250.00
Dividend no. 1 to general creditors—10 percent as adjusted).....	50,537.25
Dividend no. 2 to general creditors—10 percent.....	50,537.55
Dividend no. 3 to general creditors—5 percent.....	25,268.53
Amount allowed on exceptions.....	6,945.91

Total disbursements.....	467,134.89
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Taken over by receiver and adjusted to include all liabilities

		Debit	Credit	Balance sheet Mar. 11, 1930, taken over by receiver	Adjusted to appraisals			Receiver's work		Balance sheet
					Debit	Credit	Balance sheet	Debit	Credit	
ASSETS										
Cash.....	\$11,967.83	\$4,136.45		\$16,104.28	\$26,901.09		\$43,005.37	\$15,076.99 5,636.30 59,196.10 252,228.58 103,742.45	\$159,810.90 302,228.11 15,217.23	\$1,629.55
Accounts receivable: Customers.....	705,940.62		\$53,037.58	652,903.04			652,903.04	359,461.16 159,810.90	1,607,269.99 26,901.09 5,004.75 26,542.73	179,132.79
Partners and employees.....	27,174.28			27,174.28			27,174.28		631.55	
Notes receivable.....	59,684.94			59,684.94			59,684.94	10,315.06	26,542.73	
Firm inventory.....	595,647.35	50,273.20		645,920.55		142,653.30	503,267.25		12,000.00 279,259.94 224,007.31	58,000.00
Exchange seats.....	165,000.00			165,000.00		90,000.00	75,000.00		75,000.00	
Furniture and fixtures.....	10,476.17			10,476.17		2,772.37	7,703.80	2,609.96	10,113.76	200.00
Miscellaneous.....	147,069.56			147,069.56			147,069.56		125,194.55 21,875.01	
Founders Investment Co.....	611,214.44		605,926.14	5,288.30			5,288.30			5,288.30
Securities held for customers.....					1,538,879.81		1,538,879.81		321,245.43 715,601.34 502,033.04	
Liquidation account.....								321,245.43 224,007.31	199,143.99 98,811.43 133,239.81 10,315.06 103,742.45	
Expenses of receivership.....								141,903.61	141,903.61	
Total.....	2,334,175.19			1,729,621.12			3,059,976.35			244,250.64
LIABILITIES										
Accounts payable (unsecured).....	108,172.86	112,309.31	4,136.45							
Notes payable (unsecured).....	38,764.44	38,764.44								
Brokers' loans (secured).....	495,858.89			495,858.89						
Bank loans (secured).....	341,632.50			341,632.50			495,858.89 341,632.50 118,545.00	25,774.02 994,861.28	64,598.91	
Repurchase agreements (secured).....	118,545.00	96,124.93		118,545.00				15,217.23		
Miscellaneous.....	99,046.39	2,921.46						27,035.26	359,461.16	
General creditors, claims.....			153,995.21	153,995.21			153,995.21	126,543.53	25,774.02	370,634.57
Dividends due customers.....						26,901.09	26,901.09	26,901.09		
Securities and traced cash due customers.....						1,607,269.99	1,607,269.99	1,607,269.99		
Tracing charges, interest account.....								13,343.51 5,402.81	18,746.32 6,945.91	
Exceptions paid.....					68,390.18			6,945.91		
Partners investments, etc.....	1,132,155.11	605,926.14 2,764.38	96,124.93	619,589.52	142,653.30 2,772.37 90,000.00		315,773.67	473,188.06	15,076.99 15,953.47	128,383.93
Total.....	2,334,175.19			1,729,621.12			3,059,976.35			244,250.64

Balance sheet Mar. 11, 1930

ASSETS

Miscellaneous:	
Syndicate profits.....	\$9,704.00
Membership account.....	500.00
Prepaid insurance.....	3,267.45
Revenue stamps.....	395.44
Anchorage Light & Power Co. (dividend advance).....	5,008.00
Neil House Co., coupons.....	10.00
Coen Cos., Inc.....	4,857.85
Western United Co.....	1,250.00
Consolidated Paper Box Co.:	
York-Stern.....	84,508.00
Advance account.....	10,008.82
De Lancey Smith, suspense account.....	1,000.00
George Keim, suspense account.....	1,500.00
Investment Shares Corporation.....	25,000.00
Total.....	147,069.56

LIABILITIES

Bank loans (per statement).....	340,332.50
Loan, E. G. Colvin (Bank of America).....	1,300.00
Total.....	341,632.50

Balance sheet Mar. 11, 1930—Continued

LIABILITIES—continued

Accounts payable:	
Customers' credits.....	\$91,038.31
H. H. Tracey.....	17,134.55
Total unsecured accounts payable.....	108,172.86
Miscellaneous:	
Brokers' claims.....	523.25
Coupon claims.....	565.50
Dividend claims.....	1,087.75
Salesmen, accounts payable.....	468.75
Investment Shares Corporation.....	12,383.40
Do.....	25,000.00
Reserve:	
Bad debts.....	25,241.71
Federal taxes.....	18,776.03
Unpaid bills.....	15,000.00
Total.....	99,046.39
Partners' investments, etc.:	
Capital.....	446,931.75
Notes payable, Russell-Colvin & Co.....	685,223.36
Total.....	1,132,155.11

Receiver's balance sheet, May 1, 1933

Assets:	
Cash	\$1,629.55
Accounts receivable (list):	
Notes receivable	58,000.00
Founders Investment Co.	5,288.30
Furniture and fixtures	200.00
Total assets to be realized	65,117.85
Liabilities: Due general creditors	370,634.57

ENTRIES

Firm's inventory	50,273.20
Partners' investment (interest and losses canceled)	2,764.38
Accounts receivable (customers) (restated accounts, repudiated sales)	53,037.58
Cash	4,136.45
Accounts payable (unsecured) checks outstanding, canceled at commencement of receivership	4,136.45
Accounts payable (unsecured)	112,309.31
Notes payable	38,764.44
Miscellaneous liabilities	2,921.46
General creditors (claims) to set up general claims filed with receiver	153,995.21
Partners' investment	605,926.14
Founders Investment Co., written off	605,926.14

Miscellaneous accounts payable	96,124.93
Partners' investment, no claims filed	96,124.93

ADJUSTMENTS TO APPRAISED VALUES

Partners' investment	142,653.30
Firm inventory adjusted to appraised value	142,653.30

Partners' investment	2,772.37
Furniture and fixtures adjusted to appraised value	2,772.37

Partners' investment	90,000.00
Exchange seats adjusted to appraised value	90,000.00

Cash (per cash report)	28,901.09
Dividends due customers, dividends received for customers	26,901.09

Cash	15,076.99
Partners' investment dividends and interest received for estate	15,076.99

Securities held for customers	1,538,879.81
Partners' investment	68,390.18

Securities and traced cash due customers	1,607,269.99
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Loans (pools)	994,861.28
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Securities held for customers	715,601.34
Firm securities (list), sold by pledges	279,259.94

ENTRIES

Liquidation account	321,245.43
Securities held for customers, balance customers' securities sold by receiver	321,245.43

Liquidation account	224,007.31
Firm securities balance firm sold	224,007.31

Accounts receivable	502,033.04
Securities held for customers, delivered to customers	502,033.04

Accounts receivable	159,810.90
Cash, cash paid claimants	159,810.90

Dividends due customers	26,901.09
Accounts receivable, dividends paid customers	26,901.09

Loans	25,774.02
General creditors' claims unsatisfied, balances claimed by pledges	25,774.02

Accounts receivable	18,746.32
Tracing charge	18,746.32

Accounts receivable	98,811.43
Liquidation account, difference between Mar. 11 value and sale customers' securities and reduced by credits for general creditors' balance	98,811.43

Cash	5,636.30
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Receiver's balance sheet, May 1, 1933—Continued

ENTRIES—continued

Accounts receivable	5,004.75
Partners' accounts, collected from deficit accounts	631.55

Accounts receivable	\$26,542.73
Partners' account transfer	25,542.73

Cash (see cash statement)	59,196.10
Interest charges, etc.	5,402.81

Loan account returned by pledgee after liquidation	64,598.91
Securities and traced cash due customers	1,607,269.99
Accounts receivable to set up customers' equity	1,607,269.99

Cash	252,228.58
Trading account (firm's securities list)	133,239.81
Furniture and fixtures	10,113.76
Exchange seats	75,000.00
Miscellaneous assets	21,875.01
Notes receivable, Anchorage	12,000.00
Salaries	28,978.85
H. B. Hunter	40,500.00
Rent	4,054.29
Legal expense, miscellaneous	7,370.47
Fees, attorney	51,250.00
Fees, attorney, miscellaneous	9,750.00

Total	141,903.61
Dividend general creditors, nos. 1, 2, 3	126,343.33
Exceptions	6,945.91
General creditors preferred	27,035.26

Cash	308,228.11
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Anchorage Light & Power Co. (notes receivable)	\$10,315.06
Liquidation account (firm's securities)	10,315.06
Sale Anchorage preferred stock	

Cash	103,742.45
Liquidation account	103,742.45
Received, sale customers' securities	

Dividend general creditors	15,217.23
Cash, dividend no. 4	15,217.23
Accounts receivable	359,461.16
General creditors	359,461.16

Transfer accounts receivable relegated to general fund	
Furniture and fixtures	2,609.96
Tracing charges, interest, etc.	13,343.51

Partners' investment account	15,953.47
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Partners' investment account	473,188.06
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Miscellaneous assets	125,194.55
Liquidation account	199,143.99
Expenses	141,903.61
Exceptions paid	6,945.91

Sold for statement

CONSOLIDATED PAPER BOX CO. (CONTROL)

[Capital: Stock, \$854,000; bonds, \$526,000]

	Firms		Customers		Total	
	Shares, bonds	Amount	Shares, bonds	Amount	Shares, bonds	Amount
A.	7,623	\$1,871.07	3,351	\$51.84	10,974	\$1,922.91
B.	28,801	7,413.76	2,737	42.31	31,538	7,456.07
Bonds	299,500	184,637.05			299,500	184,637.05
Machinery		17,181.89				17,181.89
Total		211,103.77		94.15		211,197.92
Pledged					176,000	115,448.75
Not pledged					123,500	99,188.30

\$50,000 paid finders; \$500,000 water.

COEN COS., INC. (NOT CONTROL)

[Capital: A-B, \$1,447,598.16]

	Firms		Customers		Total	
	Shares, bonds	Amount	Shares, bonds	Amount	Shares, bonds	Amount
A.	820	\$1,230.00	3,838	\$5,757.00	4,658	\$6,987.00
B.	18,634	18,513.00			18,634	18,513.00
Total		19,743.00		5,757.00		25,500.00

\$50,000 paid finders; \$225,000 water.

Sold for statement—Continued

ANCHORAGE LIGHT & POWER CO., INC. (NOT CONTROL)

[Capital: Stock, preferred, 250,000, at 100; common, 495,000; bonds, \$350,000]

	Firms		Customers		Total	
	Shares, bonds	Amount	Shares, bonds	Amount	Shares, bonds	Amount
Common	18,620				18,620	
Preferred	1,053	\$6,595.54				\$6,595.54
Bonds	39,000	24,788.25	1,000	\$635.00	40,000	25,423.85
Notes		63,404.46				63,404.46
Dividends						
Total		94,788.25		635.00		95,423.85

Estimated cost, \$374,000; cost, \$700,000.

Statement of appraised value

CONSOLIDATED PAPER BOX CO.

	Firms		Customers		Total	
	Shares, bonds	Amount	Shares, bonds	Amount	Shares, bonds	Amount
A	7,623	\$22,869.00	3,351	\$10,053.00	10,974	\$32,922.00
B	28,801	7,388.00	2,737	2,737.00	31,538	10,125.00
Bonds	299,500	254,575.00			299,500	254,575.00
Machinery, book value		84,508.00				84,508.00
Total		369,340.00		12,790.00		382,130.00
Pledged					176,000	149,600.00
Not pledged					123,500	104,975.00

COEN COS., INC.

	Firms		Customers		Total	
	Shares, bonds	Amount	Shares, bonds	Amount	Shares, bonds	Amount
A	620	\$4,960.00	4,038	\$32,304.00	4,658	\$37,264.00
B	18,634				18,634	
Total		4,960.00		32,304.00		37,264.00

ANCHORAGE LIGHT & POWER CO., INC.

	Firms		Customers		Total	
	Shares, bonds	Amount	Shares, bonds	Amount	Shares, bonds	Amount
Common	18,620				18,620	
Preferred	1,053	\$94,770.00			1,053	\$94,770.00
Bonds	\$39,000	34,710.00	1,000	890.00	\$40,000	35,600.00
Notes		63,404.46				63,404.46
Dividends		5,008.00				5,008.00
Total		197,892.46		890.00		198,782.46

CONSOLIDATED PAPER BOX CO. 7's

4,000 Epstein	\$1,600.00
22,500 Bank of Alaska	14,383.75
5,000 Bank of Davis	2,500.00
48,000 Crown Zellerbach	33,600.00
1,000 Leonard	690.00
1,000 Smithousen	600.00
63,500 York-Stern	46,075.00

145,000 99,448.75

5,000 Bank of America—sold H.B.H. (pledged)	3,000.00
13,000 Capital National—sold H.B.H. (pledged)	7,800.00
13,000 Miscellaneous (pledged)	5,200.00
22,000 Safekeeping	8,800.00
92,500 Vault	55,100.00

145,500 79,900.00

179,348.75
9,000 Gounders Investment Co. 5,288.30

Restated accounts receivable

	Old ledger balance	Restated	New balance	Securities		Less dividend and interest
				Book	Appraised	
Frank Bishop	\$1,106.55	\$2,280.00	\$1,173.45	\$2,280.00	\$2,227.50	
Annie Buckhart	2,223.14	2,223.14		2,215.00	1,645.00	\$8.14
A. R. Cuning	2,582.41	3,111.95	529.44	3,280.70	600.00	168.75
Harold Elliott	6,639.29	6,639.29		6,615.00	4,935.00	24.29
Mrs. Ada Hinkel	10,830.15	10,835.46	5.31	8,079.75	8,573.75	2,755.71
Jennie Low	222.52	472.52	250.00	242.50	10.00	
R. A. McGrath	11,307.14	11,166.51	140.63	11,125.00	8,225.00	41.51
Dr. H. Penland	1,788.30	4,379.38	2,591.08	4,416.88	1,535.00	37.50
Mrs. Mabel Rodgers	3,334.71	3,334.71		3,322.50	2,467.50	12.21
Mrs. F. R. Thornington	10,534.25	6,418.43	4,115.81	6,668.43	5,050.00	250.00
Lloyd Wilcox	5,598.13	2,007.44	3,590.69	2,027.44	1,700.00	20.00
Carrie Bull						
Total	56,166.58	53,039.58	7,847.13	50,273.20	36,968.75	
	7,847.13					
	48,319.45					

Restated accounts receivable—Continued

Claimed	\$477,488.49
110. Monell credit	134,896.82
Unclaimed:	
With securities	141,916.69
No securities	38,215.99
Customers' debit balances	657,621.17
	705,940.62

Principal firm securities

	Book value	Appraised	Realized
1,053 shares Anchorage Light & Power, preferred	\$95,823.00	\$94,770.00	\$10,315.06
620 shares Coen Cos., Inc., A	12,992.50	4,960.00	930.00
18,634 shares Coen Cos., Inc., B			19,105.94
7,046 shares Consolidated Paper Box, A	74,391.76	21,138.00	
21,413 shares Consolidated Paper Box, B (escrow)			9,284.83
7,258 shares Consolidated Paper Box, B	83,783.05	7,258.00	
\$39,000 P.V. Anchorage Light & Power, 7's, 1943	35,490.00	34,710.00	24,788.01
\$290,500 P.V. Consolidated Paper Box, 7's, 1939	256,483.69	246,925.00	179,348.75
Total	558,964.00	409,761.00	243,772.53
18,620 shares Anchorage Light & Power, common			
\$9,000 P.V. Consolidated Paper Box, 7's, 1939 (belonging to Founders Investment Co.)		7,650.00	5,288.30
York-Stern Machinery	84,508.00		17,181.89
Anchorage Light & Power Co. (notes)	59,684.94		59,684.94

POOLS

Bank of Alaska; Analy Savings Bank; Bank of America; Anglo-California Trust Co.; H. J. Barneson & Co.; Capital National Bank; Bank of Ceres; M. B. Crossman; Bank of Italy; First National Bank of Napa; First National Bank of Oakland; First National Bank of Upland; McCreery, Finnell & Co.; M. Links; Ben Epstein; T. C. Brown; William F. Menke; De Fremery & Co.; Henry L. Doherty & Co.; Ashley; Associated Gas & Electric Co.; C. Taft; D. Marwedel; W. J. Cooper; E. Lawson; Central Illinois Co.; J. T. Crowell; C. A. Bowron; L. W. Hansen; E. Graff; Y. S. Tai; Y. Y. Tong; Peoples National Bank, McMinnville, Tenn.; E. A. Pierce & Co.; Russell-Miller & Co.; Safekeeping; Vault; San Jose National Bank; Second National Bank, Danville, Ill.; T. Y. Tong; Wells Fargo Bank & Union Trust Co.; Bank of Davis; Crown Zellerbach Corporation; J. M. Leonard; Smithousen; York-Stern.

Individual securities claimed (control sheets)	1,176
Different securities	341
Number security claimants (list of claims)	413
Number pools (list)	46
Number customers' ledger accounts (ledger)	699
Total claims filed (report on claims)	679

RECESS

Mr. ASHURST. I move that the Senate, sitting as a Court of Impeachment, take a recess until 10 o'clock tomorrow morning.

The PRESIDING OFFICER. The question is on the motion of the Senator from Arizona.

The motion was agreed to; and (at 5 o'clock and 47 minutes p.m.) the Senate, sitting as a Court of Impeachment, took a recess until tomorrow, Friday, May 19, 1933, at 10 o'clock a.m.

LEGISLATIVE SESSION

The Senate, pursuant to the order for a recess entered yesterday, resumed legislative session.

MESSAGES FROM THE PRESIDENT

During the impeachment proceedings, on motion of Mr. ROBINSON of Arkansas, and by unanimous consent, several messages in writing from the President of the United States were received, which were communicated to the Senate by Mr. Latta, one of his secretaries.

On request of Mr. ROBINSON of Arkansas, the Presiding Officer (Mr. HEBERT in the chair), as in executive session, referred the messages transmitting sundry nominations to the appropriate committees.

(For nominations this day received see the end of Senate proceedings.)

MESSAGE FROM THE HOUSE—ENROLLED BILL SIGNED

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, announced that the Speaker had affixed his signature to the enrolled bill (H.R. 5081) to improve the navigability and to provide for the flood control of the Tennessee River; to provide for reforestation and

the proper use of marginal lands in the Tennessee Valley; to provide for the agricultural and industrial development of said valley; to provide for the national defense by the creation of a corporation for the operation of Government properties at and near Muscle Shoals, in the State of Alabama; and for other purposes, and it was signed by the Vice President.

ENROLLED BILLS SIGNED

The VICE PRESIDENT announced his signature to the following enrolled bills, which had previously been signed by the Speaker of the House of Representatives:

S. 73. An act to authorize the Comptroller General to allow claim of district no. 13, Choctaw County, Okla., for payment of tuition for Indian pupils;

S. 1410. An act to amend section 207 of the Bank Conservation Act with respect to bank reorganizations;

S. 1415. An act to amend sections 5200 and 5202 of the Revised Statutes, as amended, to remove the limitations on national banks in certain cases; and

S. 1582. An act to amend section 1025 of the Revised Statutes of the United States.

RATIFICATION BY MICHIGAN OF PROPOSED CHILD-LABOR AMENDMENT TO CONSTITUTION

The VICE PRESIDENT laid before the Senate the following concurrent resolution of the Legislature of the State of Michigan, which was ordered to lie on the table:

Senate Concurrent Resolution 45

A concurrent resolution proposing the ratification of the child-labor amendment to the Constitution of the United States.

Whereas the Congress of the United States has, under the fifth article of the Constitution of the United States, proposed an amendment to said Constitution in the following words, to wit:

"Sec. 1. The Congress shall have power to limit, regulate, and prohibit the labor of persons under 18 years of age.

"Sec. 2. The power of the several States is unimpaired by this article, except that the operation of State laws shall be suspended to the extent necessary to give effect to legislation by the Congress";

Now, therefore, be it

Resolved by the senate (the house of representatives concurring). That the said amendment to the Constitution of the United States be, and the same is, hereby ratified; and be it further

Resolved, That a certified copy of the foregoing resolution be forwarded by his excellency the Governor of the State of Michigan, to the Secretary of State of the United States, to the Presiding Officer of the United States Senate, and to the Speaker of the House of Representatives of the United States.

Adopted by senate May 9, 1933.

Adopted by house May 10, 1933.

DON W. CANFIELD,
Secretary of Senate.

WYLER F. GRAY,

Clerk of House of Representatives.

ALLEN E. STEBBINS,

President of Senate.

MARTIN R. BRADLEY,

Speaker of the House of Representatives.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a resolution adopted at a meeting of officers of the Farm Holiday Association of Rusk County, Wis., asking the removal from office of the Secretary of Agriculture, Mr. Wallace, because of his alleged opposition to the so-called "Simpson-Norris cost-of-production amendment" to House bill 3835, the farm-relief bill, when pending in Congress, which was referred to the Committee on Agriculture and Forestry.

He also laid before the Senate a resolution adopted by the City Council of Two Rivers, Wis., favoring the issuance of national currency to municipalities on the pledge of their bonds, which was referred to the Committee on Banking and Currency.

He also laid before the Senate a resolution adopted at a general meeting of the Northwestern Trust & Savings Bank depositors, Chicago, Ill., favoring the passage of legislation to relieve depositors of banks in liquidation, which was referred to the Committee on Banking and Currency.

He also laid before the Senate a resolution adopted by Old Glory Post, No. 2044, Veterans of Foreign Wars of the United States, of Daly City, Calif., opposing the formation of veterans' bonus expeditionary forces to march upon

Washington, which was referred to the Committee on Finance.

He also laid before the Senate a petition of sundry citizens of the State of California, praying that Congress restore to service-connected disabled veterans their former benefits, rights, privileges, ratings, schedules, compensation, presumptions, and pensions, which was referred to the Committee on Finance.

He also laid before the Senate a telegram from W. R. Boyd, Jr., executive vice president American Petroleum Institute, embodying a memorial adopted by that institute at its third midyear meeting in Tulsa, Okla., urging that no further burden of taxation be imposed upon the oil industry, that the Federal gasoline tax be discontinued, and that a general manufacturers' sales tax be substituted for "the present oppressive and discriminatory excise taxes on a few commodities", which was referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by members of the Farmers Union of Rusk County, Wis., favoring the making of adequate Federal provision to care for the disabled veterans, which was referred to the Committee on Finance.

He also laid before the Senate a letter in the nature of a memorial from John Gannon, of Pollock, La., endorsing Hon. HUEY P. LONG, a Senator from the State of Louisiana, and remonstrating against a senatorial investigation of his alleged acts and conduct, which was referred to the Committee on the Judiciary.

He also laid before the Senate a letter in the nature of a petition from M. L. Wiggins, of Georgetown, La., praying for a senatorial investigation of alleged acts and conduct of Hon. HUEY P. LONG, a Senator from the State of Louisiana, which was referred to the Committee on the Judiciary.

He also laid before the Senate a resolution adopted by the Pennsylvania State Hotel Association at Philadelphia, Pa., favoring the passage of the so-called "Kelly bill" providing an appropriation of \$300,000,000 for Federal highway construction, which was referred to the Committee on Post Offices and Post Roads.

He also laid before the Senate a resolution adopted by the Beaumont (Tex.) Chamber of Commerce, protesting against the ratification of the St. Lawrence-Great Lakes Deep Waterway Treaty with Canada in its present form, which was ordered to lie on the table.

He also laid before the Senate a letter from Wade H. Cooper, the Commercial National Bank, of Washington, D.C., expressing appreciation of the action of Congress in passing Senate bill 1410, allowing State banks to reorganize in the same manner as national banks, which was ordered to lie on the table.

Mr. ROBINSON of Arkansas presented a communication from R. E. Lee Wilson, of Wilson, Ark., suggesting certain amendments to Senate bill 1580, the railroad relief bill, which was referred to the Committee on Interstate Commerce.

PROTEST AGAINST RECOGNITION OF SOVIET GOVERNMENT OF RUSSIA

Mr. REED presented a resolution adopted by the Philadelphia (Pa.) Board of Trade, which was referred to the Committee on Foreign Relations and ordered to be printed in the RECORD, as follows:

EXTRACT FROM MINUTES OF STATED MEETING, PHILADELPHIA BOARD OF TRADE, HELD MAY 15, 1933

Your Committee on Foreign and Coastwise Commerce submits the following preamble and resolution, protesting recognition of Soviet Russia by the United States:

Whereas Russia's vast land area together with its enormous natural resources create in that country a potential wealth which, to establish its people as a nation in the commercial rank and prestige to which they are justly entitled, needs only the stimulus of government grounded in strict administrative and commercial integrity, recognizing absolutely the basic principles upon which international trade is necessarily conducted; and

Whereas trade with Russia under present conditions fails to justify diplomatic recognition by the United States of America for that communistic regime now administering domestic affairs and foreign policies of the Russian people, especially when it is appreciated that such action on behalf of the Federal Government

at Washington must subject American citizens to that form of subversive political propaganda now characterizing the Soviet international activities, the effect of which must impair the morale of our own nationals; and

Whereas until a government for Russia is established which acknowledges due respect for the rights of all, regardless of class or creed, the attitude heretofore enunciated by the Department of State at Washington should, we believe, find endorsement in Congress: Therefore

Resolved, That the Philadelphia Board of Trade hereby protests recognition by the United States of America of a government in Russia such as that now constituted in the Union of Soviet Socialist Republics maintained in power through military oppression and social and economic policies opposed to American ideals of government, which ideals preserve and protect the lives of its citizens and their property rights.

On motion the preamble and resolution were unanimously adopted.

True copy.

THE PHILADELPHIA BOARD OF TRADE,
PHILIP GODLEY, President.

Attest:
[SEAL]

HENRY W. WILLS, Secretary.

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. CAPPER:

A bill (S. 1718) granting a pension to Alma Blanche Shipman (with accompanying papers); and

A bill (S. 1719) granting a pension to Clarence Edward Shipman (with accompanying papers); to the Committee on Pensions.

By Mr. REED:

A bill (S. 1720) for the relief of Mary Ellen Tiefenthaler; to the Committee on Claims.

By Mr. KING:

A bill (S. 1721) granting certain lands to the University of Utah in Salt Lake County, Utah; to the Committee on Military Affairs.

By Mr. JOHNSON:

A bill (S. 1722) to extend certain letters patent; to the Committee on Patents.

By Mr. FLETCHER:

A bill (S. 1723) to amend the Reconstruction Finance Corporation Act, as amended, to remove limitations upon the aggregate amount of funds which the Corporation may lend to aid in the reorganization or liquidation of banks and savings banks, either closed or in process of liquidation; to the Committee on Banking and Currency.

By Mr. HARRISON:

A joint resolution (S.J.Res. 55) extending for 1 year the time within which American claimants may make application for payment, under the Settlement of War Claims Act of 1928, of awards of the Mixed Claims Commission and of the Tripartite Claims Commission; to the Committee on Finance.

REGULATION OF BANKING—AMENDMENTS

Mr. FLETCHER and Mr. DILL each submitted an amendment intended to be proposed by them, respectively, to Senate bill 1631, the banking bill, which were ordered to lie on the table and to be printed.

Mr. VANDENBERG submitted an amendment intended to be proposed by him to Senate bill 1631, the banking bill, which was ordered to lie on the table, to be printed, and to be printed in the RECORD, as follows:

On page 44, end of line 15, add new section:

"Sec. 12C. (a) There is hereby created a temporary Federal bank-deposit insurance fund (hereinafter referred to as the fund), effective July 1, 1933, whose duty it shall be to insure certain deposits until July 1, 1934, when the Federal Bank Deposit Insurance Corporation begins to operate.

"(b) Each member bank of the Federal Reserve System which is now or hereafter licensed by the Secretary of the Treasury, pursuant to the authority vested in him by the President's proclamation of March 10, 1933, shall become a member of such fund in respect to each of its several deposits not in excess of \$2,500, and in respect to the first \$2,500 of any deposit in excess thereof: *Provided*, That section 12C shall not apply to any impounded or otherwise restricted deposit (except such restrictions as have been or may be proclaimed by the Secretary of the Treasury), or impounded or restricted portion thereof.

"(c) Any State bank which is not a member of the Federal Reserve System, but which is certified by the State's chief bank-

ing authority as solvent in respect to its free deposits in the date of application for membership in the fund, shall, upon application, become a member of said fund in respect to each of its several deposits not in excess of \$2,500, and in respect to the first \$2,500 of any deposit in excess thereof: *Provided*, That section 12C shall not apply to any impounded or otherwise restricted deposit (except such restrictions as have been or may be proclaimed by the Secretary of the Treasury).

"(d) Each member of the fund shall file with the fund prior to July 1, 1933, a sworn statement of the number and amount of its deposits, as of June 1, 1933, which would be eligible for insurance under this section, together with a certified check for one half of 1 percent of the total deposits thus certified. A similar certification shall be made on January 1, 1934, together with a certified check for one half of 1 percent of any increase in the total certification.

"(e) Each member of the fund shall be subject to one assessment of an additional one half of 1 percent (the same amount as accompanied its application and its payment, if any, on January 1, 1934) at any time prior to July 1, 1934, if the fund requires this additional revenue to meet its obligations as hereinafter defined.

"(f) During the life of the fund no member of the fund shall pay in excess of 2½ percent per annum interest on any insured deposit.

"(g) Whenever any member of the fund shall have been closed by appropriate legal authority the fund shall pay to each insured depositor as soon as possible thereafter the amount of his insured deposit on the date of such closing. After such payment the fund shall be subrogated to all rights against the closed bank of the owners of such deposits and shall be entitled to receive the same dividends from the proceeds of the assets of such closed bank as would have been payable to each such depositor in respect to the insured deposit.

"(h) In the event that the fund shall be unable to pay any of its obligations when due the Secretary of the Treasury shall pay the amount thereof which is hereby authorized to be appropriated out of any moneys in the Treasury not otherwise appropriated. If any such advances are made by the Secretary of the Treasury, they shall be subsequently reimbursed to the Treasury by the Federal Bank Deposit Insurance Corporation to the extent of the proceeds of a special annual assessment, for not to exceed 10 years after July 1, 1934, of one fourth of 1 percent of the total insured deposits of the members of the fund on January 1, 1934, which the Corporation is hereby authorized to collect.

"(i) In the event that the fund shall pay all of its obligations without recourse to the authority contained in the subsection (h), any balance remaining therein on July 1, 1934, when the life of the fund terminates, shall be transferred to the Federal Bank Deposit Insurance Corporation.

"(j) The fund shall be a body corporate with power to adopt and use a corporate seal; to make contracts; to sue and be sued, complain and defend in any court of law or equity, State or Federal; to appoint by its board of directors, which shall consist of the members of the Federal Reserve Board, such officers and employees as may be necessary to carry out the powers granted to the fund by this act; to define their duties, fix their compensation, require bonds of them and fix the penalty thereof, and to dismiss at pleasure such officers or employees; to prescribe by its board of directors bylaws not inconsistent with law, regulating the manner in which its general business may be conducted and the privileges granted to it by law may be exercised and enjoyed; and to exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by this act and such incidental powers as shall be necessary to carry out the powers so granted. No member of the board of directors of the fund shall receive any additional compensation for his services as such member.

"(k) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$10,000,000, which shall be made available to the fund for the purpose of any of its expenses or obligations.

"(l) All obligations of the fund shall cease on July 1, 1934. Thereafter it shall function solely in the collection of any liquidating dividends still due, as defined in subsection (g). The net proceeds of these subsequent collections shall be paid into the Federal Bank Deposit Insurance Corporation unless there is an unreimbursed balance due the Treasury under subsection (h), in which event they shall be paid into the Treasury."

EXPENSES OF IMPEACHMENT TRIAL OF JUDGE LOUDERBACK

Mr. BYRNES submitted the following resolution (S.Res. 82), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That \$20,000 hereby is authorized to be expended from the contingent fund of the Senate in addition to the amount previously authorized to defray the expenses in the impeachment trial of Judge Louderback.

EXECUTIVE SESSION

Mr. ROBINSON of Arkansas. Mr. President, I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

REPORTS OF COMMITTEES

The PRESIDING OFFICER (Mr. HEBERT in the chair). Reports of committees are in order.

Mr. ROBINSON of Arkansas, for Mr. HARRISON, from the Committee on Finance, reported favorably the following nominations:

Surg. Walter L. Treadway to be senior surgeon in the Public Health Service, to rank as such from July 28, 1933;

William Alexander Julian, of Ohio, to be Treasurer of the United States, in place of Walter O. Woods, resigned; and

The following-named surgeons to be senior surgeons in the Public Health Service, to rank as such from the dates set opposite their names:

Lionel E. Hooper, May 14, 1933; and

Francis A. Carmelia, May 19, 1933.

The PRESIDING OFFICER. The nominations will be placed on the calendar.

LEO O. COLBERT

Mr. STEPHENS. Mr. President, I report favorably from the Committee on Commerce the nomination of Leo O. Colbert, of Massachusetts, as a member of the Mississippi River Commission.

This gentleman has been appointed a member of this Commission, which left St. Louis, Mo., this morning at 9 o'clock to make its regular spring trip on the Mississippi River, and it is desired that Mr. Colbert join the party as early as possible. Therefore I am going to ask unanimous consent for immediate consideration of the nomination, and, if it is confirmed, that the President be notified.

Mr. McNARY. Mr. President, I usually have objected to requests of this nature, as the RECORD will indicate, but this case is really an emergency, and I have no objection.

Mr. CLARK. Mr. President, the law provides that one member of the Mississippi River Commission shall be from the Coast and Geodetic Survey. Is this gentleman appointed as the Coast and Geodetic Survey member of the Commission?

Mr. STEPHENS. He is.

The PRESIDING OFFICER. Is there objection to the immediate confirmation of the nomination? The Chair hears none, and the nomination is confirmed.

Mr. STEPHENS. Mr. President, I ask unanimous consent that the President may be notified of the confirmation.

Mr. McNARY. I will state again that I usually object to requests of this kind, but on account of the emergency in this case, I withhold objection.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the President will be notified.

RECESS

Mr. ROBINSON of Arkansas. Mr. President, I move that the Senate take a recess until immediately following the conclusion of its proceedings sitting as a Court of Impeachment on tomorrow.

The motion was agreed to; and (at 5 o'clock and 50 minutes p.m.) the Senate, as in legislative session, took a recess until the conclusion of the proceedings of the Senate sitting as a Court of Impeachment on tomorrow, Friday, May 19, 1933, the hour of meeting of the Senate sitting as a Court of Impeachment being 10 o'clock a.m.

NOMINATIONS

Executive nominations received by the Senate May 18 (legislative day of May 15), 1933

DEPUTY COMMISSIONER IN THE BUREAU OF FISHERIES

Charles E. Jackson, of South Carolina, to be Deputy Commissioner in the Bureau of Fisheries, vice Lewis Radcliffe, resigned.

APPOINTMENTS IN THE REGULAR ARMY

To be major general

Brig. Gen. George Sherwin Simonds, from February 11, 1933, vice Maj. Gen. Edgar T. Collins, died February 10, 1933.

To be The Adjutant General, with the rank of major general, for a period of 4 years from date of acceptance, with rank from February 2, 1933

Brig. Gen. James Fuller McKinley, Assistant The Adjutant General, vice Maj. Gen. Charles H. Bridges, The Adjutant General, whose term of office expired February 1, 1933.

To be Chief of the Chemical Warfare Service, with the rank of major general, for a period of 4 years from date of acceptance, with rank from May 9, 1933

Col. Claude Ernest Brigham, Chemical Warfare Service, vice Maj. Gen. Harry L. Gilchrist, Chief of the Chemical Warfare Service, whose term of office expired May 8, 1933.

To be Chief of Infantry, with the rank of major general, for a period of 4 years from date of acceptance, with rank from May 6, 1933

Col. Edward Croft, Infantry, vice Maj. Gen. Stephen O. Fuqua, Chief of Infantry, whose term of office expired May 5, 1933.

To be brigadier generals

Col. Alfred Theodore Smith, Infantry, from January 1, 1933, vice Brig. Gen. Paul A. Wolf, retired from active service December 31, 1932.

Col. Francis LeJau Parker, Cavalry, from February 1, 1933, vice Brig. Gen. Samuel D. Rockenbach, retired from active service January 31, 1933.

Col. Pegram Whitworth, Infantry, from March 19, 1933, vice Brig. Gen. Harry Burgess, died March 18, 1933.

Col. Sherwood Alfred Cheney, Corps of Engineers, from April 1, 1933, vice Brig. Gen. Robert McCleave, retired from active service March 31, 1933.

Col. David Lamme Stone, Infantry, vice Brig. Gen. George S. Simonds, nominated for appointment as major general.

To be Assistant The Adjutant General, with the rank of brigadier general, for a period of 4 years from date of acceptance

Col. Edgar Thomas Conley, Adjutant General's Department, vice Brig. Gen. James F. McKinley, Assistant The Adjutant General, nominated for appointment as The Adjutant General.

To be assistant to the Surgeon General, with the rank of brigadier general, for a period of 4 years from date of acceptance, with rank from January 1, 1933

Col. Albert Ernest Truby, Medical Corps, vice Brig. Gen. Edward L. Munson, assistant to the Surgeon General, retired from active service December 31, 1932.

To be Chief of the Bureau of Insular Affairs, with the rank of brigadier general, for a period of 4 years from date of acceptance, with rank from January 9, 1933

Col. Creed Fulton Cox, Field Artillery, vice Brig. Gen. Francis LeJ. Parker, Chief of the Bureau of Insular Affairs, whose term of office expired January 8, 1933.

APPOINTMENT IN THE OFFICERS' RESERVE CORPS OF THE ARMY

GENERAL OFFICER

To be brigadier general, reserve

Brig. Gen. Alvin Horace Hankins, Washington National Guard, from May 12, 1933.

PROMOTIONS IN THE NAVY

Commander Randall Jacobs to be a captain in the Navy from the 5th day of April 1933.

Lt. John W. Roper to be a lieutenant commander in the Navy from the 1st day of October 1932.

Lt. Franz O. Willenbacher to be a lieutenant commander in the Navy from the 1st day of January 1933.

Lt. William N. Updegraff to be a lieutenant commander in the Navy from the 1st day of February 1933.

Lt. William E. Clayton to be a lieutenant commander in the Navy from the 1st day of April 1933.

Lt. John H. Cassady to be a lieutenant commander in the Navy from the 5th day of April 1933.

Lt. (Jr. Gr.) Howell C. Fish to be a lieutenant in the Navy from the 14th day of January 1933.

Lt. (Jr. Gr.) Thomas H. Templeton to be a lieutenant in the Navy from the 1st day of February 1933.

Lt. (Jr. Gr.) Edwin R. Wilkinson to be a lieutenant in the Navy from the 1st day of February 1933.

Lt. (Jr. Gr.) Wayne N. Gamet to be a lieutenant in the Navy from the 1st day of March 1933.

Lt. (Jr. Gr.) Theodore J. Shultz to be a lieutenant in the Navy from the 1st day of April 1933.

Lt. (Jr. Gr.) Edward W. Young to be a lieutenant in the Navy from the 5th day of April 1933.

Lt. Comdr. Thomas W. Mather to be a lieutenant commander in the Navy from the 4th day of June 1931, to correct the date of rank as previously nominated and confirmed.

Lt. Comdr. Byron J. Connell to be a lieutenant commander in the Navy, from the 5th day of October 1931, to correct the date of rank as previously nominated and confirmed.

Lt. Comdr. Arthur Gavin to be a lieutenant commander in the Navy, from the 29th day of December 1931, to correct the date of rank as previously nominated and confirmed.

Lt. Comdr. Andrew Crinkley to be a lieutenant commander in the Navy, from the 1st day of January 1932, to correct the date of rank as previously nominated and confirmed.

Lt. Comdr. George L. Compo to be a lieutenant commander in the Navy, from the 1st day of February 1932, to correct the date of rank as previously nominated and confirmed.

Lt. Comdr. William J. Graham to be a lieutenant commander in the Navy, from the 1st day of March 1932, to correct the date of rank as previously nominated and confirmed.

The following-named surgeons to be surgeons in the Navy, with the rank of lieutenant commander, from the 1st day of January 1932, to correct the date of rank as previously nominated and confirmed.

Charles G. Terrell

Howell C. Johnston

The following-named paymasters to be paymasters in the Navy, with the rank of lieutenant commander, from the 1st day of January 1932, to correct the date of rank as previously nominated and confirmed:

Francis L. Gaffney

Maurice M. Smith

Russell D. Calkins

John A. Fields

Paymaster Dillon F. Zimmerman to be a paymaster in the Navy, with the rank of lieutenant commander, from the 1st day of March 1932, to correct the date of rank as previously nominated and confirmed.

Lt. (Jr. Gr.) Philip F. Wakeman to be an assistant naval constructor in the Navy, with the rank of lieutenant (junior grade), from the 7th day of June 1931.

The following-named lieutenants (junior grade) to be assistant naval constructors in the Navy, with the rank of lieutenant (junior grade), from the 6th day of June 1932:

Leslie E. Richardson.

Howard R. Garner.

The following-named ensigns to be assistant naval constructors in the Navy, with the rank of ensign, from the 5th day of June 1930:

Harold M. Heiser

Robert T. Sutherland, Jr.

Stanley M. Alexander

Harry W. Englund

Oscar M. Browne, Jr.

Marvin H. Gluntz

Robert E. Perkins

Carpenter Harold S. Hamilton to be a chief carpenter in the Navy, to rank with but after ensign, from the 19th day of March 1933.

Pay Clerk William F. Bogar to be a chief pay clerk in the Navy, to rank with but after ensign, from the 1st day of March 1933.

The following-named midshipmen to be ensigns in the Navy, revocable for 2 years, from the 1st day of June 1933:

Louis H. Albiston

Samuel Bertolet

Howard W. Anderson

James S. Bethea

Frank R. Arnold

James V. Bewick

Frederick L. Ashworth

Horace V. Bird

Henry F. Banzhaf

Thompson Black, Jr.

Robert H. Barnum

John T. Blackburn

James L. Beam

Francis L. Blakelock

Carter L. Bennett

Walter L. Blatchford

Francis J. Blouin

Walter S. Bobo, jr.

Joseph H. Bourland

Harold G. Bowen, Jr.

Merle F. Bowman

Francis E. Brown

James O. Brown

Frederick W. Bruning

Paul D. Buie

James B. Burrow

Paul W. Burton

Clarence M. Caldwell

Clifford M. Campbell

James H. Campbell

Allan M. Chambliss

Jay V. Chase

Benjamin B. Cheatham

Harold F. Christ

Warren B. Christie

Thomas A. Christopher

Merrill K. Clementson

James O. Cobb

Thomas F. Connolly

Lester C. Conwell

Richard G. Copeland

Joseph P. Costello

John S. Coye, Jr.

Robert W. Curtis

Charles A. Curtze

Edgar M. Davenport

Roy M. Davenport

Lewis M. Davis, Jr.

Ray Davis

William L. Dawson

Richard B. Derickson, Jr.

John R. Dillon

Norman J. Drustrup

Charles K. Duncan

James M. Elliott

Joseph F. Enright

Arthur K. Espenas

Robert E. Fair

Frank S. Fernald

Charles W. Fielder

James H. Fortune, Jr.

William C. Fortune

Everett J. Foster

James G. Franklin

Charles T. Fritter

Herbert S. Fulmer, Jr.

Raymond L. Fulton

Raymond D. Fusselman

Ignatius J. Galantin

Robert A. Gallagher

Antone R. Gallaher

Norman W. Gambling

John A. Gamon, Jr.

Philip W. Garnett

Robert E. Garrels

Charles F. Garrison

Richard C. Gazlay

Robert M. Gibbons

James B. Grady

Murray Hanson

Donovan B. Harby

Ward F. Hardman

Irvin S. Hartman

Enrique D. Haskins

Burden R. Hastings

Julian S. Hatcher, Jr.

Clinton J. Heath

Luther C. Heinz

Ezra G. Howard

William S. Howell

George K. Hudson

Albert C. Ingels

Robert H. Isely

Charles B. Jackson, Jr.

Edward F. Jackson

Raymond B. Jacoby

Ernest Lee Jahncke, Jr.

Carlton B. Jones

Thomas A. Jones

Stephen Jurika, Jr.

William R. Kane

James G. Kastein

Robert A. Keating, Jr.

Richard L. Kibbe

Nova B. Kiergan, Jr.

Leland P. Kimball, Jr.

George O. Klinmann

Joseph W. Koenig

Donald O. Lacey

George H. Laird, Jr.

David Lambert

Richard Lane

Willard R. Laughon

Robert W. Leach

Edward P. Lee, Jr.

Lamar Lee, Jr.

John S. Lehman

Hayden L. Leon

Harry M. Lindsay, Jr.

Frank V. List

Edwin E. Lord, 3d

Charles E. Loughlin

Kenneth Loveland

Michael J. Luosey

Harold A. MacDonald

William W. R. Macdonald

Donald E. MacIntosh

Robert A. Macpherson

Robert B. Madden

Louis J. Majewski

Joseph I. Manning

Laurence H. Marks

David L. Martineau

Paul Masterton

Dale Mayberry

Harry C. Maynard

Robert McAfee

John J. McCormack, Jr.

Joseph C. McGoughran

Hugh R. McKibbin

Robert H. McRae

Bernard H. Meyer

Clayton L. Miller

Edwin S. Miller

George H. Miller

Richard L. Mohan

Charles L. Moore, Jr.

Thomas H. Moorer

Charles C. Morgan

John C. Morgan

Thomas H. Morton

Gordon Murphy

Karl F. Neupert

Walter H. Newton, Jr.

Thomas P. O'Connell

James R. Ogden

Robert I. Olsen

Jay T. Palmer

Thomas V. Peters

John L. Phillips, Jr.

Ludwell R. Pickett

William V. Pratt, 2d

Ralph M. Pray

George M. Price

Bertram J. Prueher

Frederick W. Purdy

John Ramee

Reginald M. Raymond

James R. Reedy
Edward S. Rhea, Jr.
Gilbert H. Richards, Jr.
Robert S. Riddell
Charles E. Robertson
Jack W. Roe
George D. Rouillard
Henry P. Rumble
Baxter L. Russell
Selby K. Santmyers
Ralph N. Sargent, Jr.
Arnold F. Schade
Henry E. Schmid
Wallace A. Schmid
Earle C. Schneider
Frank D. Schwartz
Everett E. Seagroves
Seth S. Searcy, Jr.
William E. Shafer
John Shannon
Edward E. Shelby
Martin A. Shellabarger
Albert L. Shepherd
Frederick W. Sheppard
Ralph L. Shifley
Kenneth S. Shook
Frank M. Slater
Francis J. Smedley
Robert H. Solier
Owen E. Sowerwine
Otto W. Spahr, Jr.
Paul L. Stahl
John M. Steinbeck

Milton G. Stephens
Lemuel M. Stevens, Jr.
Louis J. Stocker
Bernard M. Streat
Henry D. Sturr
Ralph E. Styles
William H. Sublette
Millener W. Thomas
Raymond W. Thompson, Jr.
Carl Tiedeman
Malcolm H. Tinker
Jack C. Titus
Jack J. Tomamichel
James F. Tucker
Vernon C. Turner
John A. Tyree, Jr.
James J. Vaughan
Theodore R. Vogeley
Louis E. Von Woglom
Ruben E. Wagstaff
Frederick H. Wahlig
Thomas H. Ward
John B. Weeks
George Wendelburg
Waldemar F. A. Wendt
James W. White
Richard D. White
Bruce E. Wiggin
Joseph W. Williams, Jr.
Archie T. Wright, Jr.
Gerald R. Wright
Herbert C. Yost

The following-named midshipmen to be assistant paymasters in the Navy, with the rank of ensign, revocable for 2 years, from the 1st day of June 1933:

James E. Bullock	Ross G. Linson
Earnest G. Campbell	Albert F. Ryan, Jr.
James S. Dietz	Donald W. Twigg
DeWitt C. T. Grubbs, Jr.	Paul L. Weintraub, Jr.

MARINE CORPS

The following-named midshipmen to be second lieutenants in the Marine Corps, revocable for 2 years, from the 1st day of June 1933:

Edward Eugene Authier	James Marvin Masters, Jr.
Joslyn Rigby Bailey	David Stockton McDougal
Nixon Leslie Ballard	Wilbur James McNenny
Etheridge Charles Best	Guy Marion Morrow
Robert Oliver Bowen	James Rockwell
Frederick Schaffer Bronson	Theodore Carlyle Turnage, Jr.
James Fraser Climie	Marshall Alvin Tyler
William Edward Erwin, Jr.	Sidney Scott Wade
Donald Walker Fuller	Paul Eugene Wallace
William Archibald Kengla	
Alfred Thomas Magnell	

CONFIRMATION

Executive nomination confirmed by the Senate May 18 (legislative day of May 15), 1933

MEMBER OF THE MISSISSIPPI RIVER COMMISSION

Leo O. Colbert to be a member of the Mississippi River Commission.

HOUSE OF REPRESENTATIVES

THURSDAY, MAY 18, 1933

The House met at 12 o'clock noon.

Rev. Charles A. Hall, Main Street Baptist Church, Luray, Va., offered the following prayer:

We thank Thee, our Heavenly Father, for the beauty of this wonderful day that is ours. We thank Thee for this Nation that Thou hast given unto us and preserved unto this day. We thank Thee for this Government of ours, for this group of men who are in the hands of God, as we trust, to

make laws for the betterment of the peoples of the earth, as well as our Nation. We invoke Thy divine favor upon each and all, and in their deliberations may they be led of Thy divine Spirit, that their hearts may be touched with the great heart of God, and may pulsate the very will of God with reference to the people to whom they are responsible. Bless the President of the United States and all who are in authority. Hold the hand of the Speaker of this House and guide and guard every thought and every deed here. Continue Thy blessings upon this great Nation of ours and the people of all the world. We ask it in the name and for the sake of Jesus Christ, our adorable Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate had passed the following resolution:

Senate Resolution 81

May 15 (calendar day May 17), 1933

Resolved, That the Senate has heard with profound sorrow the announcement of the death of Hon. CHARLES HILLYER BRAND, late a Representative from the State of Georgia.

Resolved, That a committee of two Senators be appointed by the Vice President to join the committee appointed on the part of the House of Representatives to attend the funeral of the deceased Representative.

Resolved, That the Secretary communicate these resolutions to the House of Representatives and transmit a copy thereof to the family of the deceased.

Resolved, That as a further mark of respect to the memory of the deceased Representative the Senate do now take a recess until the conclusion of the session of the Senate sitting as a Court of Impeachment on tomorrow.

The message also announced that in compliance with the foregoing resolution the Vice President had appointed Mr. GEORGE and Mr. RUSSELL a committee on the part of the Senate to join a similar committee on the part of the House to attend the funeral of the deceased Representative.

EXPLANATION OF VOTE

Mr. MARTIN of Colorado. Mr. Speaker, I wish to state that when the roll was called on yesterday on the Muscle Shoals conference report the Colorado delegation was in conference with the Senators from Colorado on the acute unemployment and relief situation in that State, and were therefore unavoidably absent. If present, they would have voted "yea" on the report.

Mr. CLARKE of New York. Will the gentleman yield?

Mr. MARTIN of Colorado. I yield.

Mr. CLARKE of New York. Did that conference have any concern regarding deserving Democrats?

Mr. MARTIN of Colorado. We are not discriminating out in our State. I will say to the gentleman we are feeding Republicans and all.

BANKING BILL

Mr. GOLDSBOROUGH. Mr. Speaker, by direction of the Chairman of the Committee on Banking and Currency I am directed to ask unanimous consent that that committee may have until midnight tonight to file its report on the bill (H.R. 5661) to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from Maryland?

Mr. COCHRAN of Missouri. Reserving the right to object, is this bill similar to the Glass bill?

Mr. GOLDSBOROUGH. No. It is a House bill which contains no branch banking and contains no bank-deposit guaranty plan.

Mr. COCHRAN of Missouri. I should like to ask the gentleman why the hurry?

Mr. GOLDSBOROUGH. Is the gentleman going to object to the filing of our report?

Mr. COCHRAN of Missouri. I do not know whether I will or not. If the gentleman can give me some informa-

tion I think the House is entitled to, it may be that I will not object.

Mr. GOLDSBOROUGH. I shall be glad to give the gentleman any information I can.

Mr. COCHRAN of Missouri. I want to know whether the President of the United States is for this bill. A newspaper article states he does not favor its enactment at this time.

Mr. GOLDSBOROUGH. Well, the gentleman has the privilege of asking him. I cannot speak for the President of the United States.

Mr. COCHRAN of Missouri. It seems to me the committee should find out. It is my understanding that this session of Congress was called for the purpose of passing legislation recommended by the President to meet the emergency, and I do not think we should be considering bills except those recommended by the President. I see no hurry in making this report. I think we must all admit the President has a man's job on his hands. No one can deny that he has more than demonstrated that he is big enough to deal with it. Now, my thought is—and I am not considering the merits of this legislation—that we should be extremely careful to refrain from doing anything that will upset the President's plans. Why not wait until the President says, I want such legislation? Who can tell but this bill or some other bill that we might pass will embarrass the President? I am supporting his recommendations, and if he says he wants this measure, I will help pass it; but until then let him do the driving. He is making a good job of it.

Solely because I think it most essential that in a matter of this kind we should have some expression from the President before giving our approval to this bill, I object to the request.

INSURANCE LEGISLATION

Mr. GOLDSBOROUGH. Mr. Speaker, by direction of the Chairman of the Committee on Banking and Currency, I ask unanimous consent that that committee may have until midnight tonight to file a report on the bill (S. 1094) to provide for the purchase by the Reconstruction Finance Corporation of preferred stock and/or bonds and/or debentures of insurance companies.

The SPEAKER. Is there objection to the request of the gentleman from Maryland [Mr. GOLDSBOROUGH]?

Mr. KELLER. Reserving the right to object, I would like to ask if the banking bill has been printed?

Mr. GOLDSBOROUGH. It has been printed and is available this morning.

Mr. SNELL. Reserving the right to object, I would like to ask the gentleman what the last bill referred to covers?

Mr. GOLDSBOROUGH. It is a bill introduced by Mr. STEAGALL in the House. It is not like the Glass bill. It provides for the separation of affiliates from banks.

Mr. SNELL. There are two banking bills, then?

Mr. GOLDSBOROUGH. No. There is one banking bill.

Mr. SNELL. I thought the gentleman just asked unanimous consent to file a report on a banking bill, and now is asking another.

Mr. GOLDSBOROUGH. The last request was with reference to the insurance bill.

Mr. McFADDEN. Reserving the right to object, did I understand the gentleman to say that the question of affiliates was in the insurance bill?

Mr. GOLDSBOROUGH. Oh, no. I was discussing the banking bill.

Mr. BLANTON. This Congress before it adjourns must provide for the absolute guarantee of all bank deposits. It being such an important question, I sincerely hope that one objection is not going to prevent the gentleman or his committee from filing a report expeditiously on a proper bank guaranty bill. Will the one objection stop it?

Mr. GOLDSBOROUGH. No.

Mr. BLANTON. It is such an important matter that it should be filed today, and we ought to pass the bill tomorrow.

Mr. GOLDSBOROUGH. I want to say that our purpose was this: The House is at leisure now, and we were ex-

tremely anxious to have the House consider the bank guaranty bill tomorrow.

Mr. BLANTON. If the gentleman could get his report here today before we adjourn, the bill could be taken up and passed tomorrow?

Mr. GOLDSBOROUGH. That is correct; yes.

Mr. McFADDEN. May I make this remark in connection with what the gentleman from Texas has just said, that there are many important matters in this banking bill other than the guarantee of deposits.

Mr. BLANTON. But there is not anything more important to the American people just now than to have their deposits in banks guaranteed, and they are not going to have any more faith in banks until that is done.

Mr. McFADDEN. While that is being done, I should like to suggest to the gentleman and to the House that we must not permit a lot of things to slip through in this bill which are particularly objectionable.

Mr. BLANTON. Oh, certainly not. We must pass a proper bill to guarantee all bank deposits.

Mr. McFADDEN. There should be plenty of time given to consider this important matter.

Mr. RANKIN. Reserving the right to object, and I shall not object, I should like to ask the gentleman from Maryland [Mr. GOLDSBOROUGH] how long it would take to prepare his report on the banking bill?

Mr. GOLDSBOROUGH. We were afraid the House would adjourn early today. Of course, if the House should remain in session until 3 or 4 o'clock, we will have the report ready.

Mr. RANKIN. If we should hold the House in session until 5 or 6 o'clock, will that give plenty of time for the gentleman to file his report?

Mr. GOLDSBOROUGH. Absolutely.

Mr. RANKIN. I for one will help to hold the House in session until that report can be prepared.

Mr. WEIDEMAN. Mr. Speaker, reserving the right to object, and I shall not object, if the bill H.R. 5661 were brought before the House at this time it would give the Members more time for free discussion of the bill, would it not?

Mr. GOLDSBOROUGH. Yes.

Mr. WEIDEMAN. And that is why the gentleman is anxious to have the bill brought up now?

Mr. GOLDSBOROUGH. Yes.

Mr. WEIDEMAN. I shall cooperate in holding the House here.

Mr. PATMAN. Mr. Speaker, reserving the right to object, is it the gentleman's intention to bring the bill up tomorrow?

Mr. GOLDSBOROUGH. That is what we would like to do. Of course we do not know whether or not the leadership of the House will cooperate with us in this behalf, but that was the reason for the request.

Mr. PATMAN. And if this request is granted there will be more liberal time to discuss the bill.

Mr. GOLDSBOROUGH. We will try to bring it up tomorrow if we get this permission.

Mr. KELLER. We ought to have time to study this bill if we are expected to discuss it. I have been working on this for a long time. I think I shall work with the committee, but we ought to have an opportunity to study the report before we are expected to consider the bill, for what is the use of getting up here and talking and talking about a matter when we do not know what we are talking about? We ought to have the information before us.

Mr. COCHRAN of Missouri. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. COCHRAN of Missouri. I objected to the gentleman's first request, and I shall renew that objection. I have no objection to the second request, to report the insurance bill.

Mr. GOLDSBOROUGH. This is the insurance bill.

Mr. COCHRAN of Missouri. To his first request I still object.

Mr. SNELL. Mr. Speaker, reserving the right to object, is it the intention of the chairman of the committee to bring this insurance bill up before tomorrow?

Mr. GOLDSBOROUGH. Not as far as I know. All we were trying to do was to bring up the bank bill tomorrow.

Mr. SNELL. Then it is not expected that the insurance bill will be brought up before tomorrow?

Mr. GOLDSBOROUGH. No.

THIRD DEFICIENCY BILL, FISCAL YEAR 1933

Mr. BUCHANAN presented the conference report on the bill H.R. 5390, the third deficiency bill, for printing under the rule.

PERMISSION TO ADDRESS THE HOUSE

Mr. HOWARD. Mr. Speaker, I ask unanimous consent that at 12:30 I may address the House for 10 minutes.

Mr. SNELL. Mr. Speaker, reserving the right to object, what is going to happen between now and 12:30?

Mr. HOWARD. Mr. Speaker, I will explain that a lady wishes to see me at the door, and I cannot get back before that time. [Laughter.]

Mr. PARSONS. Mr. Speaker, reserving the right to object, I understand there is not going to be very much to do today, and that after the preliminaries are disposed of the House will probably stay in session for an hour or more for some discussions. I think the gentleman from Nebraska can get time, even if he does not specify any particular hour, after he has seen the lady.

ORDER OF BUSINESS

Mr. SNELL. Mr. Speaker, reserving the right to object, I would like to ask the gentleman from Tennessee what the program for today is. Then we could tell more about these requests.

Mr. BYRNS. We have nothing on the calendar for today. We will have for consideration tomorrow the conference report on the deficiency bill that was presented today.

I understand the conferees on the securities bill will probably file their report tomorrow, but, of course, it cannot be taken up tomorrow.

Mr. SNELL. Then there will be nothing ready for tomorrow except the conference report.

Mr. BYRNS. I do not know whether the Committee on Rules will have a rule by tomorrow or not upon the Celler resolution, which was referred to yesterday. It is possible one or two rules may come up.

Mr. SNELL. As I understand it, the Rules Committee did not grant them.

Mr. BLANTON. That is a very hopeful sign for Congress.

Mr. BACON. Is the Steagall-Glass banking bill to be brought up under a rule?

Mr. BYRNS. It has not been reported yet.

Mr. SNELL. Mr. Speaker, I have no objection to the request of the gentleman from Nebraska.

Mr. RICH. Mr. Speaker, I suggest the gentleman go ahead with his speech now.

PERMISSION TO ADDRESS THE HOUSE

The SPEAKER. The gentleman from Nebraska asks unanimous consent that at 12:30 he be permitted to address the House for 10 minutes. Is there objection?

There was no objection.

Mr. PARSONS. Mr. Speaker, I ask unanimous consent to address the House for 30 minutes.

Mr. SNELL. Mr. Speaker, reserving the right to object, we have already granted one request to address the House at 12:30.

Mr. BYRNS. What are we going to do between now and 12:30?

Mr. SNELL. We should not now grant another request to address the House for 30 minutes at this time.

Mr. PARSONS. I think we could arrange that the gentleman from Nebraska shall follow me.

Mr. HOWARD. No; I am arriving at 12:30. [Laughter.]

Mr. BOILEAU. Mr. Speaker, reserving the right to object—

Mr. BLANTON. Oh, we can turn the clock back.

Mr. RANKIN. Mr. Speaker, reserving the right to object, the gentleman ought not to take advantage of the distinguished gentleman from Nebraska, who has gone to meet his friend at the door. The gentleman should wait until the gentleman from Nebraska gets through. How about following the gentleman from Nebraska?

Mr. PARSONS. What is the House going to do during the next 10 minutes?

The SPEAKER. Is there objection to the request of the gentleman from Illinois to now address the House for 30 minutes?

There was no objection.

THE BLIND FINANCIAL CRIME OF THE CENTURIES

Mr. PARSONS. Mr. Speaker, on April 6, 1933, I had an opportunity and the pleasure of addressing the House on economy by reducing the rate of interest paid on Government bonds. In that address I advanced the principle heretofore little referred to and little mentioned, namely, that the Government hires money for which it pays a wage the same as it employs labor for which wages are paid.

We have reduced the wages of labor, we have reduced pensions, gratuities and benefits to veterans, and following up the same principle this House should take immediate action to reduce the wages for money, which is the interest on the public debt.

My purpose today, however, is to speak on the financial policy followed by the Federal Government since the adoption of the Constitution, and more especially with reference to the fiscal policy followed by the Government since the World War. This is a dry and uninteresting subject. I do not expect the membership of the House as a whole to be interested. But for those who are interested in the financial stability of the Government and who would like to follow briefly the policy pursued by our Government in its periods of depression and prosperity and in the periods of peace and war I will ask you to be patient and give me your attention for a short time, because I believe I have some information and statistics, part of which will be illustrated, that will interest you.

In my humble judgment, there has never been in the history of this Nation such blind financial negligence as that shown by those in power and authority to shape the financial policy of the Federal Government since March 4, 1921. Contrary to general opinion, profits made by corporations and individuals following the World War and during the era of prosperity from 1922 to 1929 were far greater than the profits made during the World War. For the period beginning January 1, 1916, and ending December 31, 1929, corporations of this country made net profits of approximately \$100,000,000,000. If there ever was a time in which the National debt could be retired without burdensome taxation, it was during this period.

We had three Presidents and a Secretary of the Treasury—a man whose span of three-score years and ten, carried him through three major depressions. If there was any business man in America experienced in periods of prosperity and depressions, it was Andrew Mellon. Yet, the policy which he followed, by refusing to retire the national debt during the prosperous years of the Republic, thereby saving more than \$1,000,000,000 to the Budget in this economic distress, is gross neglect and little short of economic treason.

Before I finish I hope to give you some facts to ponder, which I trust will be of service in the future when our Government is called upon to discharge its financial obligations. It is true that most of what I recite here today is water over the dam. We cannot retrieve past losses now for the present emergency, but if in the future there comes a time of prosperity, in which my suggestions may be followed for the retirement of national obligations, the years of study and labor I have put into this subject will be wholly justified, and I shall be happy.

In order to give you some idea of comparative expenditures made by the Federal Government in its history I would like to insert a table of the ordinary expenditures divided into two periods.

Ordinary expenditures of the Federal Government from 1791 to 1932, inclusive

1791 to 1916.....	\$26,759,010,661
1917 to 1932.....	82,336,391,914
Total ordinary expenditures.....	109,095,402,575

In the period from 1791 to 1916, or 128 years, our Government spent \$26,759,010,661. For the period from 1917 to 1932, or 16 years, our Government spent \$82,336,391,914. In other words, in the past 16 years we spent more than three times the amount that we had spent in 126 years prior to 1917. Of course, this contains the amount needed to prosecute the World War. But there were millions of wasteful extravagance in governmental expenditures from 1922 to 1932. Other items of importance is the expenditure for interest on the public debt. I here insert a table showing the interest payments by war periods from 1790 to April 19, 1933.

Amount of interest paid on the public debt of the United States from 1790 to April 19, 1933, inclusive

1790 to 1812.....	\$73,064,133
1813 to 1847.....	93,143,759
1848 to 1860.....	37,501,900
1861 to 1897.....	2,668,092,667
1898 to 1916.....	505,744,273
Total, 1790 to 1916, inclusive.....	3,377,546,732
1917 to 1933.....	12,137,114,571
Total.....	15,514,661,303

Please note the interest on the public debt beginning with the foundation of the Republic until 1917 was \$3,377,546,732, compared with more than \$12,000,000,000 of interest paid since the beginning of the World War period. In other words, approximately four fifths of the total amount of interest paid on the national debt was paid to bondholders during the past 16 years. This amount of interest is almost identically equal to the total amount of European debts owed this Government at the time of settlement in 1923. It amounts to almost one half of the outstanding indebtedness of the Federal Government at the highest peak after the close of the World War.

I ask unanimous consent, Mr. Speaker, to revise and extend my remarks and to include such tables as I may use to illustrate the subject.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. PARSONS. For every dollar that the Federal Government has spent in ordinary operating expenses in 142 years of its history we have paid 15 cents in interest; in other words, more than one seventh of every dollar that the Federal Government has spent in its entire history has been for interest on the public debt.

In order to get a birdseye view of the revenue, expenditures, and public debt of the Federal Government since 1790 I have prepared a rough graph illustrating the rise and fall of these three items.

Beginning in 1790 we started out with revenues and the expenditures about the same, but after a few years the revenues exceeded the expenditures and the public debt fell. Each one of these rises and falls in the public debt is described by certain events in our history, but note that after the War of 1812 the expenditures were three times what they were before the war. Going over to the Mexican War, we find the expenses following that war were five times more than they were after the Revolution [indicating]. After the Civil War, we find the expenses never got below \$250,000,000 annually. There was a gradual increase from that period on up the line to the World War, when we had our greatest period of revenue production, greatest expenditure, and greatest public debt, ranging up to \$27,000,000,000.

These lines were drawn from the record without any view to including the war periods or the depression periods, but after they were placed on the map it was very easy, indeed, to pick out these various periods and to see where the extra expense, the extra revenues, and the extra debt came in.

It is very interesting to note here how in 1837 the revenues fell in the depression. The same thing is true throughout every one of our depressions that have followed in a few years after each war.

It is also very interesting to note that following each war the expenditures of the Federal Government stayed at from 4 to 7 times what they were before that war.

For instance, in 1915 the expenditures were about \$700,000,000. We have never been able to get back to less than four billion since the World War, and a large portion of this has gone into interest. I want to point these things out here, as it has a particular bearing on what I am going to say later as to our income.

Now, let us get back to the consideration of the financial policy followed during and since the World War. Soon after the declaration of war, on April 6, 1917, Congress, by virtue of power vested in it, sought to levy and collect taxes for the purpose of prosecuting the war. It began the study of proper rates of taxation in accordance with the then recently adopted income-tax law ratified by the States in 1915. Congress realized the enormous expense of billions of dollars which the war would entail, and, of course, contemplated a much longer period of hostilities than actually occurred. That measure came to be known as "the revenue bill of 1918", and was committed to the Committee of the Whole House on September 3, 1918, and later was passed on September 20, 1918, less than 2 months before the armistice. The Senate, however, did not complete consideration of this measure until in the following February, and, due to cessation of hostilities, made many changes in the rates that would have been applied had not the armistice been signed on November 11. Mr. Kitchin, then Chairman of the Ways and Means Committee, in submitting report to accompany this bill, said:

Your committee has determined the proportion of the cost of the war that should be financed by taxation and by bonds, not upon the basis of previous experience, for there is no analogy in history, but upon a careful consideration of the effect of the fiscal policy upon the morale of the people, upon the inflation of prices, upon production, and with reference to the relative ability of the people to pay taxes now and after the war.

Note the last words, "ability of the people to pay taxes now and after the war." This term will be emphasized later. Quoting further from Mr. Kitchin's report:

On June 5 the Secretary of the Treasury advised your committee that the probable expenditures for the fiscal year ending June 30, 1919, would be about \$24,000,000,000, and recommended that one third of this amount be raised in taxes, or \$8,000,000,000.

A member of the committee who afterward was a distinguished Speaker of this House, the late Nicholas Longworth, had the following to say in closing the debate just before the vote was taken on the afternoon of September 20, 1918:

We have succeeded with a little more than 24 hours of actual debate, and with no amendment of major importance, in passing the mightiest taxation measure ever enacted by any people of the world. We are raising by this bill eight times the amount that it ever cost this Nation to live before in any one year. We are providing in this bill a sum of money equivalent to nearly one third of the amount that it has cost this Nation to live from the first inauguration of George Washington down to the second inauguration of Woodrow Wilson, and we have done it, in my belief, without inflicting a burden upon wealth under which it cannot at least stagger and without demanding from American industry that energy and initiative which it must necessarily possess if our war program is to be prosecuted to the limit. * * * In a few minutes there will be flashed around the world the announcement that the representatives of the American people have unanimously passed a bill carrying \$8,000,000,000 in taxes to prosecute the war.

The bill was passed that same afternoon with 349 yeas. Not one single vote was registered against it. It went to the Senate and, after weeks of discussion, along with other important matters then before the Senate, final action was not taken until the following February, which necessitated some changes in reductions of rates and elimination of some of the objectionable features in special excise taxes. I want you to keep in mind the words of Mr. Kitchin and Mr. Longworth. Mr. Kitchin said that Congress levied a tax bill to raise revenue to prosecute the war and pay the cost after

the war. Mr. Longworth said that it was the greatest tax bill ever levied, but was done, in his belief, without inflicting a burden upon wealth and without taking from American industry its energy and initiative. If the rates levied in the revenue bill of 1918 had remained on the statute books until June 1, 1926, every dollar of the national debt would have been wiped out. Such a program would have been strictly in keeping with the policy enunciated by Mr. Kitchen and would have resulted in discharging our national obligations without inflicting a burden upon wealth, as expressed on the same occasion by Mr. Longworth. Our interest charge of more than \$700,000,000 annually would have at the present time been eliminated from the Budget.

Mr. PATMAN. Mr. Speaker, will the gentleman yield?

Mr. PARSONS. For a brief question.

Mr. PATMAN. Does the gentleman mean to say that if that law had continued on the statute books without the passing of the Mellon tax bills reducing the war-time rates, the entire national debt, or at least the cost of the war, would have been paid by January 1, 1927?

Mr. PARSONS. Absolutely.

Mr. PATMAN. And then those who profited most by reason of the country's misery and misfortune during the war would have paid for the cost of the war.

Mr. PARSONS. Exactly. It was the fair and the right thing to do.

Mr. WEIDEMAN. And if these rates are again restored, we will go a long way toward accomplishing this thing.

Mr. PARSONS. But in this depression it will not yield the revenue. If the debt had been eliminated, of course, the charge now on the Budget of \$700,000,000 a year for interest, which will be \$900,000,000 when the new bond issue

goes out, plus the \$500,000,000 debt retirement, or a total of \$1,400,000,000 charge on the Budget, would also be eliminated now.

A tremendous debt which our Government was left with at the close of the war amounted to more than \$26,000,000,000. The American Congress and the Secretary of the Treasury, as well as the President of the United States, were duty bound to recommend and levy taxes following the war to retire this national debt in the same proportion in times of peace as they were duty bound to raise the revenue to pay expenses in time of war. The measure which Speaker Longworth called the greatest tax bill ever levied on the American people contained not only numerous special excise taxes but the largest item was the excess profits and surtaxes levied under the title of the income tax. For the year 1918 that bill raised \$4,286,486,257 in individual and corporation taxes. It raised a little less than \$1,000,000,000 in special excise taxes. Had the same rates been maintained through the following decade these two items alone would have produced the enormous total of \$8,620,000,000 for the year 1928, \$5,000,000,000 of which could have been applied in retirement of our national debt. It was in effect for the years 1918, 1919, 1920, and 1921. During those 4 years more than \$21,000,000,000 was raised in revenue by the Government. Had those same rates been maintained during the years 1922 to 1926, inclusive, our national debt would be entirely eliminated from the picture in this depression. I ask unanimous consent to insert in the RECORD at this point two tables showing the income and war excise taxes, the amount actually collected and the estimated revenues collectible, had the rates for 1918 been retained to the year 1931.

EXHIBIT A

Revenue estimates based on application of 1918 income, excess-profits, and war-profits tax rates during calendar years 1918-31

Year	Individual income tax		Corporation income tax		Total	
	Actual	At 1918 rates (estimated)	Actual	At 1918 rates (estimated)	Actual	At 1918 rates (estimated)
1918	\$1,127,721,835	Same.	\$3,158,764,422	Same.	\$4,286,486,257	Same.
1919	1,269,630,104	\$1,415,092,120	2,175,341,578	\$3,635,077,200	3,444,971,682	\$5,050,169,320
1920	1,075,053,686	1,250,407,540	1,625,234,643	2,717,224,300	2,700,288,329	3,967,631,840
1921	1,179,387,106	922,007,088	701,575,432	938,641,600	1,420,962,538	1,860,648,688
1922	861,057,308	1,259,905,986	783,776,268	2,143,888,400	1,644,833,576	3,403,794,386
1923	661,666,133	1,372,717,916	937,106,798	3,249,948,200	1,598,772,931	4,622,666,116
1924	704,265,390	1,653,169,339	881,549,546	2,992,544,700	1,585,814,936	4,645,714,039
1925	734,555,183	2,374,388,847	1,170,331,206	3,748,510,400	1,904,886,389	6,122,899,247
1926	732,470,790	2,417,512,621	1,229,797,243	3,755,461,300	1,962,268,033	6,172,973,921
1927	830,639,434	2,798,883,258	1,130,674,128	3,501,494,000	1,961,313,562	6,360,377,253
1928	1,164,254,037	3,708,065,384	1,184,142,142	4,027,860,000	2,348,396,179	7,735,925,384
1929	1,001,938,147	3,635,340,919	1,193,435,832	4,003,148,400	2,195,373,979	7,638,498,319
1930	476,714,808	1,755,889,874	711,703,900	1,702,104,900	1,188,418,708	3,457,994,774
1931	241,282,875	1,042,129,419	331,119,732	742,969,100	572,402,607	1,785,098,519
Total	11,600,636,836	26,733,241,146	17,214,552,870	40,317,636,922	28,815,189,706	67,050,878,680
Additional revenue, 14-year period	15,132,604,310		23,103,084,052		38,235,688,974	

NOTE.—The above estimates do not include any adjustment for the adverse effect on business of high taxes.

EXHIBIT B

Revenue estimates based on application of war excise taxes during fiscal years 1920-31

Fiscal year	Actual receipts under current revenue acts	Estimated receipts based on continuance of war excise taxes	Estimated additional revenue
1920	\$903,829,785	\$903,829,785	0
1921	868,167,491	868,167,491	0
1922	646,744,589	889,270,000	\$242,525,411
1923	468,414,804	941,251,000	472,836,196
1924	490,276,766	1,013,856,000	523,579,234
1925	326,607,366	1,009,842,000	683,234,634
1926	340,181,394	1,048,354,000	708,172,606
1927	142,327,263	1,025,112,000	882,784,737
1928	138,232,439	1,023,712,000	885,479,561
1929	93,775,023	1,043,792,000	950,016,977
1930	97,733,765	1,001,807,000	904,073,235
1931	61,955,445	825,167,000	763,211,555
Total	4,568,246,130	11,594,160,276	7,025,914,146

Additional revenue from income tax \$38,235,688,974
Additional revenue from excise tax 7,025,914,146

Total additional estimated revenue, 1919-31 45,261,603,120

Had these tax rates been maintained, they would have produced \$38,000,000,000 more than the Government collected. Add to that the \$7,000,000,000 more that we would have collected in excess taxes, and we have a total of \$45,000,000,000 which the Federal Government would have obtained by revenue, which would have paid the national debt three times, because it was reduced to \$16,000,000,000 in 1930.

Mr. McFADDEN. Mr. Speaker, will the gentleman yield?

Mr. PARSONS. Yes.

Mr. McFADDEN. I am reminded in connection with the interesting statement that the gentleman is making that the corporations of the country have now a surplus of \$60,000,000,000. Apparently, if they had been taxed as the gentleman suggests, instead of that surplus being \$60,000,000,000, it would be reduced to about \$12,000,000,000.

Mr. PARSONS. That is true. Between the years 1916, January 1, and December 31, 1929, 376,000 corporations of this country made net profits of \$100,000,000,000. That is net profits above all taxes, local, property, income tax, surtax, and excess-profits tax. Twenty-five percent levied upon

those profits of 14 years would have entirely eliminated the national debt and reduced our present Budget by \$1,250,000,000.

Mr. McFARLANE. Mr. Speaker, will the gentleman yield?

Mr. PARSONS. Yes.

Mr. McFARLANE. These 376,000 corporations that realized these enormous profits have done so very largely by special grants and privileges in the way of patents, and so forth, from our Government, have they not?

Mr. PARSONS. Some of them have, and of course, they got the benefit of the tax reduction.

Mr. McFARLANE. If the gentleman has a list of these corporations, I wish he would insert it in his remarks.

Mr. PARSONS. I am very sorry to say that I do not have them here, but they can be found in the hearings before the Ways and Means Committee on the tax reduction bill of 1921.

Unfortunately a great wave for tax reduction swept the country and in the Presidential campaign of 1920 the Republican Party was restored to power in all branches of the Government with a tremendous landslide, on a slogan of reducing taxes and restoring the country to normalcy. Immediately upon its inauguration into office, wealthy and powerful lobbyists swarmed the Capitol, for the purpose of forcing tremendous tax reductions, not upon the rank and file of the American people but reducing the surtax and excess-profits tax on thriving corporations and wealthy individuals. From 1921 to 1929 five major tax reductions were made on the wealthiest classes of the Nation to the extent of \$35,000,000,000, while local and State taxes in the various States and subdivisions levied on farm lands and tangible property, increased 300 percent. The estimates show that had the 1918 rates been maintained on both income and excise taxes, the Federal Government would have collected the stupendous sum of \$45,000,000,000 more than it actually collected—enough to have retired the national debt twice and at the same time built up a reserve of \$5,000,000,000 to carry us through the depression. I repeat that the financial policy followed by Secretary Mellon, recommended by the three Presidents who served under him and the Congress who did their bidding, perpetrated the most disgraceful financial crime on the American people in all history.

Although some reduction was made by the Senate after the signing of the armistice in the tax bill of 1918, the real first large reduction came in the revenue bill of 1921, which was reported by Mr. Fordney on August 16 from the Committee on Ways and Means. In submitting that report he said:

The cost of the war, the extent of its destruction, and the financial loss it occasioned is felt not during the period of the combat but after the cessation of hostilities.

Note his words that the cost of the war is felt not only during the period of combat but after the cessation of hostilities. While he championed the cause of reduction, nevertheless, he stated what every man knows, that the cost of any war, leaving a great burden of debt, should be paid by substantially the same tax rates in effect during hostilities. Especially is that true when long periods of prosperity follow war, as was the case following the World War. In that same report, although it was 3 years after the signing of the armistice, the Budget demanded more than \$4,000,000,000 to operate the Federal Government. This was substantially seven times the cost of Government for any year in the Nation's history prior to the World War except 2 years of the Civil War.

The Republican majority in the House after the tremendous landslide in 1920 sought to lift from profiteering corporations and individuals \$560,000,000 in excess profit and surtaxes in the revenue bill of 1921. The same man who was chairman of the Ways and Means Committee in 1918, reporting the war-time tax bill, was the ranking Democratic member of the committee in 1921, that patron saint of Democracy, Claude Kitchin, of North Carolina. He wrote the minority report to the Revenue Act of 1921. A report that will go down in history as one of the sacred documents

of Congress. To that report Ways and Means Committee members in the future will turn to read of the iniquitous policy enforced upon the people by the Republican administration. They will turn to read this report because of the prophecy it contains and of the fulfillment of that prophecy which subsequent history has vindicated. That report will serve as a guide for the American Congress in future generations, when heavy debts hang over our heads and we are looking for means with which to pay them.

It also blazes the path which future Congresses may tread when, following the wars of the future, men eagerly seek for light as to the proper course to follow in ways and means of taxation. Permit me to quote from the report of Mr. Kitchin's:

An analysis of the statistics contained in the detailed report as to corporate incomes and excess-profits taxes, * * * shows that 180 corporations making annually from \$5,000,000 up to \$300,000,000 and over (the Steel Corporation made over \$500,000,000 net profits in 1918), had a net income of \$2,554,000,000 in 1918, and while paying only \$300,000,000 income tax, they paid \$848,000,000 excess-profits taxes. One thousand and twenty-six corporations with a net income of \$4,255,000,000, more than one half of the total corporate income of all the 317,559 corporations, while paying only \$533,000,000 income tax, paid \$1,422,000,000 of excess-profits tax; that is, paid over one half, or nearly two thirds, of the entire excess-profits tax of all the corporations making reports. At a glance one will see that the proposed proposition is one to relieve a few hundred of the biggest profiteering corporations in the United States, and not, as Secretary Mellon says, to unclog business.

An analysis of the returns as detailed in the reports of the Internal Revenue Commissioner from January 1, 1916, to January 1, 1921, shows that corporations in the United States made net profits of \$47,000,000,000. After deducting all of the taxes they paid, including income, excess-profits tax, and other war taxes, they have a clear profit left of \$38,000,000,000, * * * four fifths of which was made by less than 10,000 corporations, and more than one half of which was made by 1,026 of the big profiteering corporations.

Continuing Mr. Kitchin said:

Let every Democrat and Republican bear in mind always that these same corporations were filling their coffers with these fabulous billions for the profits of their stockholders while our brave boys were spilling their blood in France for the protection and defense of their country. Remember, too, that not a large stockholder, officer, or director of one of these rapacious corporations ever faced a German gun, braved a danger, took a risk, made a sacrifice, or endured any suffering during the entire war, but stayed at home in safety, 3,000 miles from the danger line, and made of the war and its resulting stress on their Government and its people an opportunity to plunder and profiteer upon both to the extent of these inconceivable billions.

Although a sick man and not able to be with his committee on the floor when the bill came before the House, Mr. Kitchin, in prophetic words of warning, sounded the battle cry of progressive principles of taxation, just a few months before his death, which may go down in history as the last noble utterance of one of America's great parliamentary leaders, when he said—mark these words, gentlemen; they are as true today as when written; they will be true when prosperity blooms again; and they are eternal in principle to the future generations to come in blazing a definite and specific financial policy to be followed after wars. These are Mr. Kitchin's words:

What an impregnable position would it be, and what an appeal it would make to the sense of right and justice and to the sense of the people, for the Democrats to take the position that not a dollar of taxes should be reduced on these profiteering corporations and on the millionaires and multimillionaires that reaped the harvest of wealth during the war as long as a single dollar of indebtedness remains or so long as there is a disabled or wounded soldier or a widow or an orphan of a dead soldier or a single veteran in need.

Why in the name of right and justice should these big profiteering corporations and millionaires and multimillionaires who filled their rapacious mouths with millions of blood money be relieved of taxation while we not only keep but increase the taxation of hundreds of thousands of weak corporations and keep the war-income taxes on millions of our fellow citizens who, and whose sons, went to the trenches in defense and protection not only of our country but in defense of the profiteers and wealth of these same corporations and millionaires?

The closing words of that minority report are as applicable to our present situation today as they were in 1921. Speaking of the policy the Democratic minority should follow, he said:

The people of the party will take hold, that Andrew Jackson's dream of an ideal government will be a reality in this country.

A government protecting all the weak as well as the strong, granting favors to none, but dispensing its blessings like the dews of heaven, unseen and unfelt save in the freshness and the beauty which they contribute to produce.

One of the members of the minority who was present when the bill came before the House was the illustrious son of Texas, later a distinguished Speaker of this House, and now Vice President of the United States, John N. Garner. In discussing the bill in the Committee of the Whole House on the state of the Union, Mr. Garner said, and his words were apparently directed, according to the RECORD, to his worthy antagonist, the late Speaker Longworth:

You know, as the country knows, that your Ways and Means Committee cannot submit this bill with information as to its contents, purposes, and effects to your conferences and get their support for the bill. . . . I shall make a motion to recommit this bill. I am going to offer a bill to recommit, striking out surtaxes alone. You are going to have an opportunity to vote in this House as to whether you would like this bill better with the surtaxes stricken out or with them left in as in the present law.

That was the surtax rates of 1918 which were then still in effect. It is a puzzle today and will perhaps remain so as to why Mr. Garner did not offer a motion so as to retain not only the surtax but the excess-profits tax as well. Is it possible that the small but wealthy and powerful minority group of lobbyists who swarmed Washington whispered in not only the ears of the party in power but into the ears of the minority party as well? That question will perhaps never be answered satisfactorily to the people. There was considerable discussion, and on the motion to recommit practically the solid Democratic delegation voted "aye", together with the progressive Republicans, and the solid "Old Guard" Republican delegation voted "nay."

One Member of that Congress who discussed the proposition at the time is still a colleague among us. I admire and

agree with the position he took on this measure, and while he was bound by the Republican caucus to support the iniquitous reduction in surtaxes and excess-profits tax, nevertheless his heart and principles were right. He said, and I am quoting from the language of Mr. FREAR, of Wisconsin:

I could not move to recommit if I so desired; but the important part of this bill, to my mind, is involved in the excess-profits tax; and that tax, stricken from the bill in committee, in my judgment, ought to have been included in this motion to recommit. . . . We ought to have had the whole \$540,000,000 involved in the excess-profits tax and surtax repeal included in any motion to recommit.

But strong opposition to this measure melted away and the first giant tax reduction, constituting the first great miscarriage of justice after the war, was adopted by a vote of 274 to 125, and thus was initiated and written into the policy of the Republican administration a defalcation of trust to the taxpayers of the Nation and to the 4,000,000 men who mobilized to preserve posterity and make the world safe for democracy. Ever since that eventful and black Saturday of August 20, 1921, special benefits and privileges in the way of tax reduction, tariff rates, refunds, and so forth, have been poured out upon the gigantic corporations and wealthy individuals. Through interlocking directorates they manipulated the commercial, financial, and industrial activities of the Nation. Credit, withdrawn from agriculture, was placed to their use. Tax reductions and refunds on continued increasing profits piled up large surpluses, resulting in an era of speculation, overbuilding, and flotation of a securities racket which is basically and directly responsible for our economic ills.

I shall not have time to discuss in detail subsequent tax reductions. In all there were five major operations, which is shown in the accompanying tables together with the raise in rates included in the tax bill of 1932 for both corporations and individuals.

Effect of the repeal of the excess-profits tax

Invested capital	Income of 5 percent on capital	Income of 6 percent on capital	Income of 8 percent on capital	Income of 10 percent on capital	Income of 15 percent on capital	Income of 20 percent on capital	Income of 25 percent on capital	Income of 33 1/2 percent on capital	Income of 50 percent on capital
\$5,000									\$12.50
\$10,000							\$12.50	\$33.34	285.00
\$15,000					\$6.25	\$25.00	43.75	213.00	672.50
\$20,000					25.00	50.00	69.00	543.34	1,060.00
\$25,000				\$12.50	43.75	75.00	343.75	801.66	1,447.50
\$35,000		\$2.50	\$20.00	37.50	81.25	91.00	677.25	1,318.34	2,222.50
\$50,000	\$12.50	25.00	50.00	75.00	47.50	340.00	1,177.50	2,093.34	4,285.00
\$75,000	43.75	62.50	100.00	137.50	173.75	755.00	2,011.25	4,105.00	8,292.50
\$100,000	75.00	100.00	150.00	200.00	395.00	1,170.00	2,845.00	5,636.66	11,220.00
\$150,000	137.50	175.00	250.00	325.00	837.50	2,000.00	4,512.50	8,700.00	17,075.00
\$200,000	200.00	250.00	350.00	270.00	1,280.00	2,830.00	6,180.00	11,763.34	22,930.00
\$250,000	262.50	325.00	450.00	215.00	1,722.50	3,690.00	7,847.50	14,826.66	28,785.00
\$300,000	325.00	400.00	550.00	160.00	1,165.00	4,490.00	9,515.00	17,890.00	34,640.00
\$350,000	387.50	475.00	650.00	105.00	2,607.50	5,320.00	11,182.50	20,953.34	40,495.00
\$400,000	450.00	550.00	750.00	50.00	3,050.00	6,150.00	12,850.00	24,016.66	46,350.00
\$500,000	575.00	700.00	950.00	60.00	3,935.00	7,810.00	16,185.00	30,143.34	58,060.00
\$750,000	887.50	1,075.00	1,450.00	335.00	6,147.50	11,960.00	24,522.50	45,460.00	87,335.00
\$1,000,000	1,200.00	1,450.00	1,950.00	610.00	8,360.00	16,110.00	32,860.00	60,776.66	116,610.00
\$1,500,000	1,825.00	2,240.00	2,950.00	1,166.00	12,785.00	24,410.00	49,535.00	91,410.00	175,106.00
\$2,000,000	2,450.00	2,950.00	3,950.00	1,710.00	17,210.00	32,716.00	66,210.00	122,043.34	233,710.00
\$5,000,000	6,200.00	7,450.00	9,850.00	5,010.00	43,760.00	82,516.00	166,260.00	305,843.34	585,010.00
\$10,000,000	12,450.00	14,900.00	19,700.00	10,010.00	88,010.00	165,510.00	333,010.00	612,176.66	1,170,510.00

The new revenue bill contained a provision for the repeal of the excess-profits tax on corporations and an increase in the normal tax to 12 1/2 percent.

The effect of this law on those corporations whose invested capital is from \$5,000 to \$10,000,000, and who are earning from 5 percent to 50 percent thereon, is shown in the above exhibit.

The figures between the heavy black lines is the amount by which their taxes will be increased; the figures to the right and below the second black line is the amount by which their taxes will be reduced.

Total tax on net incomes under revenue acts, 1918 to 1932, married persons with no dependents, and maximum income allowance

	\$3,000	\$5,000	\$10,000	\$30,000	\$50,000	\$100,000	\$200,000	\$500,000	\$1,000,000
1918	60	180	830	4,930	11,030	35,030	101,030	323,030	703,030
1919	40	120	590	3,890	9,190	31,190	93,190	303,190	663,190
1922	20	100	520	3,520	8,640	30,140	86,640	260,640	550,640
1924	8	38	165	2,275	6,095	22,575	65,575	199,575	429,575
1926	0	17	101	1,779	4,879	16,059	41,059	116,059	241,059
1928	0	17	101	1,489	4,889	15,769	40,769	115,769	240,769
1932	20	100	480	3,480	8,660	30,100	86,600	263,600	571,100

Source: Joint Committee on Internal Revenue Taxation.

You will remember reading in the press at the time of how Mr. Mellon propagandized the country that he was reducing taxes upon so many millions then paying taxes, ranging from \$12 up to \$60, or from \$17 up to \$180, but during the time they were getting \$60 and \$180 relief the fellow with a million income was getting \$500,000 relief.

But this is the point I want to get you to see: When was the time to retire the debt? When was the time to get revenue? When was the time to get rid of our interest charge? When business was good and we were having a \$50,000,000,000 turnover in the country each year in corporate and individual profits. They had the money then to roll into the Treasury.

This is all water over the dam, it is true. You wonder why I am mentioning it. I am mentioning it to show you the policy the Federal Government has followed in all the years of its history. After every war debts have been left on the books, retiring just a small portion each year, making no effort to wipe out the debt. Although ten billion was paid from 1921 to 1930, reducing the interest charge 150 or 200 million dollars, it would have been such an easy matter to have retired the entire debt and built up a reserve of \$5,000,000,000 that would have carried us through this depression without having to levy a single dime additional in taxes or float a single bond. [Applause.]

Now, we have passed a farm relief bill.

Mr. KELLER. Mr. Speaker, before the gentleman leaves this subject, will he yield for a question?

Mr. PARSONS. I yield.

Mr. KELLER. Is it not also true that every time taxes were reduced we gave back the exact amount by which we reduced the taxes for the coming year, just as the gentleman stated once before?

Mr. PARSONS. The fact is, I may say, that Congress in passing these tax reductions detoured the money away from the Treasury of the United States back into the hands of the corporate interests, which took that money and speculated with it in the market.

Mr. Mellon's plea was that if you retired this debt too fast it would put out a lot of surplus money into the hands of investors who would become speculatively minded, play the stock market, and we would have an orgy of wild spending that would finally wreck the country; and that, therefore, we should only retire this debt by degrees, little by little.

The actual fact is that by detouring this money from the Public Treasury back into the hands of these people who largely held the bonds, the surplus money from the profits they had made was invested in securities on the stock market, broke the country, lost themselves, and yet the national debt remains unpaid.

Mr. DONDERO. Mr. Speaker, will the gentleman yield?

Mr. PARSONS. I yield.

Mr. DONDERO. Has the gentleman prepared anything to show how we might reduce the amount of the annual interest charge of something like three quarters of a billion dollars a year?

Mr. PARSONS. On April 15, the fourth Liberty Loan bonds were callable. They bear interest at the rate of 4½ percent, which means \$263,000,000 annually. We passed up the call, and I am informed by the Commissioner that we can not call them again until April 15, 1934, although I think he is mistaken about that. I think they are callable on any interest payment date.

We should have exercised our option in calling these bonds and refloated them.

Mr. DONDERO. At a lower rate of interest?

Mr. PARSONS. Yes. I understand, however, that the President felt, or at least his advisers felt, that they should not be molested, they should not be called as it might disturb the money market and affect the bonds he anticipates floating for the public-works program.

Mr. McFADDEN. Mr. Speaker, will the gentleman yield?

Mr. PARSONS. I yield.

Mr. McFADDEN. In the gentleman's very interesting study, has he seen fit to ascertain for the same period the amount of refunds to the large taxpayers? Can he give us any light on this subject?

Mr. PARSONS. I am glad the gentleman mentioned that. All of us, I think, have had some preconceived ideas about these tax refunds. I am about to change my mind as to some of the reasons for these refunds being so large.

[Here the gavel fell.]

Mr. PARSONS. Mr. Speaker, I ask unanimous consent to proceed for 10 additional minutes.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. PARSONS. Here is what happened about tax refunds: The law permitted the taxpayer to file a protest if

he felt he was paying more taxes than he should. Those taxes, when once paid into the Treasury and afterward refunded, drew interest at the rate of 6 percent from the time they were paid until the time the refund was made to the taxpayer. It got to be the finest racket in the world, while we were continuing to reduce these tax rates.

Greater profits were made after the war than during the war. Greater profits were made in 1928 and 1929 by 35 percent than were made during any year of the World War. Out of surpluses, accumulating stock dividends were paid in addition to the regular dividends, and it was mighty nice for a corporation owing a tax of \$10,000,000 to fix their return for \$15,000,000, pay \$5,000,000 more than they should, and then file a protest to have it returned by the Government. It meant, in reality, the investing of \$5,000,000 at 6 percent, which was more than they could make from any other investment in the country.

Mr. COCHRAN of Missouri. Mr. Speaker, will the gentleman yield?

Mr. PARSONS. I yield.

Mr. COCHRAN of Missouri. Returning to the gentleman's idea of calling the bonds, reducing the interest, and lowering our annual contribution toward the sinking fund to retire the national debt, has the gentleman given any consideration to the so-called "proviso" in the Sinking Fund Act carried in the Victory Liberty Loan Act which requires Congress to appropriate annually an amount equal to the interest upon the bonds that have been canceled by the Government since the issue was floated? In other words, the law provides that we must appropriate the interest that would have been paid on the bonds that already have been canceled, the same as though they were not canceled, which money is applied to the sinking fund, with the result that it jumps up annually until now it is over \$200,000,000 a year.

I introduced a bill to suspend this temporarily, but both Secretaries of the Treasury under the last administration, Mr. Mellon and Mr. Mills, vigorously opposed the enactment of such legislation. However, it would have saved us from appropriating an additional \$200,000,000 for the sinking fund. In times such as this \$200,000,000 is rather a desirable sum, even to the Government.

Mr. PARSONS. May I say to the gentleman that is a permanent appropriation.

Mr. COCHRAN of Missouri. That is true. While not mentioned, nevertheless it is automatically appropriated annually. The sinking fund is to absorb the bonds. The amount of interest that would have been paid on the bonds that have been canceled by reason of retirement through the operation of the fund must be placed in the Treasury to the credit of the sinking fund annually by Congress. It accelerates the sinking fund. That is what I am getting at. It is the second proviso of the act. It is increasing every year. Why not suspend this provision until conditions are improved?

Mr. PATMAN. Mr. Speaker, will the gentleman yield?

Mr. PARSONS. I yield.

Mr. PATMAN. Is it not a fact that after the taxes had been paid and no protest had been entered by the taxpayer, laws were passed which permitted the taxpayer to go back several years and get refunds of taxes, although he made no protest at the time he paid the tax legally?

Mr. PARSONS. The gentleman is correct; and they went back and filed their protests and applications for refunds back to the beginning of the war when the high rates of 1918 were in effect.

Mr. McFADDEN. Will the gentleman yield?

Mr. PARSONS. I yield.

Mr. McFADDEN. Referring to what the gentleman from Texas [Mr. PATMAN] has just said, it is commonly bantered around that this evasion of taxes or the making of refunds is netting the racketeers, of which there is a clique here, in the neighborhood of \$50,000,000 a year. I recall one specific instance where an employee of the Bureau of Internal Revenue, who was working on the statements of one of the large taxpayers, left the employ of the income-tax office and went into private practice before the Bureau of Internal Revenue

and secured not only a confirmation of \$6,000,000 that looked like a refund but he got an additional refund which amounted to something over \$50,000,000. Now, these practices are proceeding today and I should like to know what the administration is going to do toward a correction of these well-known frauds. [Applause.]

Mr. O'CONNOR. Will the gentleman yield there?

Mr. McFADDEN. Yes.

Mr. O'CONNOR. When the gentleman says that these practices are continuing today, he knows that the same individuals who have been doing this for years in this Department are there now.

Mr. McFADDEN. That is perfectly true.

Mr. O'CONNOR. So they are not new appointees who are continuing such practices.

Mr. McFADDEN. I would suggest to the gentleman that his administration is in power and that this ring of racketeers should be eliminated from this bureau.

Mr. O'CONNOR. Do not worry—they will be.

Mr. McFADDEN. And I may also suggest for the gentleman's information that there are several of these large taxpayers who have evaded taxation and the Department's attention has been called to them by me, and they should not hesitate but should prosecute without further delay.

Mr. O'CONNOR. They are doing that in New York City right today—the jury is sitting and listening to the testimony.

Mr. McFADDEN. And if the gentleman will yield further, I am willing to suggest specific cases, in addition to those which I have already called to the attention of the Attorney General and the administration. I refer now to the income-tax accounts for the years 1927, 1928, 1929, and 1930 of H. L. Doherty, of Cities Service fame, and I refer to the tax evasions of the partners of J. P. Morgan & Co. in their promotions during the year 1929, and these evasions, with particular attention to Frozen Foods Corporation, should be investigated in connection with a number of their other promotions.

Mr. PARSONS. I may say to the gentleman that from press reports issued by the Attorney General, I think that matter is being looked after and the gentleman from Pennsylvania has rendered very great service to this House and to the country in calling these irregularities to the attention of the Attorney General.

Mr. DONDERO. Will the gentleman yield?

Mr. PARSONS. I yield.

Mr. DONDERO. Might it not be for the benefit of the Nation if that law which has such defects in it, were modified or changed or altered by the House or by the Congress of the United States in order to see to it that this kind of thing is not repeated.

Mr. PARSONS. We modified it at the last session of Congress to the extent that we reduced the interest rate from 6 percent to 4 percent, but that is still a very good rate of investment.

Mr. McFADDEN. Will the gentleman yield further?

Mr. PARSONS. I yield.

Mr. McFADDEN. I should like to call the gentleman's attention, as well as the attention of the Income Tax Division of the Department of the Treasury, to the fact that section 220 of the taxing laws, which is the section which deals with the taxation of private trusts should also be looked into and enforced. An examination of these big trusts, created by big taxpayers of the type of Mellon, into which they pour their ill-gotten gains to avoid their lawful taxes, should be made and the taxes that are due the United States should be collected. [Applause.]

Mr. PARSONS. The gentleman is right.

Mr. LOZIER. Will the gentleman yield?

Mr. PARSONS. If I may get more time, I shall be pleased to yield.

Mr. LOZIER. Another favorite indoor sport and species of racketeering was when the estates in the United States a few years ago came to Congress and got a retroactive provision in a tax bill which refunded to them \$80,000,000.

Mr. PARSONS. These were all retroactive payments, every one of them, detouring the money from the Treasury back to the taxpayer, although they had established their prices on products and had collected the tax from the people, yet the tax was returned back to the taxpayer and not to the people.

Mr. BEAM. Will the gentleman yield?

Mr. PARSONS. Yes.

Mr. BEAM. The gentleman is making a very interesting and illuminating statement, and I should like to ask him whether or not he has made a survey of the amount of tax-exempt bonds issued by the Government and what proportion they bear to the interest-bearing obligations which the Government has issued.

Mr. PARSONS. The best check I could get on tax-exempt bonds a year and a half ago was that they amounted to approximately \$58,000,000,000. Some say the amount is eighty-odd billion dollars, but the best check I could get was that they amounted to \$58,000,000,000. This includes Federal, State, municipal, and various political subdivisions, and, of course, this system is keeping quite a lot of revenue away from the various local taxing bodies, as well as the Public Treasury.

Let us see for a moment what has resulted from our failure to retire the national debt during the years of national prosperity.

First, we have already spent \$6,000,000,000 additional interest from 1926, when we could have retired the debt, down to the present time.

That interest amounts to more than \$700,000,000 annually.

(The time of Mr. PARSONS having again expired, by unanimous consent he was given 10 minutes more.)

Mr. PARSONS. If we include Treasury refunding operations, it creates one and a quarter billions of our present Budget. It has prevented the payment of the soldiers' bonus. It has resulted in tax reduction in years of prosperity when the people were best able to pay, and made necessary the levying of higher taxes in times of depression when people were least able to pay. It is responsible for a \$5,000,000,000 deficit in the last 2 years. It makes necessary a reduction in the Budget of approximately \$1,000,000,000 by reducing salaries of employees and elimination of veterans' benefits at the very time their buying power is most needed. It prevents inauguration of a large scale of public improvements which would employ labor. It stands in the way to a large extent of European debt settlement. The national debt hangs like a dark cloud over the Nation. Those individuals and corporate interests who sought tax reductions are now paying the price of their folly by being burdened with increased taxation at a time they are least able to pay it. I was about to say that the failure to retire the debt is essentially and fundamentally the cause of our depression.

Mr. PATMAN. Will the gentleman yield?

Mr. PARSONS. I yield.

Mr. PATMAN. Is it not true that that can be done by the issuance of new money? Under the present law the average requirement is 10-percent money back of 100-percent credit. Would not it be safer to require a 33 1/3-percent reserve of the banks and pay the national debt in new money than to have the present system, which does not permit a sufficient money reserve and requires an annual interest payment of \$725,000,000 by the Government?

Mr. PARSONS. The gentleman belongs to one school of thought that comes to what I think is an excessive conclusion in the issuance of currency. I am sorry to say that I cannot go that far with the gentleman. I doubt if you could satisfy the financial, commercial, and business interests of the country that such would be a sound financial policy.

We passed the farm relief bill, providing for an issue of \$3,000,000,000 in currency, devaluation of gold, and acceptance of silver from Europe on her debts, which may provide for additional currency.

Of the money to be provided for the public-works program, coming up to us this week or next, we cannot spend more

than a billion dollars the first year, and it seems to me, instead of issuing bonds, we should take advantage of the inflation proposition granted in the relief bill to issue currency, instead of floating bonds entailing a further interest charge in our Budget for retirement in the future. [Applause.] If inflation is ever to be used, there is no better use for it than that, except it be to pay the soldiers' bonus; and if we are not going to use it, why have it enacted into law in the first place? Ample provisions should be made, beginning 5 years from now, for the retirement of this currency, or in 10 years, whatever is the best thought of those in charge of the Treasury at this time, whereby we could make the appropriations in the future to retire so many hundred million dollars a year, after we get the golden stream of revenue rolling back into the Treasury of the United States. The point I am trying to get you to see is that when we do have a return of prosperity, we should restore the excess-profits rates, and we would then make this stream of gold roll back into the Treasury, retire the debt, and build up a reserve for the future to carry us through the rainy day which must inevitably come.

Answer one question and it will decide the whole proposition. Is it fundamentally, financially, and morally right to pay a debt? The answer is obvious. Instead of the Government setting the example for the payment of debt and the retirement of obligations for the various subdivisions of Government as well as the individual citizen, it set exactly an opposite example. It will probably take 50 years to overcome this tragic mistake. We are now emerging slowly but definitely from the depression. We fervently hope for a return of prosperity. The firm and decisive leadership of Franklin D. Roosevelt spreads hope and confidence throughout the land. New ambitions are springing up in the hearts of men and women. The world is looking to America for counsel and guidance. If and when a kind Providence gives us occasion for rejoicing in another era of unbounding prosperity, let us not commit another blunder such as we have in the past. We have a reasonably high rate of income tax now. Such rates with the volume of business enjoyed in the last decade will retire our national debt in less than 10 years. The excess-profits tax should be restored as a part of our tax measures as soon as normal business conditions will permit.

We should pay these taxes in the years of prosperity and reduce the tax in the years of depression. But I want to warn this House, I want to warn the Membership now, that just as soon as business conditions are restored in this country and we have what we call prosperity, the lobbyists will swarm around this hall again asking that these rates be reduced back to where they were in 1928, 1929, and 1930. It is that policy that is behind the sales-tax proposition now, to add it to our statutes, in order that when prosperity returns again we can raise or lower the sales tax and reduce most of the income-tax rates. I may not be in these halls to raise a voice in protest when the lobbyists come back to demand tax reduction, but the experience of the last 4 years should be a lesson to the Membership of this and future Congresses. Let us on the threshold of a new era resolve that these depressing experiences shall not have been in vain, that from the ashes of economic collapse there shall rise a new system of planning, and a definite policy of taxation, a policy that will raise revenue to retire our obligations and set up a reserve for future depressions during the prosperous years of the Republic. To follow any other course, which is the course we followed for 150 years, is stupid and ultimately invites disaster. Such a plan will not only be a part of the "new deal" but will insure a "square deal" to industry and every class and occupation and profession of our citizenry. [Applause.]

The SPEAKER. The time of the gentleman from Illinois has expired.

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that the time of the gentleman be extended for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. PATMAN. I understood the gentleman to endorse the proposal of financing the public-works proposal of \$3,000,000,000, with the issuance of new money rather than a tax?

Mr. PARSONS. I do.

Mr. PATMAN. I want it understood that the Ways and Means Committee is meeting this afternoon and will meet all this week to study a plan to finance the public-works program, and all who are interested in that should contact the members of the Ways and Means Committee.

Mr. PARSONS. I think everyone who is interested in using that fund as an inflationary measure should make their wishes known to the Ways and Means Committee. [Applause.]

The SPEAKER. The time of the gentleman from Illinois [Mr. PARSONS] has again expired.

Receipts, expenditures, and public debt of the United States Government, 1791-1932

Fiscal year	Total ordinary receipts	Total ordinary expenditures	Total gross debt June 30 ¹
1791	\$4,418,913	\$4,269,027	\$75,463,476
1792	3,669,960	5,079,532	77,227,924
1793	4,652,923	4,482,313	80,352,634
1794	5,431,905	6,990,839	78,427,404
1795	6,114,534	7,539,809	80,747,587
1796	8,377,530	5,726,986	83,762,172
1797	8,688,781	6,133,634	82,064,479
1798	7,900,496	7,676,504	79,228,529
1799	7,546,813	9,666,455	78,408,669
1800	10,848,749	10,780,075	82,976,294
1801	12,935,331	9,394,582	83,038,050
1802	14,995,794	7,862,118	80,712,632
1803	11,064,098	7,851,653	77,054,686
1804	11,826,307	8,719,442	86,427,120
1805	13,560,693	10,506,234	82,312,150
1806	15,559,931	9,803,617	75,723,270
1807	16,398,019	8,354,151	69,218,398
1808	17,060,662	9,932,492	65,196,317
1809	7,773,473	10,280,748	57,023,192
1810	9,384,215	8,156,510	53,173,217
1811	14,423,529	8,058,337	48,005,587
1812	9,801,133	20,280,771	45,209,737
1813	14,340,410	31,681,852	55,962,827
1814	11,181,625	34,720,926	81,487,846
1815	15,729,024	32,708,136	99,833,660
1816	47,677,671	30,586,691	127,334,933
1817	33,099,050	21,843,820	123,491,956
1818	21,585,171	19,825,121	103,466,633
1819	24,603,375	21,463,810	95,529,648
1820	17,880,670	18,260,627	91,015,566
1821	14,573,380	15,810,753	89,987,427
1822	20,232,428	15,000,220	93,546,676
1823	20,540,666	14,706,840	90,875,877
1824	19,381,213	20,326,708	90,269,777
1825	21,840,858	15,857,229	83,788,432
1826	25,260,434	17,035,797	81,054,059
1827	22,966,344	16,139,168	73,987,357
1828	24,763,630	16,394,843	67,475,043
1829	24,827,627	15,203,333	58,421,413
1830	24,844,116	15,143,066	48,565,406
1831	28,526,821	15,247,651	39,123,191
1832	31,865,561	17,288,950	24,322,235
1833	33,948,427	23,017,552	7,001,698
1834	21,791,936	18,627,569	4,760,082
1835	35,430,087	17,572,813	37,733
1836	50,826,796	30,868,164	37,513
1837	24,954,153	37,243,496	336,957
1838	26,302,562	33,865,059	3,308,124
1839	31,482,749	26,899,128	10,434,221
1840	19,480,115	24,317,579	3,573,343
1841	16,860,160	26,565,873	5,250,875
1842	19,976,198	25,205,761	13,594,480
1843	8,302,702	11,853,075	32,742,922
1844	29,321,374	22,337,571	23,461,652
1845	29,970,106	22,937,408	15,925,303
1846	29,099,967	27,766,925	15,550,202
1847	26,495,769	57,281,412	38,826,534
1848	35,735,779	45,377,226	47,044,862
1849	31,208,143	45,051,657	63,061,858
1850	43,603,439	39,543,492	63,452,773
1851	52,559,304	47,709,017	68,304,796
1852	49,846,816	44,194,919	66,190,341
1853	61,587,054	48,184,111	59,804,681
1854	73,800,341	58,014,862	42,243,765
1855	65,350,575	59,742,688	35,558,499
1856	74,056,699	69,571,026	31,974,031
1857	68,965,313	67,795,708	28,701,375
1858	66,655,366	74,135,270	44,913,424
1859	53,486,565	69,070,977	58,498,381
1860	56,064,608	63,130,598	64,843,531
1861	41,509,931	66,546,645	90,582,417
1862	51,987,456	474,761,819	524,177,955
1863	112,697,291	714,740,725	1,119,773,681
1864	264,626,771	865,322,642	1,815,830,814
1865	333,714,605	1,297,555,224	2,677,929,012
1866	558,032,620	520,809,417	2,755,763,929
1867	490,634,010	357,542,675	2,650,168,223
1868	405,633,083	377,340,285	2,583,446,456

¹Total gross debt as of Jan. 1, instead of June 30, is given for the years 1791-1842, inclusive.

Receipts, expenditures, and public debt of the United States Government, 1791-1932—Continued

Fiscal year	Total ordinary receipts	Total ordinary expenditures	Total gross debt June 30
1869	\$370,943,747	\$322,865,278	\$2,545,110,590
1870	411,255,477	309,653,561	2,436,453,269
1871	383,323,945	292,177,188	2,322,052,141
1872	374,106,868	277,517,963	2,209,990,838
1873	333,738,205	290,345,245	2,151,210,345
1874	304,978,756	302,633,873	2,159,932,730
1875	288,000,051	274,623,393	2,156,276,649
1876	294,095,865	265,101,085	2,130,845,778
1877	281,406,419	241,334,475	2,107,759,903
1878	257,763,879	236,964,327	2,159,418,315
1879	273,827,185	266,947,884	2,298,912,643
1880	333,526,611	267,142,958	2,090,908,872
1881	360,782,293	260,712,888	2,019,285,728
1882	403,525,250	257,981,440	1,856,915,644
1883	398,287,582	265,408,138	1,721,958,918
1884	348,519,870	244,126,244	1,625,307,444
1885	323,690,703	260,226,935	1,578,551,169
1886	339,430,726	242,483,139	1,555,659,550
1887	371,403,277	267,932,181	1,465,485,294
1888	379,266,075	267,924,801	1,384,631,656
1889	387,050,059	296,288,978	1,249,470,511
1890	403,080,984	318,040,711	1,122,396,584
1891	392,612,447	365,773,904	1,005,806,561
1892	354,937,784	345,023,331	968,218,841
1893	385,819,629	383,477,953	961,431,766
1894	306,355,316	367,525,281	1,016,897,817
1895	324,729,419	356,195,298	1,096,913,120
1896	338,142,447	352,179,446	1,222,729,350
1897	347,721,705	365,774,159	1,226,793,713
1898	405,321,335	443,308,583	1,232,743,063
1899	515,960,621	605,072,179	1,436,700,704
1900	567,240,852	520,860,847	1,263,416,913
1901	587,685,338	524,616,925	1,221,572,245
1902	562,478,223	485,231,249	1,178,031,357
1903	561,880,722	517,006,127	1,159,405,913
1904	541,087,085	583,659,900	1,136,259,016
1905	544,274,685	567,278,914	1,132,357,095
1906	594,984,446	570,202,278	1,142,522,970
1907	665,860,386	579,128,842	1,147,178,193
1908	601,861,907	659,196,320	1,177,690,403
1909	604,320,498	693,743,885	1,148,315,372
1910	675,511,715	693,617,065	1,146,939,969
1911	701,832,911	691,201,512	1,153,984,937
1912	692,609,204	689,881,334	1,193,838,505
1913	724,111,230	724,511,963	1,193,047,745
1914	734,673,167	735,081,431	1,188,235,400
1915	697,910,827	760,586,802	1,191,264,068
1916	782,534,548	741,996,727	1,225,145,568
1917	1,124,324,795	2,086,042,104	2,975,618,585
1918	4,180,425,156	13,791,907,895	12,243,628,719
1919	4,654,380,899	18,952,141,180	25,482,034,419
1920	6,704,414,437	6,141,745,240	24,297,918,412
1921	5,584,517,045	4,468,713,469	23,976,250,608
1922	4,103,596,531	3,195,684,847	22,964,079,190
1923	3,847,045,683	3,244,717,092	22,349,687,758
1924	3,884,041,142	2,946,401,027	21,251,120,427
1925	3,607,644,164	2,464,169,062	20,516,272,174
1926	3,908,457,575	3,030,387,162	19,643,183,079
1927	4,128,422,888	3,001,836,635	18,510,174,266
1928	4,038,235,512	3,071,408,892	17,604,290,563
1929	4,036,218,918	3,322,619,279	16,931,197,748
1930	4,174,051,546	3,392,077,386	16,185,308,299
1931	3,317,233,494	4,219,950,339	16,801,281,492
1932	2,121,228,006	5,006,590,305	19,487,002,444

SESSIONS OF WAYS AND MEANS COMMITTEE

Mr. RAGON. Mr. Speaker, I ask unanimous consent that the Committee on Ways and Means may sit during the sessions of Congress for the rest of the week.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

THE PUBLIC WORKS AND INDUSTRIAL RECOVERY ACT AND THE ACT PROVIDING FOR UNEMPLOYMENT RELIEF

Mr. HAINES. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a statement of the gentleman from Pennsylvania [Mr. ELLENBOGEN].

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania [Mr. HAINES]?

There was no objection.

Mr. HAINES. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following article written by Congressman HENRY ELLENBOGEN, of Pennsylvania, relative to unemployment relief:

One of the planks upon which I campaigned and was elected to Congress was the plank advocating unemployment relief in two ways:

1. The creation of employment for millions of men and women through the expenditure by the Federal Government of \$5,000,000,000 in the construction of public works; and

2. Direct unemployment relief by the Federal Government through substantial contributions to the States and municipal subdivisions for the relief of the unemployed.

Even before I entertained any thoughts of becoming a candidate for public office I was greatly interested in a public-construction program by the Federal Government as the one measure which would provide employment for large numbers of unemployed and would thus relieve, to a considerable extent, the serious unemployment conditions existing in our country and the terrible misery and suffering of our people.

In January 1932 I journeyed to Washington and presented to President Hoover, at the White House, a program calling for the expenditure by the Federal Government of \$5,000,000,000 in the construction of public buildings, highways, roads, tunnels, bridges, railroad crossings, irrigation and power projects, afforestation, and many other construction projects. Unfortunately, President Hoover was determined to oppose a large public construction program by the Federal Government. Had this public construction program been accepted by President Hoover and been inaugurated in 1932, I sincerely believe that we would now be well on the road to recovery.

The program of large expenditures by the Federal Government in public construction, as a relief and unemployment measure, has at last been realized.

Under the inspiring leadership of President Franklin D. Roosevelt, Congress has just passed the bill known as the "National Industrial Recovery Act" which provides for the expenditure by the Federal Government of \$3,300,000,000 in the construction of needed and useful public improvements.

While I have advocated the expenditure of at least \$5,000,000,000 for that purpose, and while, in view of the fact that since 1932 unemployment has greatly increased, the expenditures for public construction should now be well in excess of \$5,000,000,000, I believe that the expenditure of \$3,300,000,000, as proposed by President Roosevelt and as provided for in the act just passed by Congress, will provide a large measure of relief.

It has been estimated by competent engineers that the carrying out of this construction program will give employment, directly and indirectly, to more than 3,000,000 men and women. Mr. William F. Green, president of the American Federation of Labor, estimated that this act might provide employment for 6,000,000 men and women. At the hearing held on this bill by the Ways and Means Committee of the House Mr. Green testified as follows:

"Labor is thoroughly convinced that if the real purpose of the Industrial Recovery Act is achieved, and all is done which can be done by authority of this legislation, 6,000,000 unemployed people, who otherwise would be forced to remain idle, can be given employment within a reasonable length of time."

In my own calculation I shall accept the more moderate estimate that more than 3,000,000 of unemployed will be given employment by the carrying out of this act.

The execution of this public-construction program and of the other provisions of this act will mean that more than 3,000,000 men and women, some of whom have been unemployed for nearly 4 long and bitter years, will again find positions and thus become self-supporting and self-respecting citizens. It will mean even more. It will mean that 3,000,000 breadwinners will again be able, through the work of their hands or their brains, to earn a decent livelihood for themselves and their wives and children.

If we figure an average family as consisting of four persons, it becomes apparent that the proper execution of this bill will provide a decent livelihood for more than 12,000,000 men, women, and children.

It is certain that the expenditure of such large sums of money for public works will stimulate private industry and will cause the investment of large amounts of private funds. This will again provide employment for thousands, and perhaps millions, of now idle people, and thus the real effect of a public-construction program will be much greater than I have just indicated.

The public works bill provides that the \$3,300,000,000 shall be expended for the construction and improvement of public highways, public buildings, for the conservation and development of natural resources, for the development of water power and electrical energy, for construction of river and harbor improvements and flood control, for the construction, under public regulation and control, of proper housing facilities at small rentals for the working people, for the construction, replacement, or improvement of bridges, tunnels, ducts, viaducts, canals, waterways, and markets, devoted to public use, and for other necessary and useful public projects.

The construction of these projects will necessarily create employment not only on these public-works projects, but will provide much-needed employment in the factories and mills where the raw materials to be used will be prepared. Other producers of raw materials, such as the lumber camps and stone quarries, will receive much-needed impetus toward recovery both in employment and production output.

The carrying out of this huge construction program by the administration of President Roosevelt will be of particular benefit to the Pittsburgh district. Our steel mills will manufacture a very large part of the iron and steel, which will be used in the construction of these projects. Pennsylvania will also furnish a large part of the cement and other raw materials which will be used. The execution of this Federal construction program is, therefore, more important to Pennsylvania than to any other State in the Union.

The millions of workers who will be employed on the various construction projects, and in the mines and mills, quarrying and manufacturing the materials for these projects, will spend their wages in the purchase of food, clothing, shoes, and other necessities of life. This will greatly increase the business of grocers, butchers, clothing stores, shoe stores, department stores, etc., and may permanently revive trade and commerce generally. These stores will, in turn, replace their supplies of commodities by purchases from the farmer, the wholesaler, and the manufacturer. This will increase the buying power of the farmer and will force plants to increase their production, which will provide employment for thousands or perhaps millions of further groups of men and women. In this way, there may be a permanent revival of commerce and industry and a return of better times.

In times of depression it becomes unprofitable for private business to proceed at the usual rate of production, because, due to the large unemployment and the materially reduced purchasing power of the people, private business is unable to find a market for its products.

During these periods of depression, public construction is the only sound method of absorbing the unemployed and spreading purchasing power. Indeed, public construction, if properly planned and timed, could prevent the occurrence of periodic cycles of depression and prosperity. During times of prosperity public construction should be fully planned, but execution should be deferred. If signs of a depression appear, these accumulated public-construction projects should at once be executed. This would absorb the workers who have been discharged by private industry, and might immediately check a depression in its first stages. Not only was this not done in 1929 and 1930, but, to the contrary, we find that public construction by all Government units, Federal, State, and local, was much less in the years of 1931 and 1932 than it had been during normal years. In 1932 alone, the amount expended on public construction was one and a half billion dollars less than in 1930.

It is quite clear that the expenditure of \$3,300,000,000 on construction will hardly be sufficient to take care of needful projects, deferred by States and municipalities, because of their inability to raise the necessary funds.

The public works program cannot be carried out without the cooperation of the States, counties, and municipalities throughout the Nation. The Federal Government does not have sufficient necessary and useful public improvements to justify an expenditure of more than \$3,000,000,000, and there is no intention anywhere to construct buildings or other projects which are not needed. But the States, the counties, and the municipalities have been unable to undertake the construction of public projects which they need in their respective communities, because of the lack of funds. The bulk of the construction provided for in the Public Works Act must, therefore, come from the States, counties, and municipalities. In order to enable the States, the counties, and the municipalities to construct necessary and practical projects at this time, the act provides for financial assistance by the Federal Government in the following forms:

1. By extending direct grants to the States, counties, and municipalities up to 30 percent of the cost of the labor and materials expended in the construction of the projects.
2. By extending loans to States, counties, and municipalities for the construction of such projects in such amounts as shall be approved by the Federal authorities.
3. By combining these two methods of assistance, viz, by giving grants to the local governments up to 30 percent of the cost of labor and material and extending loans for the balance of the necessary expenditures.
4. By divers other methods of aid and assistance in financing, or by actually constructing these projects.

We now come to provisions of the act which will establish a new epoch in the lives of the workingman. These provisions establish a code of cooperation within each industry and lay down a Magna Charta for the protection of our working people. These provisions will benefit not only the employees but also fair employers.

Take, for instance, the clothing industry. About 90 percent of the manufacturers of clothing are willing to pay employees decent wages and to operate their factories on the basis of reasonable working hours. But about 10 percent of the clothing manufacturers insist on gaining a competitive advantage over the fair-minded men in the industry by making their employees work unreasonably long hours and by paying them starvation wages. Thus, this unscrupulous little group has been able to manufacture much more cheaply than the fair-minded employers. This forced the other employers, if they wanted to continue their businesses, to resort to the same practices of long hours and pathetically low wages. In this way a small part of an industry was able to force upon an entire industry sweatshop conditions.

Never has there been such widespread application of the sweatshop as there is today. In these years of depression the difficulty of making an honest profit in business or in industry has led ever-increasing numbers of employers to the introduction of sweatshop methods in their shops and factories. Thousands upon thousands of men have been displaced by women at lower wages, and these women, in turn, have been displaced by children at still lower wages.

It has been estimated that sweatshops in Pennsylvania alone now employ more than 200,000 people. Particularly the employment of children has been increased in astounding numbers. These children work from 50 to 90 hours a week. Boys and girls,

10 and 12 years of age, have been taken from school and forced to labor 10 to 18 hours a day. Workers in Allentown factories receive as little as 57 cents a week. An investigator of the Lehigh County Emergency Board in Pennsylvania has seen pay envelopes bearing these figures for a 6-day week of 9 hours daily: \$0.57, \$0.94, \$1.23, \$1.68. Children have been forced to work long hours for as little as 5 cents a day. This is nothing less than peonage. There is only one remedy: The abolition of the sweatshop.

The Pennsylvania State Legislature, under the domination of a corrupt Republican machine, has refused to stamp out the evil of the sweatshop and of child labor. These Republican misrepresentatives have refused to establish laws providing for maximum hours of labor and minimum wages, and to ratify the Child Labor Amendment to the United States Constitution, which would abolish child labor in the entire Nation.

The National Industrial Recovery Act will, I am confident, be so administered that it will banish the sweatshop from all industries. Under this act maximum hours of labor will be established in every industry. The hours of labor will be shortened, so that millions of men and women, now unemployed, will be able to find employment. But the shortening of the hours of labor alone is not sufficient. Therefore, the act provides for the establishment of minimum wages. Under it the workingman will receive, for the shorter hours of labor, adequate wages to guarantee him a fair and decent standard of living. Further, the act guarantees to labor the right to organize in unions and bargain collectively and it outlaws the "yellow dog" contract.

A fair employer will have no reason to complain about this act. It will enforce in all industries uniform conditions of wages and hours of labor. It will enable the fair employer to compete on an equal basis with all other persons engaged in the same industry, and particularly with the unscrupulous employer who before the passage of the act resorted to sweatshops and other unparalleled forms of exploitation of labor. This act will give industry an opportunity for self-organization and self-discipline, and will assure to each industry the cooperation and the full force of the Federal Government in forcing into line unfair and unscrupulous minorities. It is an act designed to lead us out of the depression and bring about industrial recovery. It will provide, I am confident, employment for millions of men and women now unemployed. It will establish a new era in the life of the workingman. It will bring about, through power vested in the President of the United States, the 6-hour day and the 5-day week in most industries.

FEDERAL EMERGENCY RELIEF ACT OF 1933

I want to call your attention to another act passed by Congress during this session, the Federal Emergency Relief Act of 1933.

(For about a year and a half I have advocated the principle of direct relief by the Federal Government for the unemployed. It had early become apparent to me that the cities and counties could no longer assume the major share of the burden of unemployment relief.) The cities and counties of Pennsylvania derive practically all of their revenue from taxes on real estate. These taxes against real estate had already become excessively high and extremely burdensome, and it was evident to every student of the matter that real-estate taxes could not be raised any higher.

(Some of the money for unemployment relief could and should be raised and contributed by the State from taxes imposed by the State.)

The sessions of the Pennsylvania State Legislature in 1932 and 1933 show that it would be difficult, if not impossible, to raise sufficient taxes in Pennsylvania to meet the ever-increasing amounts necessary for unemployment relief.

Recognizing this situation, I proposed that the Federal Government should assume a substantial proportion of the necessary unemployment relief. I submitted this proposal to President Hoover in January 1932, but he rejected it.

Under the leadership of President Roosevelt, Congress has now adopted the principle of making large contributions to the States toward unemployment relief. This act marks a new epoch in our Government. It definitely provides that the Federal Government shall assume its proper share of unemployment relief.

The Act recognizes that it is better to provide employment instead of relief, and permits the use of part of the money for work relief.

This Act, together with the National Industrial Recovery Act, already discussed, are heroic measures on the part of the Federal Government to meet the crisis and the human misery created by the depression.

March 4, 1933, is a date which will never be forgotten in the history of the United States. On that day Franklin D. Roosevelt became President of the United States. He was called to the leadership of our great country by an overwhelming vote of the people at a time of unemployment, distress, and acute suffering. As he stood on the steps of the Capitol delivering his inspiring inaugural address, he was faced with a situation such as this country had never before witnessed. Our people had been suffering for more than 3 long years. The crisis had started in 1929. The number of unemployed had increased week by week, month by month, and year by year. The national income had been reduced from about \$84,000,000,000 in 1929 to less than \$40,000,000,000 in 1932. Pay rolls fell from an index of 100.5 in 1929 to 81.3 in 1930, to 61.5 in 1931, to 41.6 in 1932, to 35.2 in the first quarter of 1933. The people throughout the United States had lost confidence in the banks. On Saturday, March 4, 1933, practically every bank in the United States had been forced to close

its doors and suspend business operations. Our economic system was tottering and a feeling of panic prevailed.

At this point of emergency, in this hour of need, Franklin D. Roosevelt became President. He immediately met the bank crisis in a way commended by all. He proposed and Congress passed legislation for the relief of small home owners, which will be a blessing and indeed a salvation to thousands of home owners. He proposed the act for the construction of huge power and irrigation projects at Muscle Shoals in the Tennessee Valley. The power plants at Muscle Shoals will benefit every person in the United States by establishing a yardstick for measuring the cost of generating and distributing electric power. This will force down the rates for electric power throughout the country. President Roosevelt suggested and Congress enacted the act regulating the sale of securities which will eliminate flagrant abuses by the dealers in stocks and bonds and will save millions of dollars for investors.

There are many other outstanding achievements and great legislative measures which were proposed by President Roosevelt and enacted by Congress in the special session in 1933.

The people of the United States have confidence in President Roosevelt. They believe in him and in his leadership. They love him and are devoted to him.

May a benign Providence give President Roosevelt long life, and may it endow him with wisdom and human understanding in the leadership of our great country. May President Roosevelt lead us out of the depression and into better times.

NATIONAL MARITIME DAY

Mr. TARVER. Mr. Speaker, I ask unanimous consent for the immediate consideration of the joint resolution, S.J. Res. 50, a similar House joint resolution being on the calendar.

The SPEAKER. The Clerk will report the Senate joint resolution.

The Clerk read the resolution, as follows:

Senate Joint Resolution 50

Whereas on May 22, 1819, the steamship *The Savannah* set sail from Savannah, Ga., on the first successful transoceanic voyage under steam propulsion, thus making a material contribution to the advancement of ocean transportation: Therefore be it

Resolved, etc., That May 22 of each year shall hereafter be designated and known as "National Maritime Day", and the President is authorized and requested annually to issue a proclamation calling upon the people of the United States to observe such National Maritime Day by displaying the flag at their homes or other suitable places and Government officials to display the flag on all Government buildings on May 22 of each year.

The SPEAKER. Is there objection to the request of the gentleman from Georgia [Mr. TARVER]?

There was no objection.

The Senate joint resolution was ordered to be read a third time, was read the third time, and passed.

A motion to reconsider was laid on the table.

A similar House joint resolution was laid on the table.

Mr. TARVER. Mr. Speaker, I ask unanimous consent to extend my own remarks in connection with the Senate joint resolution just passed, and to include therein certain data relative to the first steam voyage across the Atlantic Ocean by the steamer *The Savannah*.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. TARVER. Mr. Speaker, this resolution was introduced in the Senate by Senators GEORGE and RUSSELL, of my State, upon the request of the Georgia Bicentennial Commission. There is now being conducted in Georgia a celebration of the two hundredth anniversary of the founding of the colony by Gen. James Oglethorpe and his associates, and in connection therewith it has been desired that proper recognition should be given the fact that the first transoceanic voyage under steam propulsion began at Savannah, Ga., on May 22, 1819, having been made by the steamship *The Savannah*.

Shipping interests of this country, as well as our citizens generally, are anxious that some appropriate tribute be paid annually to the American merchant marine, and it has seemed appropriate both to representatives of the American shipping industry and of the Georgia Bicentennial Commission that the anniversary of the beginning of *The Savannah's* voyage should be designated as National Maritime Day.

As indicative of the viewpoint of the American merchant marine toward this movement, I quote a portion of a letter

written under date of April 25, 1933, by Mr. A. E. MacKinnon, of the American Steamship Owners' Association, 11 Broadway, New York, to Hon. Pleasant A. Stovall, president Georgia Bicentennial Commission:

We propose that with the cooperation of the commission immediate steps be taken to ask the Governor, and through him the President of the United States, to declare May 22, the anniversary of the sailing of the steamship *The Savannah*, an annual event to be known as "National Maritime Day".

To insure its success we would undertake, without expense to the commission, to enlist the support of the largest shipping interests in the country to get behind this program and by use of the press, the radio, and every other legitimate and dignified channel solicit the moral support of the country to the end that we would arouse the people of the country to the importance of this contribution to the world of science and industry and the material part Georgia played in it.

We are spurred to do this by reason of the knowledge that Canada is planning to celebrate in August the centennial of the sailing of the steamship *Royal William*, which they claim to be the first steam vessel to have crossed the Atlantic. The claim is not in harmony with the fact. We will enlist the support of the National Council of Shipbuilders, naval architects, Navy League, and like groups to the end that each will contribute the resources of their several organizations to help make this anniversary a memorable one for all time.

Mr. HOWARD. Mr. Speaker, in these critical hours, when leadership of vision and courage is essential to lead the way to brighter days, President Roosevelt is not only the hope of America, but, indeed, he is the hope of the world.

The woe and misery imposed upon countless millions in recent days by the monied interests, represented by the Four Horsemen of modern times, is not less than that pictured by St. John in his vision upon the isle of Patmos as attendant upon the ravages of the Four Horsemen of the Apocalypse.

Now that we have a leader who is marshaling the forces of humanity to prevent further ravages by four modern horsemen, representing the gigantic combinations of money whose greed in times of peace is exceeded only in times of war, those mighty interests are determined to hamstring President Roosevelt in his fight to secure a measure of economic justice for the weak and to promote a permanent peace between all nations. Those interests will not readily surrender the control of commerce and industry—yes, of governments as well—which they have long exercised. They will stop at nothing to thwart the efforts of our President. They work cunningly and in secret. Paying handsomely obedient servants, they readily find able men willing to prostitute their talents in an unholy undertaking, and they control most avenues of information and propaganda.

Mr. Speaker, never was a newly installed President of the United States so violently opposed in his efforts to work the welfare of all the people as President Roosevelt is now opposed by the mightiest organization of wealth the world has ever known. Every move made by this new President to lift the country out of the ditch of depression, into which it was pushed by unholy hands, is denounced by the emissaries of that organized group of money-mad men as calculated to destroy that Republic which Franklin Roosevelt seeks to save. That murderous group—and I weigh my words when I say it is a murderous group—exercising the power of the Federal Government through a long term of years, secured enactment of legislation to make that organization as much the money master in America as Napoleon made himself the military master of Europe. And now, seeing this Roosevelt of ours actually trying, and successfully, to secure legislation to take our Government out of control of the long-time money master, the emissaries of that master have launched against Franklin Roosevelt a campaign of propaganda as violent and as scientific as that propaganda spread by England and France to drag the United States into the horrible World War.

While it is true that this Congress in both branches has been voting loyally for every plan advanced by President Roosevelt for the welfare of the country, it seems to me that the time has arrived when the true friends of our new President should begin putting out a little propaganda of their own to unmask those elements and those individuals so compactly organized in effort to discredit President Roosevelt and to impede his efforts for the commonweal.

What is the name of that murderous organization which has driven thousands of American citizens to suicide graves, and in recent years driven millions of others to the dual doors of poverty and despair? It may be best designated as the Morgan-Mellon group of international bankers.

By the might of its power during the past two decades it has wrested from the Congress of the United States the constitutional right to control the financial policies of the Republic. By master cunning and worse it succeeded in gaining absolute control of our Federal Reserve System, and through that control it has enabled one family in that organization to amass property which, if sold on the market at prevailing low prices, would carry to the coffers of that family an amount of money greater than the assessed value of all the land and all the personal property in two of our once most prosperous farm States. President Roosevelt believes that it is not right that this murderous group should longer control the financial policies of the Republic. He believes he has been called by the people of the Nation to right some of the great wrongs perpetrated against humanity, and if this Congress shall continue in loyalty to his program he will give affirmative answer to the call of the people. [Applause.]

I have said that it is high time lovers of the Republic and true friends of President Roosevelt should be speaking and writing in plain words about that mighty murderous group now so industriously endeavoring to stay the steps of President Roosevelt on the pathway upon which he plans to carry the cause of humanity to the goal of success. And for my own part, I feel in duty bound to banish from my vocabulary every soft word when speaking with reference to the four men more responsible than all others for driving both the Republic and the people of the Republic to their present sad state.

A few days ago a distinguished Senator of the Republic grouped the Nation's master enemies, naming four of them as first among their equals in point of infamy. Oddly enough, the first letter in the name of each of those four master public enemies was the same. Next day on the floor of this House our eloquent colleague from Mississippi joined the Senator from Michigan in naming 2 of the 4 of our public enemies as numbers 1 and 2. No student of public affairs will find any difficulty in attempting to name those four public names in order of their hellish atrocity.

The eloquent Mississippian in trying to describe the enemies of the Republic, prayed that in the moment he might wield the brush of a Rembrandt to carry to canvas a true picture of those enemies and their sins against humanity. I now find myself with paucity of knowledge of word architecture to enable me to portray those public enemies properly. For the moment I shall borrow from the world's master architect, Pythagoras, and from Godwin, a later master in word architecture, as RANKIN borrowed from Rembrandt, and try to carry to the country a truthful word picture of the Nation's four master enemies.

Oh, what a quartette they are—Morgan and Mellon, Meyer and Mills—smart rascals and sleek servants, hand in hand in every plot to filch a nation or to foul the golden name of Roosevelt; back to back to spit on truth and honor and defy the law's stern call. It is meet that while they live they should be joined in every work and walk in life, and when they die the scrolls of their deeds be buried side by side, to lie in putrid poison state, too rank for literary jackals, too noxious for emulating worms. [Applause.]

Mr. Speaker, these four names, Morgan and Mellon, Meyer and Mills, enrolled among the honorable and the true in the galaxy of financiers and statesmen will forever be names the mention of which will bring to the cheek of America the hot blood of humiliation and shame. Hated by millions of their impoverished victims, loathed by lovers of the right throughout the Nation, the business of banking and the profession of statescraft have been blurred by their past infamy and polluted by their present sin. [Applause.]

Is my word picture of those money-mad elements and their representatives overdrawn? I think not. Indeed, it is beyond the ability of mortals to paint them in words to

shrivel, parch, and burn commensurate with their just deserts.

What is the signal duty of an American citizen right now?

It seems to me the finger of duty points every citizen to do all within the limits of his or her ability to stand squarely with our President in his efforts to lead the way from the jungles of War and Want to the plains of Peace and Prosperity.

I am hoping—aye, and believing—that every lover of our Republic will play his or her best part to guard and shield President Roosevelt against every malicious attack upon the man or upon his measures for the promotion of peace and prosperity at home and abroad.

DEGREE OF BACHELOR OF SCIENCE FOR GRADUATES OF NAVAL ACADEMY

Mr. VINSON of Georgia. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval Academy, with House amendments, insist on the House amendments, and agree to the conference asked by the Senate.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Georgia [Mr. VINSON]? [After a pause.] The Chair hears none and appoints the following conferees: Messrs. VINSON of Georgia, DREWRY, and BRITTEN.

WEST VIRGINIA

Mr. RAMSAY. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

Mr. RAMSAY. Mr. Speaker, I rise to discuss a bill I introduced at this session (H.R. 4109) authorizing the State of West Virginia to bring suit against the United States Government. I believe the bill should be amended so that any of the States of the Union, whenever they deem it necessary, may be empowered to institute suits in the Supreme Court of the United States against the United States Government.

A bill similar to this was passed by the United States Senate some 13 or 14 years ago. It was prepared by the late Senator Lodge and Senator Chilton, of my State.

The State of West Virginia rests its claim upon the bill introduced because by an act of the General Assembly of Virginia, passed at a session commencing on the 20th day of October 1783, for the purpose of expediting the establishment of the proposed confederation, authorized her Delegates in Congress—Thomas Jefferson, Samuel Hardy, Arthur Lee, and James Monroe—to convey all her territory known as the Northwestern Territory by deed to the United States of America, which deed was on the 1st day of March 1784, by said Delegates, and pursuant to the act of the Assembly of Virginia dated October 20, 1783, signed and conveyed to the Congress of the United States, ceding all that vast territory west of the Ohio, comprising now the States of Ohio, Indiana, Illinois, Wisconsin, Michigan, and so much of Minnesota as lies east of the Mississippi River—once the property of the old State or Colony of Virginia, of which, up until 1863, what is now West Virginia was a part.

The Supreme Court allotted to West Virginia a part of Virginia's debt, created prior to the Civil War, and, hence, before the State of West Virginia was admitted into the Union. Since West Virginia was, in the debt case, held liable for a proportionate part of the old debt, as recognized in the West Virginia Constitution, it cannot be doubted that it is entitled to a part of the assets of the State of Virginia up to the time of separation.

WEST VIRGINIA'S RIGHT OF CLAIM

West Virginia has never come to the Federal Government on this question as a supplicant. Whatever rights West Virginia has are protected by the written contract, consisting of the deed which was presented to the Continental Congress by Thomas Jefferson. That deed conveyed to the Federal Government the territory aforesaid west of the Ohio River. However, it was not an absolute deed but vested in

the Federal authority the right to sell and dispose of that territory and give to purchasers an absolute deed therefor, but the proceeds were required by the terms of the deed of grant to be held in trust for the use and benefit of the Thirteen Original States, or, as expressed in the deed, to those States which have already become part of the Federal Union—that fought and maintained the Revolutionary cause—and to those which should thereafter become members of that Union. The trust was so expressly stated and guarded that it was provided how the interest of each State in the proceeds of those lands should be ascertained, to wit, that each State should take such proportionate part of the whole proceeds as that State's contribution to the Revolutionary cause should bear to the whole proceeds.

For instance, if the Federal Government should sell or dispose of the property for, say, 200 millions and the old original State of Virginia had contributed to the cause 50 millions, then Virginia would have fifty two-hundredths, or one fourth, of the entire proceeds. The same would be true of the other 12 original States.

To show how earnest Jefferson and the other statesmen of Virginia were in this matter and how carefully they guarded their footsteps, it was provided that this fund should be kept in trust for the purpose aforesaid, "and for no other purpose whatsoever." This was a specific trust in which the beneficiaries were named and the interest of each beneficiary stated with the accuracy of a skilled draftsman. The framers of the present Constitution guarded this trust by providing that all contracts, agreements, and engagements of the Constitutional Congress should be kept and performed by the new Government, the United States.

The claim of West Virginia consists of the following facts:

1. It was a part of Virginia at the time the contract or conveyance was made.
2. The Supreme Court has held that West Virginia is liable to pay its part of the debts contracted when it was a part of Virginia; that is, prior to June 1863.
3. That the United States has never accounted for the proceeds of the western lands, and it is known, by record, that it sold, gave away, and otherwise used the vast trust subject that was embraced in the grant of Virginia. Little of the land is now held by the United States.
4. That by reason of article 6, section 1, of the Constitution of the United States it was provided that "all debts contracted and engagements entered into before the adoption of this Constitution shall be as valid against the United States under this Constitution as under the Confederation."
5. That the deed heretofore referred to which conveyed said territory to the United States Congress explicitly provided a trust that was to be carried out by the United States. (That all the lands within the territory so ceded to the United States, and not reserved for or appropriated to any of the before-mentioned purposes, or disposed of in bounties to the officers and soldiers of the American Army, shall be considered as a common fund for the use and benefit of such of the United States as have become or shall become members of the Confederation or Federal alliance of the said States, Virginia inclusive, according to their usual respective proportions in the general charge and expenditure, and shall be faithfully and bona fide disposed of for that purpose, and for no other use or purpose whatsoever.)
6. Instead of carrying out section 6 of proviso of said deed, the Congress of the United States seems to have donated many of these lands and much of the proceeds thereof to purely local purposes not contemplated by the deed of cession, but actually contrary to its terms. And that out of this vast territory Congress seems to have donated to local uses, contrary to the deed, 38,864,189 acres, valued at \$2 per acre, the price fixed by Congress when these lands were offered for sale by the act of May 18, 1796, would amount to \$77,728,378, and that in addition to this proceeds of the sales of lands amounting to \$2,953,654.70 were likewise donated to local uses, making an aggregate of donations contrary to the deed of \$80,682,032.70, and that the aforesaid trust has not even yet been entirely administered, but that there remains on hand undisposed of several thousand acres of these lands, and that the aforesaid trust is still in full force and effect.

West Virginia comes now by this bill not to ask for money or any political settlement, but merely asks the right to sue the United States in the Supreme Court and let that Court settle the rights of Virginia and West Virginia, the part which West Virginia should have in the trust subject and the amount that is owned by the Federal Government under the trust agreement. Certainly the Federal Government should not object that its own Court, the highest Court of the land, should settle the rights of the sovereigns involved in this solemn covenant.

There can be no question of the statute of limitations, for obvious reasons that suggest themselves to a lawyer. To begin with, a trustee cannot, after default, claim the protection of the statute of limitations. In the next place there is no statute of limitations as between sovereigns. Neither the State of Virginia could pass a statute of limitations that would stay the hands or affect the rights of the Federal Government, another sovereign; nor could the Federal Government pass any statute of limitation that would limit the rights of the sovereign State of Virginia or West Virginia, either as the substance of the claim or the time of its enforcement.

These principles seem to us to be fundamental, and, therefore it may be said that limitation, as to time, cannot be taken into consideration. But over and above all this, the trust has not been wound up, because the Federal Government still owns a part of these lands, as we recall the record, in the States of Wisconsin, and probably Minnesota, and Michigan. No lawyer would contend that a trustee could interpose the statute of limitation as against an accounting for his default, at least until the trust has been wound up and the trust related to dissolved.

The great feature of the Constitution of the United States is that it treats each State as a sovereign within its own jurisdiction. The Federal Government has only the powers that were granted to it by the Constitution. Beyond these grants of jurisdiction the States are still sovereigns; and certainly it was in the mind of the framers of the Constitution that the peace and good will of the States, in administering what was left of the sovereignty of each, should not cause friction.

Therefore it was put in the Constitution that, in all matters as to which the United States is a party, the Federal courts should have jurisdiction; and there can be no question that it is within the powers granted to the Federal Government to give its courts jurisdiction of a suit between the Federal Government and any one or more of the States. It has never been questioned that a suit between the State of Virginia, or any one of the Thirteen Original States on the one side, and the United States on the other would be cognizable in the Supreme Court.

However, there still remains the proposition that the United States, being a sovereign, cannot be sued without its consent. It has heretofore given its consent to being sued by Indian tribes, corporations, and even private individuals who have certain classes of claims. But in the class of claims that would be embraced by the claim of West Virginia, there is no statute which gives the consent of the Government.

West Virginia, by this bill, merely asks the Congress to give the consent of the Federal Government to a suit, and thus leave it to the Supreme Court to decide whether or not the claim of West Virginia is sound; and second, how much that claim is. This is a peculiarly fitting time for the Congress to take this action for the following reasons.

The judicial power of the United States as fixed by the Constitution extends—

to all cases, in law and equity, arising under this Constitution, the laws of the United States, and treaties made, or which shall be made, under their authority; to all cases affecting ambassadors, other public ministers, and consuls; to all cases of admiralty and maritime jurisdiction; to controversies to which the United States shall be a party; to controversies between two or more States; between a State and citizens of another State; between citizens of different States; between citizens of the same State claiming lands under grants of different States; and between a State, or the citizens thereof, and foreign States, citizens, or subjects.

The Constitution further provides that—

In all cases affecting ambassadors, other public ministers, and consuls, and those in which a State shall be a party, the Supreme Court shall have original jurisdiction. In all the other cases before mentioned the Supreme Court shall have appellate jurisdiction, both as to law and fact, with such exceptions and under such regulations as the Congress shall make (art. 3, sec. 2).

By the eleventh amendment these powers were restricted as follows:

The judicial power of the United States shall not be construed to extend to any suit in law or equity commenced or prosecuted

against one of the United States by citizens of another State or by citizens or subjects of any foreign State.

It has been held that the United States can sue a State in an original suit brought in the Supreme Court of the United States (136 U.S. 311; 143 U.S. 621).

In the latter case, on page 643, the Court says:

The words in the Constitution, "in all cases . . . in which a State shall be party the Supreme Court shall have original jurisdiction", necessarily refer to all cases mentioned in the preceding clause in which a State may be made, of right, a party defendant, or in which a State may, of right, be a party plaintiff.

These cases settle beyond all question the constitutional power of the Supreme Court of the United States to determine any suit in which a State may be a plaintiff or defendant, as well as the proposition that the United States can sue a State in the Supreme Court of the United States. The anomalous rule of allowing the United States to sue a State without the reciprocal right of a State to sue the United States rests upon the doctrine that a sovereign cannot be sued without its consent, and that the States gave their consent to have suits brought against them by a sister State, or by the United States, when they came into the Union and ratified the Constitution (143 U.S. 646). But the United States has not given its consent to be made a defendant, and the purpose of the bills before us and of this substitute bill is to grant that consent.

The question presented is whether or not it is right, just, and expedient to grant that consent. In the above-cited case of the United States against Texas the question at issue was the boundary line between Texas and the Territory of Oklahoma. It seems that the whole of Greer County governed by Texas was involved, Texas claiming that the county was within the boundary of that State and the United States claiming that it was within the Territory of Oklahoma. The Supreme Court decided that a proper running of the boundary line put Greer County within the Territory of Oklahoma, and thereupon the claim of Texas was held to be erroneous, and she was deprived of the jurisdiction which she had theretofore exercised over the county. The effect of the judgment was to transfer the land and people of the whole county from the jurisdiction of the State of Texas to the jurisdiction of the Territory of Oklahoma. If it had happened, by a similar mistake of running the boundary line, that Greer County had been erroneously placed under the jurisdiction of the Territory of Oklahoma, the State of Texas would have been helpless, except by an appeal to Congress, to correct the mistake. No reason has been assigned, and, as we think, no reason can be assigned, why, in this kind of a controversy, the State should not have the right to appeal to the judicial power of the United States and to the jurisdiction of the Supreme Court for relief. If the sovereign State of Texas should be compelled to release its jurisdiction of a whole county by virtue of a judgment and a decree of the Supreme Court, then it would seem only fair, if the position of the parties were reversed, that the Federal Government should be compelled, by the exercise of the same judicial power, to submit to a full legal investigation and to the decree and judgment which would follow the ascertainment of the facts.

The Senate has very recently passed an act granting to the State of Nevada a large tract of land for the benefit of its school fund. The same kind of grant has been made to other States. Under the terms of the grant to Nevada the State makes certain selections and locations under a plan set forth in the act. After the State shall make the selection and location it is entirely possible that there may arise a conflict due to one construction by an engineer or other subordinate officer of the Interior Department on the one side and a claim of the State on the other. If the State shall get upon the wrong side of any such controversy, the United States can fix the boundary and recover her rights by a suit in the Supreme Court of the United States against the State of Nevada. But if it should so happen that the United States through its officer should claim and occupy any part of the land granted to the State, the latter is left to the arbitrary judgment of the Department of the Interior, right or wrong, and has no recourse to any court.

But supposed rights are claimed by the State, which rights are, in fact, invaded by the execution of the law of Congress. This might make a controversy between the State and the United States. There would be no trouble for the United States to get relief by a suit in the Supreme Court; but the State, however much its rights might be trampled upon by an executive officer, will be relegated to the tedious processes of Congress for relief.

Instances could be multiplied of the need of this reciprocal right of the States to sue the Federal Government. When we recall that the United States has had dealings with States and that contractual relations exist by virtue of acts of Congress and grants of lands, and that controversies have already arisen over boundaries, trust funds, and mutual obligations arising out of these acts and out of actual contracts, it seems that the question whether or not the Federal Government should be compelled to give the States the right to bring suit against it on the grounds of fairness and justice must be answered in the affirmative.

The Federal Government is a sovereign, but so is each of the States. Except so far as they have by the Constitution granted powers to the Federal Government, the States are supreme. Therefore the same reasons which can be urged against compelling the United States to submit to being made a defendant in the Supreme Court could be urged on behalf of each one of the States.

In the case of *United States v. Texas* (143 U.S. 648), in a dissenting opinion by Chief Justice Fuller and Mr. Justice Lamar the position is taken that the United States cannot sue a State in an original suit in the Supreme Court. This dissenting opinion makes no reference to the case of *United States v. North Carolina* (136 U.S. 211), wherein the original jurisdiction of the Supreme Court was exercised without question; and the only significance to this dissenting opinion is that as late as 1891 it was seriously denied that the United States could sue a State without the latter's consent.

But for the eleventh amendment the States would have been compelled to submit to suits brought by individuals, because the original grant of judicial power was broad enough to embrace such controversies. *Chisholm v. Georgia* (2 Dall. 419). This latter decision, holding that a State may be sued in the Supreme Court by a citizen of another State and that judgment may be rendered in default of an appearance, was made in February 1793. As a direct result of this decision, on the 5th of March 1794, a resolution of Congress was passed submitting the eleventh amendment to the States for ratification. It is hardly worth while to consider to what extent the States then recognized the right of the Federal Government to sue them in an original suit in the Supreme Court of the United States, but it is altogether probable that had the right been then asserted the eleventh amendment would have contained a provision to compel the United States to submit to a suit by a State to the same extent that the State could be sued by the Federal Government. It must be borne in mind that nowhere in the Constitution is there an express consent given by the States to a suit brought by the United States. That consent is inferred from section 3, article 2 (143 U.S. 646).

In the last case cited the Supreme Court held that the States, having adopted the Constitution, "agreed" to the grant of judicial power and original jurisdiction in the Supreme Court in all cases "in which a State shall be a party" without excluding those in which the United States may be the opposite party, and that, therefore, the exercise of original jurisdiction in a suit brought by the United States against a State was not infringing upon the sovereignty of the State but was "with the consent of the State sued."

It is too late to argue that by the grant of judicial power the States did not mean to create the anomalous condition that if there were mutual accounts between them and the United States which could not be adjusted out of court the State must wait for the Federal Government to bring a suit before it could file its set-offs. The thought constantly recurs, however, that the decision leaves the relations between the Federal Government and the States in the position that

if the United States should sue a State upon an account the State might file a set-off which would more than avail to defeat the claim of the United States, and yet might not have a judgment over for the difference between the claim of the plaintiff and that of the defendant. The above considerations make it clear that there are no constitutional reasons why this bill should not pass. The grant of judicial power extends to "controversies to which the United States shall be a party." The Supreme Court has held that because original jurisdiction is given in those suits "to which a State shall be a party" the United States may sue a State in the Supreme Court.

Justice is denied when one party can sue and the other cannot. It cannot long obtain that the United States can sue a State, denying the reciprocal right to the State, without engendering a feeling of distrust, suspicion, and envy which is not conducive to patriotism and cordiality. The sovereign dignity of the States is as much their pride as in the sovereign dignity of the United States. The judicial construction which has evolved an actual consent of sovereign States to be sued by the Federal Government by an interpretation of article III, section 2, of the Constitution, has clearly created an anomalous and unfair, if not a dangerous, situation. We hear much these days of the rights of States. All admit that insofar as power has not been granted by the Constitution the States are supreme, but the fear is often expressed that gradually the Federal Government is encroaching upon the rights of the States. Is not this one-sided right to invoke the judicial power, in controversies between the Nation and the States, an instance of such an encroachment, as well as a needless denial of justice?

The suggestion is made that this Republic, composed of 48 sovereign States, each with equal dignity and right, and all, outside of the granted powers in the Constitution, real sovereigns, has so construed the grant of judicial power and of jurisdiction to the Supreme Court as to leave the States, in their contractual relations with the Federal Government, but half sovereigns. A national tribunal has been created which has jurisdiction over all suits to which a State may be a party, and yet the States are in the humiliating position of being compelled to submit to a suit brought by the Federal Government without the reciprocal right of compelling the Government to submit to a suit brought by a State in the same kind of a controversy. In other words, the Federal Government, one sovereign, can compel the State, another sovereign, to keep the latter's obligations; but, no matter how solemn may be the duty and the obligation of the Federal Government, the State is powerless to enforce it. Does not such a condition imply a misconception of the purposes and objects to be attained in giving original jurisdiction to the Supreme Court? How can we expect the States to be satisfied, to feel that security which comes only with the consciousness of justice, when the enforcement of justice is one-sided and arbitrary?

The general grant of judicial power in suits in which the United States may be a party and the grant of original jurisdiction in the Supreme Court in a suit in which a State shall be a party have been so construed as to read that "the judicial power shall extend to suits to which the United States shall be a party plaintiff", whereas the Constitution meant to create a tribunal to try cases in which the United States is a "party."

This bill will put into operation the full judicial power granted by the Constitution.

Upon the grounds of expediency, nothing can be urged against this bill except the possibility of the United States having to defend many suits. Such a claim is an indictment of each one of the 48 States of the Union.

It is unfair to the States and entirely inconsistent with their sovereign dignity to presuppose that any of them will attempt to implead the United States, except in a controversy which has received careful consideration and which cannot be adjusted except by an appeal to the highest court in the land and is of such importance as to demand that judgment.

It might as well be argued that the United States would, upon slight cause, harass the States as it is to contend that the States would, except in the utmost faith, sue the United States. The States act by the authority of their legislative bodies and through their executive departments. There is nothing in the past history of the government of the States to justify the belief that the legislature of a State would authorize a suit to be brought against the Federal Government unless it was concerning a matter of great importance which could be settled in no other way. If the Federal Government has not abused its right of suit against the States, so we may well conclude the States will not abuse the proposed legislation. The 48 sovereigns of the United States may well be trusted to confine their suits, brought under the proposed legislation, to matters which comport with the dignity of the Supreme Court and the high regard which the people of the country have for that tribunal.

The proposed legislation will make for peace, contentment, and good feeling. The Supreme Court of the United States is the national tribunal. It now tries controversies between States involving all sorts of questions of boundary and mutual obligations.

N.J. v. N.Y. (5 Peters, 284); *R.I. v. Mass.* (12 Peters, 657); *Mo. v. Iowa* (7 How. 660); *Fla. v. Ga.* (17 How. 478); *Ala. v. Ga.* (23 How. 505); *Mo. v. Ky.* (11 Wall. 395); *Va. v. W.Va.* (11 Wall. 39); *Nebr. v. Iowa* (143 U.S. 359).

An investigation of the record in those suits will show that they were not instituted for slight cause, but that the controversies embrace matters which were in good faith in dispute between the parties, and were of such dignity and importance as to demand decision by the Supreme Court of the United States. There is nothing in any of these cases to warrant the suggestion that the States acted hastily in bringing the suits. It is submitted that to legislate upon the assumption that one sovereign State of this Union would abuse the jurisdiction of the United States Court is entirely out of harmony with the history of this country, the conduct of the States in the past, and is almost insulting to the sovereign dignity of the States.

The proposed legislation limits the suits which can be brought under its provisions to those which would be cognizable in a court of justice "between individuals." That clause was intended to exclude any chance of involving a political right or claim as the subject matter of a suit. There was inserted in the bill the right of the United States in any such suit to interpose any counterclaim, set-off, equitable, or other defense, which could be made by the defendant were such suits between individuals. One of the purposes of that clause was to make it perfectly clear that where the questions involved would be the settling of accounts there could be no doubt of the right of the United States to interpose any matter which might make the settlement complete.

In the case of *Virginia v. West Virginia* (220 U.S. 27) the Supreme Court held that in suits between States:

The case is to be considered in the untechnical spirit proper for dealing with a quasi-international controversy, remembering that there is no municipal code governing the matter and that this court may be called on to adjust differences that cannot be dealt with by Congress or disposed of by the legislature of either State alone.

And in *Kansas v. Colorado* (206 U.S. 46) the court said:

In a qualified sense and to a limited extent the separate States are sovereign and independent, and the relations between them partake something of the nature of international law.

Inasmuch as the court announced this principle upon the ground that the parties to the suit were sovereigns, the same rule would apply in controversies between the United States and a State.

In the case of *Virginia* against *West Virginia*, supra, it was held that in the exercise of its original jurisdiction the Supreme Court is not bound by any special rule or by any particular form of pleading, but that it could exercise its original jurisdiction in its own way. Suits brought under the proposed act would, of course, be governed by this rule.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. Goss (at the request of Mr. BAKEWELL), indefinitely, on account of illness in his family.

MUSCLE SHOALS

The SPEAKER. Without objection, House Resolution 131, providing for the consideration of the Muscle Shoals bill, will be laid on the table.

There was no objection.

ENROLLED BILL SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H.R. 5081. An act to improve the navigability and to provide for the flood control of the Tennessee River; to provide for reforestation and the proper use of marginal lands in the Tennessee Valley; to provide for the agricultural and industrial development of said valley; to provide for the national defense by the creation of a corporation for the operation of Government properties at and near Muscle Shoals in the State of Alabama, and for other purposes.

ADJOURNMENT

Mr. BOYLAN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 1 o'clock and 32 minutes p.m.) the House adjourned until tomorrow, Friday, May 19, 1933, at 12 o'clock noon.

COMMITTEE HEARING

COMMITTEE ON WAYS AND MEANS

(Friday, May 19, 10 a.m.)

The Committee on Ways and Means will hold a hearing Friday morning, May 19, at 10 o'clock, in the Ways and Means Committee room to consider the industrial recovery bill.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

71. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated May 12, 1933, submitting a report, together with accompanying papers, on a preliminary examination of Nehalem River, Oreg., authorized by the River and Harbor Act approved July 3, 1930; to the Committee on Rivers and Harbors.

72. A letter from the Secretary of War, transmitting copies of the confession of James E. Mandell and Harry A. Lafray, dated January 4, 1933, of the robbery of the safe in the finance office of the War Department at Fort Douglas, Utah, on October 28, 1932; to the Committee on Claims.

73. A letter from the Secretary of the Navy, transmitting draft of a bill to authorize the President to place on the retired list any commissioned or warrant officers on the active list of the Navy and Marine Corps; to the Committee on Naval Affairs.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. STEAGALL: Committee on Banking and Currency. S. 1094. An act to provide for the purchase by the Reconstruction Finance Corporation of preferred stock and/or bonds and/or debentures of insurance companies; with amendment (Rept. No. 144). Referred to the Committee of the Whole House on the state of the Union.

Mr. VINSON of Georgia: Committee on Naval Affairs. H.R. 4811. A bill limiting increased pay for making aerial flights; with amendment (Rept. No. 145). Referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. LAMNECK: A bill (H.R. 5677) to provide for the appointment as warrant officers, United States Army, of classified clerks, War Department, with 30 years' service as such, and also commissioned service, United States Army, during the World War; to the Committee on Military Affairs.

By Mr. KNUTSON: A bill (H.R. 5678) to authorize the erection of a tablet to commemorate the discovery of the headwaters of the Mississippi River; to the Committee on Military Affairs.

By Mr. MAPES: A bill (H.R. 5679) to amend the act entitled "An act to require a contractor to whom is awarded any contract for public buildings or other public works or for repairs or improvements thereon for the District of Columbia to give bond for the faithful performance of the contract, for the protection of persons furnishing labor and materials, and for other purposes", approved July 7, 1932; to the Committee on the District of Columbia.

By Mr. SANDERS: A bill (H.R. 5680) to broaden the lending powers of the Reconstruction Finance Corporation for the purpose of developing proven leases in United States oil fields; to the Committee on Banking and Currency.

By Mr. KNUTSON: A bill (H.R. 5681) to set aside certain lands for the Leech Lake Band of Chippewa Indians in the State of Minnesota; to the Committee on Indian Affairs.

By Mr. McCLINTIC: A bill (H.R. 5682) to provide for the payment of the adjusted-service certificates; to the Committee on Ways and Means.

By Mr. VINSON of Georgia: A bill (H.R. 5683) to authorize the President to place on the retired list any commissioned or warrant officer on the active list of the Navy and Marine Corps; to the Committee on Naval Affairs.

By Mr. WALLGREN: A bill (H.R. 5684) granting the consent of Congress to Ernest N. Hutchinson, Otto A. Case, and A. C. Martin to construct, maintain, and operate a bridge across Deception Pass, between Whidby Island and Fidalgo Island, in the State of Washington; to the Committee on Interstate and Foreign Commerce.

By Mr. SCRUGHAM: A bill (H.R. 5685) to provide for regulated expansion of currency and credit, to reduce the national debt, to raise the price level of commodities, and for other purposes; to the Committee on Banking and Currency.

By Mr. CELLER: A resolution (H.Res. 148) protesting Nazi anti-Semitism; to the Committee on Foreign Affairs.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the State of Florida, memorializing Congress to pass House bill 3083; to the Committee on the Judiciary.

Also, memorial of the Legislature of the State of Maryland, memorializing Congress to repeal as soon as possible the 2-cent tax on checks; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. DOUTRICH: A bill (H.R. 5686) for the relief of Russell H. Lindsay; to the Committee on Naval Affairs.

Also, a bill (H.R. 5687) for the relief of Eleanor Freedman; to the Committee on Claims.

Also, a bill (H.R. 5688) granting an increase of pension to Nannie J. Hood; to the Committee on Invalid Pensions.

By Mr. O'MALLEY: A bill (H.R. 5689) providing for the advancement in rank of Frederick L. Caudle on the retired list of the United States Navy; to the Committee on Naval Affairs.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1085. By Mr. BECK: Resolution of the Philadelphia Board of Trade, protesting against recognition of Soviet Russia by the United States; to the Committee on Foreign Affairs.

1086. By Mr. BOILEAU: Petition signed by members of the Congregational Beth Israel, Stevens Point, Wis., protesting against the treatment of the Jews in Germany; to the Committee on Foreign Affairs.

1087. By Mr. BRENNAN: Memorial of the State of Illinois, memorializing Congress to retain the veterans' hospital at Dwight, Ill.; to the Committee on World War Veterans' Legislation.

1088. By Mr. DURGAN of Indiana: Petition of Jewish residents of La Fayette, Ind., and vicinity, protesting against the treatment given the Jewish people in Germany; to the Committee on Foreign Affairs.

1089. By Mr. LESINSKI: Petition of combined young Jewish organizations of Detroit, demanding the United States Government to exercise its diplomatic powers to bring about a cessation of persecution of the Jews in Russia, so that the degrading action of the Hitler government in Germany be terminated; to the Committee on Foreign Affairs.

1090. Also, petition of the Detroit Jewish community, requesting United States governmental influence in demanding that the outrages in Germany against the Jews be stopped; to the Committee on Foreign Relations.

1091. By Mr. MILLARD: Resolution that the Westchester County District Council of Carpenters go on record as being in favor of the 6-hour day; to the Committee on Labor.

1092. Also, petition of the Building Material Men's Association of Westchester County in the State of New York, addressed to the Congress and the legal authorities of the Government, to amend existing laws and so interpret the existing laws as to restore business to a stable structure; to the Committee on Ways and Means.

1093. By Mrs. ROGERS of Massachusetts: Petition of the Massachusetts State Senate, petitioning for the continuance of the United States naval hospital and the United States marine hospital at Chelsea, Mass.; to the Committee on Naval Affairs.

1094. Also, petition of the United Federal Civil Service Workers at Boston, Mass., asking for relief for the Government employees receiving low salaries on account of the 15-percent reduction in their salaries; to the Committee on Appropriations.

1095. By Mr. RUDD: Petition of New York Board of Trade, Inc., New York City, favoring certain amendments to the Black bill, S. 158, 30-hour week; to the Committee on Labor.

1096. Also, petition of the Pennsylvania State Hotel Association, Philadelphia, Pa., favoring the passage of the Clyde M. Kelly bill, H.R. 5157, appropriating \$300,000,000 for Federal highway construction; to the Committee on Ways and Means.

1097. Also, petition of the New York Board of Trade, Inc., New York City, opposing the St. Lawrence waterway ratification; to the Committee on Interstate and Foreign Commerce.

SENATE

FRIDAY, MAY 19, 1933

(Legislative day of Monday, May 15, 1933)

The Senate, sitting as a court for the trial of articles of impeachment against Harold Louderback, judge of the United States District Court for the Northern District of California, met at 10 o'clock a.m., on the expiration of the recess.

The managers on the part of the House of Representatives appeared in the seats provided for them.

The respondent, Harold Louderback, with his counsel, Walter H. Linforth, Esq., and James M. Hanley, Esq., appeared in the seats assigned to them.

PROCLAMATION

The VICE PRESIDENT. The Sergeant at Arms will proclaim the court in session.

The Sergeant at Arms made the usual proclamation.

THE JOURNAL

On motion of Mr. ASHURST, and by unanimous consent, the reading of the Journal of the Senate sitting as a Court of Impeachment for the calendar day of May 18 was dispensed with, and the Journal was approved.

CALL OF THE ROLL

Mr. ASHURST. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	Dale	Keyes	Patterson
Austin	Dickinson	King	Pope
Bachman	Duffy	Lewis	Robinson, Ark.
Barbour	Fess	Logan	Robinson, Ind.
Bratton	Frazier	McCarran	Sheppard
Brown	Hale	McGill	Thomas, Utah
Bulow	Hayden	Murphy	Trammell
Caraway	Kean	Neely	Vandenberg
Carey	Kendrick	Norris	Walsh

Mr. LEWIS. I wish to announce that the Senator from South Carolina [Mr. BYRNES] and the Senator from New York [Mr. COPELAND] are necessarily detained from the Senate.

I desire further to announce that the senior Senator from Georgia [Mr. GEORGE] and the junior Senator from Georgia [Mr. RUSSELL] are absent in attendance on the funeral of the late Representative Brand, of Georgia.

I wish also to announce that the Senator from North Carolina [Mr. REYNOLDS] is detained from the Senate on account of illness. I desire these announcements to stand for the day.

The VICE PRESIDENT. Thirty-six Senators have answered to their names. A quorum is not present. The clerk will call the names of the absent Senators.

The legislative clerk called the names of the absent Senators, and Mr. HATFIELD answered to his name when called.

Mr. BLACK, Mr. BANKHEAD, Mr. NYE, Mr. ADAMS, and Mr. VAN NUYS entered the Chamber and answered to their names.

The VICE PRESIDENT. Forty-two Senators have answered to their names. A quorum is not present.

Mr. ASHURST. I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The motion was agreed to.

The VICE PRESIDENT. The Sergeant at Arms will carry out the order of the Senate.

After a little delay Mr. STEPHENS, Mr. METCALF, Mr. McKELLAR, Mr. STEIWER, Mr. WHITE, Mr. BYRD, Mr. CAPPER, Mr. CLARK, Mr. COOLIDGE, Mr. COUZENS, Mr. HEBERT, Mr. BAILEY, Mr. BARKLEY, Mr. BONE, Mr. BULKLEY, Mr. CONNALLY, Mr. COSTIGAN, Mr. CUTTING, Mr. DILL, Mr. ERICKSON, Mr. FLETCHER, Mr. GLASS, Mr. GOLDSBOROUGH, Mr. HARRISON, Mr. HASTINGS, Mr. LA FOLLETTE, Mr. LEWIS, Mr. LONG, Mr. McADOO, Mr. McNARY, Mr. PITTMAN, Mr. REED, Mr. SCHALL, Mr. SHIPSTEAD, Mr. SMITH, Mr. THOMAS of Oklahoma, Mr. TOWNSEND, Mr. TYDINGS, Mr. WAGNER, Mr. WALCOTT, and Mr. WHEELER entered the Chamber and answered to their names.

The VICE PRESIDENT. Eighty-three Senators have answered to their names. A quorum is present.

DEATH OF THEODORE F. SHUEY

Mr. ROBINSON of Arkansas. Mr. President, I ask that the Senate, sitting as a court, suspend its proceedings for a brief time in order that tribute may be paid to the memory of a faithful official of the Senate who has passed away.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the proceedings of the Senate, sitting as a Court of Impeachment, will be temporarily suspended.

Mr. ROBINSON of Arkansas. Mr. President, last night near the hour of midnight, I think, at 11:40, Mr. Theodore F. Shuey departed this life.

On the 9th of April, when his services were interrupted, he had faithfully and diligently performed his duties as

Official Reporter for this body for a period of 65 years without absence for a single day. I doubt if in the history of this country there is a comparable record to that which was made by Mr. Shuey. His record is remarkable not alone for long service but for notable and exceptional efficiency. Every Senator who hears me will recall his diligence, his accuracy, his promptness in recording and transcribing the proceedings of the Senate.

To diligence, promptness, and efficiency he added a measure of good will and of cheerfulness which won for him the admiration and the affection of all with whom he served. During the 65 years of his labors here Senators came and went; revolutions occurred, bringing great changes not only to the institutions of other countries but also influencing those of our own beloved land.

It is fitting and appropriate that reference should be made in this presence and that public note should be taken by the Senate of the passing of this faithful, just man.

Mr. VANDENBERG. Mr. President, throughout my term in the Senate I have been under the constant inspiration of contact with the late Mr. Shuey, to whom the Senator from Arkansas has so notably referred. I recall that only a few weeks ago it was my pleasure to rise in the Senate and refer to the fact that in no other life within our purview did the gulf stream of youth run so warm and so strong in the Arctic circle of the years. The gulf stream now is the gulf stream of his memory, but it will always be as warm in death as it was in life. Our affections and our respect and our veneration for Mr. Shuey will respond to the roll call of his memory even though he no longer responds to the roll call of our service. Public service never had a more capable and faithful trustee. The Senate never could have greater loyalty and competence and character in those who labor with it for the national welfare.

Mr. FESS. Mr. President, if appreciation for service rendered, if gratitude for the courtesies shown, if loving affection of his associates, which covered almost every Senator's activities in his official life for two generations, are bases for happiness, surely Mr. Shuey should now be a happy man.

PORTER J. McCUMBER

Mr. FRAZIER. Mr. President, I wish to announce that former Senator Porter J. McCumber, of North Dakota, passed away last night. Those who have been Members of the Senate for some years will remember Senator McCumber very well. He was an able statesman and served with a great deal of ability for a period of 24 years. He was chairman of the powerful Finance Committee for several years, and was the author of important legislation.

I wish to say that the funeral will take place at his residence here in the city tomorrow afternoon at 2 o'clock.

RESUMPTION OF IMPEACHMENT TRIAL

The Senate, sitting as a Court of Impeachment, resumed its session.

The VICE PRESIDENT. Are counsel for the respondent ready to proceed?

Mr. LINFORTH. Mr. President, we should like to recall the witness, Mr. Zolinsky, for information requested by a Senator.

The VICE PRESIDENT. The witness will be recalled. The Chair appoints the Senator from West Virginia [Mr. NEELY] to preside for the day.

(Thereupon Mr. NEELY took the chair as Presiding Officer for the day.)

EXAMINATION OF JOHN H. ZOLINSKY—CONTINUED

John H. Zolinsky, having been previously sworn, was recalled, and testified as follows:

By Mr. LINFORTH:

Q. Mr. Zolinsky, you were requested yesterday to obtain the items of the amount referred to by you of \$17,000 miscellaneous expenses. Have you since the recess last evening examined the book for the purpose of ascertaining the details of that amount?—A. I have.

Q. Will you please state the amounts in detail which make up the total of seventeen-odd thousand dollars referred to by you yesterday?—A. There was paid to the firm of

attorneys Thelen & Marrin the sum of \$4,375; to the firm of DeLancey Smith & Brown, \$4,375; to the firm of Murray, Holderman & Lockwood, \$1,000. These amounts I gave yesterday.

There was also paid for the court filing fees, court reporters' fees, notarial services, and for certified copies of reports \$808.77. There was paid to the appraiser who appraised the firm's assets \$175. There was paid for stationery, printing, publication of notices, mailing of claims, photostatic copies of the report \$1,550.01. There was paid for rent of bookkeeping and calculating machines and other office appliances \$253.45.

There was paid for rent of safe-deposit boxes \$52.50.

There was also paid an additional amount of \$185.33 to the firm of Thelen & Marrin for expenses incidental to the filing of the applications, filing fees, and bonds.

Paid to Ernest Williams, United States commissioner, San Francisco, who acted as master in some of the cases with customers, \$125.

Paid for postage, \$126.48.

Paid for taxes, \$60.62.

Paid for telephone and telegraph, \$1,024.55.

Paid as trustee fees to a trust company in New York, which was holding securities, \$222.18.

Paid for insurance on receiver's bonds on securities, fidelity bonds, and so forth, \$2,574.43.

This totals \$17,120.47.

Q. That is the total that you referred to yesterday?—

A. Yes, sir. We called that "legal and other expenses" yesterday.

Q. And where you referred to amounts paid for filing fees, telephone, and the like, does that cover the period of the receivership?—A. Yes; it does.

Q. The entire period since the appointment of the receiver in March, 1930?—A. Yes, sir.

Mr. LINFORTH. I think that is all.

The WITNESS. Pardon me. There is one more expense—miscellaneous office expense, \$212.15.

Q. Those amounts make the total you gave me?—A. Those amounts make the total.

The PRESIDING OFFICER. Is there any cross-examination?

Mr. Manager SUMNERS. We have no questions.

The PRESIDING OFFICER. The witness will stand aside. Call the next witness.

Mr. LINFORTH. We ask that the witness Herbert Erskine, partly examined yesterday, resume his testimony.

The PRESIDING OFFICER. Please recall Mr. Erskine.

EXAMINATION OF HERBERT W. ERSKINE—RESUMED

Herbert W. Erskine, having been previously sworn, was recalled.

By Mr. LINFORTH:

Q. Mr. Erskine, are you familiar with the application that was filed for compensation for the attorneys for the receiver?—A. Yes.

Q. I hand you a document and ask you if this is the application?—A. That is it.

Q. Annexed to the application is a detailed statement of the services rendered. Is that correct?—A. Yes; with the exception of the time that I spent on it. That is not in there at all.

Q. This detailed statement embraces 114 pages, does it not?—A. Yes.

Mr. LINFORTH. We offer this application as an exhibit in connection with the testimony of the witness.

The PRESIDING OFFICER. It will be admitted.

(The document was marked "U.S.S. Exhibit C.")

Mr. Manager SUMNERS. Mr. President, may I suggest to counsel for the respondent that the instrument to which he refers has already been printed as an exhibit, as I understand, in connection with the investigation made in San Francisco.

Mr. LINFORTH. And for that reason there will be no need of having it printed in today's proceedings.

Mr. Manager SUMNERS. There is no objection to the admission of the document.

The PRESIDING OFFICER. The document will be admitted, but not again printed in the record.

Mr. KING. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. KING. I may transcend the rule: Would it be possible for members of the court to be furnished with copies of the document which Judge SUMNERS stated is printed in the record?

The PRESIDING OFFICER. The Chair is not informed as to that.

Mr. Manager SUMNERS. Mr. President, if I may have the privilege of answering the interrogation propounded to the Chair, there are enough copies already printed to furnish a copy to each of the Senators. They may be had from the room of the Committee on the Judiciary. If it is agreeable to the Chair and Members of the Senate, I will undertake to have enough copies brought to the Senate Chamber for the use of such Senators as may want them.

Mr. McKELLAR. Mr. President, I hope that course will be pursued. I should like to have a copy of the document.

The PRESIDING OFFICER. The documents will be supplied in pursuance of the statement just made by Judge SUMNERS.

By Mr. LINFORTH:

Q. Mr. Erskine, are you familiar with the petition or application filed on behalf of the receiver for compensation?—A. Yes.

Q. I hand you a document consisting of 62 typewritten pages and ask you if this is that document.—A. Yes, sir.

Mr. LINFORTH. We offer this document as an exhibit in connection with the testimony of the witness; and we ask the honorable manager on the part of the House, Mr. SUMNERS, if that has also been printed in the record that he has referred to.

Mr. Manager SUMNERS. Mr. President, it is my understanding that it has also been printed in the record to which reference has been made.

Mr. LINFORTH. And that copies of that may be also furnished to the Senate?

Mr. Manager SUMNERS. If I may say so for the information of the Senate and counsel for the respondent, we have just sent for 100 copies of the entire record in which this document and the preceding document have been included. They will be in the office of the Sergeant at Arms within an hour from this time.

Mr. LINFORTH. With that understanding, we state, so far as the respondent is concerned, that there is no need of printing this document in the record.

The PRESIDING OFFICER. This document also will be received, but not again printed.

(The document was marked "U.S.S. Exhibit D.")

By Mr. LINFORTH:

Q. Mr. Erskine, when the application for attorney fees and the application for the fees of the receiver came on to be heard, were you in court presenting the application?—A. Yes.

Q. Can you state from recollection on what day or days those applications were on hearing?—A. As I recollect, on Saturday, Monday, and Tuesday, in the middle of March of 1931. I could not give you the exact dates.

Q. Do you remember what proceedings were had and taken upon the hearing of those applications?—A. Yes; generally.

Q. Was evidence taken as to the value of the services of the receiver and the attorneys?—A. Yes.

Mr. Manager SUMNERS. Mr. President, the managers recognize the right, perhaps, to interpose objections to the testimony of this witness to that which is contained in a document; but we waive that right. We do not insist upon the right, but at this point we want to indicate our waiver, and ask the privilege of pursuing the same character of examination in order to avoid an unnecessary consumption of time.

The PRESIDING OFFICER. Does the manager on the part of the House mean that the testimony that is now being taken already appears in the record?

Mr. Manager SUMNERS. It is a matter of documentary proof.

The PRESIDING OFFICER. Why repeat the evidence?

Mr. LINFORTH. Mr. President, it is my understanding that this testimony is not in the record, and I am now laying the foundation for its admission.

Mr. Manager SUMNERS. We do not insist upon the point one way or the other. We have no objection to this character of testimony, but are simply asking the privilege of pursuing it ourselves. I say very candidly to the Chair and to counsel for the respondent that I think it is a good thing to do with regard to these voluminous records.

The PRESIDING OFFICER. If the evidence is not in the record, the counsel will proceed. If it is, of course, the Chair assumes that the court does not want it repeated.

Mr. LINFORTH. It is my understanding, Mr. President, that the testimony is not in the record; and it is my purpose at this time to have the witness briefly indicate the record, and then we will offer the record.

The PRESIDING OFFICER. Proceed.

By Mr. LINFORTH:

Q. Mr. Erskine, what witnesses were examined upon that hearing in regard to the question of attorneys' fees?—A. On behalf of the attorneys for the receiver, Mr. John L. McNab, Mr. Albert Rosenshine, Mr. Henry Jacobs, and Mr. Milton Newmark.

Q. In addition to that, was testimony given or were statements made by yourself and your associate and Mr. Short with reference to the services rendered?—A. My brother, Morse Erskine, made a statement with respect to the services our firm and Mr. Short had performed.

Q. Do you recall at this time what value John L. McNab placed upon the services of the attorneys?—A. My recollection is \$75,000.

Q. Do you recollect at this time what value was placed upon the services of the attorneys by Mr. Rosenshine?—A. \$65,000.

Q. Do you recollect what value was placed upon the services of the attorneys by Mr. Jacobs?—A. My recollection is between \$55,000 and \$60,000.

Q. Do you recollect what value was placed upon the services of the attorneys by Mr. Ehrmann, called as a witness in opposition to the application?—A. My recollection is \$25,000.

Q. Did anyone called upon the hearing testify as to the amount of service so far as the receiver was concerned?—A. The amount of service?

Q. Did anyone fix an amount in testifying as to the value of the services of the receiver?—A. Mr. Newmark did.

Q. What value did Mr. Newmark fix on the services of the receiver?—A. I have not that in mind, Mr. Linforth.

Q. Will you state in a few words whether or not Mr. Newmark made a speciality of any branch of the legal business?—A. Mr. Newmark I have known for many years. He was formerly with Mr. Mansfield, who when I was admitted to practice was the leading bankruptcy lawyer on the Pacific coast. Mr. Newmark since Mr. Mansfield's death has continued on in the same line of practice, and has been in the bankruptcy practice on the Pacific coast practically all of his professional career.

Q. Is he considered an expert in that locality on that subject?—A. There is no question about it.

Q. Who was the attorney who led the opposition as to the allowance of attorney fees?—A. Mr. Scampini.

Q. Whom did he represent upon the hearing of the application?—A. He represented four creditors, one of them—I believe his name was Dr. Isnardi—the largest general creditor.

Q. After the matter had been on hearing for 2 days, did you have a conference with Mr. Scampini on the question of agreeing on the amount of attorney fees?—A. I did.

Q. When and where did you have that conversation with Mr. Scampini?—A. Mr. Scampini came to my office the morning of the third day, around noontime.

Q. Was that due to any appointment or suggestion on your part?—A. No. He called me up and asked if he could

come over to see me. I made the appointment, and he came to see me at 12 o'clock, approximately.

Q. Was that about 12 o'clock of the day on which the hearing was to continue at 1 o'clock?—A. Yes.

Q. Briefly, what did he say to you on that subject?—A. He said that he and the attorneys for the other creditors and the creditors had been discussing the matter; they had listened to the testimony for 2 days, and had an opportunity to go through the records and form a better judgment as to the nature and character and amount of services performed, and that they had concluded that the services were worth more than they had originally estimated, and that they would suggest that the matter be concluded, if it could be, for \$75,000, to cover the services of all of the attorneys—that is, for the receiver, for the plaintiff, and for the defendant and of the receiver—rendered up to that time, in addition to the amounts that had already been paid the receiver.

Q. Up to that time—

Mr. Manager SUMNERS. Just a moment. Mr. President, it is recognized that the testimony just given is hearsay testimony, and it probably should be excluded, under the ordinary rules governing the admission of testimony, under the circumstances; but we are not going to ask that that testimony be stricken out, because we think that the men who constitute this court are quite capable of accepting and analyzing the testimony that is being admitted.

Mr. LINFORTH. Mr. President, the object of the testimony—

The PRESIDING OFFICER. There is no objection. It is not necessary to reply. Proceed.

Q. (By Mr. LINFORTH.) Had any compensation been allowed to the attorneys up to that time?—A. None.

Q. Had any compensation been allowed and received by the receiver up to that time?—A. I believe it had.

Q. Can you state what amount?—A. I cannot, Mr. LINFORTH, exactly.

Q. What reply, if any, did you make to the suggestion of compromise of Mr. Scampini?—A. I told him that we would endeavor before 1 o'clock to get in touch with the receiver, and also with the attorneys for the plaintiff and the defendant, to discuss the matter and see what could be done.

Q. Did you state when or where you would see him?—A. I stated that we would meet him at court at 1 o'clock, or shortly before 1 o'clock.

Q. At the courthouse, at the time you stated, was there any further discussion on that subject?—A. Yes.

Q. With whom was the discussion?—A. The discussion was had with three groups, Mr. Hunter and my brother and Mr. Short in one group, and Mr. Scampini and Mr. Shearer and his clients in another, and Mr. Thelen and Mr. De Lancey Smith in another.

Q. What discussion did you have with Mr. Thelen and Mr. Smith at the courthouse on that occasion on that subject?—A. Mr. Thelen, Mr. Smith, and I went into a room to the left of the court-room door, and I told them about Mr. Scampini's suggestion and discussed the division of the amount between the receiver, ourselves, and the attorneys for the plaintiff and the defendant.

Q. What did they say with reference to that proposition?—A. Well, there was some discussion about how much they should receive, and they first, as I recollect it, desired \$10,000 out of the amount. I took that matter up then, acting as intermediary, with my brother and Mr. Hunter and Mr. Short, and after discussion came back and said that that was not acceptable; and then we finally arrived at a proposition that they were to get \$8,750 out of the amount, and in the event any further fees were allowed to us they were to receive 20 percent of those allowances until they had received \$2,500 more. They said that was satisfactory. I went back to my brother and Mr. Short and Mr. Hunter, discussed it, and they finally said that was satisfactory to them, and then we told Mr. Scampini that we felt we had been able to meet his terms, and then we all went into the court.

Q. While talking to Messrs. Thelen and Smith, was it finally agreed as to what amount the attorneys for the receiver should receive out of this sum of \$75,000?—A. Yes. It was stated that the fees would be divided, as I recollect, forty thousand and odd to ourselves, twenty thousand to the receiver, and eight thousand seven hundred and fifty to them.

Q. What did they say as to whether or not that was agreeable to them?—A. They stated that it was agreeable to them, and I went back and told my brother and Short and Hunter that it was agreeable to Mr. Smith and Mr. Thelen, and also notified Scampini we had been able to meet his terms, and we went into the court, all of us.

Q. What time on that day did you people come to an agreement with reference to the amount of fees?—A. Approximately 1:30.

Q. Was anything done on that occasion with reference to advising the court that you people were discussing a possible adjustment or settlement of your differences?—A. It is my recollection that either Mr. Scampini or Mr. Short asked the crier or the bailiff to advise the judge that we would like to have the matter continued while we were discussing the matter.

Q. Was that done until after you people had reached that understanding?—A. That was done until after our conclusion had been reached.

Q. About what hour was it that the proceeding was resumed in court?—A. I should say about 1:30.

Q. When the proceeding was resumed in court, what took place?—A. It is my recollection—

Mr. Manager SUMNERS. Mr. President, we believe that at this point we should insist that the record is the best evidence and ought to disclose what did take place. We have been very liberal, but we believe that from this point on the record should be depended on.

Mr. LINFORTH. May I add, Mr. President, that we differ with the learned manager? The reporter's transcript would not be the best evidence. The recollection of the witness is competent evidence, and also, of course, the reporter's transcript is competent evidence. My thought and purpose was to briefly bring out from the witness generally what took place in court in order to save reading to the Senators in this trial the proceedings that were had at that time, but it is my purpose to offer in the record the reporter's transcript of what took place at the time, but on account of it being somewhat lengthy I thought perhaps the matter might be shortened and the time of the Senators saved by not reading it at this time.

The PRESIDING OFFICER. Is the evidence counsel is adducing already in the record that is before the Senate?

Mr. LINFORTH. It is not, Mr. President.

Mr. Manager SUMNERS. May I suggest to counsel for the respondent, and to you, Mr. President, that the testimony to which counsel is evidently directing his questions, while not before the Senate, is incorporated in the printed record to which reference has been made two or three times this morning and which is to be supplied to Senators for their examination? I assume that counsel also has a transcription of that record.

Mr. LINFORTH. I have a certified transcription of the record, and if the learned manager for the House prefers that that should be read at this time instead of the witness being interrogated on that subject, we have no objection to following that course.

Mr. Manager SUMNERS. Mr. President, we have waived all insistence for a few moments, with the hope that counsel for respondent will be able soon to terminate his oral examination of this witness with regard to what is contained in the record, and for the moment we waive the objection.

Mr. LINFORTH. In reply, we will be very brief.

The PRESIDING OFFICER. Proceed.

Mr. LINFORTH. Have you a question, Mr. Reporter?

The reporter read as follows:

Q. When the proceeding was resumed in court, what took place?

The WITNESS. Mr. Scampini, the attorney for the creditors, stated to the court the arrangement that had been

arrived at. Thereupon my brother, Morse Erskine, as I recollect it, supplemented Mr. Scampini's statement by stating the arrangement about the 20-percent payment of subsequent fees to the attorney for the receiver, which we had agreed to give to Mr. De Lancey Smith and Mr. Thelen. Thereupon the court asked, as I recollect it, if the arrangement that had been made was satisfactory to everybody there. I believe that there were some answers "yes", but nobody said "no", and thereupon a minute order was made for the amounts, as I recollect it, that had been stipulated.

Q. Do you recall whether at that time the court specifically asked either Mr. Smith or Mr. Brown whether the arrangement was satisfactory to them?—A. I have no recollection of Mr. Brown being present. He may have been, and he may not, but I do not really remember him; but I have a recollection that Mr. Smith was asked if it was satisfactory, and he said "Yes."

Q. That is the Mr. Smith who has already been a witness in this proceeding?—A. I do not know whether he has been a witness here or not.

Q. I beg pardon, I was in error in that, and I withdraw that question. Now, Mr. Erskine, do you know Mr. Newmark?—A. Newmark?

Q. Yes, sir.—A. Yes, sir.

Q. He was employed with reference to a bankruptcy proceeding that was commenced after the equity receivership?—A. Yes.

Q. With reference to his compensation, was that paid by the attorneys out of their fees and not out of the Russell-Colvin fees?—A. That is true.

Q. With reference to the fees received by Short and Keyes & Erskine was any part or portion of those fees ever received by the respondent, Judge Louderback?—A. Absolutely no.

Q. Did anyone other than you three ever receive any part or portion of those fees?—A. Nobody.

Q. To your knowledge did W. S. Leake ever receive any part or portion of those fees?—A. No.

Q. Inasmuch as it was for your service, I will not ask you, in your opinion, what was the value of the services. How long have you known Judge Louderback?—A. Casually almost since I was admitted to practice. I knew him when he was associated with the firm of Mastick & Partridge.

Q. And the latter is the gentleman who was afterward judge of the Northern District of California?—A. Yes. Mr. Partridge became Federal judge, either upon the death of Judge Van Fleet or of Judge Dooling, I have forgotten which now.

Q. Have you ever had any close or intimate relations with Judge Louderback?—A. No, none.

Q. What has been the extent of your relationship with Judge Louderback?—A. When he was on the superior court I appeared before him in one or two litigated matters of short duration, and this receivership, so far as I can recollect.

Q. Has your relationship at any time with him been anything more than the ordinary relationship between judge and attorney at the bar?—A. Slighter than that even.

Q. Do you recall in the 8 years that Judge Louderback presided over the superior court of the State of California how often or how infrequently you appeared before him?—A. Only on one occasion, as I recollect; perhaps two.

Q. And during the 5 years that he has occupied the position as judge of the Northern District of California, how frequently have you or your firm appeared before him except in this particular Russell-Colvin case?—A. None at all, so far as I know.

Q. Have you ever been a political friend of Judge Louderback?—A. No.

Q. When he was a candidate for election to the Superior Court of the State of California did you do anything whatever in the way of aiding him politically?—A. Nothing at all.

Q. In the 5 years that Judge Louderback has been judge of the Northern District of California in how many receiver-

ship matters has Mr. Short or your firm represented the receiver?—A. This is the only one.

Q. I call your attention to a small matter known as the Sempel-Cooley matter, did your firm appear in that?—A. Yes; that was not a receivership matter; it was a bankruptcy matter.

Q. That was a bankruptcy matter, and do you recall what the compensation was in that case?—A. I think it was \$500.

Q. Are these the only two matters in which your firm has appeared or Mr. Short has appeared, to your knowledge, either in bankruptcy receiverships or in equity receiverships during the 13 years that Judge Louderback has been on the superior bench or the Federal bench?—A. Those are the only two.

Q. One further question that I had overlooked: Subsequent to the allowance of the fee of forty-six thousand and odd dollars, was there an additional allowance made to the attorneys for the receiver in the Russell-Colvin matter?—A. Yes; the sum of \$5,000.

Q. And out of that sum of \$5,000, under the arrangement that you have referred to, was 20 percent of it, or \$1,000, sent to the firm of De Lancey Smith & Brown and Thelen & Marrin?—A. A thousand dollars was sent to De Lancey Smith, with a letter, as I recollect it, written by our firm, stating that the thousand dollars was sent to him in accordance with our arrangements.

Q. I hand you a letter dated November 30, 1931. Is that a carbon copy of the letter you have referred to?—A. I believe it is.

Mr. LINFORTH. We offer the letter as a part of the examination of the witness.

Mr. Manager SUMNERS. Let me see that, please.

Mr. LINFORTH. Certainly. Pardon me for not showing it to you.

Mr. Manager SUMNERS. We have no objection.

The PRESIDING OFFICER. The letter will be submitted.

Mr. LINFORTH. The letter being short, Mr. President, I will read it.

U.S.S. EXHIBIT E

NOVEMBER 30, 1931.

DE LANCEY C. SMITH, Esq.,

Attorney at Law, Baljour Building,
San Francisco, Calif.

MY DEAR DE LANCEY: Enclosed is Keyes & Erskine's check for \$1,000 in accordance with our understanding whereby you and Mr. Thelen's office would receive one fifth of all compensation paid us as attorneys for the receiver of Russell-Colvin & Co. subsequent to March 17, 1931, not exceeding in all \$2,500.

The court on Saturday signed and filed an order directing payment to the receivers of \$7,500 for services to October 15, 1931, and to ourselves in the sum of \$5,000 to the same date.

Very truly yours,

KEYES & ERSKINE.

By Mr. LINFORTH:

Q. Just one further question, and I am through. How much did your firm and Mr. Short pay Mr. Newmark on account of the services he had rendered in the receivership matter, in round numbers?—A. I think it was \$2,460.

Mr. LINFORTH. You may take the witness.

Cross-examination by Mr. Manager SUMNERS:

Q. Mr. Erskine, with regard to the amount of your fee, I believe you said Mr. Rosenshine appeared as a witness. At that time he was attorney in a similar case, was he not?—A. In the Gorman Kayser & Co. case?

Q. In the Gorman Kayser & Co. case.—A. Yes. That is now in the course of administration in the Superior Court of San Francisco and has been ever since that time.

Q. At that time he had not received any fee at all in that case, had he?—A. I cannot tell you.

Q. So far as you know, he had not?—A. I cannot tell you.

Q. Mr. Newmark, I believe you said, testified, that your services were worth \$75,000?—A. No.

Q. How much?—A. I did not say he testified for us; I said he testified for the receiver.

Q. Did he testify with regard to your services?—A. No.

Q. He received a fee out of your allowance?—A. Yes; for his services in connection with the bankruptcy phase

of this matter under agreement approved by the attorneys for the plaintiff and the defendant and ourselves.

Q. Why were you willing to allow a part, a percentage, of the allowance that went to you to go to De Lancey Smith and his associates?—A. Because, in order to settle up the matter, clean it up—

Q. What do you mean exactly "in order to settle up the matter and clean it up"?—A. There was a dispute there. They wanted \$10,000 for their services, and there was \$75,000 to be disposed of, and we felt for our work that we were entitled to more than we were getting, and Mr. Hunter felt that he was entitled to more than he was getting.

Q. How much did you ask for?—A. Sixty-five thousand dollars.

Q. Had De Lancey Smith rendered any service in connection with the administration of this estate?—A. Yes.

Q. What service had he rendered?—A. Well, generally, at the very outset of the matter, Judge Louderback had suggested that the important proceedings be approved both by the attorneys for the plaintiff and by the attorneys for the defendant, and accordingly the important petitions and the important decisions, were sent over to him and to the attorneys for the plaintiff to be approved, and they approved all those petitions. In addition to that, they were helpful in certain negotiations.

Q. What negotiations, if you do not mind specifying?—A. Well, the ones I have in mind—and you will bear in mind that all the details of this matter were handled by Mr. Morse Erskine—

Q. We do not want you to testify about anything that you do not know about.—A. Generally speaking, the particular transaction that I have in mind was the Consolidated Box transaction.

Q. You sold the Box Co., did you not?—A. The receiver did.

Q. Was there a lawsuit about it?—A. No.

Q. Did you not testify yesterday that that was a matter that went into litigation?—A. No.

Q. There was no lawsuit about it?—A. Not that I recollect.

Q. Did Mr. De Lancey Smith have to do with negotiating the sale?—A. Yes; he took part in it.

Q. What were the principal lawsuits in which you represented the estate—you and your firm?—A. I do not believe there were any lawsuits of any magnitude. I think that one of the reasons that the matter was settled with such great dispatch was because we were able—

Q. You avoided lawsuits, did you not?—A. We avoided lawsuits; yes.

Q. Then, as a matter of fact, there were not any lawsuits to speak of, were there?—A. There were some.

Q. Did you go into court with regard to litigation involving the interests of this estate?—A. Myself personally?

Q. Your firm or Mr. Short either?—A. Yes; in some matters.

Q. What were they?—A. Well, in the first place, there were the 21 exceptions to the general report.

Q. Were they litigated?—A. They were referred to a master, and then, at the instance of the general creditors, who said they wanted a speedy disposition of the matter, they were settled.

Q. But you did not litigate it in that suit?—A. No.

Q. That is what I am trying to find out. What else was litigated?—A. There were certain claims before a special master, six or seven of those.

Q. Did they find their way into the courthouse?—A. They were tried before the special master and either settled or decisions made and referred back to the court.

Q. No appeal was taken from the determination by the master of any of those cases, was there?—A. No.

Q. Let us get it clearly before this court. Did you go into the courthouse and litigate before judge or jury matters arising out of this estate, and if so, please indicate that they were.—A. I cannot say that we did. I have a list of the actual litigation, with the exception of the exceptions to the account which were referred to the master, to which

I just referred. These matters were all settled practically except the subsequent suits that have been commenced by the collection of customers' accounts.

Q. How recently have those suits been commenced?—A. I think some of them were started—it was not possible to sue those customers for the balance due until after the account had been settled.

Q. What I am trying to get at is this: Were these suits instituted before or after the allowance to which you have referred?—A. These suits possibly were instituted after the allowance.

Q. They, as a matter of fact, have been turned over to a collection agency which operates through its own attorney?—A. Not all of them; no, sir.

Q. But they are in litigation which began since the determination of the account?—A. I believe that is correct.

Q. When did Mr. Short first associate himself with your firm?—A. 1928.

Q. At that time will you indicate to the Senate what constituted your office organization, including those persons who were associated with you as lawyers?—A. Do you mean in 1928?

Q. That is right.—A. We had my brother and myself and Mr. Alexander Keyes, three partners. Then there was Mr. Short, a Mr. John Mace, Mr. Hugo Steinmeyer, and another young lawyer, I believe, Mr. Harrington, I think. In addition to that we had, of course, six or seven stenographers and bookkeepers.

Q. When did Mr. Short go on salary with your firm?—A. When he came there in 1928. I think it was in January 1928; I am not sure.

Q. Is he on salary there now?—A. No.

Q. How long has he been off the salary?—A. I think it was in the beginning of 1932, when the depression got acute.

Q. Yes; we know about the depression. Was there any change with reference to relationship with the other persons who had employees of the firm?—A. Yes; Mr. Mace became attorney for the Pacific State Savings & Loan Society. Mr. Harrington became associated with the firm of Dinkelspiel & Dinkelspiel.

Q. I do not want to go too much into detail.—A. Mr. Steinmeyer became counsel for the Bank of America or one of counsel for the Bank of America in Los Angeles. We took in, shortly after we got this receivership, Charles Joseph Carey into our office—he had been formerly connected with the American Trust Co.—to help us out with the bank work which Mr. Short and my brother had previously performed.

Q. Mr. Short still retained responsibility with regard to your trust matters, did he not?—A. In the bank?

Q. Yes.—A. Some.

Q. Did he not retain primary and major responsibility for handling your trust work in connection with the bank after his employment?—A. I would not put it that way. My brother was the one that was primarily responsible for the trust work at the bank. Mr. Short was under him.

Q. Did Mr. Short continue his relationship with that account in the bank, if I may so put it?—A. I would not say he did. He devoted most of his time or practically all his time, in my opinion, to the receivership proceeding.

Q. You stated, I believe, on yesterday that the arrangement with Mr. Short was that he should come to you with a salary of \$200 a month, a division of fees, and that he had also had an independent clientele?—A. Yes.

Q. Did you have any control over that part of his independent clientele with regard to the fees in which you should share?—A. I do not understand the question.

Q. Let me put it another way. With regard to his independent clientele, who determined what his independent clientele was and who determined what should be shared with you?—A. We left that to his own sense of fair dealing.

Q. Did he have a considerable independent clientele?—A. I would not say so. His practice was not as extensive as ours.

Q. You naturally could not afford to furnish stenographers' services and rent and use of library and let a man

have all he made. That we understand, of course. Outside of this receivership, how much was the revenue of your firm on the average derived from the fees that Mr. Short shared with the firm of which you are a member?—A. That would be very hard for me to state.

Q. Do you not have a pretty fair idea?—A. No. Some years it amounted to a considerable sum and some years not so much.

Q. With regard to this particular arrangement under which Mr. Short became the attorney for Mr. Hunter as receiver, the first information you had was on the day after Mr. Hunter had been employed receiver in the case?—A. I believe that is correct; yes.

Q. When was the first time you learned of this receivership?—A. I think that was the first time.

Q. You had no discussion with Mr. Short or anybody else with regard to the fact that the receivership was in contemplation?—A. No; not that I recollect.

Q. Was the first intimation that you had with reference to the possibility of Mr. Short being associated as attorney on the morning after the receiver was appointed?—A. That is my recollection.

Q. He did not tell you that Mr. Short had engaged or sought to engage the firm of Keyes & Erskine, did he, when Mr. Short came to you on the morning after appointment to discuss this matter with you?—A. How is that? He did not tell me that Mr. Short had sought—

Q. Possibly I am confused in the names. Let me ask the question again. Mr. Short, when he saw you in the morning, in the conversation indicated by you, indicated to you that Mr. Hunter had indicated to him, Mr. Short, that it was desired by Mr. Hunter to employ the firm of Keyes & Erskine to represent him in the receivership?—A. Yes; he did. He said Mr. Hunter desired to appoint the firm of Keyes & Erskine or to employ the firm of Keyes & Erskine and Mr. Short in this matter.

Q. You are certain about that?—A. Yes; that is my recollection.

Q. I do not mean to press the matter, but your recollection is, in your judgment, clear on that question?—A. I believe it is; yes.

Q. To refresh your recollection, is not this what Mr. Short told you, that on the evening prior to his conversation with you Mr. Hunter called him up and asked him if Mr. Short would serve in the capacity of attorney in the receivership matter, and that he was consulting with you about it and desired to know whether or not it would be an agreeable engagement with you, and whether or not you would participate in the responsibility of the attorneyship for the receiver? Is not that what he told you?—A. No; my recollection is not that. My recollection is that the morning he came into the office and said Mr. Hunter had suggested that he would like to employ him with us in the matter. That is my recollection.

Q. I believe you stated that your acquaintanceship with Judge Louderback was not more than casual prior to the time you were engaged?—A. That is right.

Q. What was the nature of your acquaintanceship with Mr. Hunter?—A. Mr. Hunter had acted with me in several of the bank consolidations in which I had acted for the United Securities Bank and subsequently for the Bank of America of California. I was then the auditor for the branches, and that brought me into contact with him in connection with those consolidations and mergers. You understand that in consolidating a bank you must go into the question of figures more or less. My brother and I were engaged extensively in that practice in the years 1928 and 1929.

Q. Did your acquaintanceship develop into friendship and intimate acquaintanceship with Mr. Hunter during that time?—A. I would say not, although I was quite friendly with him. In addition to that he and I just shortly previous to this receivership matter had been engaged, while he was an employee of Cavalier's, in a litigation involving a stock-brokerage transaction.

Q. You stated, I believe, on yesterday that you represented Cavalier in certain cases?—A. Yes.

Q. Did they have a particular type or character of those cases? How did it happen to be that those cases came to you rather than going to their regular legal representative?—A. I do not know that they have any legal representative. The cases which were given to me were given to me as a regular employment as attorney which arose in the due course of business, and I was asked to represent them, and I did.

Q. When did Mr. Hunter first speak to you with regard to employing your firm as his representative in this matter?—A. I do not believe he ever directly spoke to me on that subject. He came in the office about the same time and we discussed the matter in a general way on the assumption that we were employed.

Q. Did this case come to you and do you recognize that this case came to you through Mr. Short or came to you through the regular course of employment?—A. I considered that it came to me for two reasons, because of Mr. Short and also because Mr. Hunter had been connected with us in business before that time and almost up to that time.

Q. Was this Mr. Short's business or the firm's business?—A. Joint business.

Q. If it was joint business, how did you happen to get half the fee?—A. That was our arrangement.

Q. I thought you said you got half the fee on business that he originated and you helped him to handle.—A. No; I stated we got half the fees on joint business.

Q. What do you mean by joint business?—A. I mean business that we originated and we participated in, that we took part in, or business that we were jointly employed in.

Q. What do you mean by that?—A. Well, I mean if anybody came and asked Mr. Short and our firm to act together in a matter, we were jointly employed, meaning what the words connote.

Q. In other words, if somebody came into your office and said, "Well, now, Mr. Short, we want to employ you; and Keyes & Erskine, we want to employ you", and you were engaged in that way, then that was joint business?—A. Yes; I consider it so.

Q. Can you indicate a case of that sort outside of this matter? When did it ever occur that anybody came into your office, called Mr. Short in and called you in together, and had a conference and said, "Now, we want to appoint you gentlemen together"?—A. Oh, not in that way; no.

Q. It did not happen in that way, did it?—A. No.

Q. Because he was regarded as a part of your firm organization as far as the outside world understood, was he not?—A. Yes.

Mr. Manager SUMNERS. That is all.

The PRESIDING OFFICER. Is there any further examination?

Mr. LINFORTH. We have no further questions.

The PRESIDING OFFICER. The witness may stand aside. Who is your next witness?

Mr. LINFORTH. Judge Kreft.

EXAMINATION OF ARMAND B. KREFT

Armand B. Kreft, having been duly sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. Will you please state your name, your residence, and your occupation?—A. Armand B. Kreft; attorney at law, with offices in San Francisco.

Q. How long have you been an attorney at law?—A. I was admitted in 1897.

Q. Were you at any time referee in bankruptcy for the northern district of California?—A. Yes.

Q. And what counties did your appointment include?—A. San Francisco, San Mateo, and Marin.

Q. Are those three of the larger counties in the State of California?—A. They may be termed the "metropolitan district" surrounding San Francisco, with the exception of the county of Alameda, which is also a part of the metropolitan district.

Q. How long did you serve under your appointment as referee in bankruptcy for that district?—A. Eighteen years.

Q. Continuously?—A. Continuously.

Q. From what period to what period?—A. From 1910 to 1928.

Q. As such referee, was it part of your duty to fix the fees of receivers and trustees and their attorneys?—A. It was.

Q. During your 18 years of service, had you before you on a few or many occasions proceedings relating to the liquidation of stock-brokerage concerns?—A. Several of such cases.

Q. Since 1928, when you ceased to be referee in bankruptcy, what has been your business or occupation?—A. Attorney at law specializing in liquidation matters.

Q. Have you, since you have been practicing, been appointed referee in any stock-brokerage litigation?—A. I am at present referee in the case of Gorman Keyser & Co., under appointment by the Superior Court of San Francisco.

Q. In a word, can you tell the President and the Senators the size or the extent of that liquidation?—A. It is comparable to Russell-Colvin. Customers' securities of approximately \$2,000,000 were involved.

Q. From what court did you receive your appointment as referee in that matter?—A. From the superior court, Judge Goodell.

Q. That is the Superior Court of the State of California in and for San Francisco County?—A. Yes.

Q. Are you familiar with the work generally required of receivers and their attorneys in liquidation of stock-brokerage concerns?

Mr. Manager LEWIS. Mr. President, the managers desire to ask what the purpose of this inquiry is. It seems to me we are going far afield.

Mr. LINFORTH. The purpose is to qualify the witness to form and express an opinion as to the value of the services rendered by the attorneys in the Russell-Colvin matter.

Mr. Manager LEWIS. Mr. President, in this proceeding we are not determining the propriety—the extent of these fees. That only comes in collaterally here. I think the time should not be taken to determine whether or not these fees were absolutely correct. Admittedly they were very large. We object to this testimony. We charge that the fees were excessive, but I think it is not necessary to go into expert testimony here on the subject. The record shows what has been charged.

The PRESIDING OFFICER. Is it material to prove or disprove that the fees were excessive?

Mr. Manager LEWIS. We have charged it; yes.

The PRESIDING OFFICER. Then it seems to the Chair that this is material testimony.

Mr. LINFORTH. May I add just a word further, Mr. President?

The PRESIDING OFFICER. The objection is overruled. Proceed. Counsel will be as brief as consistent with the performance of their duties.

Mr. LINFORTH. We will, Mr. President.

The WITNESS. May the question be read?

The PRESIDING OFFICER. The question will be read.

The Official Reporter read the question, as follows:

Q. Are you familiar with the work generally required of receivers and their attorneys in liquidation of stock-brokerage concerns?

The WITNESS. I am.

By Mr. LINFORTH:

Q. And with the law governing such matters?—A. I am.

Q. Did you represent any parties in interest in the Russell-Colvin litigation?—A. I did.

Q. And who were they—creditors?—A. They were customers.

Q. Do you know in a general way the services rendered by Mr. Hunter, the receiver, and by Keyes & Erskine and John Douglas Short, his attorneys?—A. Yes.

Q. Were you present in court when the application for fees came on for hearing?—A. I was.

Q. Did you hear the statements that were made at that time, and the testimony given at that time, as to the services rendered?—A. I did.

Mr. Manager SUMNERS. Mr. President, the testimony in this case shows that the fees arrived at in this case were arrived at as a matter of compromise, though, of course, some witnesses testified that they did object to the fees, but they regarded these fees as the best fees that could be arrived at under the circumstances. Is not that true?

Mr. LINFORTH. It is alleged in the articles, Mr. President, that the fees were excessive and that they were allowed for bad and improper purposes. It is our purpose to show not only that the fees were allowed under stipulation—

Mr. Manager SUMNERS. We waive the objection.

The PRESIDING OFFICER. The objection is waived. Counsel will proceed.

Mr. LINFORTH. May the question be read?

The Official Reporter read as follows:

Q. Did you hear the statements that were made at that time, and the testimony given at that time, as to the services rendered?—A. I did.

Q. Have you examined the report of services made by both receiver and counsel, and the accounts rendered by the receiver?—A. I did. I saw those accounts in advance of filing and very carefully examined all the accounts and reports.

Q. What, in your opinion, was and is the reasonable value of the services rendered by the attorneys for the receiver in that proceeding up to the time of the making of the application for compensation?—A. I would answer that by stating that the amount finally agreed upon by stipulation is, in my opinion, a reasonable amount to have been allowed by the court had there been no stipulation—approximately \$50,000 to the attorney for the receiver and \$45,000 to the receiver.

Q. If the matter had been pending before you as referee while you were serving in bankruptcy, upon the testimony introduced and the services with which you are familiar, would you have made substantially the same allowance?—A. Yes.

Q. Now I want to call your attention to another proceeding, known as the "Prudential Holding Co. in bankruptcy." Did you appear in that matter on behalf of anyone?—A. On behalf of the petitioning creditors, who had filed a petition against the Prudential Holding Co.

Q. Did you present to Judge Louderback the application or the petition for the appointment of a receiver in that matter?—A. I did.

Q. Was the proceeding assigned to the court presided over by Judge St. Sure?—A. Yes.

Q. What was the reason that you presented the application to Judge Louderback instead of Judge St. Sure?—A. I was informed at the clerk's office that Judge Louderback was attending to Judge St. Sure's cases during Judge St. Sure's absence.

Q. Was it for that reason that you presented the matter to Judge Louderback?—A. It was.

Q. When you presented the matter to Judge Louderback, did you make any suggestion as to who the receiver should be?—A. I did.

Q. Whom did you suggest?—A. The receiver who had been appointed in the equity case.

Q. Do you recall whether that was Mr. G. H. Gilbert?—A. G. H. Gilbert.

Q. What was your reason for suggesting Mr. G. H. Gilbert?—A. I saw no necessity for a change in the officer who was to take charge of the business.

Q. Do you recall that in that proceeding there was a motion made to dismiss the bankruptcy matter?—A. Yes.

Q. Do you recall about when that matter came on for hearing?—A. The matter was argued before Judge St. Sure on October 26.

Q. Nineteen hundred and thirty-one?—A. Nineteen hundred and thirty-one.

Q. Before that motion had been heard, do you know whether or not a petition or petitions to intervene had been

filed?—A. An intervening petition had been set up by one Sheather, setting up new acts of bankruptcy.

Q. By "new acts of bankruptcy" do you mean acts of bankruptcy other than and different from those set up in the original petition?—A. Yes.

Mr. KING. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. KING. Will the President suggest to the witness that he speak directly to the microphone, because those on this side of the Chamber may not hear?

The WITNESS. Thank you.

By Mr. LINFORTH:

Q. Do you recall whether or not before that motion or petition to dismiss was heard an amended petition had been filed setting up still additional acts of bankruptcy?—A. That is correct. The original meeting of creditors filed a petition to amend, setting up new and additional acts of bankruptcy.

Q. Did you appear upon the hearing of the motion to dismiss and resist it?—A. I did.

Q. In making your resistance did you act in the highest good faith?—A. I did.

Q. And, notwithstanding the fact that you may have great respect for the judgment of Judge St. Sure, do you still think there was merit in your opposition?

The PRESIDING OFFICER. Unless there is some reason to be pointed out that question will not be answered. This witness is not on trial. Let us proceed.

Mr. LINFORTH. I will be as brief as possible.

By Mr. LINFORTH:

Q. The motion was finally dismissed?—A. The original petitions were finally dismissed, together with the dismissal of the intervening petition and a denial of the application to amend the original petitions.

Q. Did you take an appeal from that order?—A. I prepared applications for appeal and assignment of errors. I was informed by the correspondents at Los Angeles by whom the case was forwarded that they intended to appeal. I was afterward notified not to appeal.

The PRESIDING OFFICER. What is the relevancy of that question?

Mr. LINFORTH. I merely want to show there was no appeal taken.

The PRESIDING OFFICER. The Chair does not see where that has any place in this investigation. Let us proceed.

Mr. LINFORTH. You may take the witness.

The PRESIDING OFFICER. Is there any cross-examination of this witness?

Mr. Manager LEWIS. No cross-examination.

Mr. BLACK. Mr. President, I have three inquiries I desire to have propounded.

The PRESIDING OFFICER. The clerk will read the interrogatories.

The Chief Clerk read as follows:

Q. What were the three largest fees that you awarded to attorneys for receivers or trustees as a referee in San Francisco, and were these fees approved by the court?

The WITNESS. In the J. C. Wilson & Co. brokerage failure, the fees approximated \$75,000, of which a portion was allowed by the District Court of New York in ancillary proceedings, the balance by me. In the case of Sullivan, an importing and exporting business, the attorneys for the trustee were allowed \$25,000 by me. I have made some five thousand-odd similar allowances, but I am unable to pick out the particular cases. They have varied from a few hundred dollars to \$25,000 to \$50,000 in exceptional cases.

Q. In the receiverships conducted by you as referee—

The WITNESS. I failed to answer one portion of the previous question, if I may be permitted. I do not recall that in the 18 years a single allowance was ever appealed from, made by me to attorneys.

Q. In the receiverships conducted by you as referee, concerning stock-brokerage houses, what fees did you allow the attorneys, and what fees did you allow the receivers?

The WITNESS. I have answered that as to the J. C. Wilson case. The other stock-brokerage cases were not

large, the fees running into a few thousand dollars only, the volume of business approximating a hundred or two hundred thousand dollars, customers' claims, the volume of stock-brokerage failures that came since this recent panic—and we have had a number of them in San Francisco, and I have been identified with nearly every one of such failures as counsel for the parties.

Q. How many fees of \$50,000 or more have you known to be allowed to attorneys in receivership cases in San Francisco? What was the nature of these receiverships, and the amounts involved?

The WITNESS. There have not been many cases where the volume of the estate is so large as in the Russell-Colvin case.

Mr. BLACK. Mr. President, I would like to have the question read again and the witness asked to answer it.

The PRESIDING OFFICER. The question will be restated.

The Chief Clerk read as follows:

Q. How many fees of \$50,000 or more have you known to be allowed to attorneys in receivership cases in San Francisco?

The PRESIDING OFFICER. Let the witness answer that part of the interrogatory.

The WITNESS. I do not recall more than two or three approximating that amount, and I will say, in explanation, that there are not more than two or three that involved a volume of assets comparable with the Russell-Colvin Co. case.

Mr. BLACK. Mr. President, is that all the question?

The PRESIDING OFFICER. No. The clerk will read the second part of the interrogatory.

The Chief Clerk read as follows:

Q. What was the nature of these receiverships, and the amounts involved?

The WITNESS. Importing and exporting business, building and loan associations, stock-brokerage case; I do not recall others of great magnitude.

The PRESIDING OFFICER. There was a part of the question also requiring answer, "What were the amounts involved in these particular cases?"

The WITNESS. I would say from \$200,000 to \$1,000,000.

Mr. BLACK. Mr. President, I send up two other questions.

The PRESIDING OFFICER. The Senator from Alabama submits two other interrogatories, which the clerk will read.

The Chief Clerk read as follows:

Q. What were the individual fees allowed attorneys in the J. C. Wilson case?

The WITNESS. Fifty thousand dollars, I believe, was allowed at one time, and subsequent allowances totaling \$25,000.

Mr. BLACK. Mr. President, I desire to amend that question so as to read, "What were the fees allowed to each individual attorney in the J. C. Wilson case, and what were their names?"

The PRESIDING OFFICER. The clerk will read the question as amended.

The Chief Clerk read as follows:

Q. What were the fees allowed to each individual attorney in the J. C. Wilson case, and what were their names?

The WITNESS. In bankruptcy there is only one fee fixed, no matter how many attorneys may serve for the trustee. The attorney in that case was Mr. Robert Gaylord.

Mr. BLACK. Mr. President, there is another question I desire to have propounded.

The PRESIDING OFFICER. The clerk will read the question.

The Chief Clerk read as follows:

Q. What fees of \$50,000 have you received as an attorney for a receiver, and what is the largest fee received by you as an attorney for a receiver?

The WITNESS. My term of office expired in 1928, and I have been building up a practice since. The largest fee I have received so far in a bankruptcy matter is \$3,500. I will add to that one additional fee of \$5,000. I have not represented receivers in the cases. It was not any representation for receivers. I have represented a receiver in only one case.

Mr. KING. Mr. President, I submit an interrogatory.

The PRESIDING OFFICER. The clerk will read the interrogatory.

The Chief Clerk read as follows:

Q. Does not the amount of the fee depend on the value of the estate, the extent and number of claims, and whether there are complicated questions involved?

The WITNESS. Yes; the volume of the estate is a very important factor.

The PRESIDING OFFICER. Are there any further inquiries?

Mr. BLACK. I have one other inquiry.

Mr. FESS. Mr. President, I send an inquiry to the desk, and ask that it be propounded.

Mr. BLACK. Mr. President, I have one I desire to send on the same question heretofore asked, in order that I may get it clarified, if possible.

The PRESIDING OFFICER. For the sake of logical sequence, we will withhold the question of the Senator from Ohio for a moment, until the final question of the Senator from Alabama has been propounded. The clerk will read the inquiry of the Senator from Alabama.

The legislative clerk read as follows:

In the J. C. Wilson case how many attorneys received \$75,000, and whom did they represent, and who were all the attorneys?

The WITNESS. That case took place about the opening of the World War in 1914. I only knew one attorney, Mr. Robert Gaylord.

The PRESIDING OFFICER. The clerk will now read the question asked by the Senator from Ohio.

The legislative clerk read as follows:

Approximately what portion of the services rendered by an attorney for a receiver consists in trials in court as compared with settlements outside of court?

The WITNESS. Outside litigation is a small factor in liquidation bankruptcy and equity receivership matters. The Russell-Colvin case represented potentially 500 lawsuits in respect to the claims of clients. The same in the Gorman Kayser case, in which I am referee. I attached little importance to the fact, when I fixed the fee at \$50,000 as reasonable, that there was a small amount of outside litigation.

Mr. Manager LEWIS. Mr. President, certain inquiries propounded by Senators and statements by the witness have suggested additional inquiries by the managers on the part of the House.

By Mr. Manager LEWIS:

Q. Mr. Kreft, what is the nature of your practice at present?—A. May I ask you to repeat that?

Q. What is the nature of your practice at the present time?—A. I specialize in Federal equity proceedings and bankruptcy.

Q. Are you receiver by appointment at present?—A. I am at present receiver in another stock-brokerage case, that of Myself Moller Co., a \$150,000 matter.

Q. Who appointed you in that case?—A. Judge Harris, presiding judge of the superior court.

Q. Of the State court?—A. Of the State court.

Q. How long have you been engaged in that case?—A. The Myself Moller case?

Q. The case you just referred to.—A. I was appointed receiver in January 1932.

Q. Were you appointed attorney for the receiver or receiver?—A. I am receiver in that case.

Q. Have you been appointed attorney for receiver or receiver in any other cases, bankruptcy or receiverships, since you retired from your official position?—A. I have been appointed as attorney for trustees, and in maybe two instances attorney for receivers. Judge Louderback appointed me as attorney for receiver in one case.

Q. In what case was that?—A. An electric company case. I do not recall the first name. My total compensation in the case was \$125.

Q. How long ago was that?—A. Oh, a year and half.

Q. And it is within the power of Judge Louderback, if he continues in office, to appoint you to similar receiverships in the future, is it not?—A. He has that power.

Q. You are an old friend of Judge Louderback, are you?—A. No.

Q. How long have you known him?—A. Possibly 10 or 12 years. He had a few matters before me when I was referee.

Q. You referred to the J. C. Wilson case, where, as I understand, there was a fee of \$75,000?—A. It is my recollection that that was the total of the fees in that case allowed to the attorney for the trustee.

Q. That includes the attorneys for the receiver and trustees?—A. I do not know that there was a receiver in that case. I think there was no receiver in that case. It was a voluntary case followed shortly thereafter by the appointment of a trustee.

Q. And this was an agreed fee, was it—in the Wilson case?—A. There was no opposition to the fee asked. The larger portion of the fee was allowed by a judge in New York.

Q. Precisely. It was not allowed in California, was it?—A. No; but the case was entirely under my jurisdiction; the proceeding was ancillary in New York.

Q. In New York; but you were very glad to accept the suggestion made by the parties. Is that right?—A. There was no opposition to the fees, and I believed them to be reasonable such as were allowed.

Q. Now, let us investigate this further. In just what other matters have you fixed fees or been familiar with the compensation? What other cases are you familiar with in California, not in New York?—A. As I said, I have made upwards of 5,000 such allowances. It is very difficult for me to remember the particular cases.

Q. In these 5,000 cases how many fees approximately of \$50,000 have you allowed?—A. Not more than three.

Q. Let us have those three again.—A. The J. C. Wilson case, the Owen-Sullivan case—

Q. Do you mean the J. C. Wilson case is the case in which there was an agreement in New York and you lived in California?—A. My answer was to the amount of the fees that were allowed to attorneys for services in that case, no matter where they lived.

Q. That is one. Let us have another.—A. The Owen-Sullivan case in the importing and exporting business.

Q. What were the fees allowed in that case?—A. I think they must have been in the neighborhood of \$35,000 in all.

Q. You say "they must have been." Have you the clear recollection?—A. I do not recall my allowances specifically in amount in that case, except that the attorneys for the trustee were allowed \$25,000. There were allowances to other attorneys in that case.

Q. That was by agreement, was it?—A. There was no particular objection, as I recall.

Q. Let us have one case where there was an allowance even approximating the figures mentioned here.—A. There were several cases.

Q. You spoke of three. Let us have the third.—A. I must answer that I cannot recall the names of the particular cases.

Q. So you now recall only two cases in which fees approximating even half of the amount in this case?—A. That is correct.

Q. But you have had 5,000 cases, as I understand, before you, and, on the basis of that experience, you come before us as an expert? Is that correct?—A. That is correct.

Q. In the Prudential Holding case, Mr. Kreft, in bankruptcy how many amended petitions were filed? You referred, as I recall, to an amended petition in that case.—A. Only one.

Q. When was that, do you recall?—A. With reference to the original petition—there were intervening petitions—but only one application to amend the original petition.

Q. When was it filed?—A. Shortly before the hearing in court on October 26.

Q. The receiver and his attorneys had already been appointed by Judge Louderback, had they not, in this bank-

ruptcy matter when the amended petition was filed?—A. The appointment had been made prior to the filing of the amended petition.

The PRESIDING OFFICER. Are there any further questions?

Redirect examination by Mr. LINFORTH:

Q. Judge Kreft, do you know Mr. Byington, an attorney of San Francisco?—A. Casually.

Q. May I ask you this, to see if I can refresh your memory—do you recall an allowance by Judge Dooling, the judge of the Ninth District Court of California, to him in an oil case of \$120,000 as receiver?—A. I do not recall that.

Mr. LINFORTH. We have no further questions.

The PRESIDING OFFICER. The witness will stand aside, and the next witness will be called.

Mr. Manager SUMNERS. At this point, with your permission, Mr. President, we desire to present for the record the application for leave to file amended involuntary petition, which is the petition referred to by the witness in his testimony who has just been on the stand.

The PRESIDING OFFICER. Is there any objection?

Mr. Manager SUMNERS. It shows it was filed on October 14, 1931.

Mr. LINFORTH. May we ask the manager to submit that to us for a moment?

Mr. Manager SUMNERS. Yes. [Handing paper to Mr. Linforth.]

Mr. KING. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. KING. Probably there will be a short intermission in a little while. May we not proceed with the case, and counsel will then have a chance to examine the paper and determine whether they wish to object or otherwise?

The PRESIDING OFFICER. Is a very brief intermission desired?

Mr. LINFORTH. We have no objection to the offer.

The PRESIDING OFFICER. The document will be admitted.

U.S.S. EXHIBIT 54

The document admitted in evidence on behalf of the managers on the part of the House is marked "U.S.S. Exhibit 54", and is as follows:

U.S.S. EXHIBIT 54

IN THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF CALIFORNIA, SOUTHERN DIVISION

IN THE MATTER OF THE APPLICATION OF CATHERINE ARMSTRONG, REALTY MORTGAGE INSURANCE CO., A CALIFORNIA CORPORATION, AND PARKER LINTON, FOR THE ADJUDICATION OF PRUDENTIAL HOLDING CO. OF LOS ANGELES, A NEVADA CORPORATION, ALLEGED BANKRUPT. IN BANKRUPTCY NO. 21022-S

Application for leave to file amended involuntary petition

To the honorable judges of the United States District Court in and for the Northern District of California:

The petition of Catherine Armstrong, Realty Mortgage Insurance Co., a California corporation, and Parker Linton, respectfully shows and alleges:

That on or about the 5th day of September 1931 your petitioners filed an involuntary petition in bankruptcy against the above-named alleged bankrupt; that in said petition the act of bankruptcy alleged was the appointment of a receiver while insolvent; that since the filing of said involuntary petition your petitioners have investigated the affairs of said alleged bankrupt and have discovered several new additional acts of bankruptcy committed by the said alleged bankrupt within 4 months from the filing of said involuntary petition and without 4 months from the date that your petitioners propose to file their amended involuntary petition in bankruptcy.

That the claim of one of the petitioners, to wit, Catherine Armstrong, is based upon three promissory notes, and said petitioner in the original involuntary petition set forth only one of the said notes, and said petitioner desires to amend the nature of her claim to set forth all the notes upon which there is an indebtedness due by the said alleged bankrupt.

That petitioners further show to the court that they have just discovered the commission of said additional acts of bankruptcy which are set forth in the proposed amended involuntary petition and have been duly diligent in pleading said acts.

Petitioners further show unto the court that it will be to the interests of justice to permit said amendments.

Wherefore your petitioners pray that an order be made and entered herein granting leave to your petitioners to file an

amended involuntary bankruptcy petition herein, containing the amendments above set forth.

CATHERINE ARMSTRONG,
PARKER LINTON,
REALTY MORTGAGE INSURANCE CO.,
By W. W. HENRY, Vice President.

A. B. KREFT,
TORREGANO & STARK,
By A. B. KREFT,
JANEWAY BEACH & HANKEY,
By G. HAROLD JANEWAY,
Attorneys for petitioning creditors.

STATE OF CALIFORNIA,

County of Los Angeles, ss:

Parker Linton being first duly sworn, deposes and says that he is one of the petitioners above named and does hereby make solemn oath that the statements contained in the above and foregoing petition subscribed by him are true.

PARKER LINTON.

Subscribed and sworn to before me this 13th day of October 1931.

[SEAL]

B. M. HARTMAN,
Notary Public in and for the County of Los Angeles,
State of California.

STATE OF CALIFORNIA,

City and County of San Francisco, ss:

J. H. Engelhart, being first duly sworn, deposes and says that he is vice president of Realty Mortgage Insurance Co., one of the petitioning creditors above named. That the statements contained in the foregoing petition subscribed by him are true. That he is duly authorized by the Realty Mortgage Insurance Co. to sign this petition and make this verification.

W. E. HENRY, Jr.

Subscribed and sworn to before me this 14th day of October 1931.

[SEAL]

CHARLES E. KEITH,
Notary Public in and for the County of San Francisco,
State of California.

STATE OF CALIFORNIA,

County of Los Angeles, ss:

Catherine Armstrong, being first duly sworn, deposes and says that she is one of the petitioners above named and does hereby make solemn oath that the statements contained in the above and foregoing petition subscribed by her are true.

CATHERINE ARMSTRONG.

Subscribed and sworn to before me this 13th day of October 1931.

[SEAL]

B. M. HARTMAN,
Notary Public in and for the County of Los Angeles,
State of California.

EXAMINATION OF H. B. HUNTER

Mr. LINFORTH. Call Mr. H. B. Hunter.

H. B. Hunter, having been duly sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. Please state your name, residence, and occupation.—A. H. B. Hunter; San Francisco, Calif.; banker.

Q. How long have you been engaged in the banking business?—A. Since 1910; about 22 years.

Q. With what banks have you been connected?—A. I have been connected with the Mercantile Trust Co. in San Francisco; the United Bank & Trust Co., also in San Francisco; the First National Bank of Berkeley; and a bank in Bisbee, Ariz.

Q. In what capacity have you been connected with these banks?—A. From manager to vice president.

Q. Were you at any time connected with the San Francisco Stock Exchange?—A. Yes; I was assistant to the president.

Q. For how long?—A. I would say 8 or 10 months.

Q. In what year?—A. In 1928 and the first part of 1929.

Q. Were you at any time associated with the banking and stock-brokerage firm of Cavalier & Co.?—A. Yes; I was with Cavalier & Co. after I left the stock exchange.

Q. Were you connected with that company at the time you were appointed receiver in the Russell-Colvin case?—A. I was.

Q. Do you know John Douglas Short?—A. Yes; I do.

Q. How long have you known him?—A. For 15 years.

Q. And what has been his profession or occupation during the time of your acquaintanceship with him?—A. He has been an attorney at law. I first met him when he was a partner with Irvin Wright.

Q. Do you know the firm of Keyes & Erskine?—A. Very well.

Q. How long have you known the members of that firm?—
A. For about 10 years.

Q. And while connected with these banks that you have referred to, were you in contact with them?—A. I was.

Q. Were they attorneys for some of these banks that you were connected with?—A. They were attorneys for the United Bank & Trust Co.

Q. And during your connection with Cavalier & Co. were you brought in contact with that firm?—A. Yes; we handled litigation together in various stock-exchange matters.

Q. While you were associated with Cavalier & Co.?—
A. While I was manager of their brokerage department.

Q. Where do you live in San Francisco?—A. Fairmont Hotel.

Q. And you are a married man?—A. I am.

Q. How long have you lived at the Fairmont Hotel in San Francisco?—A. Ten or eleven years.

Q. Continuously?—A. Continuously—well, except for a short time, a few months.

Q. Do you know Mr. W. S. Leake?—A. I do.

Q. Where did you make his acquaintance?—A. I assume I met him in the lobby of the Fairmont Hotel, probably some evening. I do not recall how I met him or under what circumstances.

Q. Was he living there at that time?—A. He was.

Q. Was his wife there at that time?—A. Yes.

Q. What has been your acquaintanceship with Mr. Leake since the time you first met him at the Fairmont Hotel?—
A. Only a casual acquaintanceship, talking to him on occasions in the lobby with other people in the group.

Q. Have your relations at any time been intimate with him?—A. They have not.

Q. Have you ever been a patient of his?—A. I have not.

Q. Or any member of your family?—A. Not any member.

Q. Who first spoke to you about the Russell-Colvin receivership?—A. I think the first mention of the Russell-Colvin receivership came to me from Addison Strong. I was out in Judge Louderback's as a juror. Mr. Strong, a friend of mine, sat down next to me and asked me what I was doing out there.

The PRESIDING OFFICER. If Judge Louderback had nothing to do with this, let us pass it over.

Mr. LINFORTH. I think it is important on account of testimony given by Mr. Strong. It is to meet the testimony which he has already given.

The PRESIDING OFFICER. The Chair does not want the witness to give long conversations.

By Mr. LINFORTH:

Q. Make it as brief as you can.—A. Mr. Strong asked what I was doing. I said I was a juror.

The PRESIDING OFFICER. It is not necessary to go into particulars in this way unless counsel has some reason for it.

Mr. LINFORTH. Mr. President, I am directing the attention of the witness to a particular matter to meet the testimony of a witness for the managers of the House—to wit, Mr. Strong—the testimony being directly responsive.

The PRESIDING OFFICER. Very well.

The WITNESS. Mr. Strong asked what I was doing out there. I said I was a juror. He went on to say that he was out there in a receivership matter. I do not recall that he mentioned the Russell-Colvin. He mentioned the receivership matter and said that he had been suggested as receiver. I said to him in a joking way, "Don't you want a good receiver?" We were joshing about it at that meeting.

By Mr. LINFORTH:

Q. In that way the matter of the receivership was mentioned?—A. It was only a facetious remark.

Q. Had anybody up to that time ever spoken to you about your acting or the possibility of your acting as receiver in that matter?—A. No one had.

Q. Did you at any time have any talk with Mr. W. S. Leake on the question of your acting as receiver?—A. I did.

Q. Can you state when and where that conversation took place?—A. I was coming into the lobby of the Fairmont

Hotel and Mr. Leake called me. He asked me if I could act in the Russell-Colvin matter in case Mr. Strong would not be able to do so.

Q. What did you say? Give us the entire conversation.—
A. I told him I would have to see my associates and I would let him know.

Q. The following day did you see your associates in regard to the matter?—A. I saw Mr. Cavalier the next noon when he came over from his Oakland office and discussed it with him and also with the other partners.

Q. After discussing the matter with your associates did you have any communication with Mr. Leake in regard to it?—A. Yes. My associates thought that I should act, and I at once, as I recall it, notified Mr. Leake that I would act.

Q. How was your communication with him, by phone or otherwise?—A. By phone.

Q. When you so advised him what did he say?—A. He said he would let me know later.

Q. Did you subsequently that day hear from Mr. Leake?—
A. I did.

Q. Do you recall how you heard from him, by phone or otherwise?—A. He called me up by phone and asked me—

Q. Do you remember at what time you heard from him by phone?—A. It was along about 4 or 4:30—between 4 and 5 o'clock.

Q. What, if anything, did he say to you?—A. He told me to go out to Judge Louderback's court and take someone with me to furnish bond; that I should act in the receivership.

Q. When he made that statement to you what, if anything, did you do on the question of bond?—A. I asked one of the firm of Cavalier if they had some friend that would assist me in this matter, and they called up someone in the Balfour-Guthrie Co., and a representative of that company went out with me to the court. We arrived at court between 4 and 5 o'clock and I told the secretary of Judge Louderback that I was there in this receivership matter. I finally saw Judge Louderback and the man that was there with the bond filled it out and it was filed, as I recall it, and I qualified as receiver.

Q. Will you state what conversation you had with Judge Louderback at that time?—A. All that I can remember that I had was that he said, "Go along. I know you know your business and will take care of things. If at any time I can be helpful and am free I will be glad to consult with you."

Q. When you saw Judge Louderback, was the representative of this bonding company present during all the time?—
A. Yes; he was.

Q. In the same room?—A. Yes; he was. He had to be for the purpose of filling out the bond.

Q. Do you recall about what time it was that you left the courthouse after qualifying as receiver?—A. Sometime after 5 o'clock, as I recall it.

Q. Where did you go from there?—A. I went back to the hotel and went up to my room.

Q. That is, your residence at the Fairmont Hotel?—
A. Yes.

Q. Did you later on that evening see Mr. W. S. Leake?—
A. I did. After dinner was finished I went down to tell him that I had been out to court, and I was qualified as receiver.

Q. Did you go to his room?—A. I did.

Q. What talk did you have with him there that evening in his room?—A. All that I can recall is that I just told him what had happened and that I would have to take charge of the firm the next morning.

Q. Did you state anything to him at that time on the question of attorneys for the receiver?—A. I did.

Q. What did you say to him?—A. I said I wanted to call up Mr. Short at his home as soon as his dinner was finished.

Q. Did you call up Mr. Short?—A. I did. It was then, I think, about 8:15 or something of that kind, and Mr. Leake said, "You can use my phone here." I called up Mr. Short from Mr. Leake's room.

Q. Where did Mr. Short live at that time?—A. Woodside.

Q. You were advised of that fact?—A. Oh, yes; I knew Mr. Short.

Q. You knew where he lived before?—A. Yes.

Q. What was your talk with Mr. Short over the telephone that evening?—A. I told Mr. Short I was going to act in this Russell-Colvin matter, and I wanted to know whether his firm would represent me; that I did not know anything about financial affairs but that I would like to have him meet me at Cavalier's in the morning between 8 and 9, so we could talk it over.

Q. Did you at that time think Mr. Short was a member of that firm?—A. I certainly did.

Q. Did you in that conversation over the phone make an appointment with Mr. Short?—A. I did to meet him at Cavalier & Co. between 8 and 9 next morning. I wanted to go to the Russell-Colvin place at 9 o'clock.

Q. Did you meet Mr. Short at the office of Cavalier & Co. the next morning?—A. I did. I think it was about 8:30.

Q. While you were there did Mr. Erskine come over?—A. He did. After I had made my arrangements with Mr. Short and discussed various questions he called up Mr. Morse Erskine and asked him to meet us at the Russell-Colvin Co.

Q. Whom did you employ as your counsel in the Russell-Colvin matter?—A. Keyes & Erskine, as I thought. I thought Mr. Short was a member of the firm.

Q. You thought that Keyes & Erskine were the two Erskines and Mr. Short?—A. Yes.

Q. How soon did you start to work on the matters of the receivership?—A. I think we were over to the Russell-Colvin office by 9 o'clock.

Q. After you had looked into the affairs of Russell-Colvin & Co. did you ascertain whether or not it owned any bonds of the Consolidated Box Co.?—A. Yes; I did.

Q. How many did you ascertain it owned?—A. It owned about 60 per cent of the issue, or almost 300,000 bonds out of the 500,000.

Q. Did you ascertain whether or not any of those bonds were pledged?—A. Yes.

Q. How many of them did you ascertain were pledged and for what sum?—A. There were around \$69,000 or \$70,000 pledged.

Q. Did you ascertain whether or not any of them had been sold by Russell-Colvin & Co. under so-called "repurchase agreements"?—A. Yes. They could not sell the bonds, so they induced the banks to take the bonds on a repurchase agreement.

Q. To what amount had they so induced the banks to take the bonds?—A. One hundred and twenty-two thousand five hundred dollars.

Q. At what price had they guaranteed the bank to repurchase them?—A. They guaranteed almost any price from par up to 105, as I recall it.

Q. Were those bonds at that time salable in the market?—A. The only market for those bonds was the Russell-Colvin office. It was their own underwriting. They were the only market, and without their support there would have been no sale.

Q. In other words, they were not listed bonds?—A. No; they were not listed. In fact they tried to sell them, and that is why they had 60 percent of the issue on their hands. They could not sell them.

Q. What was the amount of the issue?—A. Five hundred thousand dollars.

Q. Did you ascertain, after you had been appointed receiver, whether or not Russell-Colvin Co. owned any stock in that Consolidated Box matter?—A. They had the B stock, which gave them control, and some A stock.

Q. After your appointment, did you ascertain whether or not the Russell-Colvin people, a few days before this bankruptcy matter, had made some contract to sell the control in the Consolidated Box Co.?—A. I did. Mr. Blumberg came in to see me the following day after my appointment, Saturday morning; told me that he had a deal on for the control of the company, and that if I wanted to get some money into the estate, he had a deal he would like to put

through. I asked him why he was held up. He said he was afraid a receiver would upset the deal, and he would like to get my approval.

Q. Did you upset the deal?—A. I told him we would have a meeting that day. I called up my attorneys, arranged a meeting at 12 o'clock, and we were in discussion for a couple of hours. My attorneys looked over the contract, decided that it was not enforceable—that is, that it was executory—and that we could rescind it whenever we wished.

Q. For what price had this concern, 2 or 3 days before the receivership, agreed to sell the control in that company to Mr. Blumberg?—A. The company was in very dire distress, needed money, and they sold the control of the company for \$7,246.

Q. And that was the contract; was it?—A. That was the contract.

Q. Did you find, upon investigation, that the stock had been put up in escrow?—A. It had been put up in escrow.

Q. And who was the escrow holder?—A. Francis C. Brown.

Q. One of the witnesses who have appeared here?—A. Yes.

Q. Without going into details, did you serve or cause your attorneys to serve a notice of disaffirmance of that contract?—A. There is no question but that they received notice, and knew that we were not going to go through with the contract.

Q. Did you subsequently dispose of all of those bonds and that stock?—A. I did.

Q. How long were you negotiating and working on the matter of disposing of that stock, which was under contract for the amount stated, and those bonds, before you effected the sale?—A. At least 3 months. We carried on extensive negotiations. We had a great many legal fights. We appeared in court a great many times. Every obstacle was put in the way of reselling the securities to another man. I finally was unable to induce or urge Mr. Blumberg to get off the board of directors, and certain directors, and I finally sold the plant, the securities I held, to Mr. Blumberg for the same amount that I had already sold it to another gentleman for.

Q. In other words, had you found a purchaser different from Mr. Blumberg for that property?—A. I had.

Q. And who was that person?—A. Mr. Spiegelman.

Q. As a result of the negotiations and what you did, what did you finally get in cash for those bonds?—A. The bonds alone, or the whole transaction? Around \$130,000 was the total purchase price.

Mr. Manager SUMNERS. Mr. President, we object to that question and the answer because the question and the answer are not calculated to elicit the facts but are calculated to confuse the facts. The first contemplated sale was with regard to stocks. The control of the voting power did not control the physical property, did not control the bonds. The latter sale with regard to which the witness is testifying was in reference to both the stocks, the bonds, and the physical property.

The WITNESS. That is correct.

Mr. Manager SUMNERS. We should like to have that appear.

The WITNESS. That is correct.

Mr. LINFORTH. Mr. President, if I have not made the matter clear, it has been due to my desire to be as brief as possible in the matter. I will proceed a little further, and see if I can meet the objection of the honorable manager.

By Mr. LINFORTH:

Q. Mr. Hunter, was the stock of the company, under the contract you have referred to, the control?—A. It was. The total B issue was \$56,000. I was selling 28,801 shares of B stock and 7,246 shares of A stock.

Q. Were these bonds that I have called your attention to salable?—A. They were not. Russell-Colvin had tried a long time to sell them, and they could not sell them.

Q. Did you, as receiver, try to sell these bonds?—A. I did. I might enlarge on that.

In our discussion with Mr. Blumberg, I asked him what he would do in regard to something like \$84,000 worth of paper-box machinery which Russell-Colvin held in the subsidiary—

what it could be sold to him for. He was very evasive; he said maybe \$5,000. That is the reason we wanted to rescind the contract. Also, we asked him about the bonds: Would he buy the bonds? Well, he did not know; he might buy the bonds, and he did not know whether he would or not, but he would have to get control first. So we determined and decided, and so stated at that time, that if we lost control of this company by a small payment of \$7,200, we would be unable to sell the machinery or sell the bonds; there would be no market, and the estate would suffer by it. I think all the evidence goes to show that that was true.

Q. With those thoughts in mind you brought about the sale to which you have referred; did you?—A. I did. Mr. Blumberg did everything in his power to prevent the sale.

Q. And the amount you realized for the receivership was how much?—A. The sale amounted to something around \$130,000. I can give you the accurate figures if you wish them.

Q. That was received in cash; was it?—A. That was received in cash. I might enlarge on that, so that the question will not be brought up. That did not all go into the estate. There were other bonds that were sold to assist in cleaning up the pledges.

Q. You have referred to the fact that \$122,500 of these bonds were out on repurchase agreement.—A. I have.

Q. What, if anything, did you do in order to relieve the estate from that obligation?—A. These repurchase bonds naturally had no market, as well as the other bonds. Only by the deal which I consummated, first with Mr. Spiegelman and then finally with Mr. Blumberg and his associates, was it possible to enter into negotiations with the holders of these repurchase bonds. We then entered into negotiations with the holders of those bonds, and, due to the splendid price I received for the bonds in the sale, I was able to get a very splendid settlement with these holders. The average sale of those bonds was, I think, almost \$700 a bond.

Q. How did you arrange to relieve the trust estate from the repurchase agreement relating to those \$122,000 in bonds?—A. I and my attorney carried on negotiations for months, you might say. We met with these holders of the bonds, and we insisted that the price obtained in the sale to Mr. Blumberg was the controlling price. However, some were settled on the basis of \$500 a bond; but the majority were sold on the basis of around \$750 a bond. The average price of the bonds sold to Mr. Blumberg was \$600.

Q. Did you succeed in getting a release for the bankrupt or receivership estate from the obligation to repurchase those bonds by agreeing that they should have a claim against the estate?—A. Yes. It left a small claim against the estate in the form of a general creditor, due to the fact that the majority of the claims, something like \$118,000, was reduced, I think, to about \$20,000.

Q. And that obligation was wiped out in that way?—A. It was.

Q. Did you sell the seat owned by the Russell-Colvin people in the San Francisco Stock Exchange?—A. I did.

Q. Did anyone but yourself and your attorneys inaugurate the proceedings and follow the proceedings leading up to the sale of that seat?—A. No. I took the matter up with a great many people, my friends, to try to locate a purchaser. Finally we contacted a man who wanted to buy a seat—it was a partnership of three men—and we sold the seat for \$75,000.

Q. After you were appointed receiver, and after you had an opportunity to look into the affairs of Russell-Colvin & Co., did you ascertain whether it owned any stock in a company known as the "Coen Co."?—A. Yes. They had almost the control—not quite the control—of the Coen Co., another underwriting of theirs.

Q. Was the stock that they held the control, or less than the control?—A. Slightly less than the control, which made it very difficult to sell.

Q. Did that stock have any sale value on the market at that time?—A. None whatever.

Q. Did you institute efforts to sell the stock?—A. I interviewed dozens of people. I tried to get brokers to support

the market in the stock, principally the A stock. I had people call on the president. The president insisted that the stock was worthless, the company was not doing well, and I had great difficulty in selling.

Q. Did you finally sell it?—A. I did.

Q. For how much?—A. Twenty-five thousand five hundred dollars.

Q. In cash?—A. In cash.

Q. After investigating the affairs of this company, did you ascertain whether or not they owned any stock, common or preferred, and any bonds and notes of the Anchorage Light & Power Co.?—A. They did. That was another one of their underwritings. They built an electric plant in Alaska, at Anchorage, which cost about \$700,000. The original estimate was about \$350,000. They had been unable to sell a large block of the preferred stock, and had a few bonds, I think something like 39 out of 350, on pledge with a bank. They did not have control of this company either, which made it difficult to sell.

Q. Did you ascertain whether or not the Russell-Colvin Co. had underwritten the bonds and the preferred stock of the Anchorage Light & Power Co.?—A. Yes, sir.

Q. Was there any sale for that stock or those bonds at the time you were receiver?—A. None whatever. I suppose you could sell them—

Q. Did you make efforts to sell them?—A. I suppose you could sell anything for a small amount, but I mean a fair price. There was no fair offer anywhere. I could probably have sold the bundle of stock for a cent a share.

Q. Do you recall in amount how many bonds the Russell-Colvin Co. had and owned of the Anchorage Light & Power Co.?—A. They owned 35, and there were 4 other bonds in pledges, as I recall.

Q. Were the 35 that they owned also in pledge?—A. They were pledged with a bank at Anchorage for a loan.

Q. Do you recall, in round numbers, how many shares of the preferred stock of that company they owned?—A. One thousand and fifty-three, of par value of \$100, making \$105,300 book value.

Q. Do you recall how many shares of the common stock in that company they owned?—A. Eighteen thousand six hundred and twenty-nine, if I remember correctly.

Q. What was the amount of the notes that Russell-Colvin & Co. held of the Anchorage Light & Power Co. at the time you were appointed receiver?—A. The plant, as I stated a few minutes ago, cost a great deal more than they expected. They first came out with a preferred-stock issue, and then they came out with another which they were not able to sell; and finally they had to put up the money themselves to complete the plant. This represented advances to the extent of \$63,000, in round numbers.

Q. Did you endeavor, after you were appointed receiver, to collect those notes so aggregating \$63,000?—A. I did.

Q. Could you collect any of it?—A. No.

Q. Subsequently what arrangement did you make, if any, to dispose of the notes and the stock and the 39 bonds?—A. I pressed the president of the company, Mr. Reid, to do something. He finally came down to see me in San Francisco with a banker by the name of Rasmussen. We had several days' negotiations. I could not get Mr. Reid or Mr. Rasmussen to make me an offer. We did, however—the banker and I got together at breakfast and decided that we should cut expenses. So I told Mr. Reid that we would have to cut expenses at the plant if I were not to press payment on the notes. We entered into an agreement to take a note for a small balance that had not been so taken care of, and for doing that there was a very extensive legal agreement drawn up which made it incumbent upon Mr. Reid to keep the expenses at not exceeding a thousand dollars a month, that his salary was to be nominal, that anything he ever did was to be approved by me, that he was to put the banker on the board of directors and in charge of the finance committee, and that they should cut down their office expense and the salary of the attorney and the salaries of the accountants, and so forth.

Q. As a result of what you did, did you finally make some kind of a deal over these notes and this stock and these bonds?—A. As in all other deals, I had to work up an outside deal. I could not get any place with Mr. Reid. He temporized. I pressed him. I have written a great many telegrams and a great many letters threatening receivership, and so forth. Finally I got a friend of mine, an investment banker, to take some interest. We outlined a sale that would be agreeable to me for the securities. I asked Mr. Reid if he was willing to enter into the transaction with him, that was, the investment banker. Mr. Reid immediately did not want anybody else in the transaction, and wired me substantially the same offer that this man was supposed to enter into with me. As a consequence, Mr. Reid came down with the attorney for the company and I sold the notes at 100 cents on the dollar as against first-mortgage bonds that were selling at that time at 20 to 25 cents on the dollar. He paid me \$7 a share for the preferred stock. The total amount involved was \$70,000 and 6 percent interest. As I stated before, I did not have control, so, as a condition to selling this to Mr. Reid and his associates, I made him pledge his stock. This gave me control, so that if Mr. Reid ever fails to complete his bargain, I have control of the company, and can sell it.

Q. According to this agreement—

Mr. BLACK. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. BLACK. I have read the pleadings very carefully, that is, those which appear here, and I do not see where any charge of incompetency is made against this gentleman as receiver. The parliamentary inquiry is, if that is not in issue, and if the managers on the part of the House do not claim that his administration showed incompetency, is it pertinent to go entirely through with the evidence as to his conduct of the estate? Of course, if there were charges against this gentleman as receiver, the evidence would be pertinent. I propound that as a parliamentary inquiry.

Mr. LINFORTH. Mr. President, may I answer?

The PRESIDING OFFICER. The Chair will be glad if counsel will, because the Chair has wondered for half an hour what the purpose of this testimony is.

Mr. LINFORTH. The purpose is twofold. While the competency of the receiver is not attacked, in the fifth article, as amended, it is alleged that the fees were excessive, that the judge willfully allowed excessive fees, and the witness is detailing not only the services he rendered but the services which the attorney rendered in connection with these particular matters, which bears upon the question as to whether or not the fees were excessive.

The PRESIDING OFFICER. Is there a charge in the article to the effect that the fees paid this receiver were excessive?

Mr. LINFORTH. I do not take it that there is any specific charge that his fees were excessive, but there is a specific charge that the fees of the attorneys were excessive. The witness is relating certain transactions and certain deals which took place which resulted in disposing of certain assets of the concern, in which he had the advice and the cooperation and the assistance of his counsel, and that in so acting, he was acting under the advice of counsel, and that counsel prepared the necessary papers to consummate his case.

The PRESIDING OFFICER. In the opinion of the Chair there is not a sufficient showing that this witness had any knowledge as to whether or not the fees allowed the attorney were excessive, and unless there is something more material developed, and promptly developed, than has been developed in regard to that matter, the Chair will be inclined to rule out questions similar to those which have been answered.

Mr. Manager BROWNING. Mr. President, the managers on the part of the House meant to charge and they do insist that the fees to this receiver are excessive.

The PRESIDING OFFICER. If that be true, the Chair is of opinion that it is quite pertinent to go into the particulars of the services he rendered.

Mr. LINFORTH. Mr. President, as my attention was distracted, may I have the statement made by the honorable manager read?

The PRESIDING OFFICER. The reporter will read the statement.

Mr. Manager BROWNING. Before that is read, we did not make any charge and do not insist on any charge of incompetency, but we do intend to charge and insist that the fees were excessive.

Mr. LINFORTH. That is, the fees to this receiver?

Mr. Manager BROWNING. To this receiver, as well as to his attorney.

The PRESIDING OFFICER. Mr. Witness, in describing the services rendered, eliminate as much of the conversation as possible, without suppressing any of the material facts. In other words, be just as brief as you can be, without neglecting to state the material facts of the matter.

Mr. LINFORTH. Mr. President, I think there is an unanswered question. Will the reporter please read it?

The PRESIDING OFFICER. The reporter will repeat the question.

The OFFICIAL REPORTER. The last sentence of the answer of the witness was as follows:

This gave me control, so that if Mr. Reid ever fails to complete his bargain, I have control of the company and can sell it.

By Mr. LINFORTH:

Q. According to this agreement, what amount did the buyer agree to pay for these notes, this stock, and these bonds?—A. Sixty thousand dollars, plus 6 percent on deferred payments.

Q. I do not know whether I got your answer correctly. Did you say 60,000 or 70,000?—A. Sixty—seventy thousand. I beg your pardon.

Q. Seventy thousand dollars. Did that arrangement take the form of a written agreement?—A. It did.

Q. Who prepared the agreement?—A. My attorneys.

Q. During the various proceedings and negotiations that were had on the subject of this stock, these notes, and these bonds, did you advise and consult with your counsel?—A. Always.

Q. Were they present at the times of the holding of the negotiations with the people from Alaska to whom you have referred?—A. Whenever it was necessary.

Q. In this agreement to which you have referred, whereby you sold this property for \$70,000, during what period is the payment to be made?—A. Over the next 2 or 3 years.

Q. Has any part of the \$70,000 been paid?—A. \$12,000. There is a balance due of \$58,000.

Q. Did you do anything in the way of taking security for the faithful performance of that agreement on the part of the buyer?

Mr. Manager SUMNERS. Mr. President, we do believe, with all fairness to everybody in interest, that that sort of interrogation runs more into detail than is necessary to enlighten the Senate with reference to what took place. For instance, asking the witness, who has made the transaction, whether or not he took security. We assume that the witness did do what common sense would suggest that anybody with ordinary sense ought to have done. Merely for the purpose of shortening the interrogation, we believe that that character of testimony ought to be avoided if it can be done.

Mr. LINFORTH. Mr. President, may I add that I want to prove that the witness did what the learned manager says common sense would suggest to anyone that he should do.

Mr. Manager SUMNERS. The point is that we do not question that the witness has common sense and exercised it in handling the transactions of the concern.

The PRESIDING OFFICER. Inasmuch as there is no charge of incompetency on the part of this receiver, the Chair is of opinion that it is not necessary to indulge in any details as to the manner in which he performed those services. Unless there is some challenge as to the efficiency of those services, all matters pertaining to proof that those services were promptly discharged will be excluded.

Mr. LINFORTH. We bow to the will of the Chair and will not go into further detail on the matter.

By Mr. LINFORTH:

Q. Mr. Hunter, did you sell any other property belonging to the Russell-Colvin Co.?—A. Yes; I sold many miscellaneous things, one a three-quarters percent interest in the Peerless Paper Box Co., furniture and fixtures to the extent of \$10,000, and investment trusts, and many other items.

Q. While you were receiver, during the first year of your term, what were your hours devoted to this business?—A. I hoped to get through in about 3 months, so I worked day and night, and I finally finished my report after 10 months' work, with a large crew of accountants.

Q. What were your working hours devoted to the business of this concern?—A. Every day in the week, Saturdays and Sundays, holidays and nights.

Q. What hours—how many hours a day?—A. We worked all night.

Q. That is a little worse than the Senate, but not much. [Laughter.]—A. No; it is not.

Q. During the time when you were so active, what time did you have of your counsel, what time was devoted to you?—A. This morning I looked over my bill of services. I think that would probably illustrate better than anything else how much I called upon my attorneys. Almost every transaction in a brokerage office has a legal snarl to it. I looked over the first two or three pages of my bill of services, and I think there were dozens of items which were referred to my attorney to consider and answer. The tracing of securities, and so forth, required all the time of Mr. Short. I used Mr. Morse Erskine almost altogether in carrying on the negotiations and sale of the Consolidated Box and other items of that sort. Finally, Mr. Erskine came in toward the end to assist me personally in completing the report, tracing the securities, and that end of it.

Q. During the first year of your receivership, how much of the time of Mr. John Douglas Short and Mr. Morse Erskine was devoted to you?

Mr. Manager BROWNING. Mr. President, we except to that, on the ground that it would be hearsay. The witness does not know how much time they put in.

Mr. LINFORTH. I will ask the question if you know?

The PRESIDING OFFICER. If the witness knows, he may answer. If he does not, he may not answer.

The WITNESS. My agreement with my attorneys was that they would give me—

Mr. Manager BROWNING. We object, because the answer is not responsive to the question in any way.

The PRESIDING OFFICER. The objection is sustained.

By Mr. LINFORTH:

Q. Do you know how much of their time you did take which was devoted to you during the first year of the receivership?—A. Practically all of the time of Mr. Short and a large part of Mr. Morse Erskine's time.

RECESS

Mr. KING. Mr. President, I move that the Senate, sitting as a Court of Impeachment, stand in recess for 5 minutes.

The PRESIDING OFFICER. The question is on the motion of the Senator from Utah.

The motion was agreed to; and (at 1 o'clock and 2 minutes p.m.) the Senate, sitting as a Court of Impeachment, took a recess for 5 minutes. On the expiration of the recess the Senate, sitting as a court, reassembled.

Mr. FLETCHER. Mr. President, may I submit some questions at this point? They might be submitted later, but I may not be able to be present.

The PRESIDING OFFICER. The Senator from Florida wishes to submit several interrogatories, which the clerk will read.

The Chief Clerk read as follows:

Q. Before your interview with Mr. Short, before or following your appointment as receiver, had anyone suggested him?

The WITNESS. No. The only reference to Mr. Short was on the occasion when Mr. Leake asked me if I could

serve and stated that Judge Louderback had mentioned his name to Mr. Strong.

The Chief Clerk read as follows:

Q. Or the firm you supposed he was connected with as attorneys for you as receiver?

The WITNESS. No; I always think of Mr. Short as the firm of Keyes & Erskine.

The Chief Clerk read as follows:

Q. Did the respondent suggest or advise you respecting attorneys you should engage?

The WITNESS. He did not.

The Chief Clerk read as follows:

Q. What arrangement was made as to fees, if any?

The WITNESS. None whatever.

The PRESIDING OFFICER. Counsel will proceed.

By Mr. LINFORTH:

Q. Mr. Hunter, in view of the services that you have mentioned, will you please go on, in your own way, and state what you did in the liquidation of this company?—A. I will treat of the assets of the firm, and I should like to make this statement, that Russell-Colvin & Co. had a capital stock of around \$182,000 at the beginning of 1927, and they made \$80,000. The next year they had about the same amount, or \$182,000, and they made \$785,000. This enormous profit was arrived at by their underwriting. They merged several paper-box companies, at a cost of \$890,000, and added over \$500,000 water to the sale price. They took over the Coen Co., which is not a merger, and sold those securities and added a quarter of a million. This money went into the profit-and-loss account. That made it very difficult to make sales. I will not go into the details of the sales from now on.

During the very time we were carrying on negotiations for the sale of these assets the various problems connected with the sales arose. We were liquidating the pledges. It was necessary to liquidate the securities owned by Russell-Colvin to be able to liquidate the pledges. A great many of the securities were sold by E. A. Pierce and Russell Miller. Barneson & Co. could not sell the securities because they did not have the margins for them and would have to resort to the procedure required by the Civil Code. We had to prepare orders, and so forth, permitting them to sell without going through a lengthy procedure. We liquidated all the pools and pledges over a period of months.

Next we also had leases on the property, which we rescinded. They had entered into a lease with the Mills Building, calling for a large sum of money over a period of years. We rescinded that contract, and finally had to allow a claim, I think, of something like \$6,000, and \$2,000 for rent, and eliminated any further payment on the lease. We rescinded other leases. I think that covers the assets of the partnership.

A great problem in the liquidation of a brokerage shop is caused, as I understand, by the right of the owner of securities to search out his property and get it where we can find it. Also, due to the fact that there are many legal complications, such as the problem of agent and principal, bailee and bailor, pledgee and pledgor, and so forth, a great amount of legal work had to be done to determine whose securities they were, under what condition they were in the hands of Russell-Colvin & Co., and what had to be done to make it possible to make delivery of these securities.

Another very serious problem was in that Russell-Colvin had borrowed, or overborrowed, something like \$330,000 on the securities of customers. By that I mean that the customers had borrowed, we will say, five or six hundred thousand dollars, and they had borrowed eight or nine hundred thousand dollars. When that happens the customer is put to a great disadvantage. They had used this money in their own affairs, and, naturally, there are no securities, when the assets are liquidated, to deliver to the owners. So then we had the hypothecation and rehypothecation and superior liens and superior rights of individuals to determine. We had various classifications of creditors. There was an enormous number of questions which I had to put up to my attorney and which we had to work out. I studied the

law—read the law, rather; I did not study it—and worked out the procedure to delineate the result of our tracing and searching and the distribution of the equities and the dividends in the pools and the final liquidation of the customers' accounts.

Our total claims were something like 679 claims. Many of the claims, I think over 100, did not agree with the books. This offered a difficult situation. We discussed the matter of how to handle them. The majority of brokerage houses employ no accountants. The majority of the customers are forced to hire accountants and attorneys to search out the securities. The majority of the settlements were finally settled on a kind of Peter-to-pay-Paul idea, sort of an average. We agreed that we would not employ accountants at a cost of \$20 to \$50 a day. We would assist the claimants in every way we could to file their claims; and in the filing of the claims of those 100 or more that did not agree with the books, Mr. Short and I met with those claimants and finally got all, I think, but a few, 7 or 8, to stipulate that the records were correct.

Mr. KING. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. KING. We are sitting as a Court of Impeachment, a matter of very great importance. I do not want to suggest the absence of a quorum. I express the hope that more of the Members of the court may be in attendance.

The PRESIDING OFFICER. The Chair hopes that that hope may bear fruit. Does the Senator from Utah wish to suggest the absence of a quorum?

Mr. KING. No; I shall not do so.

The PRESIDING OFFICER. The witness may proceed.

The WITNESS (continuing). At the end of 10 months, working with a large crew of men, I had my report prepared to submit to the court and get the approval of the claimants. We filed that report and had lengthy sessions with the court, in which certain attorneys representing clients objected to our settlement.

By Mr. LINFORTH:

Q. Let me interrupt at this point to ask you with how many banks, brokers, or concerns did you find the stocks and securities of customers placed by the Russell-Colvin Co.?—A. There were 46 different pools, as we call them, in which we had to trace the securities of individuals. Some of those pools were very short, because a man, when he sells a security and does not deliver the security, is a pool. There were 3 large brokerage concerns, about 13 banks, and the balance in various places of a smaller account.

Q. Using the crew that you had and giving the matter your own attention with the aid of your counsel that you have suggested, how long did it take you before you were able to segregate and put in the proper class the six hundred and odd claims?—A. I would say 6 months. The first 3 months the claims were being filed and we started working out the debts of the individual accounts on securities to determine the equities. We carried on other forms of accounting procedure to be ready when the claims were filed. After the claims were all filed, at the end of something like 90 days, we then had to take the claims and reconcile them with the record and meet with the customers and work out an agreement as to stipulations. I think that answers the question.

Q. During these proceedings, who did you have as your bookkeeper?—A. Mr. Joe Zolinsky.

Q. He had formerly been an auditor with Russell-Colvin Co.?—A. Yes.

Q. Have you stated, not fully, but generally, the services that you rendered?—A. No. It is much longer than that. We had to appear in court and get approval of our settlement sheets with the customers. They were finally worked out so that accepting claimants were taken care of, and then we had to make effort with the representatives of the general creditors. We then had to make settlement; in other words, I made demand upon the men who owned the securities to come in and pay the balance due and I would deliver them their securities. A number of claimants, naturally, those who had no equity or those whose securities were below the amount owed against those securities, refused to

put up the money or take the securities. This forced me to sell the securities. I carried on this sale. Then I had to do my work all over again. This was simplified, naturally. This affected only, I would say, 70 or 80 accounts. There were a lot of fractional shares that had to go into that sale. Then I notified other customers what they owed. You see, I was collecting money from one customer that owed on securities and paying it to another customer whose securities had been sold to satisfy the superior lien and pay the money out.

The second sale or third sale, you might say, that I had solved the problem, and we prepared a final settlement as to what we would pay the customers. This was about 18 months after receivership started. The legal procedure had been gone through with. We had 90 days for appeal, and we paid out and delivered in securities \$400,000 or \$500,000.

Q. In that connection, how much was paid out to the customers who had preferred claims?—A. I have not those figures, Mr. Linforth. You mean the general preferred creditors?

Q. Those that had stocks that were fully paid up.—A. As I recall, there was around \$375,000.

Q. What percentage was that?—A. 100 percent.

Q. Those that were in the marginal list, what percentage did they get?—A. Pardon me if I mention this: We have three classes of preferred creditors, those who have fully paid securities, those who did not sign margin cards and had no agreement with Russell-Colvin to borrow more money than they were borrowing, so they received 100 percent. Then we had the salary claims, tax claims, and so forth, to satisfy 100 percent. The margin traders who signed a margin card and who authorized Russell-Colvin to borrow more money than they were borrowing were paid, I think, around 50 percent.

Q. And the general creditors received what?—A. To date?

Q. Yes.—A. 28 percent.

Q. How much have you still and what, in your judgment, will it pay in percentage to the general creditors?—A. May I inject just a statement there? The margin traders who received about 50 percent out of the pool became general creditors for the balance of their accounts. This increased the general-creditor item from \$152,000 to \$500,000. This is all due to the Russell-Colvin Co. overborrowing on those securities. They also received 28 percent. The margin creditors received 50 percent and an additional 28 percent on the 50 percent.

Francis Brown had a company subsidiary in which he was a director called the "Continental Investment." This stock was wholly owned by Russell-Colvin. Over 2 years ago he liquidated that company, and there was in that company \$5,000, in round figures, due from the sale I made in the Consolidated Box deal. Mr. Brown has not delivered that money to me yet. It is held up because of a fear that the income-tax people will make a claim against the directors for some income tax. There have been long negotiations. I have written the collector of internal revenue and tried to get the thing settled. I have that \$5,000 coming. I have \$58,000 coming from the Anchorage deal. I think that is all.

Q. How much in percentage will that pay to the general creditors?—A. It will pay another 12 percent as, if, and when collected.

Q. Have you briefly but generally stated the services rendered by you as receiver?—A. Quite briefly.

Q. Are you still acting as receiver?—A. I am. We have a great many bad accounts that we are trying to collect. Those accounts were turned over to the Retailers' Credit Association. I want to mention this because I want everyone to understand that I was not in the position to know whether a person had assets or not. The Retailers' Credit Association, representing, I think, 12,000 business firms, were in a position to know who had assets and who did not have assets; so we turned these accounts over to them to collect. We have already, though, filed suits against quite a few and have done everything we could to collect money where we could. We billed customers and made demand

for payments. The Retailers' Credit Association and their attorney are carrying on the collection of those accounts and when they wish any information or appearance in court I have to go there. My time is now only nominal so far as the receivership is concerned.

Q. What amount have you received in compensation for your services as receiver?—A. \$40,500.

Q. That is the full total amount you have received?—A. That is the total amount.

Q. Did Judge Louderback receive one cent of that?—A. Not one cent.

Q. Did Mr. Short or anyone else except yourself receive a cent of it?—A. Not one cent.

Mr. LINFORTH. You may take the witness.

Cross-examination by Mr. Manager BROWNING:

Q. Mr. Hunter, what was the first position you held?—A. I was manager of the bank in Bisbee, Ariz.

Q. What was your salary?—A. I think it was \$175 a month.

Q. That much per month?—A. That much per month; but the arrangement—may I enlarge upon that?

Q. Yes.—A. But the arrangement with the man for whom I worked gave us a great deal of outside work. I was traveling for him from time to time, and I think my income ran three, four, or five hundred dollars—trips into Mexico and various properties that he owned.

Q. What was the next position you held?—A. I had a position with the First National Bank of Berkeley.

Q. What was your salary there?—A. I do not recall what the salary was. I think it was three or four hundred dollars.

Q. What was the next position you held?—A. I was invited by Mr. Drum to become a vice president of the Mercantile Trust Co. I received, as I recall it, \$1,000 a month and bonus.

Q. What did it all amount to?—A. I do not know; we will say \$12,000 a year.

Q. What was the next position?—A. The next position I held I was with the Oakland Title & Trust Co., in charge of their investment company, making loans, appraising properties, and so forth.

Q. What was the salary?—A. If I remember correctly, \$500.

Q. Per month?—A. Per month.

Q. What was the next position?—A. I took a receivership for the Security Bond & Finance Co. Then I went with the United—

Q. Just a moment. In that receivership you had a specified salary that you received as receiver?—A. Yes.

Q. What was that?—A. I do not know. I think it was around a thousand dollars a month.

Q. Was it not \$450 a month? Do you not recollect that?—A. No; a thousand dollars a month, I am quite certain.

Q. How long did it run?—A. It is still running.

Q. Do you still receive a thousand dollars a month?—A. No; I have not received anything for 6 years.

Q. How long did your salary go on at that rate?—A. It only lasted while the receivership was running. I think I operated 14 ranches and various items, and I think—I do not know; 8 or 10 months, maybe 12.

Q. The assets gave out, did they?—A. They were not there, except the operation of the ranches, and getting crops, and so forth, off the ranches.

Q. What was the next position you held?—A. I was with the United Bank & Trust Co.

Q. What was your salary?—A. Five hundred dollars a month.

Q. And the next position you held?—A. With the San Francisco Stock Exchange.

Q. What was your salary there?—A. Seven hundred and fifty dollars a month.

Q. From there you went to Cavalier?—A. I went to Cavalier; yes, sir.

Q. At what salary?—A. At \$600 a month, with the invitation to become a partner. Mr. Cavalier, as all brokers, did

make an enormous sum of money; and to become a partner in a firm like that meant quite a bit.

Q. You did become a partner in William Cavalier?—A. I did not.

Q. Did you not remain on the building committee of the stock exchange as a partner of this firm?—A. No; I did not, Mr. BROWNING. One of the committee resigned. Mr. Schwartz put me on that committee. I was on the building committee, but I was not a partner of Cavalier at that time. The agreement—do you want me to give you the details?

Q. You need not do that; but Mr. Schwartz did understand at that time that you were a partner of William Cavalier, did he not?—A. I do not think so. I think he understood definitely that in 90 days I was to be considered and become a partner; but Mr. Cavalier did not want to make me a partner.

Q. When did you go with Cavalier?—A. In June 1929, as I recall.

Q. But you say you did not become a partner?—A. No; Mr. Cavalier did not want to put up the partnership papers at the end of 90 days. He had just joined the New York Stock Exchange and it is a very grueling examination, and he did not want to do it again; so he said, "Please do not make me do that at this time." At the end of the year the deal had changed. I was no longer to put up my capital and receive a salary, but all partners had agreed to have only a drawing account; so I decided that I did not want to become a partner, because I could see that my capital would not bring in a very large return; I would soon be eating up my capital.

Q. What was your drawing account then, after that new arrangement was made?—A. I was on salary, as I recall—\$600.

Q. And at the time you were appointed receiver you were on that salary?—A. I was.

Q. You were devoting your full time to Cavalier & Co. at that time?—A. Surely.

Q. Cavalier & Co. had one of their partners as a member of the board of governors or directors of the stock exchange?—A. I had forgotten that he was a director until I heard the testimony yesterday, but he must have been.

Q. Mr. Hunter, you state, as I understand you, that the first you heard of the Russell-Colvin case was on the morning of the 11th of March, when you talked to Mr. Strong about it out at the Federal building?—A. I did not remember that he mentioned the case; but if he said he did, why, then, he did.

Q. But you remember it now, do you not?—A. I do not remember that he mentioned the name of the Russell-Colvin Co.

Q. But you so testified a few moments ago, did you not?—A. I testified with that qualification.

Q. Did you qualify it when you testified in chief here?—A. I thought I had.

Q. You also talked to Mr. Lloyd Dinkelspiel about it that day, and asked him the question what he was out there for, and he told you?—A. I do not recall talking to Mr. Lloyd Dinkelspiel, but that is immaterial. If he said I did, he probably remembers it. I do not.

Q. You testified before the committee when it was in San Francisco last September, I believe?—A. I did; yes.

Q. I will ask you if this testimony was given at that time—

Mr. LINFORTH. What page?

Mr. Manager BROWNING. On page 9 (reading):

Q. When you asked him about jury duty did you say that you were available for a receivership?—A. No; I didn't know there was a Russell-Colvin matter up at that time, as a matter of fact.

By Mr. Manager BROWNING:

Q. You gave that testimony?—A. Perhaps I had better mention whom I talked with. I was talking to Judge Louderback, was I not, at that time? Is not that the conversation you have reference to? I do not recall the statement.

Q. Yes.—A. It was Monday, the 10th, that I was impeached as a juror. I talked to Judge Louderback that night. I do

not recall that I knew anything about the Russell-Colvin matter at that time. I think I read it in the papers probably the next morning.

Q. You are certain, now, that it was the 10th instead of the 11th that you talked to Judge Louderback?—A. Absolutely—absolutely. I remember it distinctly.

Q. What has refreshed your memory since you testified in San Francisco about that?—A. What was my testimony in San Francisco?

Q. That it was on the 10th or the 11th.—A. Well, is not that close enough?

Q. No; not close enough for the purposes of this case.—A. I did not think at the time that it was necessarily accurate. If the question had been put to me, "Was it on the 10th or the 11th?" I would have looked up my calendar and stated so. It was the night of the 10th that I talked to Judge Louderback. I remember it distinctly. I came in from the court, and Judge Louderback had stated on the stand that he regretted to force business men to do jury duty, and that if a man wished to get away and was not on duty, he would try to accommodate him.

Q. I have not asked you about the conversation; but I am asking you now if it was on the 9th, the 10th, or the 11th?—A. The 10th—Monday, the 10th.

Q. You have just stated that it was on the 9th or the 10th. Which one is accurate?—A. The 10th.

Q. Why did you say it was the 9th or the 10th just a moment ago?—A. I do not recall that I made the statement that it was "the 9th or the 10th."

Q. Or did you say "the night of the 10th"?—A. "The night of the 10th."

Q. I beg your pardon; I misunderstood you.

The first one that approached you about this matter was Mr. Sam Leake?—A. It was.

Q. Where was this?—A. In the lobby of the hotel.

Q. He came to you about what time of day?—A. Late in the afternoon, when I came home from work, as I recall.

Q. What was said between you and him in that conversation?—A. All that was said was, he asked me if I could act in the Russell-Colvin matter if Mr. Strong could not.

Q. That is all of the conversation?—A. No. He went on to tell me that the judge had told him that Mr. Strong had insisted upon having Heller, Ehrmann & McAuliffe as his attorneys, and that Judge Louderback felt that as long as Mr. Strong was auditor for the exchange and auditor for Russell-Colvin he should employ other counsel. He said that he had mentioned Short and Keyes & Erskine, as I recall.

Q. Did he not tell you then that the trouble arose because he would not select Short as his attorney?—A. I do not think Mr. Leake gave me that specific reason.

Q. Did you not understand from the conversation you had with him that that was the reason for his trouble with Mr. Strong?—A. No. I understood that Judge Louderback wanted him to select other attorneys than Heller, Ehrmann, McAuliffe & White.

Q. You did not testify to that conversation when we asked you about it in San Francisco; did you, Mr. Hunter?—A. I do not think I was asked about it.

Q. You do not think you were asked about it?—A. I do not think so; no.

Q. You were asked what transpired between you and Mr. Leake at that time; were you not?

Mr. LINFORTH. Just a moment. I submit that if counsel is to interrogate the witness about his testimony in San Francisco, the portion of it should be called to his attention. That investigation took place last September; and I think it is only fair to the witness, if he is to be interrogated about it, that the portion they claim should be called to his attention.

The PRESIDING OFFICER. The Chair is of opinion that counsel is well within the reasonable rule of cross-examination so far and he may proceed.

Mr. LINFORTH. Will the reporter read the question?

The PRESIDING OFFICER. The question will be read.

The Official Reporter read the question, as follows:

Q. You were asked what transpired between you and Mr. Leake at that time, were you not?

The WITNESS. May I see the record?

(The printed record was exhibited to the witness.)

The PRESIDING OFFICER. Proceed, gentlemen.

The WITNESS. Can you tell me where the item is that you refer to?

By Mr. Manager BROWNING:

Q. On page 7 and on page 9 you were questioned about what transpired in the conversation between you and Mr. Leake.—A. I do not find that reference there. Would it be possible for you to show it?

Q. In any event, after Mr. Leake told you that Judge Louderback had submitted Mr. Short's name to Mr. Strong and that there was difficulty between them over the selection of the attorney, what request, if any, did he make of you?—A. None at all.

Q. What suggestion did he make to you?—A. The only statement he made was that Judge Louderback had told him that he had suggested certain attorneys, among them Short and Keyes & Erskine.

Q. You have testified that he suggested Short, and now you testify that he suggested certain attorneys, and among them Short. Which is correct?—A. I think he mentioned attorneys.

Q. You think he did?—A. Yes. I am not certain about that.

Q. You are not certain about it?—A. Because it would probably not impress me, and it would impress me with Mr. Short or the firm of Keyes & Erskine.

Q. Did not Leake offer you the receivership at that time if you could take it?—A. Yes; he did. He asked me if I could act; in other words, if I could get leave of absence from the firm of Cavalier & Co.

Q. Did he suggest that you call up Cavalier?—A. No. I told him I would have to confer with Mr. Cavalier.

Q. When did you confer with Cavalier about it?—A. The next noon.

Q. You did not call him back the evening that he had mentioned this to you?—A. Yes; I did talk with Mr. Cavalier that evening.

Q. Did you call Mr. Leake back that evening and tell him that you would take it?—A. I did not. I did not tell Mr. Leake until the next afternoon, after 2 o'clock.

Q. Did Mr. Cavalier have any hesitancy about it when you talked to him that evening?—A. Mr. Cavalier is rather deaf, and in talking over the telephone he could not hear very well. He said, "Can't this wait until I come over tomorrow?" He said, "I will be over early, and we will discuss it"; and when he came over we did.

Q. What time that evening did you talk with Mr. Cavalier?—A. After dinner. I did not want to disturb him at dinner time. I think it was about 9 o'clock—8:30 to 9:30.

Q. When did you see Mr. Leake again after he asked you if you would accept this position?—A. I do not know when I saw him again. All I can remember is that I called him up the next afternoon.

Q. Where did you call Cavalier from?—A. A booth in the Fairmont Hotel.

Q. As soon as Mr. Leake had spoken to you about it?—A. No; I waited until after dinner that evening. Mr. Leake had spoken to me about 4 or 5 o'clock in the afternoon, as I recall it.

Q. And then you talked to him again after dinner before you talked to Cavalier?—A. I do not recall; I may have. I do not recall.

Q. Did you call Mr. Sidney Schwartz up that night?—A. I called Mr. Sidney Schwartz the afternoon of the 12th, as I recall it. I think I had told Mr. Leake that I would act, and I talked to Mr. Sidney Schwartz.

Q. What time did you talk to Mr. Sidney Schwartz?—A. I do not know; sometime in the afternoon.

Q. At what time did you get back to the hotel when Mr. Leake mentioned this to you?—A. On the 12th? I am mixed

up on my dates again. It was the 13th that I talked to Mr. Schwartz. Your question threw me off. It was the day that I qualified as receiver, which was the 13th. I talked to Mr. Schwartz on that afternoon.

Q. What time in the afternoon?—A. Sometime after I came back from lunch, I assume around 2 o'clock, 2:30, 3 o'clock.

Q. What did you say to him at that time?—A. I said, "Mr. Schwartz, I have been asked to act as receiver in the Russell-Colvin matter. What do you think about it?" He said, "I would certainly take it."

Q. You did not ask him to recommend you?—A. I do not recall that I did. I heard his testimony the other day, and I am willing to grant that I may have talked, but I do not see why I should have asked him to recommend me when Judge Louderback had already asked me to serve. I do not think I needed any recommendation.

Q. Did you need any advice as to whether you should take it?—A. I discussed it with Mr. Schwartz to see what his reaction was. I had worked for him, and I wanted to get his ideas.

Q. Why did you call him?—A. Because I had been with him in the stock exchange.

Q. In fact, the information that was essential with regard to this receivership was that which you had dealt with in connection with the stock exchange largely, was it not?—A. May I have that question?

The Official Reporter read as follows:

Q. In fact, the information that was essential with regard to this receivership was that which you had dealt with in connection with the stock exchange largely, was it not?

The WITNESS. It was.

By Mr. Manager BROWNING:

Q. And the position required someone who was familiar with the working of the stock exchange?—A. There is some question but what that experience is of value, but I had already liquidated an investment house, Mr. Browning, which brought up a great many of these problems.

Q. That, I understood, was just a few ranches.—A. No; there were pledges and repledges, but everything was doubly borrowed on.

Q. Did you go to see Schwartz in person?—A. Not that afternoon.

Q. When did you go to see him?—A. I saw him, I think, a day or two after that, probably on Montgomery Street.

Q. Not in his office?—A. I do not recall going to see him in his office. I have been in his office many times, and I may have gone to see him, but I do remember seeing him on Montgomery Street.

Q. Was that the next day after the telephone conversation with him?—A. I would not say that it was the next day, but it was the next day or two.

Q. In your testimony in San Francisco you did not mention the fact that you had gone to Mr. Leake's room on the night of the 13th to do your telephoning, did you?—A. I did not go there to do my telephoning.

Q. I understood you to testify a few moments ago—A. I did telephone from there.

Q. What did you go there for?—A. I went there to tell him that I had been out to the court and qualified as receiver.

Q. At that time you and he discussed the attorneyship, did you not?—A. No.

Q. Did you call Short from there?—A. I did.

Q. It was an out-of-town call?—A. It is.

Q. At 471 Woodside?—A. I do not remember the call number.

Q. Did you talk to Mr. Leake about any attorney there at all at that time?—A. No; except that I was going to call Mr. Short up and ask him to meet me the next morning.

Q. You did not have any conversation with him before you told him what you were going to do?—A. You mean in regard to the attorneys?

Q. Yes; with regard to the attorneys.—A. No.

Q. The first time you talked to Short about employing him as counsel in the case was from Leake's room?—A. Absolutely.

Q. You were not in Leake's room the night of the 11th of March?—A. I think not. I think that night of the 13th was the first time I was ever in Mr. Leake's room.

Q. You did not call Mr. Short from Mr. Leake's room on the night of the 11th?—A. No; I only talked to Mr. Short once.

Q. You employed Mr. Short as your counsel in this case?—A. I employed what I thought was Keyes & Erskine.

Q. I will read to you from your testimony on page 7, as given in San Francisco:

Q. When did you make the selection of your attorney?—A. That night I called him up and asked him if he were willing to handle this case.

Q. To act as your counsel?—A. To act as my counsel, and that I wanted to know if he would be there the next morning at 8:30.

That is correct, is it?

The WITNESS. That is substantially correct.

Mr. LINFORTH. In order to be fair to the witness should not counsel read the next two questions on that page on the same subject?

Mr. BROWNING. Mr. President, we propose to conduct the cross-examination in our own way.

The PRESIDING OFFICER. Counsel will proceed.

By Mr. BROWNING:

Q. At that time, Mr. Hunter, you were friendly with Mr. Leake?—A. I would not say friendly; no.

Q. How long had you known him?—A. I had known him in the hotel there for several years, he and his wife.

Q. Did you ever loan him any money?—A. I never have. I thought he was a man that had money. I did not know, until the testimony was given there, that he was in hard straits.

Q. Did he ever make any solicitation from you for contributions or loans?—A. None whatever.

Q. After this receivership appointment, you did get very friendly with him, did you not?—A. I would discuss certain legal fights that we were having at that time; yes. We were having a great many legal fights over the Consolidated Paper Box.

Q. Was Mr. Leake a lawyer?—A. No; he was not a lawyer.

Q. What was his profession or occupation?—A. He has testified that he is a healer.

Q. And you discussed with him, as a healer, the legal phases of your receivership. Is that right?—A. Oh, no; only casual conversations of what was going on in the receivership.

Q. Why do you confine it to the legal phases of the receivership when you say that you discussed with Mr. Leake matters pertaining to it?—A. Because those fights that we had in the court were brought up in the papers. There were a great many articles appearing in the papers as I recall it.

Q. To what fights do you refer?—A. With Mr. Blumberg, to deliver the securities in the Consolidated Box to Mr. Spiegelman.

Q. That was not in court, was it?—A. It was certainly in court.

Q. You mean that you had litigation over it in court?—A. No litigation, no; but I had sold the securities to Mr. Spiegelman. Mr. Blumberg refused to let me go through with the deal. Do you mind if I go into detail?

Q. I do not think it is necessary. We are not asking you for the details of that, but we will get to it in a moment.—A. All right.

Q. I call your attention to your testimony at the bottom of page 8, in which the question was asked:

Q. Are you very friendly?

Referring to you and Mr. Leake. The answer was:

A. We were not, up to the time I was appointed. Since then I have talked to him quite a little bit.

The WITNESS. That is true.

Q. Was Mr. Leake interested in all these receivership matters?—A. Only as perhaps an old man who sits around the lobby with not a great deal to do.

Q. Did you talk to him about anything else except these receiverships?—A. These receiverships?

Q. Yes; these matters in this receivership.—A. I think not.

Q. You testified also about the Consolidated Box matter in San Francisco last September?—A. Yes.

Q. From page 17 I read you this testimony which you gave:

A. Consolidated Box was a merger of many paper box companies of this city. I looked it up the other day, and found the cost of those companies were very much understated, showing they had averaged about \$500,000 for their profit.

Q. Water?—A. Water—and sold as securities to the public.

Q. Now, did you work out satisfactory arrangements with those people which were going concerns?—A. The partners, before the receivership was appointed, had sold the control of that company for \$7,246.

Q. And you, as receiver, what did you do with it, how much did you get for the estate?—A. I refused to go further with the sale. I worked up a sale with a man by the name of Spiegelman, and got him to make an offer. It represented something like \$130,000, against the \$7,200 that was the original sale. I felt this, that there was \$85,000 in machinery that the original purchaser would not make an offer for, and there were almost \$300,000 in bonds that I would never be able to sell, once I forced it into his deal. We worked up that deal, and I had great difficulty. The offer was made subject to the pledge of the purchaser to place four directors on the board. The directors that were on the board, and the president, would not get off, and I held Mr. Spiegelman to it, until I finally forced the deal with the president and all the directors that were on the board.

Q. What is the net of the deal as against the first offer?—A. It netted the estate approximately \$125,000 against \$7,200.

Q. You felt you earned your commission on that deal, didn't you?—A. I certainly did.

Mr. Hunter, you knew at that time that this \$7,200 only represented the stock itself, which was not voting power, and did not represent the assets of that concern, did you not?—A. Mr. Browning—

Q. I ask you to answer whether you did know at that time?—A. I never considered—

Mr. Manager BROWNING. Mr. President—

The WITNESS. The stock alone in this deal—

Mr. Manager BROWNING. Mr. President, I except to his reply, and ask that he answer that "yes" or "no."

The PRESIDING OFFICER. He can answer "yes" or "no", and then make any explanation he desires to make.

The WITNESS. May the question be read?

The Official Reporter read as follows:

Q. Mr. Hunter, you knew at that time that this \$7,200 only represented the stock itself, which was not voting power, and did not represent the assets of that concern, did you not?

The WITNESS. Yes; that is true.

By Mr. Manager BROWNING:

Q. And yet you stated in that, that instead of \$7,200, you received \$130,000 for it?—A. For the machinery and for the bonds which I detailed above.

Q. But at that time you did not make the difference between the two. You said that instead of \$7,200, you received \$130,000 for it, did you not?—A. I do not think the record is correct in that statement.

Q. You do not think it is correct?—A. No; I do not think it is correct. I must have put in there—I qualified my remark in the beginning that the deal was for the control, that it did not include the machinery, which was worth \$85,000, and it did not include the \$300,000 bonds.

Q. Do you say that the stenographer left that out of the original testimony?—A. I would say he did. He misunderstood my testimony.

Q. Is it your opinion that the report is not correct at that time?—A. The testimony as recorded is not correct.

Q. But you at that time were undertaking to show to the committee that you made your salary in that transaction, were you not?—A. I certainly did.

Q. You tried to leave that impression at that time?—A. Absolutely, and I think I did.

Mr. Manager BROWNING. Mr. President, I understood the Senate desired to suspend at 2 o'clock. I beg to ask if that is the program.

The PRESIDING OFFICER. The Chair has no official information to that effect.

RECESS

Mr. KING. Mr. President, I think it is desired that the Senate, sitting as a Court of Impeachment, take a recess until 10 o'clock tomorrow morning in order that the Senate may proceed to the consideration of legislative business.

Mr. McNARY. That is the understanding we had yesterday with the Senator from Arkansas, that at this hour we would take up the Glass banking bill, which is the unfinished business, and would return to legislative session.

Mr. KING. In view of that understanding, I ask the managers representing the House and counsel representing the respondent, whether it would be agreeable for the Court of Impeachment to take a recess until 10 o'clock tomorrow morning?

Mr. Manager BROWNING. That would be entirely satisfactory to us.

Mr. KING. I, therefore, move that the Senate sitting as a Court of Impeachment take a recess until tomorrow morning at 10 o'clock.

The motion was agreed to; and (at 2 o'clock p.m.) the Senate sitting as a Court of Impeachment took a recess until tomorrow, Saturday, May 20, 1933, at 10 o'clock a.m.

LEGISLATIVE SESSION

The Senate, pursuant to the order for a recess entered yesterday, resumed legislative session.

CALL OF THE ROLL

Mr. KING. I suggest the absence of a quorum.

The PRESIDING OFFICER. The absence of a quorum being suggested, the clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Couzens	Kendrick	Robinson, Ark.
Ashurst	Cutting	Keyes	Robinson, Ind.
Austin	Dale	King	Schall
Bachman	Dickinson	La Follette	Sheppard
Bailey	Dieterich	Lewis	Shipstead
Bankhead	Dill	Logan	Smith
Barbour	Duffy	Lonergan	Steiwer
Barkley	Erickson	Long	Stephens
Black	Fess	McAdoo	Thomas, Okla.
Bone	Fletcher	McCarran	Thomas, Utah.
Borah	Frazier	McGill	Townsend
Bratton	George	McKellar	Trammell
Brown	Glass	McNary	Tydings
Bulkey	Goldsborough	Metcalf	Vandenberg
Bulow	Gore	Murphy	Van Nuys
Byrd	Hale	Neely	Wagner
Capper	Harrison	Norris	Walcott
Caraway	Hastings	Nye	Walsh
Carey	Hatfield	Overton	Wheeler
Clark	Hayden	Patterson	White
Connally	Hebert	Pittman	
Coolidge	Johnson	Pope	
Costigan	Kean	Reed	

The PRESIDING OFFICER. Eighty-nine Senators have answered to their names. A quorum is present.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the House had passed, without amendment, the joint resolution (S.J.Res. 50) designating May 22 as National Maritime Day.

The message also announced that the House had insisted upon its amendments to the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval Academy, disagreed to by the Senate, agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. VINSON of Georgia, Mr. DREWRY, and Mr. BRITTON were appointed managers on the part of the House at the conference.

ENROLLED JOINT RESOLUTION SIGNED

The message further announced that the Speaker had affixed his signature to the enrolled joint resolution (S.J. Res. 50) designating May 22 as National Maritime Day, and it was signed by the Vice President.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS AND JOINT RESOLUTION

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries, who also announced that the President had approved and signed the following joint resolution and acts:

On May 3, 1933:

S.J.Res. 13. Joint resolution authorizing the Attorney General, with the concurrence of the Secretary of the Navy, to release claims of the United States upon certain assets of the Pan American Petroleum Co. and the Richfield Oil Co. of California and others in connection with collections upon a certain judgment in favor of the United States against the Pan American Petroleum Co. heretofore duly entered.

On May 18, 1933:

S. 7. An act providing for the suspension of annual assessment work on mining claims held by location in the United States and Alaska; and

S. 1582. An act to amend section 1025 of the Revised Statutes of the United States.

REGULATION OF BANKING

The PRESIDING OFFICER. The Chair lays before the Senate the unfinished business.

The Senate resumed the consideration of the bill (S. 1631) to provide for the safe and more effective use of the assets of Federal Reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

Mr. GLASS. Mr. President, by agreement we are to proceed with the consideration of Senate bill 1631, known as the "banking reform bill." This bill, Mr. President, with certain modifications is the bill which was presented at the last session of the Senate by an almost unanimous vote of the Banking and Currency Committee and which passed this body by a vote of 54 to 9. I apprehend that there is no great need for me to traverse the major provisions of that bill, which, I take it, are rather familiar to the Senate. Therefore, I shall confine myself today chiefly to a brief exposition of those major alterations in the bill which are of large importance to the banking community and to the country.

There is one omission in Senate bill 1631 which appeared conspicuously in the bill passed by the Senate at the last session. The Senate will recall that we omitted the Secretary of the Treasury from membership on the Federal Reserve Board. The reasons then given for that action may be in a few sentences repeated today. The Federal Reserve Banking System was set up for the purpose of responding to the business, industrial, and agricultural requirements of this country. It is owned exclusively by the member banks, frequently spoken of as the "stock-holding banks." In short, the individual banks of the Federal Reserve System own the 12 Federal Reserve banks in substantially the same sense that the stockholders own the individual banks.

It was never intended that the Federal Reserve Banking System should be used as an adjunct of the Treasury Department, and particularly was it never contemplated that it should be so used to such an extent as recently has been done as very materially to curtail the abilities of the Federal Reserve banks to serve the business interests of the country. There has not been a bond issue floated by the Government of the United States since the beginning of the World War up to within 2 weeks ago that was not floated through the agencies of the Federal Reserve Banking System. Of that the friends of the System do not complain, because its agencies were so widespread and complete that it would have been difficult to float a Federal bond issue without the immediate and active assistance of the Federal Reserve Banking System. But in latter years the Federal Reserve banks notably and the member banks of the System substantively have been compelled to subscribe to the issues of United States bonds. I say "compelled" in the sense that it was regarded as dangerous for a member

bank or for a Federal Reserve bank to decline to take its allotment of Federal Reserve securities, whether long-time bonds or Treasury notes, as apportioned by the Secretary of the Treasury.

I think I speak accurately and advisedly when I say that no issue of Federal Reserve securities for 2 years has been placed with private industries or estates. The major part of those issues has been taken by the Federal Reserve banks or the member banks. That largely means in time of stress that these banks just in that measure are disqualified from responding generously and liberally to the requirements of commerce, industry, and agriculture.

That has largely been done, your committee think, through the dominating influence of the Secretary of the Treasury as a member of the Federal Reserve Board. I know from actual experience and intimate observation that the Secretary of the Treasury does exercise a dominating influence in that Board. The distinguished junior Senator from California [Mr. McAdoo] knows that, because he was once Secretary of the Treasury. I know it because I was once Secretary of the Treasury. But he was there and I was there in times of great stress. He was there during the war, and I was there in the post-war period when the problems were not less grave than during the war. It was essential, it was imperative, that the Federal Reserve Banking System should coordinate its activities with the activities of the Treasury Department. The life of the Nation depended upon it. But that is not so 15 years after the war terminated. The Federal Reserve Banking System should not have been made the foot mat of the Treasury Department in all those years.

That statement of the reasons why we eliminated the Secretary of the Treasury from the Board in the bill passed by the Senate 54 to 9 will cause Senators to wonder why we did not persist in that action, as we have not done it in S. 1631. It was the unanimous judgment of your subcommittee that that official should be eliminated. We had not one single dissent from that view in the general committee. That provision of the previous bill is not included in this bill only by reason of the fact that the Secretary of the Treasury seemed to regard it as a personal affront to him and as a curtailment of his power which ought not to be made at this particular time. Therefore, we have omitted that provision of the bill. There may be a proposal to restore it, in which event I could not conscientiously oppose.

The main purpose of the bill as passed by the Senate last spring, as Senators will recall, was to prevent, under penalty, the use of Federal Reserve banking facilities for stock-gambling purposes. I use that term in its harshest sense, realizing that it touches the sensibilities of a great many people who persist in calling it "stock-investment purposes." But it is not stock-investment purposes because no man ever yet invested his money and found it necessary to keep his ear to the ticker to find out what was going to be the price of stocks the next hour or day or week or month. It is nothing in the world but pure gambling just as much as that at Monte Carlo. The New York Times, priding itself as an organ of the interests, or a spokesman of the interests, stated that 90 percent of the activities of the stock exchange in 1928 and 1929 consisted just as much in gambling as betting on the arrow of the roulette table. The bill as passed by the Senate undertook, under moderate penalty, but I think effective penalty, to put a stop to that sort of thing, and so does this bill.

The bill as passed by the Senate last spring required the separation of investment affiliates from member banks of the Federal Reserve Banking System, investment affiliates that were the largest contributors, next to the gambling on the stock exchange, to the disaster which was precipitated upon the country in 1929. They never had a day of legal existence. It will be recalled that I resurrected here from a 20 years' sleep the opinion of Solicitor General Lehman, one of the greatest lawyers who ever honored that position, pointing out to the Attorney General and to the President with the approval of the Attorney General that they

had no legal existence and ought not to be continued in operation. That opinion in a mysterious way lay disregarded in some official archive and was only resurrected by me at the last session of the Senate. We include that provision in the bill.

Another important provision of the bill last spring related to a separation, in a sense, perhaps I should more properly say a moderation, of the practice of commercial banks underwriting investment securities.

Mr. NORRIS. Mr. President—

The PRESIDING OFFICER (Mr. McKellar in the chair). Does the Senator from Virginia yield to the Senator from Nebraska?

Mr. GLASS. I yield.

Mr. NORRIS. Before the Senator leaves the question of affiliates, unless he expects to return to it, I should like to ask him a question in regard to it.

Mr. GLASS. Yes; I should be glad to have the Senator do so.

Mr. NORRIS. Under the present bill, how much time is allowed for the separation of affiliates from the banks?

Mr. GLASS. The Senator will recall that in the previous bill, yielding somewhat to the persistent and pestiferous activities of lobbyists, we permitted 5 years for the separation. In this bill we permit only 2 years, and some of us think that 1 year is ample.

Mr. NORRIS. That brings me to the question that I want to ask the Senator. Why is not 1 year long enough? It seems to me even that is too long. I cannot understand why they should be given a longer time. There may be some reason for it. I remember the discussion that took place last year. I was sorry that the Senator yielded.

Mr. GLASS. The Senator can get that answer only from those lobbyists who sought to wreck the bank bill at the last session of Congress by pretending to be hostile to a provision that had no relation to the affiliates.

Mr. ROBINSON of Arkansas. Mr. President, will the Senator yield?

Mr. GLASS. Certainly.

Mr. ROBINSON of Arkansas. Is it true that some of those institutions which opposed the 3-year limitation for the separation of affiliates from the parent institution subsequently took steps to bring about the separation of their own initiative?

Mr. GLASS. Several of them have separated from their affiliates. Right on that point, while it comes to my mind, I will say to the Senator from Arkansas, in verification of my prediction last spring that if there were profits in that business there would be no trouble in organizing separate and exclusive investment banks, that I note from the New York papers of day before yesterday that the Chase National Bank, having discarded its affiliates, many of the capitalists which had been associated with the activities of the affiliates immediately proposed to organize a separate investment house; and that will be so if this bank bill is passed.

Mr. NORRIS. Mr. President, the Senator mentions the Chase National Bank, and the separation of its affiliates. As I remember, getting my information from the newspapers, they required no time whatever. I wish the Senator would discuss that proposition. What is the reason given for time to separate an affiliate from the parent bank? The Chase National Bank, as I understand, did it without any time whatever.

Mr. GLASS. The only reason given the Banking and Currency Committee, both publicly and privately—and very persistently privately—was that it would require that length of time to readjust their affairs. I do not think that is so. The fact that the Chase National Bank—the largest commercial bank in the world, I think—has discarded its affiliate, indicates that it does not require that length of time. We have modified that provision of the bill, however, changing it from 5 years to 2 years, rather with the expectation, if not the confident hope, that the other branch of Congress or the Senate may reduce it to 1 year. But these affiliates, I repeat, were the most unscrupulous contributors, next to the debauch of the New York Stock Exchange, to the finan-

cial catastrophe which visited this country and was mainly responsible for the depression under which we have been suffering since. They ought to be separated, and they ought speedily to be separated, from the parent banks; and in this bill we have done that.

There was another more or less important provision of the bill passed last spring which is retained in text in this bill, relating to branch banking. It will be recalled that, as reported from your Banking and Currency Committee, the provision authorized national banks to engage in branch banking in the respective States, regardless of State law. The Senate so amended that provision as to authorize national banks to engage in branch banking in those States which by law permit branch banking to State banks. It went even farther under the amendment of the distinguished Senator from New Mexico, and required that the establishment of branch banks by national banks in States which by law permit branch banking should be under the regulations required by State law of State banks.

How any fair person may properly object to a provision of that sort, I do not understand. We here in the Congress created the national banking system in the emergency of the Civil War. We here restrict it and regulate it. We here legislate for the national banking system; and why anybody should object to putting national banks on a plane of competitive equality with State banks in the respective States we have been unable to understand. Therefore, we have included that provision in this bill just as it passed the Senate.

There was an exceedingly important and, we thought, an imperative provision of the bill passed last spring, known as the "liquidating provision", creating a liquidating corporation for the speedy settlement of the affairs of closed banks. Had that bill become law there would have been released hundreds of millions of dollars that were then, and are now, tied up in closed banks. We provided for quick receiverships, and for either the purchase of the assets of a closed bank or loans to receivers to facilitate and determine the affairs of the banks, so that the depositors might receive their money. The bill did not become law, and there are still hundreds of millions of dollars—more than a billion dollars—tied up in closed banks.

We have embraced in S. 1631 a part of that provision which authorizes quick receiverships and prompt liquidation of closed banks; but we have greatly elaborated that provision of the bill, and the elaboration occupies about 34 pages of this bill, running from page 16 to page 48. We have elaborated it by providing for the insurance of deposits in the member banks of the System. Just as in the provision relating to the liquidating corporation in the last bill, we set up a capital structure of approximately a half-billion dollars, derived in part from a subscription of \$150,000,000 from the Federal Treasury, which some of us wanted to regard as a recapture of funds which we did not think ever should have gone to the Federal Treasury from the earnings of the Federal Reserve banks; but the Senate modified that provision so as to require that it should be a subscription to the stock of this liquidating corporation, and we have so regarded it in the structure here.

We take about \$175,000,000 from the surplus fund of the Federal Reserve banks. That, of course, encountered some remonstrance from the Federal Reserve authorities, with which, I must confess, I have little patience; for a banking system that could choke itself up with nearly \$2,000,000,000 of United States securities, not one dollar of which it had any use for, could well afford to subscribe to a capital structure of this kind in order to insure the quick liquidation of closed banks, and in order, as under this bill, further to insure the deposits in member banks of the System.

Then it is computed that we will provide another \$175,000,000 by an assessment of one half of 1 percent upon the demand and time deposits of the member banks of the System. Of course, that encountered remonstrance. In the 32 years that I have been dealing with banking matters I have dealt chiefly with remonstrances, and particularly from bankers. I think that is a fair assessment. The Sen-

ate should distinguish it from the proposed guaranty by the Government of bank deposits, because it is not that at all. It is merely an insurance of deposits, I think framed in a very cautious and effective way.

Mr. COSTIGAN. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from Colorado?

Mr. GLASS. I yield to the Senator.

Mr. COSTIGAN. It was my misfortune, for unavoidable reasons, not to be in attendance on the Banking and Currency Committee when the sections now being discussed were under consideration. I rise, therefore, to request information.

I have before me an editorial of the Philadelphia Record of May 15 of this year, in which the following sentence appears:

The Glass Bill would limit the guaranty to members of the Federal Reserve System, and would undoubtedly result in the closing of all nonmember banks.

Will the Senator from Virginia, at the appropriate place in his remarks, be good enough to comment on that statement?

Mr. GLASS. No place could be more appropriate than this. In answer to the Senator's question, I will say that it simply is not true.

Mr. KING. That is not a comment. It is a denial.

Mr. GLASS. The comment will follow the denial.

The Senator will note, on page 22 of the bill, subsection (f), as follows:

(f) Any State bank or trust company which has applied for membership in the Federal Reserve System or for conversion into a national banking association may, with the consent of the Corporation, obtain the benefits of this section, pending action on such application, by subscribing and paying for the same amount of stock of the Corporation as it would be required to subscribe and pay for upon becoming a member bank. Thereupon the provisions of this section applicable to member banks shall be applicable to such State bank or trust company to the same extent as if it were already a member bank: *Provided*, That if the application of such State bank or trust company for membership in the Federal Reserve System or for conversion into a national banking association be approved and it shall not complete its membership in the Federal Reserve System or its conversion into a national banking association within a reasonable time, or if such application shall be disapproved, then the amount paid by such bank or trust company on account of its subscription to the capital stock of the Corporation shall be repaid to it and it shall no longer be subject to the provisions or entitled to the privileges of this section.

Mr. COUZENS. Mr. President, will the Senator yield at that point?

Mr. GLASS. I yield.

Mr. COUZENS. I was going to ask what the effect would be upon the community or the bank itself should an application be denied? The application would have to be approved, of course, by the Federal Reserve System.

Mr. GLASS. Very likely the effect would be disastrous to that particular bank. But if a bank of that description should be permitted to continue in business, and to receive deposits of innocent people, what would be the effect upon the community when inevitably it would fail?

Mr. COUZENS. Does the Senator ask me that question?

Mr. GLASS. Yes.

Mr. COUZENS. The answer to that question is that the bank should not have been operating at the time the application was made, because the application and rejection thereafter has a worse effect than if no application had been made or if the bank had been closed under normal conditions.

Mr. GLASS. But the Congress cannot control that situation. Congress cannot control the operation of State banks. Certainly the Senator would not want to take the funds of the Federal Reserve Banking System and guarantee the deposits of nonmember banks without such an examination as is required for membership in the Federal Reserve Banking System.

Mr. COUZENS. The Senator is quite right, but I raise the question whether or not it is advisable to permit even a temporary guaranty during the examination, but should we not rather require the examination before the application is

made? In other words there is an interim between the application and the rejection which I think is a dangerous period.

Mr. GLASS. How would we proceed to make an examination of a State bank which does not apply for membership in the Federal Reserve System? We have no authority to do that whatsoever.

Mr. COUZENS. I quite agree, but a reading of the section clearly indicates that there is an interim between the time of the application and the decision when the public has a right to assume that the deposits are guaranteed.

Mr. GLASS. That is also so in the ordinary process of applying for and either granting or rejecting applications for membership in the Federal Reserve Banking System. The Federal Reserve authorities could not know what banks to examine unless they should apply for membership.

Mr. COUZENS. If the Senator will yield further, I may point out that the average depositor is not much concerned about whether a bank is a member of the Federal Reserve System or not, but I submit that the depositor is very much concerned about whether his deposits are guaranteed, and I submit that language in the measure provides for a period when the depositor believes that his deposits are guaranteed, and afterwards upon examination by the Federal Reserve System he finds they are not guaranteed, which makes the system worse confounded.

Mr. GLASS. Mr. President, I think a great service will have been done to the business community if a bank is in such bad shape that, after being put upon a year's notice or preparation, it applies for membership in the Federal Reserve System, and it is in such a rotten shape that it cannot come into the System. I think it ought to be closed up.

Mr. NORRIS. Mr. President, will the Senator yield?

Mr. GLASS. I yield.

Mr. NORRIS. What would be wrong in providing by law that the deposits in this State bank which applies for membership should not be guaranteed, or insured, rather, by the corporation until after they had been admitted; and let the action of admitting them or rejecting them follow the examination, rather than to have them included arbitrarily under this insurance?

Mr. GLASS. There would not be anything on earth wrong about it. It is a sound suggestion, and I would vote for that without the slightest hesitation. We provided it this way because so many bankers—I would not say so many bankers, but so many politicians—insisted.

Mr. NORRIS. Mr. President, I cannot understand why a bank applying for membership should by its application be entitled to the benefit of this insurance fund, when banks which are in, which have been examined and admitted, would, in case of the failure of a weak bank or a bank that was corrupt, or something of that kind, see the money contributed by them going to make up the losses.

Mr. GLASS. Those who are insistent upon this provision would answer the Senate in this way: They would say that any bank that remained for any length of time from under the protection of this provision by applying for membership in the Federal Reserve System would lose all of its deposits.

Mr. NORRIS. That would be true in either case, if that reason is good, which I would not want to agree to a hundred percent. Assuming there is a bank which it might be known in advance it was not going to get into the System, a bank with which there was something wrong, which was insolvent, as a matter of fact, why should that bank, by simply making an application, get the benefit of this insurance fund and thus pay its liabilities out of a fund set up for honest banking?

Mr. GLASS. I proceed with the answer of those who advocate particularly this provision of the bill.

Mr. COUZENS and Mr. McADOO rose.

Mr. GLASS. Let me answer one Senator.

Mr. COUZENS. I did not ask the Senator to yield yet.

The PRESIDING OFFICER. Does the Senator from Virginia yield, and if so to whom?

Mr. GLASS. Just let me answer the Senator from Nebraska. There are thousands of sound State banks which

we think would apply immediately for membership in the Federal Reserve Banking System, and that would not involve any separation from their charter rights as a State institution. There has been some nonsensical talk about our trying to destroy the State banking system, which is not true. There are thousands of sound State banks which would want to apply immediately for membership in the Federal Reserve Banking System. They could not come in without examination and attestation, which would take a considerable period of time. Some have estimated it as 6 months, some have estimated it as long as a year, to make these examinations and attestations. The answer of the proponents of this proposition is that those sound, solvent State banks, desirable as members of the Federal Reserve System, or desiring to become members of the Federal Reserve System, ought not to have their deposits jeopardized in the interim.

Now I yield to the Senator from Michigan.

Mr. COUZENS. I was going to ask the Senator, then, as long as this insurance is to be postponed for some 13 months or more, is there any reason why these sound State banks should not get under cover before July 1, 1934?

Mr. GLASS. None in the world, in my view of it.

Mr. COUZENS. Then we ought to change that provision in the measure, making that effective, rather than giving this interim between the application and the examination and admittance.

Mr. GLASS. My own judgment is that it would require that length of time, not to prepare these sound, solvent State banks, but it would require that length of time for many weak banks which could not now become members of the Federal Reserve Banking System, to so alter their establishments as that they could eventually become members of the Federal Reserve Banking System and come under the provisions of this insurance.

I think I violate no confidence when I say that the President who, at the beginning, was very much opposed to any insurance of bank deposits at all, very earnestly advocated that provision of the bill, and I do not think I reveal any secret in saying that the Secretary of the Treasury, who was and is utterly opposed to any insurance of deposits, was very insistent upon that provision. I must repeat that my own judgment is that there should be that lapse of time to give these weaker banks, not only the weaker State banks but the weaker member banks of the Federal Reserve Banking System, an opportunity to prepare to avail themselves of this insurance clause of the bill.

Mr. KING. Mr. President, will the Senator yield?

Mr. GLASS. I yield.

Mr. KING. Before the Senator leaves the insurance features of the bill, I hope he will be tolerant of some of us who have not had the opportunity of becoming fully acquainted with the bill—speaking for myself, anyway—if a question is asked which may not be very intelligent.

Mr. GLASS. I have boasted recently of being the most tolerant Member of the Senate.

Mr. KING. I had that in mind when I made the observation. I ask the Senator if there is not rather a shadowy difference between this insurance provision, so denominated, in the bill and the Oklahoma provision when they had the guaranty banking system. Here it is called "insurance"; there it was called "a guaranty." But from my very hasty examination of the bill—I have had only a few moments to examine this provision—it seems to me that the strong banks, the sound banks, are to carry the weak banks. If a fund were put up which would be available, and when exhausted that ended it, and no further liabilities would attach to the solvent and sound and well-managed banks so that they would not be called upon for assessments to handle the weak banks, it seems to me that there would be perhaps more reason for this provision. Yet I am very anxious to get the Senator's views.

Mr. GLASS. Is it not a fact that in matters of life insurance the strong and healthy men carry those who die? I think they do.

Mr. KING. May I say that, of course, in life we all die, but the presumption is that all bankers do not die, par-

ticularly as we give immortality to the Federal Reserve banks by changing the time when their charters were to expire and give them an eternal charter.

Mr. GLASS. We not only have not given immortality to the Federal Reserve banks, but I took occasion to tell the Secretary of the Treasury the other day that if they pursue present policies much longer they will literally wreck the Federal Reserve System; that Woodrow Wilson in history will enjoy the distinction of having set up a banking system that fought the war for us and saved the Nation in the post-war period, and if they keep on making a doormat of it this Congress will enjoy the distinction of having wrecked it.

Mr. KING. I agree with what the Senator says in his criticism of the administration of the Federal Reserve System, but what I had reference to when I spoke about immortality was the fact that we had repealed the old provision with respect to their charter and made them an immortal corporation.

Mr. GLASS. That is not any advantage particularly to the corporation and certainly no disadvantage to the Congress of the United States, because it is textually provided in the law that Congress may at any time amend, modify, or repeal the act.

Mr. KING. Mr. President, will the Senator yield to me further?

Mr. GLASS. Yes.

Mr. KING. I agree entirely with the Senator; but I alluded to immortality in order to show that there was a distinction between individuals who do die and banks, which are presumed, if they are managed properly, to have a very long duration of life.

Mr. GLASS. Let me say to the Senator that this is not a provision altogether for the weak banks; not by any means. It is an insurance to the entire banking community of the United States, because when weak banks begin to topple there takes place a disastrous psychology in the whole country that precipitates runs on strong banks that break them down.

Moreover, it has been suggested, right on this line, that this thing of strong banks having to stand for weak banks will lead to loose banking. On the contrary, in my opinion it will lead to the severest espionage upon the rotten banks of this country that we have ever had, because for the last 12 or 14 years we have not had any espionage upon them. What a spectacle is presented when the Comptroller of the Currency, under oath and obligation to enforce the law of inspection, of examination, comes before the Senate Banking and Currency Committee and tells us that if he had enforced the law, as was done now nearly 2 years ago, he would have closed half of the national banks in the United States. What does that mean? It is not an implication; it is an unavoidable and ascertainable fact. It means the Comptroller's office has not done its duty—its sworn duty—and has permitted this great number of banks to engage in irregular and illicit practices, with the result that they have endangered the whole banking community, and not only the whole banking community but have pretty nearly paralyzed the whole business community of this country.

If the Senator from Utah is a strong banker in Salt Lake City and I am a weak banker, engaging in illicit and irregular practices, and the Senator from Utah knows that he has got to bear a part of the burden of my irregular banking, he is going to report me to the Comptroller of the Currency and is going to insist that his examiners come there and do their duty; so that, so far from leading to loose banking, in my judgment, this proposition, if enacted, is going to lead to better banking.

Mr. McADOO. Mr. President—

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from California?

Mr. GLASS. I yield.

Mr. McADOO. May I suggest to my distinguished colleague from Virginia that there has been no insurance of bank deposits in this country ever, and if there has been loose banking or objectionable banking in the United States during the past 10 years without insurance, then can we not

expect that we may have better and improved conditions if we alter the system to this extent?

Mr. GLASS. I think that better banking is inevitable if we provide this insurance.

I am not standing here as an advocate. For 35 years in the other House, and up to this time in the Senate, I have opposed guaranteeing deposits, but this is not a Government guaranty of deposits. The Government is only initially involved to the extent of \$150,000,000, to which it was never entitled except by law. It never earned a dollar of it. The Federal Reserve Banking System does nearly a million and a half dollars worth of free work for the Treasury Department for which it does not receive a thrip; and that does not include any contributions to the great buildings they have had to construct or to the overhead charges necessitated by the construction of those buildings. The Government is only involved in an initial subscription to the capital of a corporation that we think will pay a dividend to the Government on its investment. It is not a Government guaranty.

Mr. COUZENS. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from Michigan?

Mr. GLASS. I yield.

Mr. COUZENS. Will the Senator explain at that point that this insurance plan is not to be operated by the Government?

Mr. GLASS. No. It is to be operated by the Federal Reserve Banking System with no additional overhead charge.

Mr. COUZENS. That is the point I want to make plain, because there is a real and genuine difference between the operation of this insurance fund by the Government and by a private organization, known as the Federal Reserve System.

Mr. GLASS. A private organization in a large sense, and yet an organization that ought to be under the strict supervision of an altruistic Federal Reserve Board; and I say "ought to be" advisedly.

Mr. KING. Mr. President, will the Senator permit another inquiry?

The PRESIDING OFFICER. Does the Senator from Virginia yield further to the Senator from Utah?

Mr. GLASS. I yield to the Senator.

Mr. KING. In view of the question last propounded by the Senator from Michigan [Mr. COUZENS], I want to inquire of the Senator—and I apologize again for not having carefully read the bill—whether there is any language in this provision from which private persons may justly derive the impression that the Government is backing deposits in any way?

Mr. GLASS. There is no language in the bill that ought to cause any man of ordinary intelligence to think that the Government has anything further to do with it than its initial subscription of \$150,000,000, which members of the committee regard as a recapture fund, something like the railroad funds that are not going to be recaptured.

Mr. KING. That question in part is prompted by reason of the fact that I have received, perhaps, hundreds of letters from persons who have invested in bonds issued by joint-stock land banks, and they insist that there is a moral, if not a legal, obligation upon the part of the Government to make good mistakes and defaults and delinquencies of those banks. I would not want anything to appear in the language of this provision from which it might be inferred that there was any Federal guaranty.

Mr. GLASS. No; the Government does not guarantee anything and the Government does not operate it; it is operated without cost within the Federal Reserve System.

Mr. ROBINSON of Arkansas. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from Arkansas?

Mr. GLASS. I yield.

Mr. ROBINSON of Arkansas. I thank the Senator. Of course the Government does not guarantee either Federal land-bank or joint-stock land-bank bonds. The misapprehension to which the Senator from Utah has referred arises out of the fact that in connection with the tax-exempt pro-

vision in the land-bank bonds there is a declaration that the bonds are instrumentalities of the Federal Government. The framer of the act evidently thought that that would help to sustain the validity of the provision making the bonds tax-exempt; but the Government has never been liable under that provision.

Mr. GLASS. Mr. President, there is another major modification or addition to the Senate bill, in that we authorize mutual savings banks under certain regulations, clearly set forth in the bill, and what are known as "Morris Plan banks" to become members of the Federal Reserve Banking System and to come under this insurance clause.

Then another provision of the bill in which I should like to enlist the interest of the Senate particularly is a prohibition against the payment of interest on demand deposits by commercial banks. There are various reasons for that, some of them I think compelling. The payment of interest on demand deposits has resulted for years and years in stripping the country banks of all their spare funds, which have been sent to the money centers for stock speculative purposes. When we adopted the Federal Reserve Act and rescued the reserve funds or trust funds of the national banking system from the stock gamblers we had hoped that that would be a salutary lesson to all member banks of the system. We had hoped that they would be impressed by the fact that they were no longer in involuntary servitude to their correspondent banks and that they would deal with the regional reserve banks rather than with the banks in the money centers. But we have been disappointed in that respect. Bankers all over the country in every State I venture to say—I speak definitely of my own State—have what they call a "standard rate of interest", which is the limit of the law in the respective States; and they never depart from it, except in special cases and for large purposes. In other words, if the standard rate is 6 percent, as it is in Virginia, one never finds a bank in days of prosperity and one never finds a member bank of the system that ever lends the merchant or the manufacturer or an industry of any kind or the farmer at a less than a 6-percent discount rate. They give the foolish reason for that that if they ever once depart from the standard rate they cannot get back. Well, they can get back, and they can get back for exactly the same reason which induced them to depart. If they have abundant funds and credits they can lower the rate of interest in order to stimulate business and industry and farming activities.

If the demand is great and money is tight, they can go back to their standard rate just for the same reason or a like reason that actuated them in departing from it. But they do not do that. Bankers are the only people on earth that utterly disregard the law of supply and demand. They have their standard rates and stick to them, and would rather send their surplus funds to New York to be used for stock-gambling purposes at a wonderful rate of 2 percent, reduced now, I think, to 1½ percent, than to loan to their merchants and business men at less than their standard rates. So that this payment of interest, particularly on bank-demand deposits, has resulted in drawing the funds from the country banks to the money centers for speculative purposes, to be polite about the matter.

Mr. NORRIS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from Nebraska?

Mr. GLASS. I yield.

Mr. NORRIS. Does the insurance provided for in the bill apply to time deposits the same as to demand or checking deposits?

Mr. GLASS. Oh, yes; it applies to all deposits.

We confide to the Federal Reserve Board authority which it does not now possess in this connection to regulate interest on time deposits in order to put a stop to the competition between banks in payment of interest, which frequently induces banks to pay excessive interest on time deposits and has many times over again brought banks into serious trouble. But that is a matter purely for regulation of the Federal Reserve Board.

We made a modification in the Postal Savings bank law under which practically a Postal Savings bank is not permitted to take a demand deposit. In other words, it has to be a time deposit. The deposit has to stay there for 60 days, and it may not be drawn out in less time if interest is to be collected.

We have embodied in the bill another rather controversial question. We did it in the original so-called "Glass bill" but we—I started to say we yielded to the importunities of the lobbyists from New York, but we did not exactly do that. [Laughter.] We regarded the bill without that of so much importance as that we thought it should pass and become a law, and we feared if we should retain that provision it would encounter—in fact we knew because it had already encountered—the bitter hostility of large private banking institutions of the country. Here we prohibit the large private banks, whose chief business is an investment business, from receiving deposits. We separate them from the deposit banking business.

Mr. ROBINSON of Arkansas. Mr. President—

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from Arkansas?

Mr. GLASS. Certainly.

Mr. ROBINSON of Arkansas. That means if they wish to receive deposits they must have separate institutions for that purpose?

Mr. GLASS. Yes.

Mr. NORRIS. Mr. President, will the Senator yield?

Mr. GLASS. I yield.

Mr. NORRIS. What was the reason for changing the law in relation to deposits in Postal Savings banks to require the deposits to remain at least 60 days? Does the objection to the old law come from the Post Office Department, or the Government, or from the bankers?

Mr. GLASS. It is conceived, inasmuch as we had a prohibition upon the payment of interest on demand deposits by banks, that that would divert a considerable amount of funds from the commercial banks to the Postal Savings banks. It is proposed—in fact an amendment to the bill has already been printed, offered I believe by the junior Senator from Texas [Mr. CONNALLY]—to prohibit the payment of interest by Postal Savings banks. There can be no doubt in the world, certainly there is none in my mind, that the Postal Savings System has largely undermined commercial banking.

In putting restrictions upon commercial banks from underwriting and engaging in industrial business and in order to meet the contention that there was something of a deflationary nature about that provision in the bill, we inserted subsection (b), on page 73, providing that "the amendment made by this section shall not apply to such obligations of subsidiaries held by such association on the date this section takes effect", so it is not deflationary in any respect.

Being so unused to speaking after the fashion of lawyers and tolerating, as the Senator from Utah [Mr. KING] would say, so many interruptions, I do not know that I have given the Senate as comprehensive a view of the bill as it is entitled to have. But in any event, when we come to consider the bill for amendment, I shall hold myself in readiness to give any further explanation that I may and to answer any questions that may be propounded.

Mr. COSTIGAN. Mr. President, will the Senator yield?

Mr. GLASS. I yield.

Mr. COSTIGAN. The able Senator from Virginia referred a moment ago to the effect of Postal Savings deposits on commercial banking, indicating that to some extent those deposits have undermined commercial banking. May I ask whether the reason for the Senator's conclusion is that Postal Savings deposits are regarded by the public as guaranteed by the Government, and whether, if so, the Senator from Virginia feels that the insurance provision of his bill will tend to offset, so far as member banks are concerned, the public interest in Postal Savings deposits?

Mr. GLASS. I think in some measure that may result. The Senator will be astonished to know how many people there are in this world who think that a Government dollar

is sort of a sanctified thing. We have that illustrated in what we call Federal aid through various agencies. It is not Federal aid at all. The Federal Government has not a dollar in its Treasury that it does not pick out of the pockets of the American taxpayers. That is where the Government gets its funds, and that is the only place that it can get its funds. But there are many people who think, for example, when the Federal Government took last year \$109,000,000 in direct taxes out of the State of Virginia and brought that immense sum here and impounded it in the Federal Treasury, and then gave us two or three pitiful millions of dollars in aid of good roads and agricultural colleges, that Virginia is getting aid from the Federal Government, when the fact of the matter is that the Federal Government is first robbing Virginia. We have the only staple agricultural product on earth that is taxed to death by the Federal Government. The State of North Carolina, second to the great State of New York, as I recall, pays more than any other State in the Union in direct internal-revenue taxes—nearly \$400,000,000, if not in excess of \$400,000,000. Virginia last year paid \$109,000,000 in Federal taxes, yet there are many foolish people who think, when we get a million or so dollars back to make a boulevard out of a hog path that we are getting aid from the Federal Government. [Laughter.]

We put a limitation upon the number of directors that a national bank may have. Heretofore these great banks have accumulated the names of great financiers, not one fifth of whom ever attend a meeting of the board of directors, but who are on the board just for the prestige it gives the bank. One bank in New York had 73 directors. It voluntarily reduced the number to 36, week before last, and we voluntarily propose to reduce it further to 25. We provide that no national bank may have more than 25 members on its board of directors nor less than 5.

Mr. TYDINGS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from Maryland?

Mr. GLASS. I yield.

Mr. TYDINGS. I missed part of the Senator's speech, and if he has already commented on the point, I hope he will not comment on it further, because I shall read his remarks in the RECORD. But in case he has not already commented on it, may I ask if there is any relationship between the capital and surplus which a bank may have in comparison to its total deposits?

Mr. GLASS. No; there is nothing in the bill that touches that, though it is an important problem.

Mr. TYDINGS. May I also ask the Senator if there is any provision in the bill which would prohibit the holder of bank stocks from transferring his ownership therein to holding companies, and thereby escaping his double liability?

Mr. GLASS. I do not think any holder of national-bank stock may escape his liability. We deal with holding companies, and we deal with them so severely—but, I am frank to say, with their consent—that they expect to dissolve within the 5-year period given them; and if the branch-bank feature of the bill, attenuated as it is, passes the Senate, we hope to make them branches of national banks.

Mr. TYDINGS. Will the Senator yield further?

Mr. GLASS. Yes.

Mr. TYDINGS. I am not enough of an expert on banking to pass with any degree of definiteness upon the worth of a proposal that a bank should be limited in the extent of its deposits with reference to its capital and surplus. A great many thoughtful persons who have gone into the matter have suggested that bank deposits should not be more than 15 times the amount of capital and surplus. I was wondering whether or not the Senator at this time would care to express himself in favor or disfavor of an amendment designed to carry out that provision.

Mr. GLASS. I am not prepared to say that I would either support or oppose the amendment suggested by the Senator. I may say to the Senator that many thoughtful people have said to me that the ratio should be 10 to 1. In fact, unless I am greatly mistaken, the Comptroller of the Currency once told me that. I will say further to the

Senator, however, that we tried, as far as it was possible to do it, to omit highly controversial problems from the bill; and I rather think we have succeeded in doing that, except that I am told there is to be a good deal of discussion of the insurance-of-deposits provision of the bill.

There is one other feature of the bill of which I was about to speak, put in at the suggestion of the junior Senator from California [Mr. McAdoo], relating to cumulative voting in boards of directors of national banks, designed to give, in case of controversy or division of interests, some representation to minority interests.

I think that about completes my exposition of the bill.

Mr. AUSTIN. Mr. President, will the Senator permit a question?

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from Vermont?

Mr. GLASS. I yield to the Senator.

Mr. AUSTIN. I should like to ask about the part of the bill which refers to branch banking in States whose laws permit branch banking. I observe that there is a proviso to this effect:

Provided, That in States with a population of less than 1,000,000, and which have no cities located therein with a population exceeding 100,000, the capital shall be not less than \$250,000.

I should like to ask the learned Senator whether it would be within the spirit and purpose of this measure if there could be added another proviso to extend the benefits of this feature of the bill to smaller States; for example, a proviso that in States with a population of less than one half million, and which have no cities located therein with a population exceeding 50,000, the capital shall be not less than \$100,000.

Mr. GLASS. Is that Delaware?

Mr. AUSTIN. I have in mind my own State—the State of Vermont.

Mr. GLASS. I should raise no objection to a proposition of that sort. I may say to the Senator that that proviso was incorporated in the bill by the former chairman of the Banking and Currency Committee, the Senator from South Dakota [Mr. NORBECK], who seemed to be opposed to branch banking, but wanted it if South Dakota might obtain it in that way. [Laughter.] The distinguished Senator from South Dakota is such a serious man that I almost regret that I said that in his absence, because I am afraid he might not take it in the vein in which I have stated the matter; but I will say to the Senator that I would have no objection to that.

Mr. President, I think I have about reached my limit in the explanation of the bill, but as we proceed with its consideration, I shall be glad to answer any questions that I can, reminding the Senate, if you please, that I am not a banking expert. Although people say I am, I am not; and I hope the questions will be as simple as possible.

Mr. VANDENBERG. Mr. President, I think perhaps the chief controversy respecting the unfinished business will rotate around the question whether it may not be possible to create at least a temporary formula for the temporary insurance of bank deposits immediately, pending the creation of the permanent structure as proposed in the bill on July 1, 1934.

I happen to be one of those who hold firmly to the view that there is no remote possibility of adequate and competent economic recuperation in the United States during the next 12 months, regardless of all the other splendid undertakings which may be under way, until confidence in normal banking is restored; and in the face of the existing circumstances I am perfectly sure that the insurance of bank deposits immediately is the paramount and fundamental necessity of the moment. Therefore I submit an amendment to the pending bill dealing with the creation of a temporary insurance formula immediately, expiring July 1, 1934, when the regular structure proposed by the pending bill becomes effective; and I ask that that amendment be pending when the unfinished business is again resumed for consideration.

The PRESIDING OFFICER. Without objection it is so ordered. The amendment will be printed.

THIRD DEFICIENCY APPROPRIATIONS—CONFERENCE REPORT

Mr. BRATTON. Mr. President, I send forward a conference report on the third deficiency appropriation bill, and ask for its immediate consideration without prejudice to the unfinished business.

The PRESIDING OFFICER. The Senator from New Mexico presents a conference report which will be read.

The legislative clerk read the report, as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 5390) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes, having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 10, 11, and 19.

That the House recede from its disagreement to the amendments of the Senate numbered 3, 4, 5, 6, 8, 9, 12, 15, 16, 17, 18, 21, 22, 23, and 25, and agree to the same.

Amendment numbered 13: That the House recede from its disagreement to the amendment of the Senate numbered 13, and agree to the same with an amendment as follows: Transpose the matter inserted by said amendment to precede line 1 on page 3 of the bill, amended to read as follows:

"BUREAU OF RECLAMATION

"Palo Verde Valley, Calif.: The unexpended balance of the appropriation of \$50,000 for the protection of Palo Verde Valley, Calif., contained in the Second Deficiency Act, fiscal year 1932, approved July 1, 1932, shall remain available for the same purposes during the fiscal year 1934."

And the Senate agree to the same.

Amendment numbered 20: That the House recede from its disagreement to the amendment of the Senate numbered 20, and agree to the same with an amendment as follows: In line 1 of the matter inserted by said amendment strike out the words "War Department", and in line 5, after the figures "\$3,632.14", insert the following: "in all, under the Treasury Department, \$15,792.58"; and the Senate agree to the same.

Amendment numbered 24: That the House recede from its disagreement to the amendment of the Senate numbered 24, and agree to the same with an amendment as follows: in lieu of the last five lines of the matter inserted by said amendment insert the following: "Total, audited claims, section 4, \$110,030.92."; and the Senate agree to the same.

The committee of conference report in disagreement amendments numbered 1, 2, 7, and 14.

SAM G. BRATTON,
CARTER GLASS,
KENNETH McKELLAR,
FREDERICK HALE,
HENRY W. KEYES,

Managers on the part of the Senate.

J. P. BUCHANAN,
EDWARD T. TAYLOR,
W. A. AYRES,
JOHN TABER,
ROBERT L. BACON,

Managers on the part of the House.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

INVESTIGATION OF COTTONSEED INDUSTRY—FINAL REPORT

The PRESIDING OFFICER (Mr. McKELLAR in the chair) laid before the Senate a letter from the chairman of the Federal Trade Commission, transmitting, pursuant to Senate Resolutions 136 and 147, Seventy-first Congress, first session, the final report of the Commission relative to an investigation of the charges that certain corporations, oper-

ating cottonseed-oil mills, are violating the antitrust laws with respect to prices for cottonseed and acquiring the ownership or control of cotton gins, which, with the accompanying papers, was referred to the Committee on Agriculture and Forestry and ordered to be printed.

PUBLIC UTILITIES IN THE DISTRICT

The PRESIDING OFFICER laid before the Senate a letter from the Chairman of the Public Utilities Commission of the District of Columbia, transmitting a proposed draft of legislation to amend an act entitled "An act to provide for the expenses of the Government of the District of Columbia for the fiscal year ending June 30, 1914, and for other purposes, approved March 4, 1913", and for other purposes, which, with the accompanying paper, was referred to the Committee on the District of Columbia.

PETITIONS AND MEMORIALS

The PRESIDING OFFICER laid before the Senate a resolution of the National Society of the Daughters of the Revolution, New York City, N.Y., opposing any reductions, temporary or permanent, in the active strength of the Regular Army or any curtailment in the training of the National Guard or in the support now extended to the organized reserves, R.O.T.C., or C.M.T.C., and also opposing every policy designed to weaken the national defense, which was referred to the Committee on Appropriations.

He also laid before the Senate resolutions adopted by the Commissioners Court of Henderson County, and the Chamber of Commerce of Huntsville and Walker County, in the State of Texas, endorsing the program of President Roosevelt and favoring the inauguration of a public-works program providing highway construction in the State of Texas, which were referred to the Committee on Finance.

He also laid before the Senate a letter from Samuel K. Taminosian, of Lincoln, Nebr., favoring an increase in passport fees by 10 percent of their total wealth to be assessed on all rich citizens going to France on pleasure trips, which was referred to the Committee on Foreign Relations.

He also laid before the Senate a petition of sundry citizens of New Orleans, La., praying for a special senatorial investigation of alleged acts and conduct of Hon. Huey P. Long, a Senator from the State of Louisiana, which was referred to the Committee on the Judiciary.

Mr. SHEPPARD presented a communication from Dr. Alexander S. Garrett, of Weatherford, Tex., in reference to the production and use of tobacco, which was referred to the Committee on the Judiciary.

Mr. TYDINGS presented a memorial of sundry citizens of the State of Maryland, remonstrating against reduction by furlough or otherwise, in the officer or enlisted personnel of Army, Navy, or Marine Corps, suspension of the National Guard and Reserve Officers Training Corps training camps, and of Federal aid to military schools, and also opposing reductions in the pay of Army, Navy, or Marine Corps Air Service flying officers, which was referred to the Committee on Military Affairs.

MEMORIAL OF COLORADO LEGISLATURE—WATERS OF RIO GRANDE

Mr. COSTIGAN. Out of order, I send to the desk and ask to have lie on the table for appropriate reference a joint memorial of the Legislature of the State of Colorado with respect to the development and conservation of the waters of the Rio Grande Basin, in the States of Colorado, New Mexico, and Texas. The memorial incorporates a request for the immediate passage of an act by Congress.

(See joint memorial printed in full when laid before the Senate by the Vice President on the 8th instant, p. 2962, CONGRESSIONAL RECORD.)

INVESTIGATION OF SALE OF MILK AND DAIRY PRODUCTS IN THE DISTRICT

Mr. KING, from the Committee on the District of Columbia, submitted a report (No. 78) to accompany the resolution (S.Res. 76) to investigate conditions respecting the sale and distribution of dairy products in the District of Columbia, heretofore reported by him from that committee without amendment.

REPORTS OF THE COMMERCE COMMITTEE

Mr. SHEPPARD, from the Committee on Commerce, to which were referred the following bills and joint resolution, reported them severally without amendment and submitted reports thereon:

S. 1562. An act granting the consent of Congress to the Levy Court of Sussex County, Del., to reconstruct a bridge across the Deeps Creek at Cherry Tree Landing, Sussex County, Del. (Rept.No. 79);

H.R. 5152. An act granting the consent of Congress to the State Highway Commission of Virginia to replace and maintain a bridge across Northwest River in Norfolk County, Va., on State highway route no. 27 (Rept.No. 80);

H.R. 5173. An act granting the consent of Congress to the State Highway Commission of Virginia to maintain a bridge already constructed, to replace a weak structure in the same location, across the Staunton and Dan Rivers, in Mecklenburg County, Va., on United States Route No. 15 (Rept. No. 81);

H.R. 5476. An act to extend the times for commencing and completing the construction of a bridge across the Savannah River at or near Burtons Ferry, near Sylvania, Ga. (Rept.No. 82); and

H.J.Res. 159. Joint resolution granting the consent of Congress to a compact or agreement between the State of Kansas and the State of Missouri authorizing the acceptance for and on behalf of the States of Kansas and Missouri of title to a toll bridge across the Missouri River from a point in Platte County, Mo., to a point at or near Kansas City, in Wyandotte County, Kans., and specifying the conditions thereof (Rept.No. 83).

ENROLLED BILLS PRESENTED

Mrs. CARAWAY, from the Committee on Enrolled Bills, reported that on May 18, 1933, that committee presented to the President of the United States the following enrolled bills:

S. 73. An act to authorize the Comptroller General to allow claim of district no. 13, Choctaw County, Okla., for payment of tuition for Indian pupils;

S. 1410. An act to amend section 207 of the Bank Conservation Act with respect to bank reorganizations;

S. 1415. An act to amend sections 5200 and 5202 of the Revised Statutes, as amended, to remove the limitations on national banks in certain cases; and

S. 1582. An act to amend section 1025 of the Revised Statutes of the United States.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. BRATTON:

A bill (S. 1724) authorizing the reimbursement of Edward B. Wheeler and the State Investment Co. for the loss of certain lands in the Mora Grant, N.Mex.; to the Committee on Public Lands and Surveys.

By Mr. DILL:

A bill (S. 1725) for the relief of Robert Emil Taylor; and
A bill (S. 1726) to authorize the appointment of Master Sgt. Joseph Eugene Kramer as a warrant officer, United States Army; to the Committee on Military Affairs.

A bill (S. 1727) for the relief of Earl A. Ross; and

A bill (S. 1728) for the relief of Frank P. Ross; to the Committee on Public Lands and Surveys.

By Mr. TYDINGS:

A bill (S. 1729) for the relief of Emma Gregory;
A bill (S. 1730) for the relief of Richard Riggles;
A bill (S. 1731) for the relief of Marion Von Bruning (nee Marion Hubbard Treat) and others; and

A bill (S. 1732) for the relief of William Zeiss, administrator of William B. Reaney, survivor of Thomas Reaney and Samuel Archbold; to the Committee on Claims.

By Mr. McNARY:

A bill (S. 1733) relating to the retirement of the present senior member of the Board of Engineers for Rivers and Harbors; to the Committee on Military Affairs.

By Mr. McNARY and Mr. STEIWER:

A bill (S. 1734) for the rehabilitation of the Stanfield project, Oregon; to the Committee on Irrigation and Reclamation.

By Mr. SCHALL:

A bill (S. 1735) to amend an act approved May 14, 1926 (44 Stat. 555), entitled "An act authorizing the Chippewa Indians of Minnesota to submit claims to the Court of Claims"; to the Committee on Indian Affairs.

By Mr. CAPPER:

A bill (S. 1736) to preserve and protect the correlative rights of the oil-producing States, to assist them in the proper enforcement of their oil conservation laws, to assure the conservation of crude petroleum and natural gas and to preserve the same as national resources, and to regulate the transportation and sale in interstate and foreign commerce of natural gas, crude petroleum, and the products thereof, to prevent waste in the production, marketing, and use of such natural gas and petroleum; to invest the Secretary of the Interior with power to carry out this act, and for other purposes; to the Committee on Interstate Commerce.

REGULATION OF BANKING—AMENDMENT

Mr. VANDENBERG submitted an amendment intended to be proposed by him to Senate bill 1631, the banking bill, which was ordered to lie on the table and to be printed.

PUBLIC WORKS BILL—AMENDMENTS

Mr. FLETCHER submitted an amendment intended to be proposed by him to the bill (S. 1712) to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes, which was referred to the Committee on Finance and ordered to be printed.

Mr. NYE submitted two amendments intended to be proposed by him to Senate bill 1712, the public works bill, which were referred to the Committee on Finance and ordered to be printed.

REPORT OF THE DIRECTOR GENERAL OF RAILROADS (H.DOC. NO. 40)

The PRESIDING OFFICER (Mr. McKELLAR in the chair) laid before the Senate a message from the President of the United States, which was read and referred to the Committee on Interstate Commerce, as follows:

To the Congress of the United States:

I transmit herewith for the information of the Congress the annual report of the Director General of Railroads for the calendar year 1932.

FRANKLIN D. ROOSEVELT.

The White House, May 19, 1933.

(Report accompanied similar message to the House of Representatives.)

REPORT OF PERRY'S VICTORY MEMORIAL COMMISSION (H.DOC. NO. 39)

The PRESIDING OFFICER laid before the Senate a message from the President of the United States, which was read, and, with the accompanying papers, referred to the Committee on the Library, as follows:

To the Congress of the United States:

I transmit herewith for the information of the Congress a special report of the Perry's Victory Memorial Commission, dated April 6, 1933, supplementary to the annual report of the Commission for the fiscal year ended December 1, 1932.

FRANKLIN D. ROOSEVELT.

The White House, May 19, 1933.

REPORT ON FOREIGN SERVICE RETIREMENT AND DISABILITY FUND (H.DOC. NO. 41)

The PRESIDING OFFICER laid before the Senate a message from the President of the United States, which was read, and, with the accompanying papers, referred to the Committee on Foreign Relations, as follows:

To the Congress of the United States:

I transmit herewith a report by the Secretary of State showing all receipts and disbursements on account of refunds, allowances, and annuities for the fiscal year ended

June 30, 1931, in connection with the Foreign Service retirement and disability system, as required by section 26 (a) of an act for the grading and classification of clerks in the Foreign Service of the United States of America, and providing compensation therefor, approved February 23, 1931.

FRANKLIN D. ROOSEVELT.

Enclosure: Report concerning retirement and disability fund, Foreign Service.

The White House, May 19, 1933.

EXECUTIVE SESSION

Mr. ROBINSON of Arkansas. Mr. President, if there be no further legislative business, I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

FEDERAL EMERGENCY RELIEF ADMINISTRATOR

The PRESIDING OFFICER (Mr. McKELLAR in the chair). The Chair laid before the Senate a message from the President of the United States transmitting the nomination of Harry L. Hopkins, of New York, to be Federal Emergency Relief Administrator.

Mr. ROBINSON of Arkansas. Mr. President, this is an important nomination. I think it will have to go to the committee, but I trust that the committee may take prompt action. The organization for the administration of the act to which the appointment relates is dependent upon the confirmation of this nomination.

The PRESIDING OFFICER. The Chair assumes that the nomination should be referred to the Committee on Banking and Currency.

Mr. ROBINSON of Arkansas. That is my understanding. I see that the chairman of that committee is not here, but I trust the committee may hold a meeting in the morning.

The PRESIDING OFFICER. The bill came from that committee, and the nomination is referred to the Committee on Banking and Currency.

Mr. COSTIGAN. Mr. President, in confirmation of what the able Senator from Arkansas has just stated, I am advised that there are some six States of the Union in which the relief funds appropriated by the Reconstruction Finance Corporation will be exhausted today. The relief situation in those States may, therefore, be fairly regarded as constituting an emergency, and there is urgent need for the immediate organization of the administration for Federal relief under the new act.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

REPORTS OF COMMITTEES

The PRESIDING OFFICER. Reports of committees are in order.

Mr. SHEPPARD, from the Committee on Military Affairs, reported favorably the nomination of Brig. Gen. George Sherwin Simonds to be a major general in the Regular Army from February 11, 1933, vice Maj. Gen. Edgar T. Collins, died February 10, 1933, and also the nominations of sundry other officers in the Regular Army and in the Reserve.

The PRESIDING OFFICER. The nominations will be placed on the calendar.

Mr. TRAMMELL, from the Committee on Naval Affairs, reported favorably the nomination of Commander Randall Jacobs to be a captain in the Navy from the 5th day of April 1933 and also the nominations of sundry other officers in the Navy.

The PRESIDING OFFICER. The nominations will be placed on the calendar.

CHARLES E. JACKSON

Mr. STEPHENS. Mr. President, I report favorably from the Committee on Commerce the nomination of Charles E.

Jackson, of South Carolina, to be Deputy Commissioner in the Bureau of Fisheries.

Mr. SMITH. Mr. President, I ask unanimous consent for the immediate confirmation of this nomination.

Mr. FESS. Mr. President, I hope the Senator will allow this nomination to go to the calendar, and let us act on it tomorrow.

Mr. SMITH. My only reason for making the request is that it is very necessary to have this nomination confirmed soon, because the Commissioner in the Bureau of Fisheries will leave in 3 or 4 days for an extended trip, and he wanted to break this new man in thoroughly, so that he might function while the Commissioner was absent. The nominee is my secretary, the report is unanimous, and every day is important, so that he may become familiar with the routine of the office as early as possible. That is my reason for making the request.

Mr. FESS. I withdraw the objection.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

IN THE NAVY

Mr. TRAMMELL. Mr. President, I have reported favorably from the Committee on Naval Affairs sundry nominations in the Navy and Marine Corps. If we do not take action on the nominations today of the midshipmen who are graduating this week at the Naval Academy who have been recommended for commissions, these young men will not be able to get their commissions at the time of their graduation. It is a routine matter, and I ask that the nominations be considered and acted upon at this time.

The PRESIDING OFFICER. The Senator from Florida asks unanimous consent for the immediate consideration of certain Navy nominations. Is there objection?

Mr. FESS. Mr. President, reserving the right to object, may I make the suggestion that we are getting in the habit of approving these nominations without them going to the calendar, and while I am not objecting to this particular request, I am sure that we do not want to get into that practice.

Mr. ROBINSON of Arkansas. Mr. President, this is an emergency matter. It relates to routine nominations.

Mr. FESS. I think the Senator from Arkansas is correct, and I do not object in this instance.

The PRESIDING OFFICER. Without objection, the nominations are confirmed.

Mr. TRAMMELL. Mr. President, I ask unanimous consent that the President may be notified.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the President will be notified. If there be no further reports of committees, the calendar is in order.

THE CALENDAR

Executive C (72d Cong., 2d sess.), a treaty between the United States and the Dominion of Canada for the completion of the Great Lakes-St. Lawrence deep waterway, signed on July 18, 1932, was announced as the first matter on the calendar.

Mr. ROBINSON of Arkansas. Let that go over.

The PRESIDING OFFICER. The treaty will be passed over.

TREASURY DEPARTMENT

The Chief Clerk read the nomination of William Alexander Julian, of Ohio, to be Treasurer of the United States.

The PRESIDING OFFICER. The question is, Will the Senate advise and consent to the nomination?

The nomination was confirmed.

PUBLIC HEALTH SERVICE

The Chief Clerk read the nominations of Walter L. Treadway, Lionel E. Hooper, and Francis A. Carmelia to be senior surgeons in the Public Health Service.

The PRESIDING OFFICER. The question is, Will the Senate advise and consent to these nominations?

The nominations were confirmed.

The PRESIDING OFFICER. That completes the calendar.

RECESS

Mr. ROBINSON of Arkansas. Mr. President, as in legislative session I move that the Senate take a recess until immediately following the conclusion of its proceedings sitting as a Court of Impeachment on tomorrow.

The motion was agreed to; and (at 3 o'clock and 50 minutes p.m.) the Senate, as in legislative session, took a recess until the conclusion of the proceedings of the Senate sitting as a Court of Impeachment on tomorrow, Saturday, May 20, 1933, the hour of meeting of the Senate sitting as a Court of Impeachment being 10 o'clock a.m.

NOMINATIONS

Executive nominations received by the Senate May 19 (legislative day of May 15), 1933

ASSISTANT SECRETARY OF THE TREASURY

Stephen B. Gibbons, of New York, to be Assistant Secretary of the Treasury, in place of Seymour Lowman, resigned.

FEDERAL EMERGENCY RELIEF ADMINISTRATOR

Harry L. Hopkins, of New York, to be Federal Emergency Relief Administrator.

MEMBER OF THE FEDERAL POWER COMMISSION

Herbert J. Drane, of Florida, to be a member of the Federal Power Commission for the term expiring June 22, 1937, vice Marcel Garsaud.

PROMOTIONS IN THE REGULAR ARMY

To be first lieutenant

Second Lt. Meredith Donald Masters, Field Artillery, from May 16, 1933.

MEDICAL CORPS

To be lieutenant colonels

Maj. George Fairless Lull, Medical Corps, from May 11, 1933.

Maj. Charles Clark Hillman, Medical Corps, from May 12, 1933.

Maj. Sidney Lovett Chappell, Medical Corps, from May 13, 1933.

Maj. Harry Louis Dale, Medical Corps, from May 15, 1933.

REAPPOINTMENT IN THE OFFICERS' RESERVE CORPS OF THE ARMY

GENERAL OFFICER

To be brigadier general, Adjutant General's Department Reserve

Brig. Gen. James Sumner Jones, Adjutant General's Department Reserve, from July 17, 1933.

PROMOTIONS IN THE NAVY

MARINE CORPS

Lt. Col. Robert B. Farquharson to be a colonel in the Marine Corps from the 17th day of May 1933.

Maj. Howard C. Judson to be a lieutenant colonel in the Marine Corps from the 17th day of May 1933.

Capt. Augustus B. Hale to be a major in the Marine Corps from the 17th day of May 1933.

First Lt. Clarence H. Yost to be a captain in the Marine Corps from the 17th day of May 1933.

Second Lt. Sol E. Levensky to be a first lieutenant in the Marine Corps from the 17th day of May 1933.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 19 (legislative day of May 15), 1933

TREASURER OF THE UNITED STATES

William Alexander Julian to be Treasurer of the United States.

DEPUTY COMMISSIONER, BUREAU OF FISHERIES

Charles E. Jackson to be Deputy Commissioner, Bureau of Fisheries.

PUBLIC HEALTH SERVICE

Walter L. Treadway to be senior surgeon.

Lionel E. Hooper to be senior surgeon.

Francis A. Carmelia to be senior surgeon.

PROMOTIONS IN THE NAVY

To be ensigns

Louis H. Albiston	Robert E. Garrels
Howard W. Anderson	Charles F. Garrison
Frank R. Arnold	Richard C. Gazlay
Frederick L. Ashworth	Robert M. Gibbons
Henry F. Banzhaf	James B. Grady
Robert H. Barnum	Murray Hanson
James L. Beam	Donovan B. Harby
Carter L. Bennett	Ward F. Hardman
Samuel Bertolet	Irvin S. Hartman
James S. Bethea	Enrique D. Haskins
James V. Bewick	Burden R. Hastings
Horace V. Bird	Julian S. Hatcher, Jr.
Thompson Black, Jr.	Clinton J. Heath
John T. Blackburn	Luther C. Heinz
Francis L. Blakelock	Ezra G. Howard
Walter L. Blatchford	William S. Howell
Francis J. Blouin	George K. Hudson
Walter S. Bobo, Jr.	Albert C. Ingels
Joseph H. Bourland	Robert H. Isely
Harold G. Bowen, Jr.	Charles B. Jackson, Jr.
Merle F. Bowman	Edward F. Jackson
Francis E. Brown	Raymond B. Jacoby
James O. Brown	Ernest Lee Jahncke, Jr.
Frederick W. Bruning	Carlton B. Jones
Paul D. Buie	Thomas A. Jones
James B. Burrow	Stephen Jurika, Jr.
Paul W. Burton	William R. Kane
Clarence M. Caldwell	James G. Kastein
Clifford M. Campbell	Robert A. Keating, Jr.
James H. Campbell	Richard L. Kibbe
Allan M. Chambliss	Nova B. Kiergan, Jr.
Jay V. Chase	Leland P. Kimball, Jr.
Benjamin B. Cheatham	George O. Klinsmann
Harold F. Christ	Joseph W. Koenig
Warren B. Christie	Donald O. Lacey
Thomas A. Christopher	George H. Laird, Jr.
Merrill K. Clementson	David Lambert
James O. Cobb	Richard Lane
Thomas F. Connolly	Willard R. Laughon
Lester C. Conwell	Robert W. Leach
Richard G. Copeland	Edward P. Lee, Jr.
Joseph P. Costello	Lamar Lee, Jr.
John S. Coye, Jr.	John S. Lehman
Robert W. Curtis	Hayden L. Leon
Charles A. Curtze	Harry M. Lindsay, Jr.
Edgar M. Davenport	Frank V. List
Roy M. Davenport	Edwin E. Lord, 3d
Lewis M. Davis, Jr.	Charles E. Loughlin
Ray Davis	Kenneth Loveland
William L. Dawson	Michael J. Luosey
Richard B. Derickson, Jr.	Harold A. MacDonald
John R. Dillon	William W. R. Macdonald
Norman J. Drustrup	Donald E. MacIntosh
Charles K. Duncan	Robert A. Macpherson
James M. Elliott	Robert B. Madden
Joseph F. Enright	Louis J. Majewski
Arthur K. Espenas	Joseph I. Manning
Robert E. Fair	Laurence H. Marks
Frank S. Fernald	David L. Martineau
Charles W. Fielder	Paul Masterton
James H. Fortune, Jr.	Dale Mayberry
William C. Fortune	Harry C. Maynard
Everett J. Foster	Robert McAfee
James G. Franklin	John J. McCormack, Jr.
Charles T. Fritter	Joseph C. McGoughran
Herbert S. Fulmer, Jr.	Hugh R. McKibbin
Raymond L. Fulton	Robert H. McRae
Raymond D. Fusselman	Bernard H. Meyer
Ignatius J. Galantin	Clayton L. Miller
Robert A. Gallagher	Edwin S. Miller
Antone R. Gallaher	George H. Miller
Norman W. Gambling	Richard L. Mohan
John A. Gamon, Jr.	Charles L. Moore, Jr.
Philip W. Garnett	Thomas H. Moorner

Charles C. Morgan
John C. Morgan
Thomas H. Morton
Gordon Murphy
Karl F. Neupert
Walter H. Newton, Jr.
Thomas P. O'Connell
James R. Ogden
Robert I. Olsen
Jay T. Palmer
Thomas V. Peters
John L. Phillips, Jr.
Ludwell R. Pickett
William V. Pratt, 2d
Ralph M. Pray
George M. Price
Bertram J. Prueher
Frederick W. Purdy
John Ramee
Reginald M. Raymond
James R. Reedy
Edward S. Rhea, Jr.
Gilbert H. Richards, Jr.
Robert S. Riddell
Charles E. Robertson
Jack W. Roe
George D. Roullard
Henry P. Rumble
Baxter L. Russell
Selby K. Santmyers
Ralph N. Sargent, Jr.
Arnold F. Schade
Henry E. Schmid
Wallace A. Schmid
Earle C. Schneider
Frank D. Schwartz
Everett E. Seagroves
Seth S. Searcy, Jr.
William E. Shafer
John Shannon
Edward E. Shelby
Martin A. Shellabarger
Albert L. Shepherd

Frederick W. Sheppard
Ralph L. Shifley
Kenneth S. Shook
Frank M. Slater
Francis J. Smedley
Robert H. Solier
Owen E. Sowerwine
Otto W. Spahr, Jr.
Paul L. Stahl
John M. Steinbeck
Milton G. Stephens
Lemuel M. Stevens, Jr.
Louis J. Stocker
Bernard M. Streat
Henry D. Sturr
Ralph E. Styles
William H. Sublette
Millener W. Thomas
Raymond W. Thompson, Jr.
Carl Tiedeman
Malcolm H. Tinker
Jack C. Titus
Jack J. Tomamichel
James F. Tucker
Vernon C. Turner
John A. Tyree, Jr.
James J. Vaughan
Theodore R. Vogeley
Louis E. Von Woglom
Ruben E. Wagstaff
Frederick H. Wahlig
Thomas H. Ward
John B. Weeks
George Wendelburg
Waldemar F. A. Wendt
James W. White
Richard D. White
Bruce E. Wiggin
Joseph W. Williams, Jr.
Archie T. Wright, Jr.
Gerald R. Wright
Herbert C. Yost

To be assistant paymasters

James E. Bullock	Ross G. Linson
Earnest G. Campbell	Albert F. Ryan, Jr.
James S. Dietz	Donald W. Twigg
DeWitt C. T. Grubbs, Jr.	Paul L. Weintraub, Jr.

MARINE CORPS

To be second lieutenants

Edward Eugene Authier	James Marvin Masters, Jr.
Joslyn Rigby Bailey	David Stockton McDougal
Nixon Leslie Ballard	Wilbur James McNenny
Etheridge Charles Best	Guy Marion Morrow
Robert Oliver Bowen	James Rockwell
Frederick Schaffer Bronson	Theodore Carlyle Turnage, Jr.
James Fraser Climie	Marshall Alvin Tyler
William Edward Erwin, Jr.	Sidney Scott Wade
Donald Walker Fuller	Paul Eugene Wallace
William Archibald Kengla	
Alfred Thomas Magnell	

HOUSE OF REPRESENTATIVES

FRIDAY, MAY 19, 1933

The House met at 12 o'clock noon.

The Chaplain, Rev. James Spera Montgomery, D.D., offered the following prayer:

Ever blessed Father in Heaven, Thy goodness faileth never. We thank Thee and call upon Thy excellent name. Through all earthly vicissitudes Thy love abides. Teach us always to walk with gratitude in Thy light, and strengthen us to be invincible in Thy spirit and purpose. Awaken in us the sense of a fine opportunity of sharing the distress and the

hardships of our fellows, and crown our souls with the courage and the pride that can endure these with dignity and without fear. Forgetting ourselves and fronting forward to the right, in counsel and in deliberation may we do our best, that rich blessings of relief may come to our whole country. Put into all hearts, Heavenly Father, the love, the laughter, and the exultant song of a happy life. In the name of our Savior. Amen.

The Journal of the proceedings of yesterday was read and approved.

PERMISSION TO ADDRESS THE HOUSE

Mr. BOYLAN. Mr. Speaker, I ask unanimous consent to address the House for 10 minutes and read two letters by former distinguished Members of the House.

The SPEAKER. Is there objection?

Mr. SNELL. Reserving the right to object, and I shall not object, I should like to ask the gentleman from Tennessee, the majority leader, what is the program for today?

Mr. BYRNS. It is necessary for the Senate to act first on the conference report on the deficiency bill before the House acts. My information is that the Senate has not acted upon it, and it may not act upon it today, so there will be nothing of legislative importance today, but we will have to meet tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from New York?

Mr. BYRNS. Will the gentleman from New York withhold his request until I make a unanimous-consent request?

Mr. BOYLAN. I will yield.

COMMITTEE ON RULES

Mr. BYRNS. Mr. Speaker, I ask unanimous consent that the Committee on Rules may have until midnight tonight to file any report that they wish to file.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. Is there objection to the request of the gentleman from New York to address the House for 10 minutes?

There was no objection.

LONGWORTH-CAREW CORRESPONDENCE

Mr. BOYLAN. Mr. Speaker and gentlemen of the House, I have requested this time in order to read to the House the epistles to and from two distinguished former Members of the House, together with a communication to the distinguished Vice President of the United States.

In passing, I might say that the traditions of this noble, historic, and patriotic society (the oldest patriotic society in the United States) are at this time in the city of Washington in the custody of and being carried on by our distinguished assistant leader of the House, the Hon. THOMAS HENRY CULLEN, M.C., from the State of New York.

The epistles are entitled "To and From Two Bulgarians."

Before reading the letters I have a little note to read, addressed to the Honorable John N. Garner, Vice President of the United States, Washington, D.C.

DEAR JOHN: You will remember this correspondence between myself and Nick Longworth. It seems to me you might put it in the RECORD before you leave the House as a memorial of the happy days we spent with you. May God love you as much as I do.

Sincerely yours,

JOHN F. CAREW.

The correspondence is as follows:

EPISTLES TO AND FROM TWO BULGARIANS

THE SPEAKER'S ROOMS,
UNITED STATES HOUSE OF REPRESENTATIVES,
Washington, D.C., June 26, 1926.

HON. JOHN F. CAREW,

House of Representatives, Washington, D.C.

MY DEAR COLLEAGUE: I am addressing you as the recognized and distinguished leader of the Tammany delegation in the House of Representatives to seek your kindly advices with regard to the enclosed invitation which I have lately received.

I was not previously aware of the existence of the Tammany Club, of Columbus, Ohio, which on its face would appear to be a branch of that great society which you so worthily represent in Washington. I know of no one to whom I can so logically appeal as yourself to be advised as to whether the Tammany Club, of

Columbus, Ohio, is a branch of the mother chapter or parent organization of the Tammany Society in the great city of New York. As you are aware, I am an admirer of your great organization, which in cohesiveness and efficiency is not equaled by any similar organization in the world, in my judgment; and, while I know the other speakers upon the occasion to which I am invited are men of some prominence in public life, I should not care to be associated even with them if the organization which is sponsoring this event should happen to be a spurious one masquerading under that great name, and I shall be greatly obliged if you will give me such information as you have upon this question. Believe me to be,

Very sincerely yours,

NICHOLAS LONGWORTH.

[Enclosure]

Fourth of July barbecue will be given under the management of the Middle West Tammany Club at 476 South Seventh Street, Columbus, Ohio, July 4, 1926

Among those who are invited to speak: Gov. Al. Smith, of New York; Hon. W. G. McAdoo, of California; Senator Atlee Pomerene, of Ohio; Congressman Nick Longworth, of Ohio; Senator Jim Reed, of Missouri; Senator Wadsworth, of New York; many State and local candidates.

Prof. ISAAC B. ATKINSON, Manager,
468 South Seventh Street, Columbus, Ohio.

SOCIETY OF TAMMANY OR COLUMBIAN ORDER,
ISLAND OF MANAHATTOS, NEO EBORACENSIS,
SEASON OF FLOWERS, FIRST MOON, YEAR OF THE
INSTITUTION CXXXVII, OF INDEPENDENCE, CL.

(From the Great Wigwam on the Shore of the Much-Resounding Sea)

To the Honorable NICHOLAS (Speaker) LONGWORTH, LL.D.,

Equitum Nobilissimus, Militum Fortissimus, Locutor

Eloquentissimus, Parliamentarius Expertissimus, etc., etc.

TRUSTY AND WELL BELOVED: We greet you well. Anxious always to foster and increase the comity which has existed between all of the illuminati throughout the territories septentrionales et occidentales since the institution of our ancient society, we have caused investigation to be made in the archives of our archiveorium and among the traditions of our tradition barrel to ascertain of the Middle West Tammany Club, which has invited your most excellent self along with divers and several other most eminent and worthy barbecuists to its barbecue to be held on July 4, 1926, at 476 South Seventh Street, Columbus, Ohio, and in particular whether such club had been duly regularly and orthodoxically instituted in accordance with the constitution and bylaws of our Ancient Society of Tammany or Columbian Order as originally laid down in 1789 and since amended.

Greatly do we rejoice, beloved son, that you were wise enough to submit this invitation to us. Providentially we are thus enabled to keep you from straying among evil companions to turn your feet from paths wherein they should not. This club which has thus invited you and others of the faithful, and proclaimed your anticipated attendance at its orgies, is entirely heretic, heterodox, and anathema. It exists only for the temptation of the unwary and the destruction of the unwise. It has never at any time been instituted, authorized, accepted, or affiliated with our ancient and honorable society. It originated in 1902 A.D. in a schism from our order conducted by the ancient heresiarch, Richard Croker, who fleeing from the wrath to come found refuge and sanctuary in the Kingdom of Ireland in the suburbs of the city of Dublin on the banks of the River Liffey. Living there in exile and splendor, among other pastimes he followed the turf and thus became acquainted with a Celto-Ethiopian jockey and horse trainer, who not having any family patronymic of his own, adopted the surname Tammany because of his association with Bishop Croker, and raising up unto himself in due time a numerous progeny Senegambian, proceeded to America under passports obtained from the then Turkish Government, entered as Turks, proceeded to Ohio, and there becoming Republicans, protectionists, and primary workers prospered; and from time to time hearing of the prestige and renown of our original orthodox society, with the aid of a colored lawyer, incorporated himself and his posterity under the ancient name of Tammany, making, however, une faux pas as at once appears to the instructed, for our organization is The Society of Tammany or Columbia Order, whereas the impostor has vulgarly incorporated a Tammany Club.

We are also given to understand by the police that this club of Ethiopians and Senegambians is devoted to the cultivation of various games of chance and probability known as "craps", "faro", "soo loo", "high, low, jack", and "red dog", and that they also conduct a blasphemous sacrilegious ceremony of rushing a can around in a cellar, shouting "Volstead! Volstead!" under the impression that they are university men and members of φBK.

THEY ARE ANATHEMA

Needless to enlarge upon this, most excellent and eminent sir. We shall at once see to it that a properly organized, authenticated, affiliated, and orthodox institution of our society is introduced into your city and State. We shall see to it that our ancient traditions, laws, bylaws, constitutions, and ceremonies are communicated to you and your fellow citizens of Ohio. It has been asked, "Can anything good come out of Ohio?" This, however, at this present

time only refers to your junior Senator. In your worthy self you have brought fame and glory to Ohio and, as our astrologers advise us, your future is still more distinguished and resplendent. In preparation, therefore, for your approaching exaltation we do hereby authorize, empower, and commission you as the first and finest gentleman in Ohio, to select a council of 13 sachems, a grand sachem, a wiskinkie, a sagamore, and 20 braves as the original officers and charter members of the Ohio Society of Tammany or Columbian Order. When you have submitted the names of yourself and your friends in this behalf, we will invite you and them to our great wigwam on the Rue de Quatorze in the Ville-du-Manhattan-sur-Mere, there to inhale the aroma of the peace pipe, to pledge faith and friendship on the handle of the tomahawk, to quaff deep from the stein of Pilsen and the chalice of Moet & Chambrun, and, as the sachems and braves of the old and the new institution, recline on the golden sands of Coney Island and listen to Homer's Poluphloisboio Thallasse—the much-resounding sea—each with his Minnehaha by his side, we will all join in the chorus of "The Banks of the Ohio."

Given at our tepee in the Domus Aeneas on Mons Capitolinus the day, month, and year above written.

Sealed with our seal, thumbd with our thumb, socked with our socerodotulum.

Imprimatur CAREW, Cancellarius.

Nihil Obstat JOHANNES, Censor Librorum.

RREREFERENCE—THE DALLES BRIDGE CO.

Mr. MILLIGAN. Mr. Speaker, by direction of the Committee on Interstate and Foreign Commerce, I ask unanimous consent that the bill S. 804, to authorize the Secretary of War to grant a right of way to The Dalles Bridge Co., be referred to the Committee on Military Affairs.

The SPEAKER. Is there objection?

There was no objection.

SALARIES OF FEDERAL JUDGES—VOLUNTARY REDUCTIONS

Mr. COOPER of Ohio. Mr. Speaker, I ask unanimous consent to proceed for 3 minutes.

The SPEAKER. Is there objection?

There was no objection.

Mr. COOPER of Ohio. Mr. Speaker, on May 4 my colleague, the gentleman from Ohio [Mr. YOUNG], whom I highly respect, made a very bitter denunciation in condemnation of the Federal judges in Ohio upon the ground that they had not accepted the salary reduction under the Economy Act. Among other things he said:

I denounce the Federal judges of my State and will name names and tell facts. They have refused to heed the demands of the times.

Later on in the same speech he went on to say:

Here, Mr. Chairman and members of the committee, is the list of dishonor. I now read the names of the Federal judges from Ohio who have refused to take pay cuts from their salaries: United States Judges Samuel H. West, Paul Jones, John H. Kil-lits, George P. Hahn, Benson W. Hough, and Robert R. Nevin, salary \$10,000 each; and United States Circuit Judge Smith Hick-enlooper, salary \$12,500.

It has been my good fortune and pleasure to have had a personal acquaintance with Judge Paul Jones for many years. He was born and reared in the city in which I live, and in 1922 I recommended that he be appointed Federal judge for the district court in Cleveland, Ohio. I was not satisfied that the statement of the gentleman from Ohio [Mr. Young] was justified, on the ground that the Federal judges he mentioned from Ohio had not paid into the Treasury 15 percent of their salary. The gentleman from Ohio [Mr. Young] spoke of the economy bill of 1933 and of the judges not accepting any reduction under this act. We all are aware that the reductions in the Economy Act took place May 1, and the Department of Justice informed me that a check was received, dated May 1, from Judge Paul Jones as a refund of \$125, payable into the Treasury, which represented the 15 percent reduction of his salary. [Applause.]

The Department of Justice also informed me that Judge West sent a check dated May 1, 1933, as a refund to the Treasury Department representing 15 percent reduction in his salary. I am sure my colleague would not have made that statement regarding the Federal judges of Ohio had he acquainted himself with the facts.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. COOPER of Ohio. Yes.

Mr. SNELL. Can the gentleman inform the House how many Federal judges in the United States have made that refund?

Mr. COOPER of Ohio. I cannot, but I know that these two men have. I did not check up on the other men in Ohio.

Mr. SNELL. I think it would be of interest to the House if the gentleman could get that information.

The SPEAKER. The time of the gentleman from Ohio has expired.

PRINTING OF REPORT, UNITED STATES ARMY ENGINEERS

Mr. LAMBETH. Mr. Speaker, by direction of the Committee on Printing, I call up House Resolution 140, which I send to the desk and ask to have read, and ask its adoption. The Clerk read as follows:

House Resolution 140

Resolved, That the communications from the Secretary of War transmitting letters of the Chief of Engineers submitting reports on the examination and survey of Ashtabula Harbor, Ohio; Bakers (Baker) Bay, Columbia River, Wash.; Bayou Lafourche, La.; Buffalo Harbor, Buffalo River, and Buffalo Ship Canal, N.Y.; Chickasaw Creek, Mobile County, Ala.; Conneaut Harbor, Ohio; Connecticut River below Hartford, Conn.; Cutoff Channel off Perth Amboy, N.J., to connect the Raritan River Channel with the southerly end of the channel in Arthur Kill; Egegik River, Alaska; Erie Harbor, Pa.; Grays Harbor and Chehalis River, Wash.; Honolulu Harbor, Hawaii; Keweenaw Waterway, Mich., and south shore of Lake Superior, in the vicinity of Keweenaw Point, Mich.; and the Warrior and Tombigbee Rivers and tributaries, Ala. and Miss., which were laid before the House of Representatives and referred to the Committee on Rivers and Harbors during the second session of the Seventy-second Congress, be printed, with illustrations, as separate House documents.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. LAMBETH. Yes.

Mr. SNELL. Is this the usual resolution and in exactly the same form that has been presented to the House to take care of these surveys, and so forth?

Mr. LAMBETH. This provides for the printing of certain reports and surveys under the River and Harbor Act of 1927 and 1930. Heretofore it has been the practice to have the surveys and reports sent to the Speaker from the Secretary of War, and to have them simply referred to the Committee on Rivers and Harbors and ordered printed. At the last session of Congress an amendment was placed in the War Department appropriation bill providing that instead of their automatically being printed, as had been the custom, which often resulted in a deficiency, the reports should be referred to the Committee on Printing. We have held up many of those reports which were not needed.

The reports covered in this resolution, introduced by the chairman of the Committee on Rivers and Harbors, cover projects which are in the pending river and harbor bill. We have eliminated a great many charts and superfluous data so as to reduce the cost. The cost of printing these reports will be approximately \$6,000 and, of course, will come out of the appropriation of the War Department for that purpose. It does not involve any new expenditure.

Mr. SNELL. How much has the committee saved already by taking this course?

Mr. LAMBETH. We have saved over \$100,000. Mr. Speaker, I ask unanimous consent to have inserted as a part of my remarks a brief report from the Committee on Printing covering the resolution.

The SPEAKER. Is there objection?

There was no objection.

The report is as follows:

Mr. LAMBETH, from the Committee on Printing submitted the following report (to accompany House Resolution 140):

The Committee on Printing, to whom was referred the resolution (H.Res. 140) to authorize the printing of certain communications from the Secretary of War transmitting letters of the Chief of Engineers submitting reports on the examination and survey of certain rivers and harbors, made pursuant to section 1 of the River and Harbor Act approved January 21, 1927, and the act of July 3, 1930, having considered the same, report favorably thereon without amendment.

The River and Harbor Act approved January 21, 1927, and the act of July 3, 1930, authorized the Chief of Engineers to make examinations and surveys of certain rivers and harbors and report thereon to the Congress. Pursuant to these acts many reports

have been received, and this resolution proposes to authorize the printing of some of the reports transmitted to the House of Representatives by the Secretary of War at the last session of Congress, all of which pertain to projects contained in the pending river and harbor bill.

In the past, upon receipt of these engineer reports in the Speaker's office, it has been the custom to refer them to the Committee on Rivers and Harbors with an order to print; but in each letter of transmittal accompanying these reports the Secretary of War stated that the "funds available for printing and binding, War Department, fiscal year 1933, are insufficient to provide for the printing of the report", therefore the Parliamentarian of the House directed their reference to the Committee on Rivers and Harbors without printing.

During the last session of Congress an examination of some of these reports disclosed that they contained many charts and diagrams which could be readily eliminated without interfering with a correct understanding of the report, whereupon your committee directed that only such charts as were absolutely essential should be printed. The omitted charts, however, were to remain in their proper position with the original manuscript and be retained in the files of the House.

The Public Printer, in his last report, states that this modification of House orders resulted in a saving of \$107,000 of unnecessary printing.

As a result of this saving the Committee on Appropriations of the House inserted, in the last War Department appropriation act, approved March 4, 1933, a provision for the printing of only such survey reports as may be authorized by the Committee on Printing of the House of Representatives. Pursuant to this law, the Parliamentarian has submitted to this committee for consideration all engineer reports received this session, and many of them have been ordered referred to the Committee on Rivers and Harbors without printing.

During the present session of Congress representatives of the office of the Chief of Engineers, the House Committee on Rivers and Harbors, and your committee have conferred, and the text and charts of the manuscript of each report enumerated in this resolution have been carefully examined. All unnecessary bulk and such charts and maps as were not deemed essential have been omitted. Since these reports were sent to the House, the Chief of Engineers has made available sufficient funds from current appropriations to defray the cost of printing the reports contained in this resolution; therefore, the committee recommended its adoption.

The Public Printer estimates that the cost will be approximately \$6,342.88.

A letter from the Chairman of the Committee on Rivers and Harbors urging the printing of these reports is appended hereto.

COMMITTEE ON RIVERS AND HARBORS,
UNITED STATES HOUSE OF REPRESENTATIVES,
May 11, 1933.

Hon. WALTER LAMBETH,
Chairman Committee on Printing,
United States House of Representatives.

DEAR MR. LAMBETH: With reference to House Resolution 140, introduced by me, and which provides for the printing of a number of survey reports on rivers and harbors, I beg to say that these reports have been adopted by this committee; provision has been made for them in the omnibus river and harbor bill reported to the House on Tuesday last, and that it is essential that they should be printed so that the information they contain shall be available for the Members of the House and Senate when the reports are before those bodies for consideration. I trust your committee will act favorably on my resolution.

Yours sincerely,

J. J. MANSFIELD, Chairman.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

SALARIES OF FEDERAL JUDGES

Mr. YOUNG. Mr. Speaker, I rise to a question of personal privilege.

Mr. Speaker, Members of the House, I wish to say to the distinguished minority leader that I will in just a moment make answer to his question.

Mr. Speaker, it would appear that in the opinion of my long-time friend the gentleman from Ohio, Mr. COOPER, like Moses on Mount Horeb, I was treading on holy ground when I criticized the Federal judiciary.

On May 4, at about 1 o'clock in the afternoon—

Mr. SNELL. Mr. Speaker, it seems to me the gentleman should state the question of personal privilege, if he has arisen on that. I think perhaps the gentleman should ask unanimous consent to address the House.

Mr. YOUNG. I am raising a question of personal privilege because my friend the gentleman from Ohio, Mr. COOPER, said that I made a misstatement and was inaccurate and reckless with the facts in my speech of May 4. I wish to correct that before the House.

Mr. Speaker, I ask unanimous consent to address the House for 10 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Ohio [Mr. YOUNG]?

There was no objection.

Mr. YOUNG. Mr. Speaker, on May 4, at about 1 o'clock in the afternoon, I denounced on the floor of the House Federal judges of my State and other States who had refused and failed to voluntarily repay into the Treasury of the United States that percentage of their salaries which United States Senators, Congressmen, all Federal officials from the highest to the lowest, and all Federal employees repaid. What I stated on that occasion was true and correct. What I stated was the result of my investigation in the Department of Justice, office of Attorney General of the United States, and in the United States Treasury Department. Two hours before making that speech on the floor of the House I again rechecked my investigation under the Economy Act of 1932. Section 109 of the Economy Act of 1932, that, for the information of the gentleman from Ohio [Mr. COOPER], was in effect from July 1, 1932, there was in effect a provision, section 108, that the judges and Federal officials exempt by reason of the constitutional inhibition, could pay into the Treasury that same percentage of their salaries, and I found that President Hoover had voluntarily repaid into the Treasury of the United States 10 per cent of his salary. The Economy Act of 1932 provided for a 10-percent cut on all salaries of \$10,000 and more, and a lesser percentage on salaries below \$10,000. There is a constitutional inhibition preventing the Congress from cutting the salary of the President of the United States. Unfortunately, also, article III of the Constitution provides that the compensation of United States judges shall not be diminished during their continuance in office. As Congressman at large from Ohio, representing nearly 7,000,000 citizens, all of whom, except the 7 Federal judges of my State, were compelled to make personal and financial sacrifices by reason of the economic disaster affecting all of us except those 7, I felt it my duty to state on this floor of this House the facts as shown by my investigation. No Ohio Federal judge paid any money whatever into the United States Treasury under the Economy Act of 1932, notwithstanding that section 109 of this act made provision for such payment. [Applause.]

Mr. COOPER of Ohio. Will the gentleman yield?

Mr. YOUNG. I yield.

Mr. COOPER of Ohio. The gentleman in making his statement did not make any reference at all to the Economy Act of 1932.

Mr. YOUNG. I am coming to the Economy Act.

Mr. COOPER of Ohio. Answer the question. Did the gentleman make any statement in his speech with reference to the Economy Act of 1932?

Mr. YOUNG. I spoke on the Economy Act of 1933.

Mr. COOPER of Ohio. Of course the gentleman did, and that is what I had reference to.

Mr. YOUNG. In pursuing my investigation I will say to the gentleman from Ohio and to all of you that I did make a thorough investigation early in May. I had made inquiry of John W. Gardner, general agent in the office of the Attorney General of the United States. I made inquiry in the Department of Justice. I made inquiry of Mr. Burke, of the Treasury Department.

On the 4th of May, 2 hours before I made that address to the Members of the House, I checked the records of the Division of Booking and Warrants in the Treasury Department. This is the Department where remittances made by Federal judges, when any are made, are accepted. I say again on my responsibility as a representative of all of the people of Ohio in the Congress that on May 4, 1933, at 1 o'clock in the afternoon, the time I addressed the House, there was no record of any remittance from any Ohio Federal judge. It is true that directly after I made this address widespread publicity was given to it in Ohio. The Cleveland Plain Dealer of the following day—

Mr. COOPER of Ohio. Well, will the gentleman yield?

Mr. YOUNG. I yield.

Mr. COOPER of Ohio. I must take exception to what the gentleman has said. The Department of Justice informed me just 2 days ago, and I would not have made the statement on this floor if it were not the fact, that the Department had received the checks of Judge Jones and Judge West, dated May 1, for \$125 remittance.

Mr. YOUNG. I am coming to that now.

The Cleveland Plain Dealer of the following day in its newspaper article concerning my speech carried this very significant statement:

The Ohio Federal judges named by Young as not having reduced their own salaries * * * are Federal District Judges Samuel H. West and Paul Jones of Cleveland, John H. Killits and George P. Hahn of Toledo, Benson W. Hough of Columbus, and Robert R. Nevin of Dayton, receiving salaries of \$10,000 a year, and Federal Circuit Judge Smith Hickenlooper of Cincinnati, receiving \$12,000 a year. Judge West said last night that he did not think the question was a matter for discussion and declined to make further comment.

Is it not significant that this judge took this untenable position? Had he in fact voluntarily remitted to the United States Treasury, would he not have been glad to tell the reporter that fact?

It was written:

While the lamp holds out to burn,
The vilest sinner may return.

In the Bible reference is made in chapter 62 of Isaiah to the "lamp that burneth." Thomas Scott, in his great hymn wrote:

Hasten, sinner, to return!
Stay not for the morrow's sun,
Lest thy lamp should cease to burn,
Ere salvation's work is done.

It is gratifying that Judges West and Jones, even at this late date, made some remittance into the United States Treasury. The lamp still "burneth." They are probably as familiar as I with the Scriptures. As a lawyer, I have tried cases in the Federal courts of Ohio and Pennsylvania and have come in contact with various Federal judges. I never met nor heard of one who would dare challenge the inspiration of that Book of all Books, nor the divine character of Him who was born in a manger and crucified between two thieves.

I am happy that, though Judges Jones and West and all Federal judges except those I shall name failed to take voluntarily salary cuts under the Economy Acts of 1932 and 1933, these two judges and others are now making remittances into the United States Treasury.

I am glad now to report that by a certificate dated May 9 on the remittance from Judge West, of Cleveland, \$125 was paid into the Treasury of the United States, and by a certificate dated May 8 a payment of \$125 from Judge Paul Jones, of Cleveland, was paid into the Treasury. The check of Judge Paul Jones, of Cleveland, was dated May 3, but this payment, as I have said, was not in the Treasury, and the Division of Booking and Warrants in the Treasury Department, where remittances are accepted, had no record of any such payment from Judge Jones or any Ohio judge on May 4.

Mr. COOPER of Ohio. Will the gentleman yield? I know the gentleman desires to be fair.

Mr. YOUNG. I will yield if the gentleman will get me further time.

Mr. COOPER of Ohio. The gentleman knows that notwithstanding the fact that the checks were made out by Judges Jones and West on May 1 and sent to the Department of Justice, it required several days before they were recorded in the Treasury. It is a matter of bookkeeping that caused the delay, and Judges Jones and West are not responsible for what delay there was in remitting their check into the Treasury.

Mr. YOUNG. I will answer the gentleman. Is it not significant that on May 5—and, by the way, the address I made on May 4, although I am an humble Member of the Congress, was given wide publicity in Ohio—President Her-

bert Hoover voluntarily turned back 10 percent of his salary in compliance with the letter and spirit of the Economy Act of 1932. Three United States judges, honorable, unselfish, and patriotic men, paid money into the Treasury of the United States in 1932 following the passage of the Economy Act of 1932. Not one of these judges was from Ohio. Neither Judge West nor Judge Jones can claim to be included in this group of honorable, patriotic, and unselfish judges. I am happy to name the three: Judges Elliott Northcott, United States circuit judge of West Virginia; Alfred C. Coxe, of New York; and E. Y. Webb, of North Carolina.

Mr. COOPER of Ohio. The checks had to be sent by them to the Department of Justice, not to the Treasury Department.

Mr. YOUNG. According to my information, the check of Judge Jones is dated May 3. I do not know the date of the other check.

Mr. COOPER of Ohio. The Department of Justice informs me it was made out on May 1.

Mr. DIES. Mr. Speaker, will the gentleman yield?

Mr. YOUNG. I yield.

Mr. DIES. Is it not within the realm of possibility that the checks had been dated back?

Mr. YOUNG. I did not want to say that, but the gentleman from Texas has suggested a possibility.

I did say on that occasion that judges, Federal judges particularly, who did not take the same salary cut that was taken by everyone, from the highest to the lowest, belonged on the roll of dishonor. I am glad that some of these judges have now voluntarily made payments into the Treasury Department so they may be taken from that roll of dishonor.

Mr. YOUNG. Mr. Speaker, I ask unanimous consent to proceed for 5 additional minutes.

Mr. COOPER of Ohio. Mr. Speaker, reserving the right to object, I should like to ask unanimous consent to proceed for 2 minutes to reply to the gentleman from Ohio [Mr. Young].

Mr. YOUNG. I hope the gentleman will be given that time.

Mr. CANNON of Wisconsin. Mr. Speaker, I object. I should like to be heard for 10 minutes before the gentleman from Ohio [Mr. Cooper] is heard.

Mr. COOPER of Ohio. I think the gentleman ought not to object to my having an opportunity to reply to the gentleman from Ohio.

Mr. CANNON of Wisconsin. Mr. Speaker, under the circumstances, I shall be very glad to have the gentleman precede me.

The SPEAKER. Is there objection to the request of the gentleman from Ohio [Mr. Young].

There was no objection.

Mr. YOUNG. Mr. Speaker, on the afternoon of May 4, after my speech, Attorney General Cummings made public the names of four Federal judges who had made some remittances to the United States Treasury. None from Ohio. The four Federal judges whose names were announced by Attorney General Homer S. Cummings as the only Federal judges who had voluntarily offered to accept pay cuts are: Judges Elliott Northcott, Alfred C. Coxe, E. Y. Webb, and William S. Kenyon. John W. Gardner, of the Attorney General's office, informed me that the law relating to remittances of salaries of Federal judges had been in effect since July 1, 1932. On May 4 the records of the Division of Booking and Warrants in the Treasury Department showed that in September of 1932, \$250 had been paid by Judge Elliott Northcott. No payments subsequent to that time. The records showed that Judge Alfred C. Coxe paid \$83.33 September 10, 1932, and a like payment on October 7, 1932; no payments since that time. And that Judge E. Y. Webb, of North Carolina, had paid \$200 in December 1932 and \$100 additional in February of 1933. On May 5, 1933, there was a certificate received from Judge William S. Kenyon, of Iowa, for \$156.25, and on the same date \$125 from Judge Mortimer W. Byers, of New York.

Mr. WOODRUM. Mr. Speaker, will the gentleman yield?

Mr. YOUNG. I yield.

Mr. WOODRUM. Mr. Speaker, there seems to be a little controversy between the two gentlemen from Ohio as to whether these payments were made on May 1 or May 4. May I direct the gentleman's attention to the fact that on April 26 I addressed the House on the subject and introduced a constitutional amendment (H.J.Res. 164) to give Congress the power to reduce the salaries of Federal judges. The Associated Press carried the information over the country. It may be it had some influence on causing these gentlemen to have an awakening of their patriotic spirit.

Mr. SNELL. Mr. Speaker, if the gentleman will permit, as I remember, Congress raised the salaries of the Federal judges 5 or 6 years ago.

Mr. WOODRUM. That is correct.

Mr. SNELL. By the same token has not Congress the power to reduce their salaries?

Mr. WOODRUM. We cannot reduce their salaries. We can raise them but not reduce them.

Mr. SNELL. Then they are beyond us now.

Mr. WOODRUM. Congress can do this. Congress can reduce the retirement pay of Federal judges. We retire them now on full pay and Congress can reduce this and can also make them pay income tax on their retirement pay. These are two points where we have the right to reach them.

Mr. SNELL. Will the gentleman permit just one more question?

Mr. YOUNG. Yes.

Mr. SNELL. Just how many United States judges up to the present time have willingly given up a part of their salary?

Mr. YOUNG. Seven.

Mr. WOODRUM. Up to the time of this resolution three Federal judges had sent in checks, each of them for 1 month, and then quit. This was up to April 26.

Mr. GREEN. In that connection, it seems to me it would be well for the rest of them to be sent over to the Senate like the one from California, if they do not voluntarily reduce their salaries.

Mr. YOUNG. All Federal judges who refuse to take voluntarily a pay cut along with the court bailiff and scrubwoman and all Federal officials and employees, from the highest to the lowest, belong permanently on my roll of dishonor.

It pleases me to be able to say that an official of the Treasury Department telephoned to congratulate me and stated that as the result of the publicity given to my speech of May 4 exposing and denouncing Federal judges for failure to take the same pay cut other Federal employees, from President to scrubwoman, had taken, thousands of dollars would be returned to the United States Treasury that would not otherwise have been paid by these Federal judges.

United States judges who arbitrarily refuse to reduce voluntarily their salaries until this country safely emerges from this unparalleled condition of national distress are blind to the demands of the times. Like the Bourbons of old, they cannot forget and do not learn. They show themselves to be greedy and avaricious. Such judges not only belong permanently on my roll of dishonor but the Congress, under the constitutional authority given in the preamble of the Constitution "to insure domestic tranquility" should properly vote a reduced amount of money for the maintenance of such courts.

The bailiffs who refer to them as the honorable court, and the scrubwomen who on hands and knees in the darkness of night clean their judicial offices so that they may in all dignity and smugness at 9:30 o'clock in the morning commence their judicial duties in immaculate surroundings, have had their pay cut. The scrubwoman, the bailiff, the elevator boy, all employees, have been paying and will pay each month from now on as long as the need exists, regularly out of the small wage our Government pays them, make their contribution of 15 percent to bring contentment and economic security to all our people.

Edmund Vance Cooke, the poet, wrote:

But to be a scrubwoman, with four
Babies or more,
Every day, every day setting your back
On the rack,
And all your reward forever not quite
A full bite
Of bread for your babies. Say!
In the heat of the day
You might be a hero to head a brigade.
But a hero like her? I'm afraid! I'm afraid!

[Applause.]

INTERNATIONAL INSTITUTE OF AGRICULTURE AT ROME, ITALY

Mr. POU, from the Committee on Rules, submitted the following privileged report for printing in the RECORD under the rule:

House Resolution 149

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of House Joint Resolution 149, authorizing an annual appropriation for the expenses of participation by the United States in the International Institute of Agriculture at Rome, Italy, and all points of order are hereby waived. That after general debate which shall be confined to the joint resolution and shall continue not to exceed 1 hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Foreign Affairs the joint resolution shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the joint resolution for amendment the Committee shall rise and report the joint resolution to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the joint resolution and the amendments thereto to final passage without intervening motion except one motion to recommit.

REGULATION OF BANKS

Mr. POU, from the Committee on Rules, submitted the following privileged report for printing in the RECORD under the rule:

House Resolution 150

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H.R. 5661, a bill "to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes." That after general debate, which shall be confined to the bill and shall continue not to exceed 4 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the committee shall rise and report the same to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. COOPER of Ohio. Mr. Speaker, I ask unanimous consent to proceed for 3 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

SALARIES OF FEDERAL JUDGES

Mr. COOPER of Ohio. Mr. Speaker, it was not my purpose to stand here this morning and defend any Federal judge who refuses to accept a 15-percent reduction under the Economy Act which we recently passed. What I referred to was the speech that the gentleman from Ohio [Mr. YOUNG] had made on May 4, in which he accused Judge Paul Jones and Judge West, of Cleveland, of refusing to contribute 15 percent of their salary to the Federal Treasury.

I conferred with the Department of Justice and this is the information they gave me. The gentleman made his speech on May 4 and the information they gave me was that Judge Jones' check for \$125, dated May 1, was received at the Department of Justice. Judge West's check for \$125, dated May 1, 1933, was received at the Department of Justice. It took until May 13 for these checks to be credited in the United States Treasury. There is a matter of book-keeping involved, and my purpose this morning was to defend Judges Jones and West against the accusation that these men had not, on May 1, refunded 15 percent of their

salary to the Treasury Department. This is all I have to say.

Mr. WOODRUM. Will the gentleman yield?

Mr. COOPER of Ohio. Certainly.

Mr. WOODRUM. What does the gentleman have to say about the failure of the Federal judges, not only in Ohio but elsewhere, to accept the invitation of Congress extended in June 1932, to take the same 8 $\frac{2}{3}$ -percent cut that we had put on all the rest of the Federal employees?

Mr. COOPER of Ohio. I may say in reply to the gentleman from Virginia that I believe the Federal judges should take their 15-percent reduction the same as every other public official or employee of the United States.

Mr. WOODRUM. What is the difference between that cut and the 8 $\frac{2}{3}$ -percent cut? Are they not the same?

Mr. COOPER of Ohio. I believe they should have taken that also, but my purpose in rising this morning was to defend these two men who had sent in their checks May 1 for a 15-percent reduction of their salary as provided in the Economy Act. If the gentleman from Ohio [Mr. YOUNG] was fair and just he would not stand on this floor today and try to leave the impression that Judges Jones and West did not return 15 percent of their salary into the Federal Treasury the first month that the Economy Act was in effect. Today there is far too much willful attack made upon public officials from the floor of this House. Of course, I admit that some public-office holders are deserving of condemnation, but it is my opinion there are only a few in this class. The two Federal judges whom the Member from Ohio so bitterly attacked and condemned, are citizens of integrity and ability, honored and respected by the people of the State of Ohio, and I know that they are just as much interested in the welfare of our Nation as the gentleman from Ohio [Mr. YOUNG].

[Applause.]

STATISTICS ON WORLD WAR ADJUSTED-SERVICE CERTIFICATES COST OF ADMINISTRATION

Mr. GRIFFIN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on House Joint Resolution 182, introduced by me on Tuesday, by including some figures on the bonus question.

The SPEAKER. Is there objection?

There was no objection.

Mr. GRIFFIN. Mr. Speaker, pursuant to the consent granted, I beg to submit my correspondence with Gen. Frank T. Hines, Director of the Veterans' Administration, on the cost of administration of the laws Congress has passed for the issuance of World War compensation certificates, the amount of loans made, and the present status of the subject.

MAY 10, 1933.

Gen. FRANK T. HINES,
Director Veterans' Administration, Washington, D.C.

MY DEAR GENERAL: Is it possible for you to furnish a breakdown of the expenses of your office so as to show roughly the amounts expended annually in the handling of adjusted-service certificates from the date of the passage of the law?

When the law was passed the following items of expense naturally developed:

- (a) Preparation of blanks.
- (b) Clerks to send out the blanks.
- (c) Clerks to receive them.
- (d) Researches to verify the service claimed.
- (e) Auditors to compute the amounts due.
- (f) Clerks to handle the correspondence.
- (g) Clerks to forward the checks.

Then when the veterans were permitted to borrow on their certificates a large part of the above work was duplicated, and additional labors imposed on your office. You stated last year that up to January 1, 1932, nearly half of the 3,440,634 holders of adjusted-service certificates had secured loans. I presume this figure has been augmented since. Will you kindly let me have the following information:

1. Present total of holders of certificates;
2. Number of holders borrowing, and the total amount;
3. The increased expense imposed on your office by the loan legislation, which I presume will come under the heads a, b, c, d, e, f, and g, above enumerated.

Can you approximate the number of employees assigned to the original issuance of certificates and to loan service and their approximate pay?

Have you any record of the total pieces of correspondence handled?

I realize that this is something of a job, but it will be interesting and even valuable in the consideration of certain legislation now pending, as well as in the consideration of certain legislation contemplated.

With best wishes, sincerely yours,

ANTHONY J. GRIFFIN.

MAY 18, 1933.

HON. ANTHONY J. GRIFFIN,

House of Representatives, Washington, D.C.

MY DEAR MR. GRIFFIN: Further reference is made to your letter of May 10, 1933, requesting certain data in connection with the handling of adjusted-service certificates.

You are advised that it is impossible to give the detailed information enumerated in your letter, due to the fact that, except for the initial efforts, the administration of the World War Adjusted Compensation Act was merged, for economy and efficiency, with the other varied activities of this office.

For the purpose of covering the initial expense referred to, an appropriation was made under the title "Administration expenses, adjusted compensation, 1924-25", in the amount of \$1,188,500. There was expended from this appropriation \$835,069.73, the balance being covered into the surplus funds of the Treasury.

There is attached for your information the complete statistics available as of April 30, 1933, involving the number of veterans estimated to be entitled under that law; the number of applications received, classified by service in the War and Navy Departments and Marine Corps; number of certificates issued and their face value; number of matured certificates and certificates in force, with their respective values; detailed data with reference to loans made and outstanding, and the source from which payment of these loans was made, and the condition of the adjusted-service certificate fund.

Although it is regretted the detailed information which you desire cannot be furnished, I am sure you will realize that the cost of maintaining a cost and statistics system permitting the assembling of such data would have been prohibitive in comparison with its actual value, and I trust that the information which is being furnished will be of some value and assistance to you.

Very truly yours,

FRANK T. HINES, Administrator.

Adjusted-compensation estimates as of Apr. 30, 1933

Number of veterans entitled to benefits under the act	4,225,062
Number of applications received:	
War Department	3,464,154
Navy Department	495,798
Marine Corps	69,357
	4,029,309
Number of certificates issued	3,708,889
Face value of certificates issued	\$3,667,106,304
Average value of each certificate issued	\$988.73
Average age stamped on each certificate issued (years)	33.6
Payments to veterans of \$50 and less:	
Number of awards for cash settlements made to veterans	153,728
Value of cash settlements made to veterans	\$4,912,013.13
Number of veterans' cases on which awards for cash settlements have been made to beneficiaries	125,045
Value of cash payments made to beneficiaries:	
Payments to beneficiaries of less than \$50	\$245,523.18
Payments to beneficiaries in quarterly installments	\$37,261,411.76
\$60 payments under section 608 (veterans died in service)	\$3,117,523.59
Number of matured certificates	155,062
Amount of matured certificates	\$154,414,608
Number of certificates in force	3,553,827
Face value of certificates in force	\$3,512,691,696
Loan value of outstanding certificates	\$1,756,345,848
Average loan value of outstanding certificates	\$494.21
Number of certificates pledged for loans (held by Administration)	2,818,155
Average amount of indebtedness outstanding against certificates pledged for loans (held by Veterans' Administration)	\$539.09
Paid from United States Government life-insurance fund:	
Number of direct loans made by Veterans' Administration	3,468,767
Number of direct loans outstanding	1,513,616
Amount of direct loans outstanding	\$390,613,606.60
Interest earned, uncollected, due from veterans	6,104,131.02

Total indebtedness outstanding to United States Government life-insurance fund on account of loans on adjusted-service certificates and charged to veterans against their certificates \$396,717,737.62

Adjusted-compensation estimates as of Apr. 30, 1933—Continued

Paid from United States Government life-insurance fund—Continued	
Amount to be paid United States Government life-insurance fund from adjusted-service-certificate fund due to rate of interest allowed in excess of rate charged veterans (act July 21, 1932).....	\$2,967,871.21
Total amount due United States Government life-insurance fund.....	399,686,608.83
Paid from adjusted-service-certificate fund:	
Number of direct loans made by Veterans' Administration.....	2,583,382
Number of direct loans outstanding.....	2,475,294
Number of loans redeemed from banks.....	505,328
Number of outstanding loans redeemed from banks.....	125,825
Amount of outstanding direct loans:	
Loans direct to veterans (includes cash transfers between funds).....	\$972,603,218.54
Transferred from redeemed loan accounts.....	13,432,069.77
Annual interest added to principal.....	64,626,043.01
Interest repaid by deduction—reinvested.....	340,523.84
Total principal outstanding.....	1,051,001,855.16
Interest earned—uncollected—on direct loans.....	9,549,679.26
	\$1,060,551,534.42
Amount of outstanding payments to banks in redemption of loans.....	59,500,231.05
Interest earned—uncollected—on redeemed loans.....	2,467,001.40
	61,967,232.45
Total indebtedness outstanding to adjusted-service-certificate fund on account of loans on adjusted-service certificates.....	1,122,518,766.87
Number of outstanding loans made by banks not redeemed (estimated).....	150,000
Amount of outstanding loans made by banks not redeemed (estimated).....	\$60,000,000.00
Status of adjusted-service-certificate fund as of Apr. 30, 1933	
Amount appropriated to fund.....	\$1,196,000,000.00
Earnings:	
Collected items:	
By cash:	
Interest on redeemed loans.....	\$2,405,890.50
Interest on direct loans.....	336,099.30
Interest on Treasury investments.....	103,220,297.35
	\$105,962,287.15
By deduction:	
Interest on redeemed loans when liquidated by direct loans.....	974,447.27
Interest on direct loans.....	340,523.84
Interest deducted on direct loans (matured certificates).....	198,819.61
Interest deducted on redeemed loans (matured certificates).....	16,263.71
	1,530,054.43
Annual interest on direct loans.....	64,626,043.01
Accrued but uncollected:	
Interest on direct loans.....	\$9,549,679.26
Interest on redeemed loans.....	2,467,001.40
Interest on Treasury investments.....	1,326,279.45
	13,342,960.11
	185,461,344.70
	1,381,461,344.70
Expenditures:	
Matured certificates:	
Amount paid beneficiaries.....	132,995,261.32
Amount paid in liquidation of loans due U.S. Government life insurance fund:	
Principal.....	\$8,990,463.87
Interest.....	238,116.44
	9,228,580.31
Amount paid banks in redemption of loans (deceased veterans).....	1,575,066.41

Status of adjusted-service-certificate fund as of Apr. 30, 1933—Con.

Expenditures—Continued.	
Amount of direct loans liquidated by deduction (deceased veterans):	
Principal.....	\$9,657,163.79
Interest.....	198,819.61
	\$9,855,983.40
Amount of redeemed loans liquidated by deduction (deceased veterans):	
Principal.....	743,453.29
Interest.....	16,263.71
	759,717.00
	\$154,414,608.44
Fund assets:	
Investments:	
Total payments to banks in redemption of loans.....	\$107,361,441.19
Less collections (principal):	
Cash.....	\$33,085,067.94
Deductions:	
Death cases.....	2,318,519.70
Account of direct loans.....	12,457,622.50
	47,861,210.14
	\$59,500,231.05
Amount of loans paid direct to veterans.....	1,064,643,658.37
Less collections:	
Cash received from veterans.....	\$3,984,639.42
Deduction in death cases.....	9,657,163.79
	13,641,803.21
	1,051,001,855.16
Treasury investments.....	101,700,000.00
Cash—Disbursing officers.....	1,464,371.16
Treasury cash.....	37,318.78
Interest accrued—Uncollected:	
On direct loans.....	\$9,549,679.26
On redeemed loans.....	2,467,001.40
On Treasury investments.....	1,326,279.45
	13,342,960.11
Total value of fund.....	\$1,227,043,736.28
Total.....	1,381,461,344.70

¹ NOTE.—Based on telegraphic reports and subject to revision upon receipt of monthly accounts from disbursing officers.

THE CURRENCY

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to address the House for 30 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

NEW MONEY INSTEAD OF SALES TAX

Mr. PATMAN. Mr. Speaker, ladies and gentlemen of the House. I met in the corridor a few minutes ago a gentleman from New York, Mr. Robert Harris, of Harris & Vose. Mr. Harris was formerly from Dallas, Tex. He is now one of the largest commission merchants on earth, and he has been for the past 3 years interested in expansion of the currency. He has rendered our cause valuable assistance.

He gave me a thought that I feel should be communicated to the Members of this House. I am not going to spend all my time on this, but I want to tell you what he said.

He said that we cannot tax the country back into prosperity.

That fits in exactly with the school of thought I happen to be a member of, which is somewhat at variance with the proposals now pending before the committees of the House of Representatives.

We have before the Ways and Means Committee the \$3,300,000,000 reconstruction bill. The committee is endeavoring to find, this week, some way to raise the money to finance that \$3,300,000,000 proposal.

Regardless of how the money is raised, I expect to vote for the bill, and I expect to go along with the administration. I expect to support the administration in the proposal, although it may contain many objectionable features.

I realize that legislation is all a matter of compromise—that we must give and take—but before I yield and vote for certain provisions of the bill that is now before the Ways and Means Committee, and certain proposals pending before that committee, I humbly want to submit for your consideration some changes that should be made.

In the first place, I feel, like Mr. Harris, that we cannot tax ourselves back into prosperity; that if you take the money away from the poor people of the country in the form of a sales tax and deliver it to another class to spend, you are not increasing the buying power of the people. You are diverting it from one class to another class.

RAISE MONEY DIFFERENT WAY

So I feel the money should be raised in a different way. The way I would do it probably you have already decided, but I want to insist that if there ever was a time when the Congress of the United States should return to the Constitution, it is now. The Constitution provides that the Congress shall issue money and regulate its value. We have a fine opportunity now to make a long step in that direction, help the general welfare, and save two or three hundred million dollars annually in taxes.

The question will be raised if you issue money to pay the \$3,300,000,000 proposal the money will be fiat money—it will be inferior money. The answer to that is it will be exactly the same kind of money that we have already authorized the President of the United States to issue to the extent of \$3,000,000,000.

Such money is not backed by gold necessarily, but each year there is set aside 4 percent as a sinking fund or retirement fund, which will cause the money to be retired over a period of 25 years. The Congress of the United States has already endorsed the principle of issuing that kind of money. If we issue it for this proposal it is no more fiat money than the money we have already authorized. We have endorsed and placed our stamp of approval upon the issuance of that kind of money.

MORE LIBERAL HOUSE RULES

Mr. BROWN of Kentucky. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. Yes.

Mr. BROWN of Kentucky. Will the gentleman offer an amendment to that effect to this bill when it comes out?

Mr. PATMAN. If I have an opportunity. I do not know whether the bill will come out under the general rules of the House or not, and right here I want to commend the Rules Committee. I appeared before that committee this morning in favor of a liberal rule for the consideration of the Steagall bill. After consideration the committee decided that the bill should be presented under the general rules of the House and that there should be free and liberal discussion allowed, and that amendments may be offered. [Applause.]

Mr. O'CONNOR. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. Yes.

Mr. O'CONNOR. The gentleman should make it clear that the Banking and Currency Committee requested a strict, closed rule, and that it was the action of the Rules Committee which brought the open rule.

Mr. PATMAN. I am very glad that the gentleman has made that statement. I did not feel like making the statement myself. Three gentlemen representing the Banking and Currency Committee made such a request. I represented the other side. The Rules Committee has endorsed the proposition by adopting this rule of bringing out these bills so as to allow consideration under the general rules of the House, and I hope wherever that is possible and consistent that course will be continued in the future.

Mr. CHRISTIANSON. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. Yes.

Mr. CHRISTIANSON. Will the gentleman join with the Members on this side of the House and oppose any rule that is brought in by the Committee on Rules preventing proper amendment on this bill when it comes before the House?

Mr. PATMAN. I am going along with the administration in power. The Democrats are charged with responsibility. The minority party is not charged with responsibility. I am going along with the party in power, and if it is necessary, absolutely necessary, to bring in a strict and rigid rule for the consideration of an administration measure, I shall yield

my convictions and vote for that special rule, but it must be an administration measure and it must be of an emergency nature.

Mr. CHRISTIANSON. Does the gentleman mean to say that he will surrender his own independent judgment?

Mr. PATMAN. I have already done that.

Mr. CHRISTIANSON. And vote for the party in power, no matter what sort of proposal is made?

Mr. PATMAN. Oh, no. I say if it is an administration proposal and it is necessary to get quick action on the bill, which otherwise would be unnecessarily delayed without a special rule. In such a case I shall vote for the rule. I have done it in the past, but I am against gag rules, as my votes will indicate.

I shall not undertake to discuss the Steagall bill at this time, but will get back to the proposition of issuing these \$3,300,000,000 in money.

Mr. McFADDEN. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. Yes.

Mr. McFADDEN. I want to know whether this proposal is in addition to the authority already given to the President in the farm bill?

PRINCIPLE HERETOFORE ENDORSED BY CONGRESS

Mr. PATMAN. It is my understanding that it is in addition. I am not at all sure about that, however, but if it is in addition, it is the same money that the President is now authorized to issue and it can be issued to pay the \$3,300,000,000 of this reconstruction program. If you issue \$3,300,000,000 in money and put it out to the people of the country, that is a circulating medium. It will cause an increase in commodity prices. What is the difference between a circulating medium and a noncirculating medium issued by the Government? One is a Government bond which draws interest and does not circulate, and the other does not draw interest and does circulate. They are backed by exactly the same property and exactly the same security. Every bond that is issued is a mortgage upon all of the homes and other property of the people of the Nation as well as upon the incomes of the people. Every dollar of money that is issued is backed in identically the same way. If the bond is good, the money is good.

Some will say that there will be too much money, \$3,300,000,000, that it allows too much to go into the banks, which they may use as reserves and upon which they may issue additional credit. In answer to that, as you issue the money raise the reserve requirements of the banks. That is one thing which is wrong with our banking situation today. A banker can issue \$10 of credit for every \$1 that he has on deposit in his bank. Consequently we have a situation where we have \$40,000,000,000 owing to the people of America on their deposits, and if all of the banks in the country were closed today and a representative were sent to the vaults to gather all of the money they possess, he would find much less than a billion dollars. It is true that they would have some additional money in the Federal Reserve banks, but it does not amount to a great deal. If you were to issue gradually, not quickly, a sufficient amount of money to absolutely retire the national debt of \$21,000,000,000, the people would take the \$21,000,000,000 and place it in the banks, and then we would have deposits aggregating \$61,000,000,000, instead of \$40,000,000,000; and instead of having \$1,000,000,000 in cash to pay those deposits, we would have \$22,000,000,000 in cash to pay those deposits. So if you will increase your reserve requirements of the banks, you can issue a large amount of money.

Then the banks would be safe. They would have one dollar actual money for every three credit dollars. There would be no danger of runs. There would be no danger of banks breaking; but as long as you have about two cents in the bank to back up every dollar, there is always danger of a loss of confidence and runs on banks. So there is a good argument to support the theory that you could absolutely pay off the national debt, gradually, not quickly, with new money, by at the same time gradually raising the reserve requirements of the banks of this Nation. There would be no difference. There would be no upsetting of our system in

the least. Would it not be preferable if this money could be issued just like all other money, to pay for this reconstruction program, rather than to levy a sales tax upon the barest necessities of life?

Mr. BEEDY. Will the gentleman yield?

Mr. PATMAN. I yield.

Mr. BEEDY. Does the gentleman think paper money is used as a reserve for other issues of money in the banks of this country?

Mr. PATMAN. What does the gentleman say is used?

Mr. BEEDY. Why, gold is the reserve.

Mr. PATMAN. Entirely?

Mr. BEEDY. Absolutely. You cannot print paper money and use it as a reserve for other issues of money.

Mr. PATMAN. We can use it if we say so by legislative act. We only have \$4,300,000,000 in gold, and we have more than \$40,000,000,000 in deposit dollars.

Mr. BEEDY. Yes; and if you raise the reserve requirements you cut down the possibilities of outstanding circulation.

Mr. PATMAN. We can raise them and regulate them any way we want to. Just as they can regulate the issuance of deposit currency, we can regulate the reserves any way we want to. A gold certificate is paper money, and it is used as reserve. Other paper money is also used as a reserve by banks.

Mr. BEEDY. Gold certificates are used as reserve when there is a gold dollar for every gold certificate outstanding.

Mr. RANKIN. Will the gentleman yield?

Mr. PATMAN. I yield.

Mr. RANKIN. There is no gold, necessarily, behind national-bank notes.

Mr. BEEDY. Not at all, and they cannot be used as reserves for further issues.

Mr. PATMAN. Now, I want to talk about the difference in the issuance of this money and the sales tax.

Mr. BUSBY. Will the gentleman yield?

Mr. PATMAN. I am glad to yield to the gentleman from Mississippi.

SAME BUNCH HUMBUGGING US

Mr. BUSBY. I was asked this question this morning: If we can issue \$3,000,000,000 of currency, why can we not issue ten? I said, "We could." "If you can issue ten, why can you not issue a hundred billion?" I said, "You could." Then I said, "If you can sell \$2,000,000,000 worth of bonds, why can you not sell ten?" He said, "You could." I said, "If you can sell ten, why can you not sell a hundred billion?" He said, "You could." Currency is a non-interest-bearing debt, as has been pointed out. Bonds are an interest-bearing debt. It is a matter of common-sense administration with either one of them, and nothing more nor less.

Now, if the gentleman will permit, gold is not back of our currency now, and you cannot get your currency redeemed in gold. If you take a gold certificate down there they will take it away from you and give you something else, but it will not be gold. Now, the only thing that is back of currency is the future earnings of the people of this country and the properties of the people of this country, as the President pointed out. The only thing that is back of the bonds, and the only thing that makes them valuable, is the future earnings of the people of this country and the properties of the people of this country. There is more profound ignorance on this question than any other one I know of, and I do not mean that is confined at all to the country generally. We ought to study it and ought to understand what we are doing, and as long as we do not do that we will be humbugged by the same bunch who has been humbugging us. [Applause.]

CONGRESSIONAL RECORD SHOULD BE WIDELY READ

Mr. PATMAN. I thank the gentleman for his contribution. I wish more people would read the CONGRESSIONAL RECORD and read the speeches of the distinguished gentleman from Mississippi, who has just addressed you. People generally do not know that they can get the CONGRESSIONAL RECORD except through their Congressman. They do not

know that they can subscribe for it by paying \$1.50 a month or \$8 a session. I wish Members of the House would encourage their constituents to subscribe for it, if for no other reason that they be permitted to read discussions by such gentlemen as the distinguished gentleman from Mississippi [Mr. BUSBY] and become informed on these matters. It is the only uncensored publication in America. There is not any other publication in America that is not censored. The CONGRESSIONAL RECORD is the only one. The CONGRESSIONAL RECORD is the only publication that does not carry colored news, colored information, or subsidized information in some way, shape, form, or fashion, either representing an organization or special interests in some manner. I do not mean to say that all publications are corrupt, but every publication has someone to censor the news that goes into that publication, someone to color that news if they want to, but the CONGRESSIONAL RECORD is the only publication in America that carries uncensored and uncolored news, and instead of restricting its distribution I wish it were possible for each Member to send out several times as many as he is allowed today.

Mr. BRITTEN. Will the gentleman yield for a suggestion?

Mr. PATMAN. I yield.

Mr. BRITTEN. I am convinced the gentleman is just 100-percent wrong and that there is more colored news carried in the CONGRESSIONAL RECORD than in any other paper in the United States.

Mr. PATMAN. But he will be able to read a discussion on both sides of every question. Each side has an opportunity to present in the way and manner that they want to present it, their side. That is not true as to every other publication.

It is the only publication in America where one person or a committee does not have the right to say what goes in and what does not go in.

Mr. ROGERS of Oklahoma. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield.

Mr. ROGERS of Oklahoma. I think perhaps the gentleman from Illinois referred to times when he does the speaking.

Mr. BRITTEN. Oh, no. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I cannot yield.

Mr. BRITTEN. I did not mean to be discourteous to the gentleman, but we talk on the floor of the House about the bonus, about the sales tax, about the veterans, about legislation in which we are interested. I myself talk about the Navy. Is not that colored in the interest of the Navy as I see it? Of course, it is. Therefore, I say the CONGRESSIONAL RECORD carries more colored news in it than any newspaper in the United States.

Mr. PATMAN. But the Member representing opposing views to those held by the one who has the floor can present those views and the other Member cannot censor them. Each side of every question is fairly presented.

Mr. COLMER. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield.

Mr. COLMER. I hope the gentleman from Texas will not be led astray from the purpose of his speech, that of discussing the revenue.

Mr. PATMAN. My time is rapidly escaping. I think I shall address myself to the Steagall bill.

HOW PRESENT PROGRAM CAN BE FINANCED

Mr. COLMER. Does the gentleman know any good reason why the public-works program cannot be financed in the manner he has indicated?

Mr. PATMAN. There is no reason in the world why it cannot, and I believe the majority of the Members in this House would favor such a proposal. [Applause.] If you really favor it, I hope you will make your wishes known, for you can render some very effective service at this time if you will contact the Ways and Means Committee and ask that we be given a hearing on this proposition. Let your

wishes be known that that method of financing may be considered along with others.

Mr. ZIONCHECK. Mr. Speaker, will the gentleman yield before he reaches this question of the public-works program?

Mr. PATMAN. For a question.

Mr. ZIONCHECK. In the event the Government does not issue money but levies taxes, would the gentleman prefer taxing the Federal Reserve System and getting its \$280,000,000 surplus and a certain percentage of the money they now have?

Mr. PATMAN. Absolutely. I am getting to that right now.

Mr. PARSONS. Mr. Speaker, will the gentleman yield for an observation?

Mr. PATMAN. I yield.

Mr. PARSONS. I do not agree with what the gentleman has said with reference to the issue of \$22,000,000,000 of currency.

Mr. PATMAN. We are talking about \$3,300,000,000 now.

Mr. PARSONS. I see. I do agree with the gentleman for an issue of \$3,000,000,000. The public works bill is being proposed as a charity measure. It has for its purpose the giving of employment to labor, to restore buying power. After all, it is a bonus to business and to the individual workman. The \$500,000,000 relief is to be included as part of the \$3,300,000,000. The country has already spent probably \$3,000,000,000 in this depression for charity.

Is it fair, it is right, is it honest, is it just, when everybody else is giving for charity, to tack on a bond issue bearing interest at rates from 3 percent to 5 percent, when the money is to go to charity and when we can issue \$3,000,000,000 in currency to take care of the matter without the issuance of interest-bearing bonds? [Applause.]

Mr. PATMAN. I thoroughly agree with the gentleman. A bond issue if it is ever justified is only justified for projects out of which money is to be made. Certainly it is not justified where charity is to be extended or for non-self-liquidating projects as in this case.

Mr. McFADDEN. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. I yield.

WHO WILL MANAGE NEW CURRENCY

Mr. McFADDEN. The gentleman refers to new issues of Government money. This money will go to the Federal Reserve. Who is going to manage this increased money that will be put into circulation?

Mr. PATMAN. We hoped the money would go into every section of the Nation and that it would take some time for it to get back to the Federal Reserve. When it does get back there it will be used as a reserve by banks and will serve the same purpose as though it were placed in the vaults of the banks.

Mr. McFADDEN. But the credit which is based on this money when it gets into the Federal Reserve will be under the management of the Federal Reserve.

Mr. PATMAN. Yes; I agree with what the gentleman has said, but I am hoping and trusting the Federal Reserve System will be conducted in a better manner than it has been the last 12 years.

Mr. PARSONS. Mr. Speaker, will the gentleman yield for a further question?

Mr. PATMAN. I yield.

Mr. PARSONS. I may say to the gentleman that if this \$3,000,000,000 of new currency were issued the Government no doubt would place it to its credit in the Federal Reserve System and checks would be drawn against it for payment of contracts, labor, and so forth. This currency would not go out into circulation, but it would start the velocity of the currency that is now locked up in the banks.

Mr. PATMAN. That is a good suggestion. Of course, velocity is a greater factor than volume, always, but when there is no velocity there is only one way to stimulate velocity and that is by adding volume.

Mr. McFADDEN. Mr. Speaker will the gentleman yield?

Mr. PATMAN. I yield.

Mr. McFADDEN. If the course suggested by the gentleman from Illinois is pursued, the Federal Reserve System would immediately be given control over this credit.

If under the gentleman's policy money is put out in payment of its bills by the Treasury only, that which is sought to be accomplished by the gentleman will be more nearly accomplished than to place under the control of the Federal Reserve all the money and credit which is to be issued. [Applause.]

BLESSING OR A CURSE

Mr. PATMAN. As to whether or not the Federal Reserve System is a blessing or a curse depends upon whether or not the ones administering it are angels or devils.

I hope we will have better people administering it during the next few years, because I feel that during the past few years it has been administered in a way that has been detrimental to the general welfare, and I know the gentleman agrees with me.

Mr. DONDERO. Will the gentleman yield?

Mr. PATMAN. For a question; yes.

Mr. DONDERO. Will the gentleman discuss in connection with the issuance of this money what he thinks is the best method of getting this money back into the pockets of the laboring man who needs it?

PAY ADJUSTED-SERVICE CERTIFICATES

Mr. PATMAN. Of course, the gentleman knows very well that the proposal I have had in mind to get money back to every nook and corner of the Nation is to pay the adjusted-service certificates. I believe this is the best way, but at the same time this other proposal can be used as another very effective way, and as an effective vehicle to convey money into every section of this Nation. When you go to spending money on highways, the highways lead into every section, remote as well as other sections of the country. So the money will get all over the country.

In the Steagall bill there is a provision that I especially want to invite your attention to. It is in no way related to any other section of the bill.

SOP TO BIG BANKERS

I feel that the big bankers of this country are displeased with some of the major provisions of this bill, but there is one provision in the bill, whether it is intended as a sop to the big bankers or not, it certainly will have a tendency to cause them not to oppose it as much as they would otherwise oppose it. This is section 3, which says that after the Federal Reserve banks have paid their operating expenses they shall then pay 6 percent dividend on the stock that is held by the private banks of the country and then the remainder goes into the surplus fund of the Federal Reserve banks.

I want to explain to you how this section is absolutely destroying the great principle that this Congress invoked in 1913, when the Federal Reserve Act was pending before the Congress. It is changing the policy of our Government entirely. It will amount to a franchise that will be worth billions and billions of dollars for the Federal Reserve banks. The Federal Reserve banks are private institutions with every dollar of stock owned by private bankers. It is a bank for bankers only.

When these proposals were up in 1912 the monetary commission made a report and that report made the recommendation that in the event a central banking system or a semi-central banking system, like the Federal Reserve System is today, should be adopted, the Government would issue the money. It would be printed over here at the Government Bureau of Engraving and Printing as it is being printed by the millions and millions of dollars every day.

A while back they were printing \$30,000,000 a day over there. When this money was to be sent to the private banks, this Monetary Commission said that every one of these bills will represent a mortgage upon all the homes and other property of all the people of this Nation and a mortgage upon all the incomes of the people. Therefore, when these bills are delivered to the private banks they

shall pay a 2-percent interest charge for the use of this Government's credit.

[Here the gavel fell.]

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to proceed for 10 additional minutes.

The SPEAKER pro tempore (Mr. AYRES of Kansas). Is there objection to the request of the gentleman from Texas?

Mr. BEEDY. Mr. Speaker, I do not care to object, but may I ask the gentleman a question? I have no objection to his request.

There was no objection.

Mr. CANNON of Wisconsin. Mr. Speaker, I reserve the right to object.

Mr. RANKIN. Mr. Speaker, I make the point of order that the gentleman is too late.

Mr. CANNON of Wisconsin. Very well.

Mr. BEEDY. Will the gentleman yield?

Mr. PATMAN. Yes.

WHY NOT PRINT MONEY FOR ALL GOVERNMENTAL EXPENSES?

Mr. BEEDY. This thought occurs to me. The gentleman is opposed to the sales tax, and the gentleman says that the way to meet the expense of this public-works program is to print money. What is the necessity of the Government's collecting any taxes? If this is an economical and a wise method of procedure, why does not the Government pay its running expenses by printing money?

Mr. PATMAN. I know that is the argument that gentlemen who represent the gentleman's school of thought always make.

Mr. BEEDY. What is the answer to it?

Mr. PATMAN. You cannot issue an unlimited amount of money. You can only issue money in proportion or in relation to your national wealth and your national income. Certainly these factors must be taken into consideration as well as your ability to redeem this money. We can redeem this money in gold up to about \$4,252,000,000, and in addition to this we can redeem money in services rendered by the United States Government. This money can be used at the post offices to buy stamps or to pay for transportation, or it can be used at the Reconstruction Finance Corporation to pay back the money that has been borrowed by the banks or to pay taxes. It can be used for all kinds of Government services; and may I suggest to my good friend that we must keep in mind the ability of our Nation at all times, in some way or manner, to be able to redeem money that is issued. Therefore an unlimited amount cannot be issued.

Mr. DUNN. Will the gentleman yield?

Mr. PATMAN. Yes.

WEALTH OF NATION

Mr. DUNN. Can the gentleman state what is the wealth of the Nation?

Mr. PATMAN. A short time ago the Twentieth Century Fund Committee reported that the wealth of the Nation is about \$300,000,000,000. May I add that much has been said about the amount of money the Government of the United States has been expending for veterans of wars of different kinds, and comparing it with the amount expended in other countries. If you take the ability of the United States to pay according to its wealth and the national income and apply the same rule to other countries, you will find that France and England, even Germany, has been expending from four to eight times as much on their World War veterans as has the United States.

Mr. PARSONS. Will the gentleman yield?

Mr. PATMAN. I yield.

Mr. PARSONS. In answer to my good friend from Maine, I should like to say that no one—or at least I myself have not made any pretense at issuing currency without control or without any provision for the retirement of that currency in the future. My idea is to issue the currency—save the interest during the depression—and when the revenue begins rolling into the Treasury retire the currency.

Mr. BEEDY. I want to ask the gentleman one question more.

Mr. PATMAN. I yield.

Mr. BEEDY. The gentleman's logic is that you issue within the limit this amount of money and so long as we stay within the limit represented by the gold we hold, plus the property of the United States, that is safe, is it not, according to your reasoning?

Mr. PATMAN. According to the rule I laid down national income and ability to redeem either in gold or services must be taken into consideration.

Mr. BEEDY. Within the limit?

Mr. PATMAN. Yes. Since 1850 the national wealth, income, and bank deposits have increased from 10 to 25 times. One trouble has been that the volume of money has not increased along with the increase in the bank deposits, national wealth, national income, and monetary gold stock.

Now, I hope gentlemen will excuse me and not interrupt, for there are other gentlemen who want to speak, and I do not think it is fair to ask for any further extension.

GOVERNMENT CREDIT SHOULD BE PAID FOR

I do think that you will be interested in what I am going to say about the Steagall bill.

When this monetary commission made its report that the credit of the United States should be paid for, the Aldrich bill was introduced. Mr. Aldrich proposed that when the Government Bureau of Engraving and Printing delivered the money to the private banks they should pay 2 percent interest. They called it a tax, I believe, but it was 2 percent interest. When the Federal Reserve Act was up, it was argued that there ought not to be any limit but it ought to be left to the Federal Reserve Board to say, and so section 16 of the Federal Reserve Act provides, that when this money is delivered by the Government the Federal Reserve bank shall pay the rate of interest that may be assessed by the Federal Reserve Board. And the Federal Reserve Board set a zero limit—not anything. It let the credit of this Nation be used free of charge upon the theory, of course, that when the Federal Reserve banks made their operating expenses and paid their 6-percent dividends, the remainder would go over into the Treasury anyway, and so why assess an interest charge in the beginning? Well, they were determined to capture that money before it ever reached the Treasury, and so they got an amendment inserted in the bill which provided that the money, instead of going into the Treasury, should remain as a surplus fund in the Reserve banks until the surplus fund was 40 percent of the paid-in capital stock.

That was reached in 1918, and they were about to have to pay \$100,000,000 into the Treasury of the United States in 1919, but in some way, in some manner, an amendment went through to the bill which provided that the surplus fund would not go into the Treasury until after the Federal Reserve surplus fund had been increased to 100 percent, not of the paid-in capital stock but of the subscribed capital stock. The capital stock of the Federal Reserve banks is about \$320,000,000. They have paid in only \$160,000,000, so if they made it 100 percent of the paid-in capital stock it would not amount to but \$160,000,000 for the surplus, but making it the subscribed capital stock it amounted to \$320,000,000. They now have \$280,000,000 in the surplus fund. They were determined to capture that money before it got into the Treasury of the United States, and thereby refused to pay for this most valuable franchise ever given to a private corporation on earth. It pays no income taxes in any way, shape, or form. And now this bill comes along and provides that they will not only pay their current expenses but we dare them to spend all they can, pay high salaries—\$30,000 to \$50,000—build fine buildings, though, of course, Congress must authorize that under the present legislation, and then pay 6 percent of the capital stock; and instead that this surplus go into the Treasury, as the framers of the act contemplated, this bill provides that all of it shall go into the Federal Reserve banks' surplus fund, and it will not be long until they will be declaring big dividends to themselves and paying higher salaries through being permitted to use the credit of this Nation free of charge.

The SPEAKER. The time of the gentleman from Texas has expired.

Mr. MAY. Mr. Speaker, I ask unanimous consent that the gentleman's time be extended for 5 minutes.

The SPEAKER. Is there objection?

Mr. ROGERS of Oklahoma. Mr. Speaker, I reserve the right to object. The gentleman from Wisconsin [Mr. Cannon] has been trying for an hour to get the floor. When the gentleman from Texas [Mr. Patman] is through—and he always makes a valuable and interesting speech—I think the gentleman from Wisconsin should be recognized. I have no objection.

The SPEAKER. Is there objection?

There was no objection.

Mr. MAY. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. Yes.

DELEGATION OF POWER

Mr. MAY. Is it not a fact that the manipulations of the Federal Reserve Board in the handling of the authority conferred to it by the Congress is one of the strong illustrations of the mistakes of this Congress in delegating its powers here, there, and yonder, to boards and bureaus, and is not this the outstanding one that has done detriment to this country?

Mr. PATMAN. I think I can answer that by stating what I said a while ago. As to whether this law or any other law that is administered by a board, a bureau, a commission is a blessing or a curse will depend upon whether those who are administering it are angels or devils. If they are good, it will be all right; if they are bad, it will be all wrong. We have to depend upon somebody to administer every law that we pass.

Mr. PARSONS. Mr. Speaker, will the gentleman yield?

Mr. PATMAN. Yes.

Mr. PARSONS. What does the gentleman think the Federal Reserve Board anticipate doing with this money in the future if this bill should pass? What will they use it for?

Mr. PATMAN. The board, if it goes to them, will put it in their vaults, and it will possibly result in retiring some of the Federal Reserve notes, and I hope it will, because every day a Federal Reserve note is outstanding somebody is paying interest upon it, somebody is paying for the use of it every day it is outstanding; but this money that we are talking about, just like the Civil War money, \$346,000,000 outstanding on which the people have saved a half billion dollars of interest during the last 60 years, nobody will be paying interest upon while it is outstanding.

Mr. McFADDEN. And let me call attention of the gentleman to this fact. When this money goes into the Federal Reserve bank, it becomes a credit which is subject to multiplication under certain conditions up to 20 times, and that the Federal Reserve and its member banks will sell that money to the public and make its usual profit.

Mr. PATMAN. They have so much power now in respect to credit that certainly we need not object from that standpoint.

Mr. ZIONCHECK. If this 1-percent tax were put upon the Federal Reserve bank, would there be any necessity for a sales tax?

HOW MONEY CAN BE RAISED

Mr. PATMAN. If we were to put one half of 1 percent interest charge on Federal Reserve notes, as they are issued by the Bureau of Engraving and Printing, and one half of 1 percent interest charge on all the credit that is used by the Federal Reserve banks each year, and they should issue as much as in 1928 and 1929, we would raise from \$200,000,000 to \$300,000,000 a year. If we had collected this money as the law requires, we would not have any deficit in the Treasury. We would have a surplus. If we were to go back and collect it now, we would not be suffering, because we could not raise revenue. We would have plenty of money, if we had carried out the mandatory provisions of the original and existing Federal Reserve Act.

Mr. McFADDEN. Will the gentleman yield?

Mr. PATMAN. I yield.

VIOLATION OF LAW

Mr. McFADDEN. Is it not a fact, in view of what the gentleman has said, that by avoidance of the payment of

this franchise tax, which is collectible under the law, the Federal Reserve Board and banks have deliberately violated the law?

Mr. PATMAN. I think they have violated the law, and I think they should be compelled to carry out the mandatory provisions of that law. I should like to see the Ways and Means Committee write into this bill, if necessary, that whenever those bankers are permitted to use our credit, if we permit them to use it at all, that they certainly shall pay a reasonable compensation for its use.

Mr. EAGLE. Will the gentleman yield?

Mr. PATMAN. I yield to my colleague.

HOW MUCH MONEY IN CIRCULATION

Mr. EAGLE. Referring to the intelligent questions asked by the gentleman from Maine of the gentleman from Texas, may I ask whether the following facts are not substantially correct: First, that of all outstanding paper money of every sort, national-bank notes, Treasury bills, the old greenbacks, silver certificates, gold certificates, Federal Reserve bank notes, Federal Reserve notes, the records show a total outstanding of substantially \$6,000,000,000; secondly, is it not substantially true that it is estimated and practically proven that of that \$6,000,000,000, \$500,000,000 have been destroyed, burned, or lost, so that there is actually only five billion five hundred million of paper money; and is it not substantially true; third, that if to that five and one half billion were now added three billion additional paper money, making a total of between nine and ten billion dollars in paper money, we now have in the Treasury of the United States and the mints and the subtreasuries and the treasuries of the 12 Federal Reserve banks enough gold to make \$47 in gold for each \$100 of paper money outstanding, so that we can issue that \$3,000,000,000 and have it as good as the present paper, or on the gold standard?

Mr. PATMAN. I want to thank the gentleman for his suggestions and the information. His statement is substantially correct. We have sufficient idle gold to authorize the issuance of \$5,000,000,000 additional money without lowering the gold reserve below 40 percent.

The SPEAKER. The time of the gentleman from Texas [Mr. Patman] has again expired.

SECURITIES LEGISLATION

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent to have until midnight tonight to file a conference report on the securities bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas [Mr. Rayburn]?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. CANNON of Wisconsin. Mr. Speaker, I ask unanimous consent to address the House for 10 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin [Mr. Cannon]?

There was no objection.

Mr. CANNON of Wisconsin. Mr. Speaker, I desire to say a few words this afternoon on a subject that I consider very, very important, a subject that I consider rather important to Members of this House.

A short time ago I introduced a resolution that is now before the Committee on Printing. That resolution provided that we should abolish the right and privilege hereafter of extending and revising remarks in the Record. I am going to insist, as a Member of this House, that from now on we shall not have any extensions of remarks in the Record and that we shall have no revision of remarks in the Record. I know how you feel about it, and I am not making this argument because of the fact that I was not given recognition this morning, but I came here for the purpose of making this argument. I think it is a big joke, if you want to know it; I think it is a colossal fraud upon the people of this country for a man to stand on this floor and speak for a period of 2 minutes and go back to his office, and on a great many occasions go back with some ghostwriter, and write a big, beautiful speech of 15 or 20 pages. I think it is wrong. I think it is a fraud upon your constituents; and if you had any nerve

about you, you would agree with me on the subject. You resent it. Well, let me tell you why. Do you know what the CONGRESSIONAL RECORD is costing the taxpayers of this country? Close to \$5,000 a day. I have introduced a bill that is before the Committee on Ways and Means to cut the production of the CONGRESSIONAL RECORD from 31,000 or 32,000 down to 5,000; to cut it down to 5 copies for each Member of this House and 8 for each Member of the Senate. That is enough.

Why should they be permitted to send out any more than 5 or 8 copies of this CONGRESSIONAL RECORD? What need have you for them? The only other need you have for the CONGRESSIONAL RECORD is to use it as a political tool at the expense of the taxpayers, and if that bill is passed it will save close to \$4,000 a day for each day the Congress is in session.

Mr. KELLER and Mr. HOEPEL rose.

Mr. CANNON of Wisconsin. I will yield for any question after I finish my statement, but I prefer to finish first.

Now, my friends, I have no quarrel with any Member of this House. I have got along fine with everybody. I do not have an enemy here unless it is somebody who is keeping under cover that I do not know anything about. Every man has been friendly and congenial with me. The older men have been very friendly and kind toward me. Therefore my position in this matter is not taken to be directed against any Member of this House. That is not my purpose. But my purpose is this: Not only from the standpoint of the money that can be saved, that the Printing Office can save by doing away with extension of remarks, but from the standpoint that the Members come onto this floor, stay here and argue for 5 or 10 minutes upon a bill, and the minute their argument is over—I do not say that they all do it, but the greater portion of them do it—their whole mind is set upon getting a copy of that speech, and they send a page boy out, and the first minute they are out there in the other room making revision of their remarks. Another thing that they do if they ask permission to extend their remarks: They sit here for a while and then go back to their office. Sometimes they take a ghostwriter back there with them, and the ghostwriter takes care of the speech that appears in the CONGRESSIONAL RECORD the following day. That is true, and every Member of this House knows it.

If you think that is not a fraud upon the American people, then I misunderstand the meaning of the word "fraud."

Understand, I am not in politics, and I am here under somewhat of a financial sacrifice [applause], but I believe in my heart, honestly and sincerely, that this is an abuse and it is a fraud upon the American people. If the Members of this House have not got the intelligence and the ability to come down here in the well and stand up and make a logical argument, a sensible argument that we all can understand, either pro or con on any bill that comes up before this House, I say they should not be permitted to go out into the other room and revise their speeches to such an extent that you cannot recognize them 2 hours later. Nor should they be permitted to go back to their offices and there have somebody else write speeches for them or they themselves add to their speeches probably 10 times what they said here on the floor and then have them franked out to the American people.

Mr. ZIONCHECK. Mr. Speaker, will the gentleman yield?

Mr. CANNON of Wisconsin. I yield.

Mr. ZIONCHECK. Is the gentleman going to revise his own remarks this afternoon?

Mr. CANNON of Wisconsin. I am not going to revise my remarks.

Mr. KELLER. Why not?

Mr. ZIONCHECK. What if the stenographer got some of your remarks wrong?

Mr. CANNON of Wisconsin. I say that if any man stands upon this floor—

Mr. ZIONCHECK. Just a minute; will not the gentleman answer my question?

Mr. CANNON of Wisconsin. If the gentleman will permit me to, I shall be pleased to answer it.

Mr. JOHNSON of Minnesota. Mr. Speaker, will the gentleman yield?

Mr. CANNON of Wisconsin. Yes; I yield to the gentleman from Minnesota and to any other Member who wishes to ask a question.

Mr. JOHNSON of Minnesota. What would happen if a farmer like myself made a speech here? I am not a silver-tongued orator and, of course, I have to revise my remarks. However, the people of the country who happen to read them know very well I did not deliver that speech. [Applause.]

Mr. BOILEAU. Mr. Speaker, will the gentleman yield?

Mr. CANNON of Wisconsin. I yield.

Mr. BOILEAU. As I understand, the gentleman's objection is not directed toward a Member making slight corrections, corrections of grammar, and so forth, to make his remarks appear as he intended to express them.

Mr. CANNON of Wisconsin. No.

Mr. BOILEAU. But rather to an extension of the material of his remarks?

Mr. CANNON of Wisconsin. When a man takes the floor and makes a speech and later discovers there are errors in it, grammatical errors, and we have heard a lot of them here, he should be permitted to correct them in order that the speech may go back to his constituents correctly.

Mr. DONDERO. Mr. Speaker, will the gentleman yield?

Mr. CANNON of Wisconsin. I yield.

Mr. DONDERO. Is it not true that the real reason we are permitted to extend our remarks in the RECORD—and I admire the gentleman's earnestness—that with 435 Members in this body it is absolutely and physically impossible for every Member to take the well of the House and express his opinion on pending matters? There is no other way for the Members to do it in many instances than by an extension of remarks. And is it not further the truth that the gentleman's constituents desire and demand the CONGRESSIONAL RECORD? I cannot get half enough copies to supply the demands from my constituents.

Mr. CANNON of Wisconsin. The gentleman's constituents may desire it, but the gentleman knows that many of the 32,000 copies of the CONGRESSIONAL RECORD that are sent out daily into rural districts take the place of the Sears-Roebuck catalog. The gentleman knows this is true.

Mr. BLANTON. Mr. Speaker, will the gentleman yield?

Mr. CANNON of Wisconsin. I yield.

Mr. BLANTON. May I call the gentleman's attention to the fact that there are 19 big counties in my district, and several high schools in each county, and there is a university of the first class and seven big colleges in my district, and all these schools maintain a library. Many of them want these RECORDS. They demand them. With my limited allotment, I cannot furnish a third of the schools in my district that ask me for them. I cannot get enough to furnish daily newspapers and large school libraries in my district that demand copies.

Does not the gentleman think they are a great help to the boys and girls in all these schools?

Mr. CANNON of Wisconsin. I agree with the gentleman's statement. If the gentleman will read my bill, he will find they are taken care of.

Mr. HOEPEL. Mr. Speaker, will the gentleman yield?

Mr. CANNON of Wisconsin. I yield.

Mr. HOEPEL. May I ask the gentleman if he voted for any of the gag rules?

Mr. CANNON of Wisconsin. Yes; I have voted for them.

Mr. HOEPEL. Then may I not remark that the gentleman is running true to form when he wants to gag the RECORD.

Mr. LAMBERTSON. Mr. Speaker, will the gentleman yield?

Mr. CANNON of Wisconsin. I yield.

Mr. LAMBERTSON. If the gentleman persists in his attitude, will he have any objection if the Democratic Rules Committee brings in a rule to override him?

Mr. CANNON of Wisconsin. If the Democratic side of this House wants to bring in a rule to override my position, they are at liberty to do so.

Mr. ZIONCHECK. Mr. Speaker, will the gentleman yield?

Mr. CANNON of Wisconsin. I yield.

Mr. ZIONCHECK. Is the gentleman at this time campaigning against his predecessor who took up so much of the RECORD?

Mr. CANNON of Wisconsin. To whom does the gentleman refer?

Mr. ZIONCHECK. To the former Member from Wisconsin, Mr. Stafford.

Mr. CANNON of Wisconsin. Am I campaigning against him?

Mr. ZIONCHECK. Yes.

Mr. CANNON of Wisconsin. I am not campaigning against anybody at the present time.

Mr. ZIONCHECK. He used to take up a lot of the RECORD, and I was wondering whether the gentleman was referring to him.

Mr. CANNON of Wisconsin. Mr. Stafford was not my opponent.

Mr. BLANTON. Since his name has been mentioned, will the gentleman allow me to say that Mr. Stafford was one of the most valuable Members this House ever had. [Applause.]

Mr. ZIONCHECK. Schafer was the gentleman's opponent, was he not?

Mr. CANNON of Wisconsin. Yes; Schafer was my opponent.

[Here the gavel fell.]

Mr. WOODRUM. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

Mr. WOODRUM. Mr. Speaker, I shall join any gentleman of the House in any movement that means real economy, but I want to say to my young friend who is serving the people of the Nation at a financial sacrifice [laughter], that it would be false economy to undertake to limit the number of the issues of the CONGRESSIONAL RECORD.

I agree with the gentleman in saying that the privilege of the RECORD is often abused. It is not abused as much at this end of the Capitol as it is at the other end of the Capitol, but it is abused, and I do think that a great deal of good could be accomplished, the size of the RECORD could be reduced, and its value as a document of information could be increased if there could be some sensible and logical understanding between the two bodies and among ourselves as to what we put in the RECORD.

But let me say to you, my colleagues, that it will be a sad day in this country whenever the people of the country do not have full and ready and accurate information as to what we are doing or what we are not doing in this body. [Applause.]

Under existing law each Member is allowed 59 copies of the daily RECORD for distribution. The gentleman would limit the number of copies to 5 to each Member.

Five copies of the CONGRESSIONAL RECORD would not supply your libraries, or your newspapers, or your debating societies. By the time we take one copy at our office and one copy at our residence, as most of us like to do, if we read the RECORD at night—as you probably have to do—you would not have enough copies to go around, and I think my experience and your experience has been that the vice of the CONGRESSIONAL RECORD is not in the number of copies, but in the liberality with which articles are extended in the RECORD.

Mr. PARSONS. At the other end of the Capitol.

Mr. WOODRUM. As my friend suggests, at the other end of the Capitol. Of course, I cannot say to what body I am referring, but I shall leave that to your fertile imagination.

Mr. BLANTON. Will the gentleman yield?

Mr. WOODRUM. I yield.

Mr. BLANTON. Our friend from Wisconsin [Mr. CANNON] had in mind the famous extension of remarks made by a distinguished Senator from Wisconsin of nearly 100 pages of the RECORD, and his enthusiasm is based, possibly, on that incident. No Member of the House approves of such extensions as that.

Mr. WOODRUM. I remember the extension that the gentleman refers to. I remember another extension that I figured up cost something like \$1,200 or \$1,400, in which the entire record of some senatorial investigation was reproduced in the CONGRESSIONAL RECORD, and as you gentlemen know, you pick up the RECORD almost every day and see where some gentleman has put in the RECORD great columns of newspaper articles and editorials.

Mr. CANNON of Wisconsin. Will the gentleman yield?

Mr. WOODRUM. Yes.

Mr. CANNON of Wisconsin. Does the gentleman know that a Member of the House a very short time ago sent out 200,000 copies of a printed speech?

Mr. KELLER. It was paid for?

Mr. CANNON of Wisconsin. Yes; it was paid for, but it was printed at the Government Printing Office and that speech cost \$11.30 for the first thousand and \$2.30 for every additional thousand. This same speech was submitted to a reputable union printer here in the city and he was asked what 200,000 copies of the speech could be printed for without any profit to him, and he said, \$40 for the first thousand and \$10 for the balance.

Mr. WOODRUM. Of course, I do not know anything about the particular case the gentleman is talking about and I do not believe his information is correct. The speeches that Members of Congress have printed and sent out are paid for by themselves out of their own pockets and not at the expense of the taxpayer. They are franked and, possibly, the franking privilege may be abused. I am not defending that, but the cost of the printing of speeches, so far as my information goes, is borne by the Member of the House and paid for out of his own pocket.

Mr. CANNON of Wisconsin. Just one more question. May I say that the Printing Office has advised me that they are losing money daily on these speeches and that they are not receiving the actual cost of printing these speeches.

Mr. MAY. Will the gentleman yield for a question?

Mr. WOODRUM. Yes.

Mr. MAY. With the previous attitude of the general press of the country toward the Congress for the last few years, what medium has the Congress of the United States to use to give their constituents the truth about what they are doing except the CONGRESSIONAL RECORD?

Mr. WOODRUM. That is quite true.

[Here the gavel fell.]

Mr. RANKIN. Mr. Speaker, I ask unanimous consent that the gentleman may proceed for 5 additional minutes.

The SPEAKER. Is there objection?

There was no objection.

Mr. WOODRUM. Every day there goes out of this body a photograph to the people of this country of just what we have said and what we have done; and speaking about the right to revise your remarks, gentlemen, it is a saving grace sometimes.

I want to say with the utmost kindness, as an old, gray-haired Member to a splendid, bright, young gentleman, that when he gets his remarks this afternoon he ought to revise them, because he is put in the attitude of making a very serious aspersion on an honorable body of which he is a Member, and a gentleman ought never to place himself in that attitude. [Applause.]

Mr. BLANTON. Will the gentleman yield?

Mr. WOODRUM. Yes.

Mr. BLANTON. And reports during the consideration of the economy bill showed that all of the documents that are franked by the Government from all the departments, including Congress and all independent offices, constitute only one tenth of 1 percent of the deficit in the Post Office Department, and the President of the United States in his radio address on postal matters said that with the present

Post Office force it could handle twice as much mail with the same cost at which it is handling the mail now.

Mr. WOODRUM. Exactly.

Mr. BLANTON. So the franking privilege, so far as handling it in post offices is concerned, has cost the Government practically nothing. The Post Office employees receive nothing additional for handling it.

Mr. BYRNS. Will the gentleman yield?

Mr. WOODRUM. I yield.

Mr. BYRNS. I do not wish to have the RECORD show that Members of the House are having the printing of their speeches done at less than cost. The fact is the Government Printer estimates the actual cost of all speeches he prints, and Members of Congress reimburse the Government for every dollar expended in connection therewith, and, as I am informed, plus 10 percent added to cover any possible mistake in the estimate.

Mr. RANKIN. Will the gentleman yield?

Mr. WOODRUM. I yield.

Mr. RANKIN. The gentleman from Wisconsin has evidently been talking with some disgruntled printer who wants to do the printing of these speeches. May I call the attention of the House to the fact that Congress is being constantly abused by newspapers for exercising the franking privilege, when every newspaper that attacks Congress has the franking privilege for papers in its own county, and that it costs \$102,000,000 more than they pay in postage to carry those newspapers and magazines.

Mr. KELLER. Will the gentleman yield?

Mr. WOODRUM. Yes.

Mr. KELLER. I suppose the gentleman's experience is the same as mine, that I pay extra postage on matter that I send out for my constituents to more than pay for the benefit I derive from the franking privilege.

Mr. DONDERO. Will the gentleman yield?

Mr. WOODRUM. I yield.

Mr. DONDERO. Is it not true that the people of the Nation look to this body for the dissemination of information which they can get in no other way?

Mr. WOODRUM. I think the gentleman is correct.

Mr. COCHRAN of Missouri. Will the gentleman yield?

Mr. WOODRUM. Yes.

Mr. COCHRAN of Missouri. I have sent to the document room and procured a copy of the bill introduced by the gentleman from Wisconsin. It applies solely for the distribution of the RECORD. There is nothing in it regarding the abuse of the RECORD. If there is anything that should be done in the House it is to correct that abuse, and I might add the Senate should act first.

Yesterday I talked with the gentleman from New York [Mr. SNELL] and suggested to him that he confer with the Democratic leader [Mr. BYRNS], agree upon two men on each side of the House, and let the House know that four men have been appointed who would be on the floor in the future to object to any unanimous-consent agreement to put anything in the RECORD other than Members' own remarks. I refer to the insertion of editorials and newspaper articles.

Mr. WOODRUM. I am somewhat in sympathy with that, except for this fact: I have seen that rule enforced in the House, and the only result was that it deprived our colleagues of putting in what they wanted to put in and the matter was inserted usually at the other end of the Capitol. If you enforce it at all, it ought to be enforced at both ends of the Capitol.

[Here the gavel fell.]

MEETING TOMORROW AT 11 O'CLOCK

Mr. BYRNS. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

Mr. ROGERS of Oklahoma. Mr. Speaker, reserving the right to object, and I shall not object, I want to make this explanation, that because I did not object to the request of

the gentleman from Wisconsin I do not wish it understood that I agreed to everything he said.

Mr. BLANTON. Reserving the right to object, I want to call the attention of my friend from Wisconsin [Mr. CANNON] to the fact that while he was reflecting on the remarks he made against extensions, the gentleman from Michigan [Mr. WOLCOTT] has just gotten permission to extend his remarks in the RECORD.

Mr. CANNON of Wisconsin. I am letting the matter go by for today; but I shall begin tomorrow.

Mr. LAMBETH. Mr. Speaker, the gentleman from Wisconsin in his colloquy with the gentleman from Virginia stated that the Government Printing Office loses vast sums of money in reprinting the speeches of Members of Congress, implying that that is the cause of the deficit. I want to say that that is not the fact. I have official information from the Public Printer that he figures the cost of printing the speeches and sells them to Members at cost. I want to say, too, that the gentleman reflected seriously and unjustly on the integrity and ability of a faithful public servant who has been in charge of the RECORD for over 50 years—Andy Smith.

PERMISSION TO ADDRESS THE HOUSE

Mr. WEIDEMAN. Mr. Speaker, I ask unanimous consent to address the House for 10 minutes.

The SPEAKER. Is there objection?

There was no objection.

THE GOVERNMENT SHOULD CONTROL THE BANKS—BANKS MUST NOT CONTROL GOVERNMENT

Mr. CANNON of Wisconsin. Mr. Speaker, will the gentleman yield?

Mr. WEIDEMAN. I cannot yield now.

Mr. Speaker, I have obtained this time in order to speak on the bill introduced by the Chairman of the Committee on Banking and Currency, H.R. 5661, but before doing that I want to comment on the matter that the gentleman from Wisconsin discussed. He would curtail the distribution of the CONGRESSIONAL RECORD. I would be in favor of increasing the number of CONGRESSIONAL RECORDS allotted to each Member, to distribute throughout the country, so that the people may know the work that we are actually doing here. [Applause.] The CONGRESSIONAL RECORD will stand as a part of the current history of the country. Of course, it is unfortunate that the gentleman who preceded me in the Seventy-second Congress [Mr. Clancy] and who was on the Republican side of the House, distributed the CONGRESSIONAL RECORD to the presidents of boards of commerce, bank presidents, industrial executives, Wall Street, and so on. I have changed that method of distribution. I send mine out to every school that applies and to the people back home who want to know and should know what is going on, and if we could have a few more copies of this RECORD to send back to the people, to the tillers of the soil and the workers in the factories, we might have some changes of faces here, more than we have had in the past. I am anxious to have my people know what I am doing.

I compliment Members here whose faces I see today, some of the older faces. I see them here day after day and week after week. They do not miss a minute. It is necessary to print this RECORD so that the people who are elected here to Congress, but who do not seem to have time to attend the sessions, may know what is going on. I say this because of the fact that so many Members evidently do not have time to attend the sessions of Congress. Many of them spend their time looking for jobs in the departments, when they are paid to be here to discuss this and other matters of interest to all of them, whether Republican or Democratic. This is our open forum for discussion, where we meet and exchange views, and I, for one, will willingly vote to increase the number of CONGRESSIONAL RECORDS to be distributed throughout the country at any time. [Applause.]

Mr. CANNON of Wisconsin. Mr. Speaker, will the gentleman yield?

SOME SUBSIDIES OF GOVERNMENT

Mr. WEIDEMAN. No. The gentleman has shown much concern over the cost of this RECORD. I wonder if he has

raised his voice against the subsidy given to the newspapers, amounting to \$102,000,000 every year. The Post Office Department donates this amount to the newspapers yearly, due to losses suffered in carrying their mail. I wonder if he has raised his voice, either on the floor or by an extension of remarks, against the subsidy given to the steamship lines, amounting to \$21,000,000; and whether he has raised his voice, either by extension of remarks or on the floor of the House, against the subsidy of \$20,000,000 a year given to the aircraft lines. Let us not quibble over these little things; let us get at these big subsidies. Let us get down to the root of this thing, down to the banking situation in this country, which controls us all.

MONEY CONTROLS PUBLIC OPINION

How far do the bankers exercise their control over the country? I mention this because we are to be asked to pass a bank bill in a few days. They control radio, and how! They control the movie industry and sell the people worthless stock, they rob and commit pillage of the people day in and day out, by stock issues. First, there is Wall Street. What does Wall Street control, and the House of Morgan and the House of Kuhn-Loeb, and all the rest of them? They control all of the voting stock in radio, banks, and the motion-picture industry and they control the means of publicity that some Members of Congress are fearful of. They determine whether or not you men are going to be sent back here. You will not come back if you are afraid. Of course, I do not expect to get any of that publicity from the controlled press or radio; I do not want it. I got a call only last week when voting on the radio bill. A boy that I attended college with 15 years ago called me up from New York and asked me how I was going to vote on the investigation of the movie industry. He said that one of the owners of the chain theaters and chain radio in Detroit was there with him in New York and also wanted to know how I was going to vote. I voted for the investigation. That is my answer. Wall Street tries to control your vote, and everybody else's, by threat. That was an indirect threat. I do not expect to get any advantage from them. I do not want it. They did not send me here. I am solely responsible to the ordinary citizens and not to Wall Street or the subsidized press.

ST. LAWRENCE WATERWAY

We had a matter up here in respect to the St. Lawrence waterway. I voted to refer that bill back to the committee and then refer it back to the House with instructions that our vote on the ratification of the agreement made between the Power Authority of the State of New York and the United States Government should not be construed as the feeling of the House on the waterway. I did that for this reason: I do not think the United States got as fair a deal in that treaty as it was entitled to. Ninety percent of the St. Lawrence River lies wholly within Canada.

UNITED STATES OUTMANEUVERED

A Canadian editorial appearing in the Toronto Mail and Empire of July 18, 1932, places the cost to the Canadian treasury at \$38,000,000 and the cost to the United States, part of which is assumed by New York State, at \$600,000,000. The Canadian Minister has worked on this treaty, and they have provided that all of the work done in Canada must be performed by Canadian labor, and that all of the material must be Canadian material—and still we are paying over 66 percent of the cost of that. Of the horsepower to be developed, Canada gets four fifths and the United States one fifth.

AMERICA FIRST

Now, do you think Uncle Sam is getting a fair deal? I do not. I am interested in protecting the rights of American citizens, American labor, American capital, and American seaports. In addition, the St. Lawrence River is only open 7½ months a year. There has been a lot of ballyhoo, and one of the newspapers in Detroit, which is also tied up with these bankers, said, "Why stab the seaway?" I did not stab the seaway. I voted for the ratification of the power agreement, but I am interested in protecting Ameri-

can rights, and do not want American citizens taxed for this construction, and advantages given to Canada. I am not interested in destroying the ports on the Great Lakes. It is another well-known fact that we have had uniform control of Lake Michigan all these years, and under this treaty we make Lake Michigan an international lake. I am more interested in this country than I am in England, despite the fact that our former administration seemed to be more concerned in the welfare of England than in the welfare of this country in the drawing of treaties. The former administration even went overseas to get these new brass doors for the Commerce Building at a cost of \$6,000 a door. I hope we do not follow in their footsteps.

Now, I want to bring to the attention of some of the new Members something that I have discovered since I have been here. There is not anything so mysterious about money that we cannot all understand it; and if there is any piece of legislation that is brought before this House that you cannot understand, you have no business passing it on to the general public to be a law to govern them. It is when we make laws mysterious and unintelligible that we get into deep water. Let us keep our laws in plain language, in simple facts, so that we can all understand them and we will not get far away from our duty.

CONGRESS SHOULD BE INFORMED

The Federal Reserve Board publishes a bulletin every month. You will not get this bulletin unless you ask for it. I advise every Member of Congress to write to the Federal Reserve Board and ask them to send you their bulletin published each month. It has worlds of information in it. You can see the trends of money, the foreign exchange, and many other things, and I advise you all to get that. Of course, I am speaking to the new Members, I cannot speak to the old Members, but after listening to some of them, I think perhaps they should read some of these things, too. [Laughter.]

Here is the annual report of the Federal Reserve Board. That is just full of statistics concerning banking and currency, and you will have to write for that, too. You will have to insist on it. After you write for the Federal Reserve Bulletin, ask that you be placed on the mailing list or you will only get one issue.

I would also advise you to get a copy of the Federal Reserve Act and read it through. You are charged with governing the finances of this country, and I will venture to say there are not 2 percent of the Members of this House who have ever read that act. I want to commend that to the Members who are interested in the financial condition of this country.

MEMBERS DISCUSS BANKING BILL

Last week we met in a little group. There were Representatives KELLER, of Illinois, PATMAN, of Texas, McFARLANE, of Texas, PARSONS, of Illinois, Judge FIESINGER, of Ohio, FORD and KRAMER, of California, ZIONCHECK, of Washington, LLOYD, of Washington, KNUTE HILL, of Washington, and about 30 other men who were present at this conference to discover what was in this bill. We are interested in restoring the financial system in this country to the proper hands. I think it is the duty of every Member of Congress to know what is in a bill before he votes for it. In line with that, Mr. McFARLANE and myself, after consulting with those gentlemen, spent a little time going over this bill. I have prepared some amendments to H.R. 5661, the Steagall bill, which amends the Federal Reserve Act.

SHOULD WE AMEND BILL?

I think if you are going to give the banking powers back to Wall Street you should at least do your constituents the courtesy of reading this bill through. You are charged with knowledge of what is in the bill. In section 3 of the bill this is what they do: In section 3 we have a new section amending the old law. The old act provided that after the Federal Reserve bank gets \$160,000,000 in reserve the surplus should be turned back to the Treasury of the United States. The original provision in the Federal Reserve Act provided for a reserve in the Federal Reserve bank of \$40,000,000. When

they got the \$40,000,000, so that they would not have to pay anything to the Government, the bankers increased it to \$160,000,000. Now, what does this bill propose to do? On page 5, line 4, H.R. 5661 provides:

Net earnings shall be paid into the surplus fund of the Federal Reserve bank.

Do not you see what you are doing? You are giving away the entire power to control money in this country, and you are giving it to Wall Street. You are giving them an absolute franchise on money. For what? For nothing. They give the country nothing. I wish I had that franchise. Just think of it. If you could give me bonds and I could have money printed on them and go out and lend it at whatever rate of interest I could get, anyone could make money. One of my amendments is to strike that language from the bill entirely. The other amendment is where it reads "Federal Reserve bank", to strike out those words and insert "the United States Government."

The Federal Reserve banks are not owned by the Government. They are private institutions. They are entitled to 6 percent of the earnings that they make. What were the earnings in 1931? That is the last report I could get. Why, you people are robbed blind by the expenses incurred by the Federal Reserve banks. From the very inception they would buy a piece of property at \$60,000 for bank sites and sell it back to the Government within a few months for \$300,000; not only once, but many times. I use these figures for purposes of illustration.

Now, about earnings, the gross earnings of the Federal Reserve banks in 1931 amounted to \$29,701,000, or \$6,723,000 less than in 1930, and were lower than any other preceding year since 1917. After deducting current expenses of \$27,040,000, somewhat less than the previous year, and allowing for the depreciation on bank currencies, reserve for losses, and so forth, there remained net earnings of \$2,000,000. Just think of the expense to run the Federal Reserve banks of this country. Twenty-seven million dollars, which goes out mostly in salaries to executives, for paying telephone bills, business losses, and so forth. I ask you to examine this some day. They are just committing robbery upon the people day after day. This is the first section to which I call your attention, section 3.

The second is section 4. On page 5, line 10, they have included Morris Plan banks. They are allowed the right of getting Government privileges the same as Federal Reserve banks and State banks. I do not know of any single reason why this private group of highwaymen calling themselves the "Morris Plan Bank," should be allowed the privilege of using Government money. If we would follow the plans outlined by the gentleman from Texas [Mr. PATMAN] and the gentleman from Illinois [Mr. KELLER], we could pay the soldiers' adjusted-compensation certificates twice over.

Another matter to which I wish to call your attention is page 8, section 5, line 11. I have prepared amendments on all of these. We hope to be able to offer amendments under the 5-minute rule. I am taking these matters up in advance to advise the Membership what I have found. I have spent considerable time trying to analyze this bill, but did not nearly get through it. We are hoping that tonight the same group of interested men who are trying to save this country will get together to discuss this matter further.

This language reads:

The Secretary of the Treasury and the Comptroller of the Currency shall be ineligible during the time they are in office and for 2 years thereafter to hold any office, position, or employment in any member bank. The appointive members of the Federal Reserve Board shall be ineligible during the time they are in office and for 2 years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed.

Why, that is just the man we should reach, and I shall seek to modify this language. If we are going to get the banking situation back in the hands of the people, back in the hands of the Government, we have got to take it out of the hands of the big bankers. We trusted them and see what they have done to us.

SHOULD BANKERS BE APPOINTED FOR 12 YEARS

Farther down on page 8 the term of office is fixed at not to exceed 12 years as the term of any appointive member of the Federal Reserve Board.

I propose to offer an amendment reducing the term to 6 years.

[Here the gavel fell.]

Mr. WEIDEMAN. Mr. Speaker, I ask unanimous consent to proceed for 5 additional minutes.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. DONDERO. Mr. Speaker, will the gentleman yield for a short statement?

Mr. WEIDEMAN. Yes; I yield to my colleague from Michigan.

Mr. DONDERO. The gentleman made the statement that he had voted for the ratification of the treaty between Canada and the United States. I do not think the gentleman meant that.

Mr. WEIDEMAN. No; I did not say that.

Mr. DONDERO. Treaties are ratified at the other end of the Capitol.

Mr. WEIDEMAN. I think the gentleman misunderstood me. I said I voted for the ratification of the agreement between the Power Authority of the State of New York and the Federal Government.

Now, let me call the attention of the House to one or two other matters.

We elect our Senators for only 6 years, and that is too long; they get too far away from the people. This is my first term, but I see now how easy it is to get out of contact with things at home. The Members live in a different atmosphere here in Washington. They live in a different background, and I can well understand how easy it is to become divorced from the feelings of the people.

I propose to offer an amendment changing the term from 12 years to 6 years. With the term of 12 years, no administration can control the Federal Reserve Board. With the term fixed at 6 years for new appointees, the President can get control of the Board and appoint members who will act in the interests of the people of the United States and for their benefit.

I wish to call attention also to section 12 (a), a new section which creates a Federal open-market committee. This is going to deal with the international aspects of banking operations. I have not time to go into it now, but I ask you to read this section carefully, and examine it, to see that you know what it is, and then follow it back through the Federal Reserve Act and through the United States Code so you can see the change that has been made.

Another matter I wish to speak of is section 9 on page 14 which amends section 14 of the Federal Reserve Act as amended. I propose to offer an amendment providing that they shall report all relationships and transactions to the Congress of the United States on the 1st day of January of each year. This relates to international dealings. Why, the bankers here have loaned hundreds of millions of dollars on foreign securities. I have a list here but I have not time to go into the matter at this time. I propose that the Congress shall know where our money is going, how many hundreds of millions of dollars of the people's money is being invested in foreign countries for the building up of industries employing cheap foreign labor to compete with the industries of our own country.

SHOULD BANKERS USE GOVERNMENT MONEY FREE?

Section 8 provides for advances to member banks, and so forth. I propose to offer an amendment to section 8, page 13, line 17, by inserting, after the word "Board"—and this deals with revenues—the following words:

But not to be less than 2 percent interest per annum.

I propose that a charge be placed upon Federal Reserve banks for Government money that they use.

I propose, inasmuch as the other law did not fix any charge and Professor Goldenweiser, before the investigating com-

mittee, said that the banks had fixed a zero charge for the use of this money, and that is how the Government got gyped—I propose to write in here 2 percent. Do you know why? The Federal Reserve bank, for instance, finances automobile purchases. In short, the General Motors sells you a car and they take the paper to the bank and the Government gives them Federal Reserve money, for which they pay the usual rate of interest. The Federal Reserve does not pay anything for the use of this Government currency, still General Motors charges the person who buys the automobile 21 percent for financing charges. That is how they are making money off us.

LIMIT SALARIES TO \$15,000 A YEAR

There is another provision in here, section 5 (b), with respect to the payment of salaries, and I propose to insert there, after the word "therewith", in line 25, page 9, the following:

Provided, That no officer, member, or employee whatsoever shall receive a salary or remuneration in excess of \$15,000 a year.

They say we cannot get a good banker for \$15,000 a year. We have had \$200,000-a-year bankers and they robbed us, did they not? I say you can get honest men for \$15,000 a year. If we can get a Vice President to serve the United States who is honest and who is guarding the interests of the people for \$15,000, I say you can get bankers to work for \$15,000 a year. [Applause.]

The following statements are included to show to what extent the original purposes of the Federal Reserve have been changed, and to what limits the international bankers will go in their attempts to control the entire economic and financial structure of the United States and of the entire world.

AMENDMENTS TO THE FEDERAL RESERVE ACT PROVIDING FOR THE SALE OF FOREIGN SECURITIES IN THE UNITED STATES AND FOR THE INVESTMENT BY NATIONAL BANKS OF THEIR DEPOSITORS' MONEY IN THE STOCKS OF INVESTMENT TRUSTS AND OF BANKS ENGAGED IN FOREIGN BANKING

The following statement is offered in explanation of the foreign banking amendments to the Federal Reserve Act, as part of the history of this act:

Acts were approved September 17, 1919; December 24, 1919; and June 15, 1921, all relating to the same general subject matter, namely, the investment by national banks in the stock of corporations engaged in foreign banking and other international financial operations, and the organization and operation of such corporations under Federal law and subject to Federal supervision. After the close of the war it became apparent that the adequate financing of foreign trade would require credit facilities of a kind which could not properly be furnished by banks doing a strictly commercial banking business, and that such special facilities could be furnished in a large way only by corporations with authority to purchase foreign securities and paper representing long-term credits, and with authority to issue and sell to the public their own debentures secured by such securities and long-term paper.

The act of September 7, 1916, had amended section 25 of the Federal Reserve Act so as to authorize the larger national banks—that is, banks with capital and surplus of not less than \$1,000,000—to invest in the stock of "banks or corporations . . . principally engaged in international or foreign banking." There seemed to be some doubt, however, whether this authority to invest in stock of banks or corporations engaged in banking gave the right to invest in stock of these debenture-issuing or investment corporations. Furthermore, it seemed desirable for the encouragement of such corporations to authorize investments in their stock by all national banks, both large and small. Consequently, the act of September 17, 1919, was passed, authorizing national banks, until January 1, 1921, and without regard to the amount of their capital and surplus, to invest in the stock of corporations "principally engaged in such phases of international or foreign financial operations as may be necessary to facilitate the export of goods, wares, or merchandise from the United States or any of its dependencies or insular possessions to any foreign country."

Section 25, as thus amended, in terms authorizes national banks, upon the conditions and subject to the limitations therein stated, to invest in the stock of banks or corporations of the specified kinds which are "chartered or incorporated under the laws of the United States or any State thereof"; but, as a matter of fact, no provision was made for the incorporation under Federal law of such banks and corporations until the enactment of the so-called "Edge Act", approved December 24, 1919.

This act added to the Federal Reserve Act a section, designated section 25 (a), which authorizes the organization of corporations "for the purpose of engaging in international or foreign financial

operations", thus permitting the Federal incorporation of both types of corporations referred to in section 25; that is, banks doing a commercial banking business and corporations issuing debentures and doing an investment business. The act also describes the powers of such banks and corporations and gives to the Federal Reserve Board full power to examine, supervise, and regulate their operations.

Section 25 (a) as originally enacted required that corporations organized under it should have a capital of not less than \$2,000,000, one quarter of which must be paid in before the corporation is authorized to commence business, and the balance in 10-percent installments at the rate of one every 2 months. This requirement was modified by the act approved June 14, 1921, which provides in effect that a corporation with an authorized capital in excess of \$2,000,000 may apply for the consent of the Federal Reserve Board that such excess be paid in on call of the board of directors, provided that in all events 25 percent of the total capital must be paid in before the corporation commences business.

The words "debenture-issuing or investment corporations" mean investment trusts. The other corporations that can be organized under section 25 and 25 (a) of the Federal Reserve Act do a foreign banking business, as, for instance, the Chase National Bank, financial friend of Soviet Russia, but do not issue debentures, bonds, or notes.

Under these amendments to the Federal Reserve Act—that is, under section 25 and section 25 (a)—foreign securities were brought into the United States in blocks. These blocks were divided and distributed in lots to investment trusts. The national banks were permitted to invest in the stock of these Federal Reserve investment trusts practically without limit. Shares of the investment trusts were then sold. The Comptroller of the Currency defined marketable securities in such a manner as to include them. These foreign securities are not the same securities as those which were floated in this country. These securities, in the most part, were floated abroad and purchased on foreign stock exchanges. The total amount of such securities put into the United States investment trusts under the supervision of the Federal Reserve Board is a large one.

GOVERNMENT AIDS INVESTMENT TRUSTS

The effect of bringing those foreign securities into the United States was disastrous. They were brought in here in lieu of gold. During the past 6 years the United States has gained no gold on net account. When the shares of the investment trusts sank to a few cents on the dollar the unreliable foreign securities carried down the United States securities with which they were intermingled. This led to the formation of the superinvestment trust known as the "Reconstruction Finance Corporation." During the hearings on the Reconstruction Finance Corporation bill someone asked if the Corporation was designed to help private bankers. A gentleman at the other end of the Capitol said it would "relieve investment trusts." The Reconstruction Finance Corporation might have been formed under existing law; the chief object of the specific bill was to capitalize it with Treasury funds. If the Federal Reserve Act had not been amended in section 25 and by the addition of section 25 (a), the Reconstruction Finance Corporation, unconstitutional and dangerous, would never have been formed.

The nature of the foreign securities which were unloaded on the United States under sections 25 and 25 (a) is shown in the following list of German securities held by the United Founders and its subsidiaries (about May 1931). It has been said that international bankers have repurchased many of these securities at trifling cost. This scheme paid billions to its promoters and, by means of it, hundreds of small United States banks were ruthlessly and deliberately destroyed to make way for predatory branch banking on a Nation-wide scale.

Could anything be more dangerous than the transformation of national banks into investment trusts, with power to sell questionable foreign securities to our nationals under cover of deceptive corporate titles?

HOW THE BANKERS GAMBLER WITH AMERICAN MONEY

United Founders

This is a holding company owning a majority of the shares of 2 investment companies and of 1 public-utility holding company (United States Electric Power Corporation). It has an interest in the earnings of The Public Utility Holding Corporation of America. It is the largest stockholder but not the controlling stockholder of The Public Utility Holding Corporation of America. Until recently, it has had Allied General Corporation associated with it as a security distributing company.

1. The United States Electric Power Corporation owns 70 percent of the common stock of Standard Power & Light, which in turn owns a majority of the common stock of Standard Gas & Electricity, which, with its subsidiaries and affiliated companies, constitutes a Nation-wide system of public-utility companies.

2. The two investment companies which are subsidiaries of United Founders have in turn several subsidiaries of their own.

In general, the United Founders group may be considered as being chiefly composed of the following members:

1. United Founders Corporation.
2. American Founders Corporation.
3. International Securities Corporation of America.

4. Second International Securities Corporation.
5. United States & British International Co., Ltd.
6. American & General Securities Corporation.
7. American & Continental Corporation (engaged in extending intermediate credits to countries on the Continent).
8. Investment Trust Associates.
9. United States Electric Power Corporation.
10. Standard Light & Power Corporation.
11. North & South American Corporation.
12. Interest in Trans-Oceanic Finance Subsidiary, Ltd., an investment trust, and its affiliate, organized in England with Helbert, Wagg & Co., Ltd.
13. International & General Corporation; Tri-Continental Corporation; and Ephrussi & Co., of Vienna.
14. United National Corporation (affiliate of American Founders).
15. Insuranshares Corporation of Delaware.
16. Allied General Corporation (former connection).

These concerns have a common office and own stock of one another and make investments with a common purpose. Their investment policy may be discovered by analyzing their investments.

1. United Founders has, among other investments, the following stocks of German utility companies:

	Reichsmarks
Bank for Electrical Securities.....	294,600
Charlottenburg Water Works.....	684,000
Electric Light & Power Co.....	402,600
German Continental Gas Co.....	654,000
"Gesfurel".....	1,450,500
Hamburg Electricity Works.....	572,000
Rhine-Westphalia Electric Power Corporation.....	731,600
Silesian Electric Works.....	446,100
Silesian Electricity & Gas Co.....	282,000

2. American Founders has the following stocks of German utility companies:

	Reichsmarks
Bank for Electrical Securities.....	294,600
Charlottenburg Water Works.....	684,000
Electric Light & Power Co.....	402,600
German Continental Gas Co.....	654,000
"Gesfurel".....	1,450,500
Hamburg Electricity Works.....	572,000
Rhine-Westphalia Electric Power Corporation.....	731,600
Silesian Electric Works.....	446,100
Silesian Electricity & Gas Co.....	282,000

3. International Securities Corporation of America has the following stocks of German utility companies:

	Reichsmarks
Bank for Electrical Securities.....	150,000
Charlottenburg Water Works.....	358,000
Electric Light & Power Co.....	110,600
German Continental Gas Co.....	198,000
"Gesfurel".....	656,000
Hamburg Electricity Works.....	172,000
Rhine-Westphalia Electric Power Corporation.....	152,800
Silesian Electric Works.....	82,700
Silesian Electricity & Gas Co.....	90,000

4. Second International Corporation of America has the following stocks of German utility companies:

	Reichsmarks
Bank for Electrical Securities.....	9,000
Electric Light & Power Co.....	116,000
German Continental Gas Co.....	72,000
"Gesfurel".....	176,900
Hamburg Electricity Works.....	99,000
Rhine-Westphalia Electric Power Corporation.....	188,800
Silesian Electric Works.....	89,500
Silesian Electricity & Gas Co.....	81,000

5. United States & British International Co., Ltd., has the following stocks of German utility companies:

	Reichsmarks
Bank for Electrical Securities.....	45,600
Charlottenburg Water Works.....	164,000
Electric Light & Power Co.....	116,000
German Continental Gas Co.....	102,000
"Gesfurel".....	359,100
Hamburg Electricity Works.....	99,000
Rhine-Westphalia Electric Power Corporation.....	214,800
Silesian Electric Works.....	86,500

6. American & General Securities Corporation owns the following stocks of German utility companies:

	Reichsmarks
Bank for Electrical Securities.....	90,000
Charlottenburg Water Works.....	162,000
Electric Light & Power Co.....	60,000
German Continental Gas Co.....	72,000
"Gesfurel".....	148,500
Hamburg Electricity Works.....	112,000
Rhine-Westphalia Electric Power Corporation.....	172,500
Silesian Electric Works.....	88,700
Silesian Electricity & Gas Co.....	60,000

7. American & Continental Corporation owns the following shares in a German utility company:

	Reichsmarks
German Continental Gas.....	210,000

8. Investment Trust Associates lists no stocks of German utility companies, but it owns stocks of this description indirectly through its ownership of stock in investment companies.

9. United States Electric Power Corporation (none specified).
10. Standard Power & Light Corporation (none specified).
11. North & South American Corporation owns the following stocks of German utility companies:

	Reichsmarks
Allgemeine Elektrizitaets Gesellschaft.....	166,000
Deutsche Continental Gas Gesellschaft zu Dessau.....	100,000
"Gesfurel".....	242,000
Hamburg Electricity Works.....	150,000
Rhine-Westphalia Electric Power Corporation.....	110,000
Elektrizitaets A.G., formerly Schuckert & Co.....	119,000

Leaving 8, 9, and 10 out of consideration because their ownership of foreign utility stocks cannot be stated, it appears that members of the United Founders group marketed in this country, under cover of their own debentures, stocks of German public-utilities companies having a par value of 17,026,300 reichsmarks. The price at which these foreign securities were unloaded on the American public is a matter which should be inquired into.

German public-utility bonds

1. OWNED BY UNITED FOUNDERS

	dollars	
Berlin City Electric.....	196,000	
Berlin Electric Elevated & Underground R.R.....	106,000	
Consolidated Hydroelectric Works of Upper Wurtemberg.....	94,000	
Electric Power Corporation.....	32,000	
German General Electric Co.....	25,000	
"Gesfurel".....	115,000	
Leipzig Overland Power Cos.....	150,000	
Mannheim & Palatinate Elevated Co.....	78,000	
Pomerania Electric Co.....	156,000	
Rhine-Westphalia Electric Power Corporation.....	135,000	
Do.....	50,000	
Saxon Public Works, Inc.....	74,000	
Do.....	162,000	
Silesia Electric Corporation.....	59,000	
Westphalia United Electric Power Corporation.....	160,000	
East Bavarian Hydroelectric Co.....	248,800	reichsmarks

2. OWNED BY AMERICAN FOUNDERS

	dollars	
Berlin City Electric.....	196,000	
Berlin Electric Elevated & Underground R.R.....	106,000	
Consolidated Hydroelectric Works of Upper Wurtemberg.....	94,000	
Electric Power Corporation.....	32,000	
German General Electric Co.....	25,000	
"Gesfurel".....	115,000	
Leipzig Overland Power Cos.....	150,000	
Mannheim & Palatinate Elevated Co.....	78,000	
Pomerania Electric Co.....	156,000	
Rhine-Westphalia Electric Power Corporation.....	135,000	
Do.....	50,000	
Saxon Public Works, Inc.....	74,000	
Do.....	162,000	
Silesia Electric Corporation.....	59,000	
Westphalia United Electric Power Corporation.....	110,000	
East Bavarian Hydroelectric Co.....	248,800	reichsmarks

3. OWNED BY INTERNATIONAL SECURITIES CORPORATION

	dollars	
Berlin City Electric.....	156,000	
Berlin Electric Elevated & Underground R.R.....	80,000	
Consolidated Hydroelectric Works of Upper Wurtemberg.....	84,000	
"Gesfurel".....	100,000	
Leipzig Overland Power Cos.....	75,000	
Pomerania Electric Co.....	146,000	
Rhine-Westphalia Electric Power Corporation.....	100,000	
Do.....	40,000	
Saxon Public Works, Inc.....	49,000	
Do.....	152,000	
Silesia Electric Corporation.....	49,000	
Westphalia United Electric Power Corporation.....	50,000	
East Bavarian Hydroelectric Co.....	248,800	reichsmarks

4. OWNED BY SECOND INTERNATIONAL SECURITIES CORPORATION

	dollars	
Berlin City Electric.....	5,000	
Berlin Electric Elevated & Underground R.R.....	5,000	
Electric Power Corporation.....	22,000	
"Gesfurel".....	5,000	
Leipzig Overland Power Cos.....	25,000	
Mannheim & Palatinate Elevated Co.....	15,000	
Rhine-Westphalia Electric Power Corporation.....	5,000	
Westphalia United Electric Power Corporation.....	50,000	

5. OWNED BY UNITED STATES & BRITISH INTERNATIONAL CO., LTD.

	dollars	
Berlin City Electric.....	5,000	
Berlin Electric Elevated & Underground R.R.....	16,000	
Consolidated Hydroelectric Works of Upper Wurtemberg.....	5,000	
Electric Power Corporation.....	5,000	
"Gesfurel".....	5,000	

German public-utility bonds—Continued

5. OWNED BY UNITED STATES & BRITISH INTERNATIONAL CO., LTD.—Con.	
Leipzig Overland Power Cos.	\$25,000
Pomerania Electric Co.	5,000
Rhine-Westphalia Electric Power Corporation	5,000
Do.	5,000
Saxon Public Works, Inc.	5,000
Do.	5,000
Silesia Electric Corporation	5,000
Westphalia United Electric Power Corporation	5,000

6. OWNED BY AMERICAN & GENERAL SECURITIES CORPORATION

Berlin City Electric.	\$5,000
Berlin Electric Elevated and Underground R.R.	5,000
Consolidated Hydroelectric Works of Upper Wurttemberg	5,000
Electric Power Corporation	5,000
"Gesturel"	5,000
Leipzig Overland Power Cos.	25,000
Mannheim & Palatinate Electric Co.	63,000
Pomerania Electric Co.	5,000
Rhine-Westphalia Electric Power Corporation	5,000
Do.	5,000
Saxon Public Works, Inc.	5,000
Do.	5,000
Silesia Electric Corporation	5,000
Westphalia United Electric Power Corporation	5,000

7. OWNED BY AMERICAN & CONTINENTAL CORPORATION

Berlin City Electric.	\$25,000
German General Electric Co.	25,000
Rhine-Westphalia Electric Power Corporation	20,000
Saxon Public Works, Inc.	15,000

8. OWNED BY INVESTMENT TRUST ASSOCIATES

None specified.

9. OWNED BY UNITED STATES ELECTRIC POWER CORPORATION

None specified.

10. OWNED BY STANDARD LIGHT & POWER CORPORATION

None specified.

11. OWNED BY NORTH & SOUTH AMERICAN CORPORATION

None specified.

From the foregoing lists it may be seen that German public-utility stocks and bonds were taken in "blocks" and distributed among certain companies of the United Founders group.

The extent to which German bank stocks and bonds are owned by the United Founders group

1. OWNED BY UNITED FOUNDERS

Deutsche Bank und Disconto Gesellschaft (purchasable on Berlin Stock Exchange)	reichsmarks.. 1,080,000
German Overseas Bank (purchasable on Berlin Stock Exchange)	reichsmarks.. 191,000
Reichsbank (purchasable on Berlin Stock Exchange)	reichsmarks.. 1,408,000
Bank for Brewing Industries (purchasable on Berlin Stock Exchange)	reichsmarks.. 352,000
Bank for Textile Industry (purchasable on London Stock Exchange)	pounds.. 18,400
Central Bank of Agriculture	dollars.. 407,000
Central Bank of Agriculture (purchasable on New York Stock Exchange)	dollars.. 261,000
Commerz und Privat Bank (purchasable on New York Curb Exchange)	dollars.. 15,000
German Consolidated Agricultural Bank (purchasable on New York Stock Exchange)	dollars.. 15,000
Saxon State Mortgage Institute (purchasable on New York Stock Exchange)	dollars.. 206,000
German mortgage banks, public-credit institutions, etc., 51 issues (purchasable on Berlin or other German stock exchanges)	reichsmarks.. 24,903,500

2. OWNED BY AMERICAN FOUNDERS

Deutsche Bank und Disconto Gesellschaft (purchasable on Berlin Stock Exchange)	reichsmarks.. 1,080,000
German Overseas Bank (purchasable on Berlin Stock Exchange)	reichsmarks.. 191,000
Reichsbank (purchasable on Berlin Stock Exchange)	reichsmarks.. 1,408,000
Bank for Brewing Industries (purchasable on Berlin Stock Exchange)	reichsmarks.. 352,000
Bank for Textile Industry (purchasable on London Stock Exchange)	pounds.. 18,400
Central Bank of Agriculture (purchasable on New York Stock Exchange)	dollars.. 407,000
Do.	dollars.. 261,000
Commerz und Privat Bank (purchasable on New York Curb Exchange)	dollars.. 15,000
German Consolidated Agricultural Bank (purchasable on New York Stock Exchange)	dollars.. 15,000
Saxon State Mortgage Institute (purchasable on New York Stock Exchange)	dollars.. 206,000
German mortgage banks, public-credit institutions, etc., 51 issues (purchasable on Berlin or other German stock exchanges)	reichsmarks.. 24,903,500

The extent to which German bank stocks and bonds are owned by the United Founders group—Continued

3. OWNED BY INTERNATIONAL SECURITIES CORPORATION OF AMERICA

Deutsche Bank und Disconto Gesellschaft (purchasable on Berlin Stock Exchange)	reichsmarks.. 342,000
German Overseas Bank (purchasable on Berlin Stock Exchange)	reichsmarks.. 35,000
Reichsbank (purchasable on Berlin Stock Exchange)	reichsmarks.. 402,000
Bank for Brewing Industries (purchasable on Berlin Stock Exchange)	reichsmarks.. 124,000
Bank for Textile Industry (purchasable on London Stock Exchange)	pounds.. 13,100
Central Bank of Agriculture	dollars.. 50,000
Central Bank of Agriculture (purchasable on New York Stock Exchange)	dollars.. 186,000
Saxon State Mortgage Institute (purchasable on New York Stock Exchange)	dollars.. 175,000
German mortgage banks, public-credit institutions, etc. (purchasable on Berlin or other German stock exchanges)	reichsmarks.. 16,634,200

4. OWNED BY SECOND INTERNATIONAL SECURITIES CORPORATION

Deutsche Bank und Disconto Gesellschaft (purchasable on Berlin Stock Exchange)	reichsmarks.. 120,000
German Overseas Bank (purchasable on Berlin Stock Exchange)	reichsmarks.. 78,000
Reichsbank (purchasable on Berlin Stock Exchange)	reichsmarks.. 228,000
Bank for Brewing Industries (purchasable on Berlin Stock Exchange)	reichsmarks.. 68,000
Bank for Textile Industry (purchasable on London Stock Exchange)	pounds.. 5,300
Central Bank of Agriculture	dollars.. 177,000
Central Bank of Agriculture (purchasable on New York Stock Exchange)	dollars.. 5,000
Saxon State Mortgage Institute (purchasable on New York Stock Exchange)	dollars.. 21,000
German mortgage banks, public-credit institutions, etc. (purchasable on Berlin or other German stock exchanges)	reichsmarks.. 7,013,300

5. OWNED BY UNITED STATES & BRITISH INTERNATIONAL CO., LTD.

Deutsche Bank und Disconto Gesellschaft (purchasable on Berlin Stock Exchange)	reichsmarks.. 120,000
German Overseas Bank (purchasable on Berlin Stock Exchange)	reichsmarks.. 78,000
Reichsbank (purchasable on Berlin Stock Exchange)	reichsmarks.. 186,000
Bank for Brewing Industries (purchasable on Berlin Stock Exchange)	reichsmarks.. 130,000
Central Bank of Agriculture	dollars.. 150,000
Central Bank of Agriculture (purchasable on New York Stock Exchange)	dollars.. 50,000
Saxon State Mortgage Institute (purchasable on New York Stock Exchange)	dollars.. 5,000
German mortgage banks, public-credit institutions, etc. (purchasable on Berlin or other German stock exchanges)	reichsmarks.. 767,000

6. OWNED BY AMERICAN & GENERAL SECURITIES CORPORATION

Deutsche Bank und Disconto Gesellschaft (purchasable on Berlin Stock Exchange)	reichsmarks.. 258,000
Reichsbank (purchasable on Berlin Stock Exchange)	reichsmarks.. 492,000
Bank for Brewing Industries (purchasable on Berlin Stock Exchange)	reichsmarks.. 30,000
Central Bank of Agriculture	dollars.. 5,000
Central Bank of Agriculture (purchasable on New York Stock Exchange)	dollars.. 5,000
Saxon State Mortgage Institute (purchasable on New York Stock Exchange)	dollars.. 5,000

7. OWNED BY AMERICAN & CONTINENTAL CORPORATION

Deutsche Bank und Disconto Gesellschaft (purchasable on Berlin Stock Exchange)	reichsmarks.. 240,000
Reichsbank (purchasable on Berlin Stock Exchange)	reichsmarks.. 32,000
Central Bank of Agriculture	dollars.. 25,000
Central Bank of Agriculture (purchasable on New York Stock Exchange)	dollars.. 15,000
Commerz und Privat Bank (purchasable on New York Curb Exchange)	dollars.. 15,000
German Consolidated Agricultural Bank (purchasable on New York Stock Exchange)	dollars.. 15,000

8. OWNED BY INVESTMENT TRUST ASSOCIATES

None specified.

9. OWNED BY UNITED STATES ELECTRIC POWER CORPORATION

None specified.

10. OWNED BY STANDARD POWER & LIGHT CORPORATION

None specified.

The extent to which German bank stocks and bonds are owned by the United Founders group—Continued

11. OWNED BY NORTH & SOUTH AMERICAN CORPORATION

Berliner Handels Gesellschaft (purchasable on Berlin Stock Exchange).....reichsmarks.....	160,000
Commerz und Privat Bank (purchasable on Berlin Stock Exchange).....reichsmarks.....	185,000
Darmstaedter und National Bank (purchasable on Berlin Stock Exchange).....reichsmarks.....	138,000
Deutsche Bank und Disconto Gesellschaft (purchasable on Berlin Stock Exchange).....reichsmarks.....	126,000
Dresdner Bank (purchasable on Berlin Stock Exchange).....reichsmarks.....	130,000

The German bank stocks and bonds listed above amount to a considerable sum in the aggregate.

INVESTMENTS IN HEAVY GERMAN INDUSTRY

Next, we shall exhibit the investments of the United Founders group in heavy German industry, Government, and municipal loans, etc. We shall not attempt to classify these items. Neither shall we take account of this group's investments in American, Austrian, Hungarian, Swedish, Saar, Belgian, Japanese, Russian, and other concerns in which Germany owns an interest.

Investments in heavy German industry

1. OWNED BY UNITED FOUNDERS

Deutscher Aero-Lloyd.....reichsmarks.....	50,000
Dynamit Nobel A.G.....do.....	441,000
Heyden Chemical Co.....do.....	382,000
I.G. Dyes (I.G. Farbenindustrie).....do.....	1,479,000
Leonhard Tietz A.G.....do.....	780,000
Mannesmann Tubes Co.....do.....	450,000
Mitteldeutsche Stahlwerke.....do.....	500,000
Rudolf Karstadt A.G.....do.....	318,000
Schuckert & Co. Electrical Works.....do.....	182,000
Siemens & Halske.....do.....	728,000
Warsteiner & Herzoglich Schleswig-Holsteinische Eisenwerke A.G.....reichsmarks.....	512,800
Free State of Bavaria.....dollars.....	67,000
City of Cologne.....do.....	115,000
Consolidated municipal of Baden.....do.....	64,000
German consolidated municipal loan.....do.....	87,000
Do.....do.....	239,000
German Government international loan of 1930.....do.....	10,000
German Government gold loan.....do.....	24,000
Good Hope Iron & Steel Works.....do.....	115,000
State of Hamburg treasury notes.....do.....	500,000
Mansfield Mining & Smelting Co.....do.....	71,000
Milag Mill Machinery.....do.....	98,000
Free State of Oldenburg.....do.....	45,000
Protestant Church in Germany.....do.....	211,000
Free State of Prussia.....do.....	359,000
Do.....do.....	308,000
Rhine-Elbe Union.....do.....	229,000
R. C. Church Welfare Institute.....do.....	63,000
Stinnes, Hugo.....do.....	425,000
Do.....do.....	165,000
United Industrial Corporation.....do.....	49,000
United Steel Works.....do.....	210,000
Do.....do.....	296,000
Free State of Württemberg.....do.....	67,500
Continental Gummiwerke, A.G. (purchasable on Amsterdam Stock Exchange).....Hfl.....	101,000
Deutsche Linoleum.....reichsmarks.....	326,000
Fahlberg, List & Co.....do.....	98,100
German Government and municipal, 35 issues.....do.....	17,927,300
Hackethal Wire & Cable Works.....do.....	803,000
Hamburgische Baukasse A.G. (purchasable on Amsterdam Stock Exchange).....Hfl.....	242,000
I.G. Farbenindustrie.....reichsmarks.....	127,400
Isenbeck Brewery.....do.....	100,000
Friedr. Krupp A.G.....do.....	885,000
Mainkraftwerke.....do.....	708,000
Memel.....do.....	600,000
Middle German Steel.....do.....	304,000
Mont-Cenis Mining.....do.....	600,000
Natronzellstoff.....do.....	100,000
Neckarwerke.....do.....	473,400
North German Pottery.....do.....	133,000
"Viag", United Industrial Corporation.....do.....	1,983,000
Vogel Wire & Cable Works (purchasable on Amsterdam Stock Exchange).....Hfl.....	200,000

2. OWNED BY AMERICAN FOUNDERS

Deutscher Aero-Lloyd.....reichsmarks.....	50,000
Dynamit Nobel A.G.....do.....	441,000
Heyden Chemical Co.....do.....	634,200
I. G. Dyes (I. G. Farbenindustrie).....do.....	1,479,600
Leonhard Tietz A.G.....do.....	780,000
Mannesmann Tubes Co.....do.....	450,000
Mitteldeutsche Stahlwerke.....do.....	500,000
Rudolf Karstadt A.G.....do.....	318,000
Schuckert & Co. Electrical Works.....do.....	182,000
Siemens & Halske.....do.....	728,000
Warsteiner & Herzoglich Schleswig-Holsteinische Eisenwerke A.G.....reichsmarks.....	512,000
Free State of Bavaria.....dollars.....	67,000
City of Cologne.....do.....	115,000

Investments in heavy German industry—Continued

2. OWNED BY AMERICAN FOUNDERS—continued

Consolidated municipal of Baden.....dollars.....	64,000
German consolidated municipal loan.....do.....	87,000
Do.....do.....	239,000
German Government international loan of 1930.....do.....	10,000
German Government gold loan.....do.....	234,000
Good Hope Iron & Steel Works.....do.....	115,000
State of Hamburg treasury notes.....do.....	500,000
Mansfield Mining & Smelting Co.....do.....	71,000
Milag Mill Machinery.....do.....	98,000
Free State of Oldenburg.....do.....	45,000
Protestant Church in Germany.....do.....	211,000
Free State of Prussia.....do.....	359,000
Do.....do.....	308,000
Rhine-Elbe Union.....do.....	229,000
R. C. Church Welfare Institute.....do.....	63,000
Stinnes, Hugo.....do.....	325,000
Do.....do.....	165,000
United Industrial Corporation.....do.....	49,000
United Steel Works.....do.....	210,000
Do.....do.....	296,000
Free State of Württemberg.....do.....	67,500
Continental Gummiwerke, A.G. (purchasable on Amsterdam Stock Exchange).....Hfl.....	101,000
Deutsche Linoleum.....reichsmarks.....	326,000
Fahlberg, List & Co.....do.....	98,100
German Government and municipal, 35 issues.....do.....	17,927,300
Hackethal Wire & Cable Works.....do.....	803,000
Hamburgische Baukasse A.G. (purchasable on Amsterdam Stock Exchange).....Hfl.....	242,000
I.G. Dyes (I.G. Farbenindustrie).....reichsmarks.....	127,400
Isenbeck Brewery.....do.....	100,000
Friedr. Krupp A.G.....do.....	885,000
Mainkraftwerke.....do.....	708,000
Middle German Steel.....do.....	304,000
Mont-Cenis Mining.....do.....	600,000
Natronzellstoff.....do.....	100,000
Neckarwerke.....do.....	473,400
North German Pottery.....do.....	133,000
"Viag", United Industrial Corporation.....do.....	1,983,000
Vogel Wire & Cable Works (purchasable on Amsterdam Stock Exchange).....Hfl.....	200,000

3. OWNED BY INTERNATIONAL SECURITIES CORPORATION OF AMERICA

Heyden Chemical Co.....reichsmarks.....	163,400
I.G. Dyes (I.G. Farbenindustrie).....do.....	510,000
Leonard Tietze A.G.....do.....	480,000
Mannesmann Tubes Co.....do.....	156,000
Rudolf Karstadt A.G.....do.....	116,400
Schuckert & Co. Electrical Works.....do.....	182,000
Siemens & Halske.....do.....	231,000
Free State of Bavaria.....dollars.....	67,000
Cologne.....do.....	100,000
Consolidated municipal of Baden.....do.....	54,000
German consolidated municipal loan.....do.....	87,000
Do.....do.....	46,000
Good Hope Iron & Steel Works.....do.....	100,000
State of Hamburg treasury notes.....do.....	500,000
Milag Mill Machinery.....do.....	37,000
Free State of Oldenburg.....do.....	30,000
Protestant Church in Germany.....do.....	146,000
Free State of Prussia.....do.....	300,000
Do.....do.....	150,000
Rhine-Elbe Union.....do.....	181,000
R. C. Church Welfare Institute.....do.....	63,000
Stinnes, Hugo.....do.....	200,000
Do.....do.....	150,000
United Industrial Corporation.....do.....	34,000
United Steel Works.....do.....	200,000
Do.....do.....	262,000
Free State of Württemberg.....do.....	42,500
Continental Gummiwerke, A.G.....Hfl.....	50,000
Deutsche Linoleum.....reichsmarks.....	200,000
German Government and municipal, 31 issues.....do.....	11,273,300
Hackethal Wire & Cable Works.....do.....	803,000
Hamburgische Baukasse, A.G.....Hfl.....	242,000
Isenbeck Brewery.....reichsmarks.....	100,000
Friedr. Krupp, A.G.....do.....	735,000
Mainkraftwerke.....do.....	335,500
Middle German Steel.....do.....	199,000
Mont-Cenis Mining.....do.....	600,000
Neckarwerke.....do.....	295,800
North German Pottery.....do.....	133,000
"Viag", United Industrial Corporation.....do.....	1,183,000

4. OWNED BY SECOND INTERNATIONAL SECURITIES CORPORATION

Heyden Chemical Co.....reichsmarks.....	104,700
I. G. Farbenindustrie.....do.....	261,000
Leonard Tietz A.G.....do.....	54,000
Mannesmann Tubes Co.....do.....	102,000
Rudolf Karstadt A.G.....do.....	50,400
Siemens & Halske.....do.....	140,000
Warsteiner & Herzoglich Schleswig-Holsteinische Eisenwerke.....reichsmarks.....	512,800
Cologne, city of.....dollars.....	5,000
German consolidated municipal loan.....do.....	83,000

Investments in heavy German industry—Continued

4. OWNED BY SECOND INTERNATIONAL SECURITIES CORPORATION—CON.

Good Hope Iron & Steel Works.....	dollars.....	5,000
Mansfield Mining & Smelting Co.....	do.....	7,000
Milag Mill Machinery.....	do.....	51,000
Prussia, Free State of.....	do.....	34,000
Do.....	do.....	100,000
Rhine-Elbe Union.....	do.....	38,000
Stinnes, Hugo.....	do.....	50,000
Do.....	do.....	5,000
United Industrial Corporation.....	do.....	5,000
Wurttemberg, Free State of.....	do.....	25,000
Deutsche Linoleum.....	reichsmarks.....	126,000
German Government and municipal, 19 issues.....	do.....	6,266,000
Friedr. Krupp, A.G.....	do.....	150,000
Mainkraftwerke.....	do.....	372,500
Middle German Steel.....	do.....	105,000
Natronzellstoff.....	do.....	100,000
Neckarwerke.....	do.....	100,000
"Viag" United Industrial Corporation.....	do.....	800,000

5. OWNED BY UNITED STATES & BRITISH INTERNATIONAL CO., LTD.

Heyden Chemical Co.....	reichsmarks.....	105,000
I.G. Dyes (I.G. Farbenindustrie).....	do.....	165,000
Leonhard Tietz A.G.....	do.....	30,000
Mannesmann Tubes Co.....	do.....	108,000
Rudolf Karstadt A.G.....	do.....	50,400
Siemens & Halske.....	do.....	147,000
Cologne, city of.....	dollars.....	5,000
Consolidated municipal of Baden.....	do.....	5,000
German consolidated municipal loan.....	do.....	80,000
German Government international loan of 1930.....	do.....	5,000
Good Hope Iron & Steel Works.....	do.....	5,000
Mansfield Mining & Smelting Co.....	do.....	37,000
Milag Mill machinery.....	do.....	5,000
Oldenburg.....	do.....	15,000
Protestant Church in Germany.....	do.....	15,000
Prussia, Free State of.....	do.....	5,000
Do.....	do.....	38,000
Rhine-Elbe Union.....	do.....	5,000
Stinnes, Hugo.....	do.....	75,000
Do.....	do.....	5,000
United Industrial Corporation.....	do.....	5,000
United Steel Works.....	do.....	5,000
Do.....	do.....	10,000
German Government and municipal, 2 issues.....	reichsmarks.....	388,000
Vogel Wire & Cable Works.....	Hfl.....	100,000

6. OWNED BY AMERICAN & GENERAL SECURITIES CORPORATION

Hayden Chemical Co.....	reichsmarks.....	131,800
I.G. Dyes (I.G. Farbenindustrie).....	do.....	251,000
Leonhard Tietz A.G.....	do.....	216,000
Mannesmann Tubes Co.....	do.....	84,000
Rudolf Karstadt A.G.....	do.....	50,400
Siemens & Halske.....	do.....	126,000
City of Cologne.....	dollars.....	5,000
Consolidated municipal of Baden.....	do.....	5,000
German consolidated municipal loan.....	do.....	5,000
German Government international loan of 1930.....	do.....	5,000
Good Hope Iron & Steel Works.....	do.....	5,000
Mansfield Mining & Smelting Co.....	do.....	27,000
Milag Mill Machinery.....	do.....	5,000
Protestant Church in Germany.....	do.....	50,000
Free State of Prussia.....	do.....	5,000
Do.....	do.....	5,000
Rhine-Elbe Union.....	do.....	5,000
Stinnes, Hugo.....	do.....	5,000
United Industrial Corporation.....	do.....	5,000
United Steel Works.....	do.....	9,000
Continental Gummiwerke, A.G. (purchasable on Amsterdam Stock Exchange).....	Hfl.....	51,000
Fahlberg, List & Co.....	reichsmarks.....	98,100

7. OWNED BY AMERICAN & CONTINENTAL CORPORATION

Dynamit Nobel A.G.....	reichsmarks.....	441,000
I.G. Dyes (I.G. Farbenindustrie).....	do.....	189,600
Siemens & Halske.....	do.....	28,000
German consolidated municipal loan.....	dollars.....	25,000
German external gold loan.....	do.....	24,000
Free State of Prussia.....	do.....	15,000
United Steel Works.....	do.....	15,000
I.G. Dyes (I.G. Farbenindustrie).....	reichsmarks.....	127,400
Siemens & Halske.....	do.....	2,800

8. OWNED BY INVESTMENT TRUST ASSOCIATES

None specified.

9. OWNED BY UNITED STATES ELECTRIC POWER CORPORATION

None specified.

10. OWNED BY STANDARD POWER & LIGHT CORPORATION

None specified.

11. OWNED BY NORTH AND SOUTH AMERICAN CORPORATION

I.G. Dyes (I.G. Farbenindustrie).....	reichsmarks.....	270,000
Elektricitäts A.G.....	do.....	56,000
Siemens & Halske.....	do.....	119,000

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While American money has been financing the world, our financial system is hungry for money, currency, or a medium of exchange to start the wheels of industry turning again.

And our bankers now ask for more Government aid in the form of money, having invested, gambled, and speculated our money in foreign industry in building foreign factories to compete with American factories and American labor.

"Trust your banker."

You did, and the American public holds the bag.

Mr. SHANNON. Mr. Speaker, I ask unanimous consent to address the House for 15 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. SHANNON. I am sensible of the fact that in the midst of our popular fervor and enthusiasm for the program of economic reconstruction and the long-hoped-for "new deal" a warning voice may not find much of a welcome. I want it understood that I have no desire to oppose or in the least to throw an obstacle in the way of the many reforms now under way, which, God knows, are sorely needed to bring some order out of the existing chaos. As a Democrat—a Jeffersonian Democrat, if you will—I stand ready at all times to raise my voice and give my support to any measure on the Presidential program that seems to point the way for the forgotten man, or the little forgotten business, to beat his or its way back to prosperity. But when I find creeping into the company of the many varied and popular measures for the rehabilitation of business such a mysterious stranger as the movement to repeal the Sherman anti-trust law, it seems to me that we should call a moment's halt and reconnoiter the ground ahead of us. There may be a black-winged vulture edging his way in among our eagles of reform. I seem to sense an atmosphere of hugger-mugger in the harmony of our plans and hopes that will bear investigation.

I recollect in my school days reading the great story of the siege of Troy. The Greeks for 10 years had tried to batter down its walls in vain. At last they sought an armistice and they constructed a great wooden horse which they asked leave to present to the Trojans as a peace offering. But one wise old Trojan, when the proposition came up in council, said, "I fear the Greeks even when they bear gifts." But his warning voice was voted down; and when the wooden horse was pushed through the opened gates of Troy, it was filled with Greek soldiers, who opened the way for the Greek invaders, and Troy fell never to rise again.

If, as we have repeatedly reiterated in our party platforms, the antitrust laws were the first stepping stones to some remedial legislation designed to correct the abuses brought about by combinations aided by immense capital, why, may I ask, do we now stop in the midst of our great movement of reform and our efforts to relieve the struggling business men of the land and the unemployment that has resulted from their failure to carry on, to wipe from the books the first remedial law in this regard that was ever placed there? Is it not time to sound a warning, to look about us, to inquire whether we are not about to open our gates to a wooden horse with his belly full of trust magnates?

I am not advised how far this movement directed against the antitrust law has penetrated the program of reform, or whether or not our leaders have given their approval to it. For myself, I want to go upon record as against any attempt to remove that law from the books. Enough has been already done to emasculate it and weaken its vitality. But the law is still there, and it is my hope that life may yet be restored to it. As chairman of the committee which investigated Government interference with the small business man, I learned from original sources the destructive influences of such competition. But far greater and more devastating within the past 20 years or more of big-business rule has been the havoc wrought upon the struggling merchants of this country by the concentration of capital and interlocking corporations—an evil which the Democratic Party has fought consistently in every campaign and which,

in my humble judgment, it stands pledged to remedy now that it is in a position to redeem its pledges.

A REVERSAL OF DOCTRINE

To me, for the Democratic Party to turn about face on the trust question would be as preposterous and heretical a change of doctrine as for an ordained representative of some great religious body that had for centuries taught a belief in God to announce suddenly to his congregation that "for a few years now we propose to release you from a belief in God and to suspend the operation of His law, as a new experiment."

Thomas Jefferson, from far-off France, at the making of our Constitution, complained of the things that the Constitution failed to take notice of, or, rather, that the makers left out of the proposed document. One of these was the Bill of Rights, guaranteeing freedom of speech, freedom of religion, freedom of the press, an adequate, permanent habeas corpus, and, further, a proper control of monopoly.

It was doctrines such as these which Jefferson enunciated that caused Thomas Edward Watson, the historian of Georgia, to say of Jefferson that his teachings called upon the lawmaking power to use every device possible to keep down the centralization of great wealth, meaning that there should be no accumulation of the wealth of the land in the hands of a few; that the wealth of the land should be divided; that there should be a multiplicity of the well-to-do scattered over the land, from which source only national happiness could come. If wealth were to be concentrated, of course, the contrary would be true. And that great statesman and founder of our party principles said further that he would not give a fig for a people that did not have the spirit of revolt in their blood, lest those in control of government should forget whose government this was.

THE MAN WHO MADE THE LAW

In 1889, the opening day of the session of Congress of that year, Mr. John Sherman, of Ohio, introduced a bill which had for its purpose the regulation and control of monopolies, trusts, and so forth. That bill was debated in the Senate of the United States and in the House of Representatives for a period of some 5 months. The measure now on the books and known as "the Sherman antitrust law" came from the Judiciary Committee as a substitute to the one introduced by Sherman, and it is commonly said that the real author of the agreed-upon measure was Senator Hoar, of Massachusetts.

In the body that debated that question were such great minds as those of John Sherman, George Frisbie Hoar, George Franklin Edmunds, George Graham Vest, Francis Marion Cockrell, John James Ingalls, Preston B. Plumb, John H. Reagan, and the great constitutional lawyer from Mississippi, James Z. George, and many other great men of the period. It was really a blending of the various elements that had participated in the war between the States. They knew no sectional bounds; they knew no line of party distinction in that contest. They stood together to pass a law which they hoped would protect the American citizen in the future from the encroachments of great organizations of wealth.

The measure passed the Senate with but a single negative vote. Under the leadership of "Silver Dick" Bland in the House every vote present was cast for the act. The President of the United States signed the bill.

Mr. Justice Harlan, in his dissenting opinion in the *Standard Oil Co. case*, said:

All who recall the condition of the country in 1890 will remember that there was everywhere, among the people generally, a deep feeling of unrest. The Nation had been rid of human slavery—fortunately, as all now feel—but the conviction was universal that the country was in real danger from another kind of slavery sought to be fastened on the American people, namely, the slavery that would result from aggregations of capital in the hands of a few individuals and corporations controlling, for their own profit and advantage exclusively, the entire business of the country, including the production and sale of the necessities of life. Such a danger was thought to be then imminent, and all felt that it must be met firmly and by such statutory regulations as would adequately protect the people against oppression and wrong.

Many of us believe that the period of slavery and oppression foreseen in 1890 is here.

Commencing with 1892, and every 4 years thereafter, the Democratic Party incorporated in its platforms sections demanding the rigid enforcement of the antitrust laws.

Here are the excerpts from the platforms dealing with this subject and the names of the presidential candidates of the respective years:

DEMOCRATIC ANTITRUST PLEDGES

1892—Stephen Grover Cleveland: We recognize in the trusts and combinations, which are designed to enable capital to secure more than its just share of the joint product of capital and labor, a natural consequence of the prohibitive taxes which prevent the free competition which is the life of honest trade; but we believe their worst evils can be abated by law, and we demand the rigid enforcement of the laws made to prevent and control them, together with such further legislation in restraint of their abuses as experience may show to be necessary.

1896—William J. Bryan: The absorption of wealth by the few, the consolidation of our leading railroad systems, and the formation of trusts and pools require a stricter control by the Federal Government of those arteries of commerce. We demand the enlargement of the powers of the Interstate Commerce Commission and such restriction and guaranties in the control of railroads as will protect the people from robbery and oppression.

1900—William J. Bryan: We pledge the Democratic Party to an unceasing warfare in Nation, State, and city against private monopoly in every form. Existing laws against trusts must be enforced and more stringent ones must be enacted, providing for publicity as to the affairs of corporations engaged in interstate commerce, requiring all corporations to show, before doing business outside the State of their origin, that they have no water in their stock and that they have not attempted, and are not attempting, to monopolize any branch of business or the production of any article of merchandise; and the whole constitutional power of Congress over interstate commerce, the mails, and all modes of interstate communication shall be exercised by the enactment of comprehensive laws upon the subject of trusts.

1904—Alton B. Parker: We recognize that the gigantic trusts and combinations designed to enable capital to secure more than its just share of the joint products of capital and labor and which have been fostered and promoted under Republican rule, are a menace to beneficial competition and an obstacle to permanent business prosperity. A private monopoly is indefensible and intolerable.

Individual equality of opportunity and free competition are essential to a healthy and permanent commercial prosperity and any trust, combination, or monopoly tending to destroy these by controlling production, restricting competition, or fixing prices should be prohibited and punished by law. We especially denounce rebates and discrimination by transportation companies as the most potent agency in promoting and strengthening these unlawful conspiracies against trade.

1908—William J. Bryan: A private monopoly is indefensible and intolerable. We therefore favor the vigorous enforcement of the criminal law against guilty trust magnates and officials, and demand the enactment of such additional legislation as may be necessary to make it impossible for a private monopoly to exist in the United States. Among the additional remedies we specify three: First, a law preventing a duplication of directors among competing corporations; second, a license system which will, without abridging the right of each State to create corporations, or its right to regulate as it will foreign corporations doing business within its limits, make it necessary for a manufacturing or trading corporation engaged in interstate commerce to take out a Federal license before it shall be permitted to control as much as 25 percent of the products in which it deals, the license to protect the public from watered stock and to prohibit the control by such corporation of more than 50 percent of the total amount of any product consumed in the United States; and, third, a law compelling such licensed corporations to sell to all purchasers in all parts of the country on the same terms, after making the allowance for the cost of transportation.

1912—Woodrow Wilson: A private monopoly is indefensible and intolerable. We, therefore, favor the vigorous enforcement of the criminal law as well as the civil law against trusts and trust officials, and demand the enactment of such additional legislation as may be necessary to make it impossible for a private monopoly to exist in the United States.

We favor the declaration by law of the conditions upon which corporations shall be permitted to engage in interstate trade, including, among others, the prevention of holding companies, of interlocking directors, of stock watering, of discrimination in price, and the control by any one corporation of so large a proportion of any industry as to make it a menace to competitive conditions.

We condemn the action of the Republican administration in compromising with the Standard Oil Co. and the Tobacco Trust, and its failure to invoke the criminal provisions of the antitrust law against the officers of those corporations after the court had declared that from the undisputed facts in the record they had violated the criminal provisions of the law.

We regret that the Sherman Antitrust Law has received a judicial construction depriving it of much of its efficacy, and we favor

the enactment of legislation which will restore to the statute the strength of which it has been deprived by such interpretation.

1916.—Woodrow Wilson: We have created a Federal Trade Commission to accommodate the perplexing questions arising under the antitrust laws so that monopoly may be strangled at its birth and legitimate industry encouraged. Fair competition in business is now assured.

1920.—James M. Cox: The Democratic Party heartily endorses the creation and work of the Federal Trade Commission in establishing a fair field for competitive business, free from restraints of trade and monopoly, and recommends amplification of the statutes governing its activities, so as to grant it authority to prevent the unfair use of patents in restraint of trade.

1924.—John W. Davis: We declare that a private monopoly is indefensible and intolerable, and pledge the Democratic Party to a vigorous enforcement of existing laws against monopoly and illegal combinations and to the enactment of such further measures as may be necessary.

1928.—Alfred E. Smith: During the last 7 years, under Republican rule, the antitrust laws have been thwarted, ignored, and violated, so that the country is rapidly becoming controlled by trusts and sinister monopolies formed for the purpose of wringing from the necessities of life an unrighteous profit. These combinations are often formed and conducted in violation of law—encouraged, aided, and abetted in their activities by the Republican administration—and are driving all small trades people and small industrialists out of business. Competition is one of the most sacred, cherished, and economic rights of the American people. We demand the strict enforcement of the antitrust laws and the enactment of other laws, if necessary, to control this great menace to trade and commerce, and this to preserve the right of the small merchant and manufacturer to earn a legitimate profit from his business.

1932.—Franklin Delano Roosevelt: In this time of unprecedented economic and social distress, the Democratic Party declares its conviction that the chief causes of this condition were the disastrous policies pursued by our Government since the World War of economic isolation, fostering the merger of competitive businesses into monopolies, and encouraging the indefensible expansion and contraction of credit for private profit at the expense of the public.

We advocate strengthening and impartial enforcement of the antitrust laws to prevent monopoly and unfair trade practices, and revision thereof for the better protection of labor and the small producer and distributor.

No hand, in a legislative way, has ever been laid upon the Sherman Antitrust Act. For more than 21 years it remained without any judicial interference with its provisions. The Supreme Court of the United States repeatedly upheld the law. Many proceedings concerning it reached that tribunal. It was used unfairly to get a decision against labor by predatory interests, notwithstanding that never a word was said in its enactment that it was to apply to labor. Its plain intent by its proponents was a use against organized wealth.

TAKING THE TEETH OUT

In 1911, 21 years after its enactment, the interpretation of the law again came before the Supreme Court in two cases upon appeal; one from the United States Circuit Court of Appeals, Second Circuit—New York—and the other from the United States Circuit Court of Appeals, Eighth Circuit—Missouri. The case from New York involved a trust known as the American Tobacco Co.; the other was a trust known as the Standard Oil Co.

The Standard Oil case had been heard by the Eighth Circuit Court of Appeals, and by a unanimous decision the finding was against the trust in every particular. A most courageous opinion was written by that court, and an especially strong one was written by Judge Hook. Then the case was appealed to the Supreme Court of the United States.

After a hearing, the Supreme Court handed down what many think a reactionary opinion; not an interpretation of law but a piece of judicial legislation, and so called by a minority member of that Court, Justice Harlan. By a stroke of the pen the Supreme Court of the United States amended the law by holding that Congress meant to say that every combination in undue restraint of trade was illegal. The word "undue" was written into the act by the famous "rule of reason" decision of the Supreme Court. Justice Harlan pointed out in his dissenting opinion that if the act "ought to read as contended for by defendants, Congress is the body to amend it, and not this Court, by a process of judicial legislation wholly unjustifiable." The "rule of reason" and not the words of the legislative act, became the law of the land, and thereby from the Sherman Act many of its teeth were taken.

When this opinion was rendered, representatives of five great groups of wealth, through their leading men, hailed it with delight.

Mr. J. Pierpont Morgan, the banker, said of the decision:

I consider the decision concerning the Standard Oil entirely satisfactory; moreover, I expected it.

Henry Clews, another great banker of the period, likewise gave expression of confidence in the ruling. He said:

It may be taken for granted, therefore, that hereafter there will be nothing but good trusts in the eyes of the law.

George J. Gould exclaimed:

I am for the Supreme Court every time. For more than a hundred years it has been at work, and it has never made a mistake.

Jacob H. Schiff, of Kuhn, Loeb & Co., said:

I believe that the general effect of the Supreme Court decision will be most favorable to the corporations of the country.

Just stop for a moment and think what that meant. Kuhn, Loeb & Co. is still doing business. Only last year one of the great railroad systems borrowed many millions of dollars from the Reconstruction Finance Corporation to rebuild the road, and every dollar of that national gift was carted over to pay a mortgage on the railroad held by Kuhn, Loeb & Co. Not a penny of the money borrowed from the Government was used for the reconstruction of the property.

Jacob H. Schiff's trust connections, operated under that friendly interpretation of the law, were a fine thing for him. He died worth many millions, and his estate was divided amongst the members of his family, one of whom, Mortimer, became quite a rich man in his own right. He died only the other day, and his will disclosed that he was worth \$33,000,000, \$7,000,000 of it in cash. This in a period when the ordinary citizen is made to shake loose of the few dollars that he may have laid by in his stocking to avert the proverbial rainy day. Who would think in an hour of depression such as this, with millions walking the streets without means of support, that any one man could have in his coffers so much cash as that!

THE SO-CALLED "RULE OF REASON"

Right after the rendition of the "rule of reason" decision, William Jennings Bryan said that Mr. Taft, who was then President, had "packed" the court in the interests of the trusts. Of course, everyone knew Mr. Bryan did not mean literally that he had packed it in a venal or corrupt way. What Mr. Bryan meant, and had the courage to say, was that Mr. Taft, a Hamiltonian, had appointed a Hamiltonian court and that his Hamiltonian court had handed down a Hamiltonian decision, and a Hamiltonian decision always was and always will be that property, especially big property, has rights that the common man does not possess. Hence, the "rule of reason" for the benefit of those trusts, the good old Standard Oil Co. and the American Tobacco Co.

Mr. Taft himself was much put out about the criticism of this decision, and 3 years after the decision was rendered he took his pen in hand and had Harper & Bros. publish a book entitled "The Antitrust Act and the Supreme Court." It is a small volume of 133 pages. Mr. Taft was then professor of law at Yale University. He goes into much detail to demonstrate the correctness of the decision.

For the purpose of my speech at this moment, I will confine myself to just two illuminating paragraphs from that book—one on page 108 and one on page 124, wherein he says:

This brings out clearly that mere bigness not used to effect monopoly but only to increase efficiency is not a violation of the statute.

The mere fact that smaller companies are unable to keep the pace is an indication that they must have greater capital . . . so that they can sell with the other and larger companies. . . . The objection to the decree, then, is that it did not divide up the companies into small enough pieces to prevent effective competition. In this view it is the aim of the antitrust law not to free trade from obstruction or restraint, but rather to destroy the larger businesses whose capital and large plants enable them to produce goods cheaply in order that small plants that cannot produce them as cheaply may live. This is not the purpose of the statute, and those who insist that it ought to be true misunderstand its useful intention.

Mr. Taft, by saying this for the purpose of sustaining his court's opinion, tells the whole story. He had no fear of the evil that has brought on our present plight, namely, concentration of wealth in the hands of the few.

On Saturday of last week an announcement was made that a case had reached the Supreme Court of the United States presenting a protest of stockholders against the president of the American Tobacco Co. You will remember this corporation was one of the two litigants for whose benefit the "rule of reason" was found by Mr. Taft's court. In the present proceeding a stockholder challenges the validity of the bylaws of that company adopted in 1912, under which the president and vice presidents were voted a percentage of net profits remaining after paying operating and other expenses and dividends on the preferred stock.

In this case the Supreme Court is called upon to decide whether \$2,500,000 annually is an exorbitant salary for the president of the American Tobacco Co. At the same time the court is asked to determine whether salaries of from \$500,000 to \$1,500,000 are too much for the five vice presidents of the concern. And to think that the given name of the two-million-salaried president of this company is George Washington—George Washington Hill.

These are salaries paid to men who have perhaps contributed nothing to the future welfare of man, who have lived their big-business lives isolated from millions of their fellow Americans, and who have been paid these enormous salaries by reason of a trust combination made possible under judicial decisions. It is the very size of these institutions that is the real evil. Therefore, the law that created them has a right to put them out of business, if need be, to insure a more equitable distribution of the wealth of our great country and to preserve common happiness to mankind.

THE WAGES OF GENIUS

Consider for a moment some of the emoluments that have been paid to the great men of genius, who spent their talents and poured out their natural gifts for the delight and improvement of their fellowmen. The immortal Shakespeare, whose plays and poems have been translated into almost every language in the world, works which are still furnishing light and inspiration to modern audiences, and which are the basis of literary study in every school and university in the land, wrought for the cultural good of mankind. This great author's total wealth was perhaps never in excess of \$50,000 or \$60,000.

Milton, the author of *Paradise Lost*, received for it 70 pounds, \$350.

Bunyan, whose *Pilgrim's Progress* has become a great inspirational work in use in all places of public study, received a term in jail for his great contributions to the spiritual welfare of mankind.

There was another poet who bequeathed to posterity a great intellectual fortune, a wealth of beautiful thought, serene philosophy, and enchanting poetry—Oliver Goldsmith. I mention him particularly for this reason, that he left these six lines (from *The Deserted Village*):

Ill fares the land, to hastening ills a prey,
Where wealth accumulates, and men decay;
Princes and lords may flourish, or may fade;
A breath can make them, as a breath has made;
But a bold peasantry, their country's pride,
When once destroy'd, can never be supplied.

And when Goldsmith died, his friend, Samuel Johnson, the great English writer, upon examining his estate and finding out what he was worth, said, "Was ever a poet so trusted before?" He had found nothing but debts.

The meek and lowly One preached the doctrine of welfare on earth. And His wealth: What was it? A most insignificant thing.

My peace I leave with you, my peace I give unto you. My kingdom is not of this earth.

John the Baptist preached:

The time is fulfilled and the Kingdom of God is at hand. Bethink yourselves and believe in the gospel.

Bethink! That was his urging about the gospel.

What John Sherman was after was for all America to bethink. "Bethink, because a time is coming that is fraught with danger." But men did not listen to the warning of Sherman. The time foreseen by him is here, and in the midst of our efforts to readjust ourselves from the evils he foresaw, we are preparing to turn about face upon the remedial law he sponsored.

Nothing could be more appropriate than at this moment to quote the description of the condition that confronted us by the growth of the trusts, uttered by William J. Bryan in 1899 at Chicago at a great gathering on the trust question. He said:

I want to start with the declaration that a monopoly in private hands is indefensible from any standpoint, and intolerable. I make no exceptions to the rule. I do not divide monopolies in private hands into good monopolies and bad monopolies. There is no good monopoly in private hands. There can be no good monopoly in private hands until the Almighty sends us angels to preside over the monopoly. There may be a despot who is better than another despot, but there is no good despotism. One trust may be less harmful than another. One trust magnate may be more benevolent than another, but there is no good monopoly in private hands, and I do not believe it is safe for society to permit any man or group of men to monopolize any article of merchandise or any branch of industry.

On this occasion he also said:

When God made man as the climax of creation, He looked upon His work and said that it was good; and yet when God finished His work the tallest man was not much taller than the shortest and the strongest man was not much stronger than the weakest. That was God's plan. We looked upon His work and said that it was not quite as good as it might be, and so we made a fictitious person called a corporation that is in some instances a hundred times, a thousand times, a million times stronger than the God-made man. Then we started this man-made giant out among the God-made men. When God made man He placed a limit to his existence, so that if he was a bad man he could not do harm long; but when we made our man-made man we raised the limit as to age. In some States a corporation is given perpetual life.

When God made man He breathed into him a soul and warned him that in the next world he would be held accountable for the deeds done in the flesh; but when we made our man-made man we did not give him a soul; and if he can avoid punishment in this world, he need not worry about the Hereafter.

What Government gives the Government can take away. What the Government creates it can control; and I insist that both the State government and the Federal Government must protect the God-made man from the man-made man.

What Bryan said at that time is fourfold truer today. There are no good trusts; all trusts are bad trusts; and behind every trust can be found the man-made man, the corporation, which the Government created and which it can control.

The hordes of privilege, through their hired agents, have since the Sherman law was put on the books never let up in their efforts to tear it down. There has not been a concerted effort on the part of any administration to wipe out the trusts, save and except an occasional flare here and there. President Woodrow Wilson, just prior to our entrance into the World War, vigorously undertook to do it through amendments to the Federal Trade Act. The War stopped him. The trusts have run wild since 1920.

BIG BUSINESS "HUGGER-MUGGERING"

In all great crises, such as at the present time and during the World War, there is an insistent hugger-muggering between the big corporate interests and the administrative and legislative agencies. Ninety-nine times out of a hundred when the hugger-muggering ceases the big fellow has added a little more fat to his greedy hog at the expense of the little fellow, who is not able to fight and has gone down in the melee. It is the very cornerstone of the community, the little merchant, who always suffers—who has suffered almost to extinction. He is fighting today for his very breath.

All America cries out for something to be done at this moment, and that is, "We want to see the name of John Henry or Bill Smith or Tom Clark substituted for the common name of Piggly-Wiggly or the Great Atlantic & Pacific Tea Co., or this or the other big business combinations, and we want him backed, if he can get backing, in fair competi-

tion with his fellows in the small lines of trade." Hundreds of thousands of small merchants have lost their means of livelihood and are now tramping the streets. When the leading man of the Atlantic & Pacific Tea Co. died a few years ago in New England, he left an estate of \$125,000,000.

Those conditions could only be made possible through a violation of the law that bears the name of John Sherman. Shall we choose this time to kill entirely the law that the so-called "rule of reason" maimed? Let us have a new rule of reason and let the new rule be that the last Piggly-Wiggly and the last Atlantic & Pacific and all of their kindred crowd shall no longer be empowered by law to crush their little competitors, and that in their place may spring up again rugged Americans doing business as individuals and not as mere remittance agents for the trust magnates of the United States.

What are the influences at work, one may well ask, that are seeking to blind the judgment of some of our leaders in these times, when downtrodden men are calling so clamorously for wisdom and justice and for the redemption of the pledges that every Democratic platform has made to the people? Time and again we have written into our party platforms the reiteration of the Jeffersonian doctrine that we stand for the "equality of all men before the law" and for "equal and exact justice to all citizens."

THE Hairy PAW REACHING OUT

As the trusts and combinations of capital increased in power and oppression, the Democratic Party in every campaign since has denounced them and promised relief. We have pointed to the Republican Party as the fostering party of the trusts—we have pledged our own party to remedial laws that will curb their abuses and protect the rights of the individual merchant and the small competitor. We have stood by the letter of the Sherman antitrust law and denounced its emasculation. It was upon the Democratic Party and its promises and pledges that the people pinned their hopes of relief from those vast combinations that were slowly crushing their individual business efforts to death. Are we to fail them now in their hour of greatest need? Are we to lend our credulous ears to the subtle voices of the big interests that now, under the guise of friendship and co-operation, are seeking to "make the worse appear the better reason", to lead us to believe that repeal of the only law that protects the small business man, feeble as its execution has been, is in line with the other great movements we are undertaking to rehabilitate the Nation and restore it to its prosperity? Let us not mistake the voice that is trying to convince—the voice may sound like the voice of Jacob, but if you take a close look and feel of the hand, you will know that it is the hand of Esau—that hairy paw that is ever reaching out for special privileges, for the destruction of competition, for bigger profits, and for monopoly of legislative benefits.

Just this word in conclusion: In every public square in the United States there should be a memorial tablet erected to John Sherman, James Z. George, John H. Reagan, George Franklin Edmunds, George Graham Vest, and those other great men who foresaw and tried to prevent this terrible condition that has reached America, though their efforts failed to bring about their noble purpose, due to inaction on the part of executive departments of the Government.

And let us hope, if William Jennings Bryan and Thomas Jefferson from the shades beyond are looking down today upon the Democratic Party, that they will not feel as did the old prospectors in many instances in the far West, when perhaps their sole companion and protector through the long wilderness nights would be their dog they had brought from the States. The hungry coyotes would gather round, making the nights hideous with their barking and efforts to get at the inmates in their little boarded hut. Then imagine the dismay when it was found that the dog, their friend, was missing and that a night or two later they could recognize the voice of their once faithful watchdog among the coyotes, having joined them in their savage efforts to get at the prospectors. Shall we Democrats, professed defenders of the common people, unleash our only remaining hound to join the trust coyotes?

In the name of Jefferson, in the name of Jackson, in the name of Wilson, in the name of that great commoner, William Jennings Bryan, let me voice the hope at this critical time that it will not be the choice of the Democratic Party to destroy the one law that enables us to cling to some hope of restoring the little fellow in trade to his rights—the Sherman antitrust law.

Mr. McFADDEN. Mr. Speaker, will the gentleman yield?
Mr. SHANNON. Yes.

Mr. McFADDEN. I am entirely in accord with what the gentleman says about the Clayton Act. I am glad that he has made the statement he has as to the source of the demand for the repeal of the Clayton Act. It is a dangerous thing to do at this time. I am very much disturbed today about the legislation that we are about to vote on this coming week. I refer first to the passage of the bill proposing to amend the Federal Reserve Act. That bill will centralize the control and management of our finances in this country to an extent that no one has ever dreamed of.

Then we have this other proposal to create a superstructure and control over industry in the United States. The centralized control proposed in that bill will destroy individual initiative; it will destroy independent institutions that have been built up with experience, money, and labor. And may I say to the gentleman that the influences that he has been referring to now control the railroads of the United States and control the financial system of the country, and if we pass this industry control bill under the leadership that is proposed, we will give control of industry in the United States to that same crowd. We have already granted control over farming to this same group.

PERRY'S VICTORY MEMORIAL COMMISSION (H.DOC. NO. 39)

The SPEAKER laid before the House the following message from the President of the United States, which was read and, with the accompanying papers, referred to the Committee on the Library and ordered to be printed:

To the Congress of the United States:

I transmit herewith for the information of the Congress a special report of the Perry's Victory Memorial Commission dated April 6, 1933, supplementary to the annual report of the Commission for the fiscal year ended December 1, 1932.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, May 19, 1933.

FOREIGN SERVICE RETIREMENT SYSTEM (H.DOC. NO. 41)

The SPEAKER also laid before the House the following message from the President of the United States, which was read and, with the accompanying papers, referred to the Committee on Foreign Affairs and ordered printed:

To the Congress of the United States:

I transmit herewith a report by the Secretary of State showing all receipts and disbursements on account of refunds, allowances, and annuities for the fiscal year ended June 30, 1931, in connection with the Foreign Service retirement and disability system as required by section 26 (a) of an act for the grading and classification of clerks in the Foreign Service of the United States of America, and providing compensation therefor, approved February 23, 1931.

FRANKLIN D. ROOSEVELT.

Enclosure: Report concerning retirement and disability fund Foreign Service.

THE WHITE HOUSE, May 19, 1933.

REPORT OF DIRECTOR GENERAL OF RAILROADS, 1932 (H.DOC. NO. 40)

The SPEAKER also laid before the House the following message from the President of the United States, which was read and, with the accompanying papers, referred to the Committee on Interstate and Foreign Commerce and ordered printed:

To the Congress of the United States:

I transmit herewith for the information of the Congress the annual report of the Director General of Railroads for the calendar year 1932.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, May 19, 1933.

BOARD OF VISITORS, MILITARY ACADEMY

The SPEAKER laid before the House the following communication, which was read:

MAY 18, 1933.

HON. HENRY T. RAINEY,
Speaker of the House of Representatives,
The Capitol, Washington, D.C.

MY DEAR MR. SPEAKER: Pursuant to law, beg to advise that I have appointed as representing the Committee on Military Affairs of the House of Representatives the following members of said committee to be members on the part of that committee of the Board of Visitors to the United States Military Academy, for the present year: Myself, Representative HILL of Alabama; Representative JED JOHNSON, of Oklahoma; Representative PAUL KVALE, of Minnesota; Representative W. FRANK JAMES, of Michigan; Representative HARRY C. RANSLEY, of Pennsylvania; and Representative T. C. COCHRAN, of Pennsylvania.

With highest respect and kindest personal regards, I am
Yours very sincerely,

J. J. MCSWAIN, Chairman.

CHILD-LABOR AMENDMENT TO CONSTITUTION

The SPEAKER laid before the House a communication from the secretary of the Senate of the State of Michigan transmitting the following proposed amendment to the Constitution of the United States:

STATE OF MICHIGAN,
FIFTY-SEVENTH LEGISLATURE,
Regular Session of 1933.

Senate Concurrent Resolution 45

A concurrent resolution proposing the ratification of the child-labor amendment to the Constitution of the United States

Whereas the Congress of the United States has, under the fifth article of the Constitution of the United States, proposed an amendment to said Constitution in the following words, to wit:

"SECTION 1. The Congress shall have power to limit, regulate, and prohibit the labor of persons under 18 years of age.

"SEC. 2. The power of the several States is unimpaired by this article except that the operation of State laws shall be suspended to the extent necessary to give effect to legislation by the Congress."

Now, therefore, be it

Resolved by the senate (the house of representatives concurring), That the said amendment to the Constitution of the United States be, and the same is hereby, ratified; and be it further

Resolved, That a certified copy of the foregoing resolution be forwarded by his excellency, the Governor of the State of Michigan, to the Secretary of State of the United States, to the Presiding Officer of the United States Senate, and to the Speaker of the House of Representatives of the United States.

Adopted by senate May 9, 1933.

Adopted by house May 10, 1933.

ALLEN E. STEBBINS,
President of Senate.

MARTIN R. BRADLEY,

Speaker of the House of Representatives.

DON W. CANFIELD,
Secretary of Senate.

MYLES F. GRAY,
Clerk of House.

EXTENSION OF REMARKS

Mr. GASQUE. Mr. Speaker, as chairman of the Pensions Committee, my office is called upon from 5 to 25 times a day to know just exactly what effect the recent Economy Act has on the different classes of pensions. With the assistance of the law examiner in my office, I have prepared a brief and, I think, a rather clear synopsis of just what that is. I ask unanimous consent that this may be printed in the Record at this point for the information of the Members.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina [Mr. GASQUE]?

There was no objection.

Mr. GASQUE. Mr. Speaker, the synopsis will be in a brief, general way show the amounts of pension to be paid to the veterans and their dependents under the provisions of these new regulations. I have arranged the statement to show, first, just what benefits in the way of pensions the Spanish-American War veterans and their dependents get for disability contracted in service in line of duty; also the benefits for disability not contracted in line of duty. The next statement shows the benefits paid to peace-time service veterans and their dependents for service-connected disability. My next group shows the pension for World War veterans and their dependents where disability or death is shown to be due to service in line of duty; also the benefits for non-service-connected disability. The next statement shows the

effects of these regulations upon former members of the military or naval service in wars prior to the Spanish-American War and their dependents. The next statement shows that the emergency officers retain their present rates without reduction under certain conditions.

SPANISH WAR VETERANS

(Line of duty)

First. Disability due to service, in line of duty, honorable discharge, and not due to misconduct.

Second. Disability must have been contracted during an enlistment entered into on or before April 21, 1898, and before August 13, 1898, where the injury was incurred or aggravated prior to July 5, 1902.

Third. If disability was contracted during Philippine insurrection on or before August 13, 1898, and before July 5, 1902 (enlistment after Aug. 13, 1898), there must have been actual participation in the Philippine insurrection.

Fourth. Those engaged in hostilities in Moro Province, the dates are extended to July 15, 1903.

Fifth. During an enlistment where there was actual participation in the Boxer rebellion on or after June 20, 1900, and before May 13, 1901.

Sixth. If disability was incurred or aggravated by active military or naval service during an enlistment where there was an active service in Spanish-American War or actual participation in the Boxer rebellion or Philippine insurrection.

Seventh. Presumptions: (a) A person who had active military or naval service of 90 days or more is presumed to have been sound at enlistment, except for defects noted at time of enlistment or where evidence or medical judgment is such as to warrant finding that disability existed prior to enlistment.

(b) A chronic disease of 10 percent or more becoming manifest within 1 year from date of separation from active service will be considered as incurred or aggravated by service even though there is no record of same in service, provided soldier rendered 90 days' or more service and evidence fails to show an intercurrent injury or disease which is a recognized cause of such chronic disease or the disability is not due to misconduct.

Eighth. A pre-existing injury or disease is considered to have been aggravated by active service where there is an increase in disability during active service unless specific findings show increase in disability is due to the natural progress of the disease.

Ninth. Rates per month as follows:

10 percent.....	\$8
25 percent.....	20
50 percent.....	40
75 percent.....	60
100 percent.....	80

Additional rate of \$20 for anatomical loss of use of hand, foot, eye. Rates of \$100, \$150, \$175, \$200, and \$250 for blindness and loss of arm, leg, and so forth.

Widows and children

(Soldier's death due to service)

Rates per month as follows:

Widow but no child.....	\$30
Widow and 1 child (\$6 for each additional child).....	40
No widow but 1 child.....	20
No widow but 2 children, \$30 equally divided.....	
No widow but 3 children, \$40 equally divided and \$5 for each additional child, total amount to be equally divided.....	
Dependent mother or father, \$20; or both, \$15 each.....	

Total amount payable under this section shall not exceed \$75. Where such benefits would otherwise exceed \$75, the amount of \$75 may be apportioned as the Administrator of Veterans' Affairs may prescribe.

The term "child" shall mean a legitimate child or a child legally adopted, unmarried, and under the age of 16 years, unless prior to reaching the age of 16 the child becomes or has become permanently incapable of self-support by reason of mental or physical defect.

Widow must have married soldier prior to September 1, 1922; no revival of pension to widows on revived widowhood.

SPANISH-AMERICAN VETERANS
(Disability not due to service)

First. Ninety days' service and honorable discharge during Spanish-American War, Boxer rebellion, Philippine insurrection, under certain conditions, namely:

(a) Must have had actual participation during Boxer rebellion or the Philippine insurrection.

(b) It is necessary that a claimant shall have entered service prior to the cessation of hostilities and shall have served continuously thereafter for 90 days. A period of continuous active service for 90 days which commenced prior to and extended into a period of hostilities—Spanish, Boxer, Philippine—shall be considered as meeting the requirements.

(c) Pension paid only for a permanent total disability not the result of his own misconduct.

(d) Rate paid is \$20 per month.

(e) Any veteran of the Spanish-American War over 62 years of age who meets the other requirements shall be entitled to receive a pension of \$6 per month for disability less than permanent total.

(f) Pension will not be paid to a single person whose income exceeds \$1,000 per year, or married person or person with minor children whose income exceeds \$2,500. This does not apply to veterans over 62 years of age.

Widows and children
(Soldier's death not due to service)

First. Widow must have married soldier prior to September 1, 1922; no revival of pension to widows on revived widowhood.

Second. Must have had 90 days' service with honorable discharge in service mentioned above.

Third. Rates of pension paid per month as follows:

Widow but no child, \$15; widow and 1 child (\$3 additional for each child), \$20; no widow but 1 child, \$12; no widow but 2 children (\$15 equally divided); no widow but 3 children (\$20 equally divided and \$2 additional for each child, total amount to be equally divided).

Total pension under this section shall not exceed \$27 monthly. Where such benefits would otherwise exceed \$27 monthly, the amount of \$27 may be apportioned as the Administrator of Veterans' Affairs may prescribe.

The term "child" shall mean a legitimate child or a child legally adopted, unmarried, and under the age of 16 years, unless prior to reaching the age of 16 the child becomes or has become permanently incapable of self-support by reason of mental or physical defect.

PEACE-TIME SERVICE
(Line of duty)

First. For disability resulting from personal injury or disease contracted in line of duty or for aggravation of a pre-existing injury or disease contracted or suffered in line of duty, when such disability was incurred in or aggravated by active military or naval service during time of peace, provided such veteran was honorably discharged and the disability is not the result of the person's own misconduct.

Second. A person who had active military or naval service for 6 months or more is presumed to have been sound at enlistment, except for defects noted at time of enlistment or where evidence or medical judgment is such as to warrant a finding of a disability existing prior to enlistment.

Third. Rates per month as follows:

10 percent.....	\$6
25 percent.....	12
50 percent.....	18
75 percent.....	24
100 percent.....	30

Additional rate of \$10 for the anatomical loss or the loss of the use of only one foot or one hand or one eye. Rates of \$50, \$75, \$87, \$100, and \$125 for blindness, loss of arms, legs, and so forth.

Widows and children
(Soldier's death due to peace-time service)

Rates per month are as follows:

Widow, but no child.....	\$22
Widow and 1 child (\$4 for each additional child).....	30
No widow but 1 child.....	15

Widows and children—Continued

No widow but 2 children (\$22 equally divided).
No widow but 3 children (\$30 equally divided, with \$3 for each additional child; total amount to be equally divided).
Dependent mother or father (\$15; or both, \$11 each).

The total amount payable under this paragraph shall not exceed \$56. When such benefits would otherwise exceed \$56, the amount of \$56 may be apportioned as the Administrator of Veterans' Affairs may prescribe.

Widow must have married veteran prior to the expiration of 10 years subsequent to his discharge from the enlistment during which the injury or disease on account of which claim is being filed was incurred.

The term "child" shall mean a legitimate child or a child legally adopted, unmarried, and under the age of 16 years, unless prior to reaching the age of 16 the child becomes or has become permanently incapable of self-support by reason of mental or physical defect.

WORLD WAR VETERANS
(Line of duty)

First. Disability due to service, in line of duty, honorable discharge, and not due to misconduct.

Second. Disability must have been contracted during an enlistment entered into on or after April 6, 1917, and before November 12, 1918, when the disease or injury was incurred prior to July 2, 1921; provided, however, if the person was serving with the United States military forces in Russia, the dates herein shall be extended to April 1, 1920.

Third. Any person, who on or after April 6, 1917, and prior to November 12, 1918, applied for enlistment or enrollment in the active military or naval forces and who was provisionally accepted and directed or ordered to report to a place for final acceptance into such military service, or who on or after April 6, 1917, and prior to November 12, 1918, was drafted and after reporting pursuant to the call of his local draft board and prior to rejection, or who on or after April 6, 1917, and prior to November 12, 1918, after being called into the Federal service as a member of the National Guard but before being enrolled for the Federal service suffered an injury or disease in line of duty, and not the result of his own misconduct, will be considered to have incurred such disability in active military or naval service during the period of the World War.

Fourth. Presumptions: (a) A person who had active military or naval service of 90 days or more is presumed to have been sound at enlistment, except for defects noted at time of enlistment, or where evidence or medical judgment is such as to warrant finding that disability existed prior to enlistment.

(b) A chronic disease of 10 percent or more becoming manifest within 1 year from date of separation from active service will be considered as incurred or aggravated by service even though there is no record of same in service, provided soldier rendered 90 days' or more service and evidence fails to show an intercurrent injury or disease which is a recognized cause of such chronic disease or the disability is not due to misconduct.

Fifth. A preexisting injury or disease is considered to have been aggravated by active service where there is an increase in disability during active service unless specific findings show increase in disability is due to the natural progress of the disease.

Sixth. Rates per month as follows:

10 percent.....	\$3
25 percent.....	20
50 percent.....	40
75 percent.....	60
100 percent.....	80

Additional rate of \$20 for anatomical loss of use of hand, foot, eye. Rates of \$100, \$150, \$175, \$200, and \$250 for blindness and loss of arm, leg, and so forth.

Widows and children
(Soldier's death due to service)

Rates per month as follows:

Widow but no child.....	\$30
Widow and 1 child (\$6 for each additional child).....	40
No widow but 1 child.....	20

Widows and children—Continued

No widow but two children (\$30 equally divided).

No widow but three children (\$40 equally divided, and \$5 for each additional child, total amount to be equally divided).

Dependent mother or father (\$20, or both, \$15 each).

Total amount payable under this section shall not exceed \$75. Where such benefits would otherwise exceed \$75 the amount of \$75 may be apportioned as the Administrator of Veterans' Affairs may prescribe.

The term "child" shall mean a legitimate child or a child legally adopted, unmarried, and under the age of 16 years, unless prior to reaching the age of 16 the child becomes or has become permanently incapable of self-support by reason of mental or physical defect.

Widow must have married soldier prior to July 3, 1931, no revival of pension to widows on revived widowhood.

WORLD WAR VETERANS

(Disability not due to service)

First. Ninety days' service and honorable discharge during the World War, under certain conditions, namely:

(a) For the purposes of this section the World War shall be deemed to have ended November 11, 1918. In determining the period of active service for the purposes of this section it is not requisite that the 90-day period of service shall have been completed before the cessation of hostilities. It is necessary, however, that a claimant shall have entered service prior to the cessation of hostilities and shall have served continuously thereafter for 90 days.

(b) Pension paid only for a permanent total disability not the result of his own misconduct.

(c) Rate of pension paid is \$20 per month.

(d) Pension will not be paid to a single person whose income exceeds \$1,000 per year or married person or person with minor children whose income exceeds \$2,500 per year.

WORLD WAR WIDOWS AND CHILDREN

(Soldier's death not due to service)

No pension will be paid to widows and dependents of veterans of the World War unless it has been proven that the veteran's death was due to injury or disease contracted in service in line of duty.

CIVIL WAR AND INDIAN WARS

Any pension and/or any other monetary gratuity payable to former members of the military or naval service in wars prior to the Spanish-American War, and their dependents, for service, age, disease, or injury, except retired pay of officers and enlisted men of the Regular Army, Navy, Marine Corps, or Coast Guard, shall be reduced by 10 percent of the amount payable. This reduction is only for the fiscal year ending June 30, 1934.

EMERGENCY OFFICERS' RETIRED PAY

An emergency officer granted retirement pay prior to March 20, 1933, shall be entitled to continue to receive such retirement pay, without any reduction, if the disability for which he has been retired with pay resulted from disease or injury incurred in line of duty during the World War, provided such person entered active service between April 6, 1917, and November 11, 1918, and that the disease or injury or aggravation of the disease or injury directly resulted from the actual performance of military or naval duty, and that the causative factor therefor is shown to have arisen out of the performance of duty during such service.

Mr. WEIDEMAN. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to insert certain records showing the amount of American money invested in foreign stocks.

The SPEAKER. Is there objection to the request of the gentleman from Michigan [Mr. WEIDEMAN]?

There was no objection.

MESSAGE FROM THE PRESIDENT

Sundry messages in writing from the President of the United States were communicated to the House by Mr. Latta, one of his secretaries, who also informed the House that on May 18, 1933, the President approved and signed a bill of the House of the following title:

H.R. 5081. An act to improve the navigability and to provide for the flood control of the Tennessee River; to provide for reforestation and the proper use of marginal lands in the Tennessee Valley; to provide for the agricultural and industrial development of said valley; to provide for the national defense by the creation of a corporation for the operation of Government properties at and near Muscle Shoals in the State of Alabama, and for other purposes.

PERMISSION TO ADDRESS THE HOUSE

Mr. BLANTON. Mr. Speaker, I ask unanimous consent to address the House for 10 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Texas [Mr. BLANTON]?

There was no objection.

Mr. BLANTON. Mr. Speaker, the Committee on Rules has today brought in a special rule making in order House Joint Resolution No. 149, favorably reported from the Foreign Affairs Committee on April 14, 1933. But for this special rule, this resolution would not be in order, and the Speaker would sustain a point of order that I otherwise would make against it. But this special rule makes the resolution impervious to all points of order. This special rule allows only 1 hour of general debate on this resolution, one half of which is to be controlled by the chairman, and the other half by the ranking minority member of the Foreign Affairs Committee. Unless the other 410 Members of the House can obtain a little of this time from the Foreign Affairs Committee, they will not have an opportunity to say one word against the proposition, for under the terms of the special rule, all of the time for debate will be controlled by the chairman and ranking minority member of the Committee on Foreign Affairs.

Inasmuch as this measure doubtless will be called up for passage tomorrow, I am taking the floor to warn my colleagues of its provisions. I mentioned it on the day it was favorably reported, and I discussed it again on May 12, 1933 (p. 3355) and warned you to be on the lookout when it came up for passage. Are you in favor of spending \$48,500 every year for all time to come on a so-called "International Institute of Agriculture at Rome, Italy"? That is what it proposes, for I now quote the first part of it word for word, as follows:

Joint resolution authorizing an annual appropriation for the expenses of participation by the United States in the International Institute of Agriculture at Rome, Italy

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the sum of \$48,500, or so much thereof as may be necessary, is hereby authorized to be appropriated annually, for the expenses of participation by the United States in the International Institute of Agriculture at Rome, Italy, to be expended under the direction of the Secretary of State—

And so forth. And after authorizing the payment of about \$5,000 toward the annual support of this institute in Rome, Italy, it then provides:

Not to exceed \$7,500 for the salary of a United States member of the permanent committee of the International Institute of Agriculture.

That \$7,500 happens to be a raise of \$2,500 more in salary than was proposed by a similar resolution which the chairman of the Foreign Affairs Committee introduced in the last Congress, and I refer to House Joint Resolution No. 586, introduced in the House by Chairman McREYNOLDS on February 2, 1933, and favorably reported on February 16, 1933, in which this particular clause reads as follows:

Not to exceed \$5,000 for the salary of a United States member of the permanent committee of the International Institute of Agriculture.

Just what has happened since February 16, 1933, to cause the Committee on Foreign Affairs to want to raise this salary from \$5,000 to \$7,500? Are we raising salaries just now? Then, when did we begin to raise them? We have lowered and not raised salaries. We have cut all salaries 15 percent. Then why should we have an American employed by the year as a member of this institute in Rome, Italy? And why

should he live in Rome, Italy, the year round. The next provision of this resolution provides:

Not to exceed \$5,500 for rent of living quarters, including heat, fuel, and light.

Are you in favor of furnishing a home in Rome, Italy, for this member of this Agricultural Institute in Rome, Italy, at an annual cost of \$5,500? I am not.

Then the next item of expense in this resolution is to pay the following:

Compensation of subordinate employees without regard to the Classification Act of 1923, as amended.

Thus, there is no limitation in the measure as to the number of subordinate employees to be employed, and no limitation as to the salaries to be paid them, but Congress is to leave all that to somebody else. Who is to do the employing? Who is to fix their salaries? Are you colleagues here not interested in knowing beforehand these pertinent facts? I am interested in knowing them beforehand, and I am going to know them before such measures are passed.

I am afraid that the State Department is getting into the bad habit of adopting the methods used by the War Department and the Navy Department when framing their bills, in using technical language in its bills likewise, so that there will be little chance of discovery as to its intent and purpose. There are five innocent-looking little words in this resolution under which the greater part of this \$48,500 will be spent each year, and they are the following, cut off by semicolons, to wit:

Actual and necessary traveling expenses.

These words are the ones that will permit the junkets. You will remember that there is an expense quota of about \$5,000, and an annual salary of \$7,500, and \$5,500 for rent, heat, fuel, and light of his living quarters, and some compensation for subordinate employees. The balance of this annual \$48,500 is to be spent under the heading "actual and necessary traveling expenses", and I want to know who is to do this traveling. I want to know who is to go on these junkets.

I represent a farming and stock-raising district. I am in close touch with the farmers. I know what they are thinking about. I know how they feel. I know what they want, and I know what they do not want. And I know that the farmers do not want us to spend \$48,500 to participate in any so-called "Institute of Agriculture" in Rome, Italy. I know that they do not want us to pay \$5,000 per year to Italy on the expenses of this institute. I know that the farmers do not want us to pay a man \$7,500 per year salary and allow him \$5,500 for dwelling, heat, fuel, and lights in Rome, Italy, just to be a member of that Italian institute. I know that the farmers do not want us to spend money to employ any subordinate employees for them in Rome, Italy. I know that the farmers do not want us to spend the balance of this \$48,500 for annual traveling expenses over to Rome, Italy.

It may be of interest to you to know who started this Agricultural Institute in Rome, Italy. There was a man named David Lubin, of California, from whence comes our distinguished colleague—

Mrs. KAHN. May I say that I am not the only inhabitant of California present?

Mr. BLANTON. But I knew my friend would know something about it. In 1905 this man Lubin got the King of Italy to such a conference, and the United States was represented in it by Henry White, our then Ambassador to Italy. Instead of having our Ambassador, already there, and already drawing a salary to represent us, and already being furnished with a dwelling, heat, fuel, and lights, to sit in such conference as our representative whenever it was held, we entered into a new arrangement of having another and different representation at an added cost. And ever since 1905, except an interim during and following the war, and until 1928, when we cut loose from them, we have been "participating" in this so-called "Institute of Agriculture" at Rome, Italy, each year at an expense that has varied between \$29,577 to \$68,340 per annum. Since 1928 we have

had no delegate to participate at Rome, Italy, in this institute, and we have ceased to participate actively in the affairs of the organization. And I want to say that it will pay us to stay out of it. We have been out of it since 1928. And we ought not to go back into it, especially when it will cost us \$48,500 annually.

To give you an idea of just how each delegate we send to Europe spends public money that we take from the people back home in taxes, I remember that on May 8, 1928, there was held in Rome, Italy, what the Italian authorities called "an International Conference on Literary and Artistic Property." Of course, we had to attend it. There is always somebody who wants to attend. As a United States delegate there was a Mr. Thorvald Solberg, already employed on a salary, and he is an able, capable man, and I have high respect and regard for him, and the following is a correct statement of the expenses of his trip to Rome, which I got direct from the State Department, to wit:

Steamship fare, New York to Cherbourg, and railway fare, Cherbourg to Paris and return.....	\$634.00
Railroad fare, Washington to New York.....	8.14
Pullman fare, Washington to New York.....	1.88
Miscellaneous traveling expenses and per diem allowances in Europe.....	633.39
Total.....	1,277.41

And that \$1,277.41 for Mr. Thorvald Solberg's junket abroad was paid out of the Public Treasury with tax money wrung from the pockets of taxpayers whose shoulders are overburdened.

Oh, it is easy to theorize on paper, and to declare that certain imaginary benefits will accrue from this institute and that, but I challenge any official of this Government to show where the farmers of the United States have ever received any practical benefit whatever from this institute at Rome, Italy. Not many farmers even know that it has ever existed. My good colleague from Oklahoma, WILL ROGERS, tells me that he has taught school for the last 15 years and he never before heard of this Agricultural Institute at Rome, Italy. It is a junket proposition, pure and simple.

Mr. FORD. But the gentleman is talking about a junket. There is no junket in that resolution.

Mr. BLANTON. Now, why is there not?

Mr. FORD. That is for a permanent delegate.

Mr. BLANTON. Now let us see about that. Why do we have to have a man live in Rome, Italy, at a salary of \$7,500, with an allowance of \$5,500 more for his home, all the time, by the year, to attend an institute? They proposed last February to pay him only \$5,000 a year to live in Rome.

Mr. HOEPEL. Will the gentleman yield?

Mr. BLANTON. In just a moment. Now they are proposing to increase that salary from \$5,000 to \$7,500 by this bill, to live in Rome, Italy; and they are proposing to give him \$5,500 more a year for expenses there, for rent and expenses. Then, what is to become of the balance of the \$48,500 each year? He will not do the farmers of the United States one dollar of good. There is not a farmer in my big district in Texas who wants this institute held in Rome. I will say to my friend WILL ROGERS, of Oklahoma, there is not one farmer in the whole State of Oklahoma who wants it.

Mr. GASQUE. Will the gentleman yield?

Mr. BLANTON. In a moment, I will, gladly. But the Foreign Affairs Committee is interested simply because the State Department sent it to them. Now, this is the way these things happen.

Some fellows want to take trips to Europe. They get a department to send a recommendation to the President. The President knows nothing about the matter. He merely approves the recommendation of his department. The department forwards the recommendation to a committee of Congress, together with a draft of the bill they want passed. Many times committees approve them without question or serious thought, and Congress passes them, and the money is spent, and the junkets taken. That is why we find so

many employees of this Government frolicking all over Europe every year, and we have to tax the people to pay for it. I remember that in another Congress, I was a conferee on a bill, and I objected to an item of \$10,000 that had been put into it, and it was remarked, "Oh, we cannot take that out, as it is the summer trip of our good friend ———." We must stop these summer trips, even if they are to be taken by good friends of ours.

Why, Rome, Italy, is simply bedecked constantly with international conferences. If we attended all of them that are held there, we would be going back and forth all of the time, at great expense to the people. The following is a communication that came here to the House from the State Department last January inviting us to come to Rome, Italy, on an "International Parliamentary Conference on Commerce":

DEPARTMENT OF STATE,
Washington, January 4, 1933.

HON. JOHN N. GARNER,
Speaker of the House of Representatives.

SIR: There is transmitted herewith for your information and consideration a copy of a despatch from the American Embassy at Rome and its enclosure, a letter from the secretary general of the International Parliamentary Conference on Commerce, extending to the Congress of the United States an invitation to be represented at the eighteenth plenary assembly of the above-mentioned organization, which is to take place in the capitol at Rome, beginning April 19, 1933.

The Department will be pleased to receive an indication of the views of the House of Representatives with regard to this invitation in order that an appropriate reply may be made to the secretary general of the conference.

For your information, it may be stated with regard to the seventeenth assembly of this conference which was held at Prague in 1931 that, the Senate and House of Representatives having adjourned without having taken action to appoint representatives, this Department was requested by officers of the two Houses to delegate observers on behalf of the Government of the United States from the Foreign Service. As a result the American consul general and the commercial attaché at Prague were so delegated. This matter is also being referred to the Vice President.

Very truly yours,

H. L. STIMSON.

We ought to stop this eternal spending of public money on wasteful, extravagant, and useless matters. This Institute of Agriculture in Rome, Italy, may be important to Italians in Rome, but it is of absolutely no interest to the farmers of America. I want to ask you colleagues present, have you got any farmers at home in your district who want you to spend \$48,500 each year having somebody attend this institute in Rome, Italy? If you have such farmers, I feel sure that they do not know how to milk cows, as does my good friend from Minnesota, Senator MAGNUS JOHNSON.

Mr. JOHNSON of Minnesota. I stand with the gentleman on this; I am with him.

Mr. BLANTON. We ought to stop it. I have been fighting against these expensive junkets ever since I first came to Congress.

You will note that these delegates on trips abroad, like Mr. Thorvald Solberg, use \$1,277.41, so they can spend going over \$500 for a trip on a big, fine *Manhattan* to Cherbourg and Paris, and another \$500 to spend running around over Europe, with the trip back on a sea palace like the *Washington*.

Mr. WEIDEMAN. Mr. Speaker, will the gentleman yield?

Mr. BLANTON. I yield.

Mr. WEIDEMAN. It is just like sending them on a social trip at Government expense.

Mr. BLANTON. That is it. I wish the gentleman could see what happens on some of these social trips.

Mr. HART. Are these delegates farmers?

Mr. BLANTON. No; they are not farmers.

Mr. HART. Let me call the gentleman's attention to what happened in Michigan in the matter of \$250,000 spent in an effort to introduce and develop the Katahdin potato.

Much money has been spent in the undertaking, with the result that a carload of these potatoes was shipped into the State of Michigan for the purpose of being given to the farmers of the country, but all that happened was that a few were given to college friends, who will cultivate these pota-

toes, so that next year they can charge the other farmers \$5 and \$10 a bushel for them for seed.

Mr. BLANTON. Yes; I showed just how much our Department of Agriculture spent in sending its scientists all over old Mexico and South America hunting wild potatoes. Mr. Speaker, I cannot yield further.

[Here the gavel fell.]

Mr. BLANTON. Mr. Speaker, I ask unanimous consent to proceed for 5 additional minutes.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. BLANTON. I have been trying for years to stop this waste and extravagance. The President did not send this up here as an emergency measure. Our good friend, Cordell Hull, did not ask us to pass this kind of a measure when he was a Member of the House or Senate.

Mr. McREYNOLDS. Mr. Speaker, will the gentleman yield?

Mr. BLANTON. I yield.

Mr. McREYNOLDS. The gentleman is inaccurate in his statement regarding this matter.

Mr. BLANTON. Now, I want to be fair to my friend.

Mr. McREYNOLDS. Well, the gentleman is not fair.

Mr. BLANTON. I want to say this: You cannot always rely on committees that bring in a resolution to give you all the facts. Why, you could not rely on the Rules Committee, and you could not rely on the gentleman from New York [Mr. SIOVICH] when they tried to get you to spend \$250,000 the other day on a junketing resolution.

Because authors of such resolutions are my friends is not going to deter me from doing my duty here in trying to save the money of the people.

Mr. BLACK. Does not the gentleman remember the time recently when the Judiciary Committee came in with a bill which the House was assured was endorsed by both the Department of Justice and the Department of State, when in fact both Secretaries repudiated it?

Mr. BLANTON. The Rules Committee did turn down a request for a rule, the other resolution from the Committee on the Judiciary, which sought to allow it to hold hearings anywhere in the United States, after the Speaker sustained my point of order against it, and I made that point of order when as good a friend as my friend from Texas [Mr. SUMNERS] is chairman of that committee. Yet this did not stop me from doing my duty and stopping that resolution, that would have permitted the 25 members of the Judiciary Committee to sit anywhere in the United States any time they wanted to and employ high-priced lawyers and experts at the expense of the people. This ought to be stopped; I do not care if Cordell Hull has approved it since he has become Secretary of State.

Mr. McREYNOLDS. Will the gentleman yield?

Mr. BLANTON. I am sure the gentleman this time will couch his question in friendly terms, and I yield.

Mr. McREYNOLDS. Did I understand the gentleman to say that the Chairman of the Rules Committee had refused a rule on this resolution?

Mr. BLANTON. Oh, no. I said he had brought in a rule for it. I said that the Rules Committee had refused to vote out a special rule for the investigation by the Judiciary Committee; and that is so, is it not? They have not brought in any rule on that, although we were served notice the other day by one member that they were going to bring it in immediately. They had a meeting, and I am informed by members of the committee that the members of the committee opposed it and they could not pass it.

Mr. BLACK. I referred to the press-censorship bill.

Mr. BLANTON. I know that. I am talking about the resolution now for which they have been trying to get a rule that would permit the 25 members of the Committee on the Judiciary, or any subcommittee, to sit anywhere in the United States they want to from now until January 1 and employ experts, and so on. I stopped that bill with a point

of order. We ought to stop this eternal junketing in all bills. [Applause.]

I hold in my hand a copy of Senate Document No. 130, Seventy-second Congress, first session, embracing a letter from President Hoover, transmitting to the Congress the recommendation of the Secretary of State, Mr. Stimson, proposing identically this same bill, except that the salary of the resident delegate was only \$5,000, to wit:

To the Congress of the United States:

I commend to the favorable consideration of the Congress the inclosed report from the Secretary of State, to the end that legislation may be enacted authorizing an annual appropriation of \$48,500 for the expenses of participation by the United States in the International Institute of Agriculture at Rome, Italy.

HERBERT HOOVER.

THE WHITE HOUSE, June 29, 1932.

No such message as the above has ever come to us from President Franklin D. Roosevelt, in this emergency session. And in parallel columns I will now quote first on the left the bill prepared and sent by Mr. Henry L. Stimson, Secretary of State under Mr. Hoover, on June 29, 1932, and on the right the present bill that is to be taken up under the special rule, and you will see that they are exactly the same, except the latter proposes to raise the salary from \$5,000 to \$7,500. And following, in parallel columns, I will show the purposes of the institute, as stated in said Senate document, sent by Mr. Stimson in 1932, and the purposes of the institute, as stated by the present report of the Committee on Foreign Affairs, and you will see that both are identical. Hence, you will see that these purposes are mere theoretical hopes and aspirations, and there is nothing whatever to show that any of such proposes have been accomplished.

STIMSON'S BILL

Joint resolution authorizing an annual appropriation for the expenses of participation by the United States in the International Institute of Agriculture at Rome, Italy

Resolved, etc., That the sum of \$48,500, or so much thereof as may be necessary, is hereby authorized to be appropriated annually, for the expenses of participation by the United States in the International Institute of Agriculture at Rome, Italy, to be expended under the direction of the Secretary of State in the following manner:

(1) Not to exceed the equivalent in United States currency of 192,000 gold francs for the payment of the annual quota of the United States for the support of the institute, including the shares of the Territory of Hawaii, and of the dependencies of the Philippine Islands, Puerto Rico, and the Virgin Islands.

(2) Not to exceed \$5,000 for the salary of a United States member of the permanent committee of the International Institute of Agriculture.

(3) Not to exceed \$5,500 for rent of living quarters, including heat, fuel, and light, as authorized by the act approved June 26, 1930 (46 Stat., p. 818); compensation of subordinate employees without regard to the Classification Act of 1923, as amended; actual and necessary traveling expenses; and other contingent expenses incident to the maintenance of an office at Rome, Italy, for a United States member of the permanent committee of the International Institute of Agriculture.

1932 STATEMENT OF PURPOSES

The purposes of the institute as stated in the convention are to—

(a) Collect, study, and publish as promptly as possible statistical, technical, or eco-

PRESENT BILL

Joint resolution authorizing an annual appropriation for the expenses of participation by the United States in the International Institute of Agriculture at Rome, Italy

Resolved, etc., That the sum of \$48,500, or so much thereof as may be necessary, is hereby authorized to be appropriated annually, for the expenses of participation by the United States in the International Institute of Agriculture at Rome, Italy, to be expended under the direction of the Secretary of State in the following manner:

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PRESENT STATEMENT OF PURPOSES

The purposes of the institute as stated in the convention are to—

(a) Collect, study, and publish as promptly as possible statistical, technical, or eco-

1932 STATEMENT OF PURPOSES

nomie information concerning farming, both vegetable and animal products, the commerce in agricultural products, and the prices prevailing in the various markets.

(b) Communicate to parties interested, also as promptly as possible, all the information just referred to.

(c) Indicate the wages paid for farm work.

(d) Make known the new diseases of vegetables which may appear in any part of the world, showing the territories infected, the progress of the disease, and, if possible, the remedies which are effective in combating them.

(e) Study questions concerning agricultural cooperation, insurance, and credit in all their aspects; collect and publish information which might be useful in the various countries in the organization of works connected with agricultural cooperation, insurance, and credit.

(f) Submit to the approval of the governments, if there is occasion for it, measures for the protection of the common interests of farmers and for the improvement of their condition, after having utilized all the necessary sources of information, such as the wishes expressed by international or other agricultural congresses or congresses of sciences applied to agriculture, agricultural societies, academies, learned bodies, etc.

PRESENT STATEMENT OF PURPOSES

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(f) Submit to the approval of the governments, if there is occasion for it, measures for the protection of the common interests of farmers and for the improvement of their condition, after having utilized all the necessary sources of information, such as the wishes expressed by international or other agricultural congresses or congresses of sciences applied to agriculture, agricultural societies, academies, learned bodies, etc.

Mr. BLANTON. So it will be easily seen, Mr. Speaker, that this whole matter is one that has come from the Department of Agriculture and the State Department, and they prepared and sent the measure here for us to pass. It is true, as the gentleman from Tennessee stated, that Hon. Cordell Hull, since he has become the Secretary of State, has approved this matter, but I imagine he did it perfunctorily.

Not one word has come to us from anybody showing that any of the purposes for which this institute was formed has ever been accomplished. No one can tell us of any practical benefit that farmers have ever gotten from this institute. We have not participated in it since 1928. And we ought not to ever participate in it again. And we ought to save this \$48,500 per year. We ought to defeat this resolution whenever it is called up for passage.

Mr. McREYNOLDS. Mr. Speaker, I ask unanimous consent to address the House for 10 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. McREYNOLDS. Mr. Speaker, I am very glad, indeed, that I happened to walk in on the floor of the House or was notified that the gentleman from Texas was making this speech. You know he has harped a great deal on these committees that go abroad and he has even seen fit to reflect upon my committee and the chairman of the committee.

Mr. BLANTON. Oh, not to reflect on them. I am a friend of every member of the Committee on Foreign Affairs. I am simply calling attention to the effect of legislation that this committee has reported here. The gentleman knows that I would not reflect on any member of that splendid committee.

Mr. McREYNOLDS. Whenever you go to discuss a matter of this kind and attempt to give the gentleman the facts, he always leaves you and says that he will investigate it.

The statement of the gentleman in reference to this bill not being advocated by Secretary of State Hull or by the President of the United States is absolutely without foundation and untrue.

If you will only examine the report, as you should have done, you will see the statement of Secretary Hull and the statement of the Secretary of Agriculture in this report; and I am authorized by the President of the United States himself, by telephone communication this morning, to state that he is behind this bill and thinks that this information which the farmers of this country ought to have could be acquired cheaper by this means than by any other means we could offer.

The gentleman talks about these junketing committees. I am certainly in sympathy and in harmony with him on that. I have voted against these junketing committees, but why does he bring that into this matter? This is not a junketing committee. The gentleman ought to be more careful about the statements he makes when he comes before the House.

What is this institution? What is its purpose? It was organized in 1905 by a man from California, our own country, who went to Rome and secured the cooperation of the Government there, and it was made a world-wide matter of cooperation by the various nations. It was the greatest institution of its kind in the world up to the time the League of Nations was created. It is the only place in the world where you can secure information for the farmers of this country. It gives you detailed reports, and these reports are used by the Agricultural Department and by the farmers throughout the Nation. It is also bound up by treaty agreements. There is a treaty between various nations, and the gentleman would have you violate these treaties.

In 1921 and 1922 they had to pay more than the original treaty and the appropriations were made; but in 1928, as the gentleman has correctly stated, there was a disagreement about who was in charge and about the reservation of which the gentleman speaks, and then our country withdrew our delegates; but we had to pay, under our treaty agreements, toward the keeping up of the institution.

Mr. BLANTON. That is about \$4,000 a year.

Mr. McREYNOLDS. It runs between four and five thousand dollars. Our treaty agreement provided for payment in francs, and as the franc had depreciated we did not have to pay more than four or five thousand dollars; and the party that he speaks of who was in charge, since that time has gone out of office at the request of this Government and other governments and now it is left to the council, and that is the reason that our Government and other governments are willing to go back into this institute, and that is the reason they come here asking you for this authorization.

Mr. CARTER of California. Will the gentleman yield?

Mr. McREYNOLDS. Yes.

Mr. CARTER of California. With the exception which the gentleman has noted, has the Government participated in this conference since 1905?

Mr. McREYNOLDS. During the war, I think not. Up to 1928 we had a delegate there.

Mr. CARTER of California. Can the gentleman explain for the enlightenment of the House any benefit that has accrued to the farmer by reason of this conference?

Mr. McREYNOLDS. We have it in the report; the gentleman can see it by reading the report.

Mr. BLANTON. Will the gentleman yield?

Mr. McREYNOLDS. I yield.

Mr. BLANTON. I will guarantee that my friend cannot find a farmer in Tennessee or a farmer in Texas that ever heard of this institute.

Mr. McREYNOLDS. That is like the general statements the gentleman is making on the floor. The gentleman is continually making statements that are not borne out by the facts. That is the way I feel about it. The gentleman from Texas is always taking the floor to make general statements, and, in this case, trying to establish a connection with a junketing committee. He connected other junketing trips with this, for which there is no foundation. What we propose to do is to preserve our treaty rights. We place a man there to look after the rights of this country. I think I would not have to go far to get a witness—no farther than

the Speaker of this House, who is a farmer. I talked with him and he told me at one time that he had written over there for information and could not get it because we did not have a representative there. It was in reference to the great bank that was being organized for the League of Nations, by which the farmers of the country could be furnished loans at the rate of interest of 1 percent. That was very vital to this country. That would be a saving. It takes a qualified man there to represent this Government, to collect this data for the farmers of this country.

You can get no information more valuable from any source than you get from this institute. As the President said this morning, there is no means by which we can acquire that information as cheaply as we can to meet our treaty obligations than by this expenditure.

This bill was recommended by ex-President Hoover, Mr. Stimson of the State Department, and by the present Secretary of State, and the present Secretary of Agriculture, and the President of the United States.

It seems to me, sir, that that ought to have some influence as to the importance of this service, more influence than the gentleman from Texas, who comes to you and says nobody except some students ever heard of this institute.

Mr. BLANTON. Will the gentleman yield?

Mr. McREYNOLDS. I will yield.

Mr. BLANTON. The gentleman is the chairman of the committee. He ought to know as much about it as any member on his committee. I challenge him to tell one thing to this House, one piece of information of value to the farmers that this institute has ever given. If he can tell me one, I will sit down—one single piece of information that has been of value to the farmers.

Mr. McREYNOLDS. If I gave that to the gentleman, he would be a doubting Thomas.

Mr. BLANTON. No; but I want the facts. When the gentleman speaks of ex-President Hoover I am reminded that there is a monument down here on Pennsylvania Avenue known as the "\$20,000,000 Commerce Building" that will be an eternal monument to Hoover's extravagance.

Mrs. ROGERS of Massachusetts. Mr. Speaker, will the gentleman yield?

Mr. McREYNOLDS. Mr. Speaker, I want first to pay my respects to the gentleman from Texas.

The SPEAKER. The time of the gentleman from Tennessee has expired.

Mr. McREYNOLDS. Mr. Speaker, I ask unanimous consent to proceed for 3 minutes more.

The SPEAKER. Is there objection?

There was no objection.

Mr. BLANTON. Mr. Speaker, I ask that the gentleman have 10 minutes more, because I wish he would tell us one piece of information that has been gathered by this institute at Rome that has benefited the farmer.

The SPEAKER. The gentleman from Tennessee is recognized for 3 minutes.

Mr. McREYNOLDS. Mr. Speaker, the gentleman from Texas [Mr. BLANTON] says that he is always willing to be convinced by reason and logic. If he can show me anybody in this House who can substantiate that statement, I shall take more time, as he suggests.

Mr. BLANTON. I will show the gentleman many Members here who will substantiate the fact.

Mr. JOHNSON of Minnesota. Mr. Speaker, will the gentleman yield to me?

Mr. McREYNOLDS. Yes.

Mr. JOHNSON of Minnesota. I have not taken up very much time on this floor. As a farmer and a lawmaker, if I can call it that at the present time, can the gentleman tell me what real benefit American agriculture will have from this trip of, maybe, a dozen or a score of people to Rome?

Mr. McREYNOLDS. The gentleman from Minnesota has misinformation about a score going to Rome.

Mr. JOHNSON of Minnesota. If they spend \$48,000—

Mr. McREYNOLDS. There is one representative there to represent this country. Let me show the gentleman the

purposes of this institution, and then he can judge for himself whether or not the information is worth anything to this country. What is the purpose of the institution? It is to collect, study, and publish as promptly as possible statistical, technical, or economic information concerning farming, both vegetable and animal products, the commerce in agricultural products, and the prices prevailing in the various markets of the world.

Mr. JOHNSON of Minnesota. Stop right there.

Mr. McREYNOLDS. No; let the gentleman do the stopping. I have the floor, it is my time. It strikes me that if that information is given to people who have things to ship, and they can be advised of the markets of the world, it will be of benefit. Second, its purpose is to communicate to parties interested, as promptly as possible, the information just referred to. That has been done throughout this country. Whether or not my friend from Texas [Mr. BLANTON] has received any information of that character I know not—but I presume not, because he is not a farmer, and he would not know what to do with it if he did get it.

Mr. BLANTON. Oh, I will put my general information up against the gentleman's general information.

Mr. McREYNOLDS. I am not yielding. Third, to communicate the wages paid for farm work and to make known new diseases of vegetables, which appear in any part of the world, showing the territories affected, the progress of the disease, and, if possible, the remedies which are effective in combating them. Does the gentleman believe that that will be of service to the farmers in this country?

Mr. JOHNSON of Minnesota. May I ask the gentleman a question right there?

The SPEAKER. The time of the gentleman from Tennessee has again expired.

Mr. JOHNSON of Minnesota. I want to ask the gentleman 2 or 3 questions.

Mr. BLANTON. Mr. Speaker, I ask unanimous consent that the gentleman have 2 minutes more.

Mr. JOHNSON of Minnesota. And I hope the gentleman from Texas will keep quiet so that I can have the gentleman's attention for just a moment.

The SPEAKER. The time of the gentleman from Tennessee has again expired.

Mr. BLANTON. Mr. Speaker, I ask unanimous consent that the gentleman may have 2 minutes more.

The SPEAKER. The gentleman from Texas asks unanimous consent that the gentleman from Tennessee may proceed for 2 minutes more. Is there objection?

Mr. ROGERS of Oklahoma. Mr. Speaker, I reserve the right to object. The gentleman from Tennessee was stating what this institution is for; but returning now to the question—because I am a new man, and if this is a good thing, I am for it—I should like to have the question answered as to what good this thing has done.

The SPEAKER. Is there objection?

There was no objection.

Mr. JOHNSON of Minnesota. I am a farmer, and maybe I should have some privilege.

Mr. McREYNOLDS. The gentleman should.

Mr. JOHNSON of Minnesota. I do not belittle the effort of anybody to help the people of this country and other countries in the world, but does not the gentleman as chairman of that great committee, having been a Member of this House for years and years, know that we, the farmers of this country, have about enough information on that score? I want to put another question to the gentleman so he can answer one after the other. Does the gentleman not know that we have a group of people in this country today informing us farmers how to raise more, and that we also have another group who are telling us to raise less and even destroy the things that we have planted and tried to raise in this country? Let the gentleman answer those questions, and then I will put 2 or 3 more if he has the time.

Mr. McREYNOLDS. The gentleman seems to be proceeding on his own convictions, regardless of what people think about it. He may have what information he desires

as a farmer, and I presume he has, with the standing and the learning and the compliments that he has had in his lifetime. I presume he had a chance to acquire this knowledge, but there is many a poor farmer in his district, I have no doubt, who has not had those same advantages, and I presume that that is one of the reasons why the gentleman's constituents have sent him down here, so that he may impart that information to them. This is absolutely endorsed by the Secretary of Agriculture as a part of his program, because he feels that it will help the farmers of this country. His letter to that effect is not only in the Record, but it is also in a private letter.

The SPEAKER. The time of the gentleman from Tennessee has again expired.

Mr. HOEPEL. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes.

The SPEAKER. Is there objection?

There was no objection.

Mr. HOEPEL. Now that the battle is over, I hope we can have peace.

Mr. Speaker, I am going to speak on something other than finances and junkets. I am going to speak on a subject which is near and dear to the heart of every Member of Congress and every citizen of the United States and in the world. I refer to our American homes and motherhood. I wish to preface my remarks with commendation of the ministers of New York who in their sermons last Sunday deviated from the ordinary eulogy in poetry to the mothers of America and addressed themselves to the question of economic relief and benefit to the mothers of America.

I am interested in the mothers of America, and I am interested in the welfare of the women of America. During the campaign and since we heard a great deal about the forgotten man. I am here this afternoon to speak briefly for the forgotten woman of America, because she has never been considered. Today 150,000 are transients, while a total of approximately 1,500,000 are unemployed.

We passed a bill putting 250,000 young men to work at starvation wages, but we have done absolutely nothing for the young unmarried women and widows of America.

Mr. CARTER of California. Will the gentleman yield?

Mr. HOEPEL. I do not have the time. I am just bringing up the subject. What I am striving to present to you is this, that in the city of Washington and throughout the United States in general there are untold thousands of married women who are working and who do not need to be employed. The leadership here have been free and liberal in bringing bills to us, saying the President is for such bills and urging our support. Will these leaders go back and tell the President that the American people are opposed to the unnecessary employment of married women in government?

In the Patent Office in this city there is an attorney who receives \$7,400 per year. His wife is employed in the same division, receiving \$3,400. Yesterday I was told of a man working in the Printing Office, at a salary of \$3,200, and his wife working in the Treasury at \$2,400. His son is a page in this Congress and his daughter is secretary to a Congressman. I think this Congress ought to set an example to the world and to the individual who is out of employment and enact legislation preventing the employment of married women who do not need to work.

As I go back and forth to my home I see an army of women. In fact, I see them riding in limousines, their fingers bedecked with diamonds. Every high-class apartment here is filled with poodle dogs. For every poodle dog that is maintained by these married women who are unnecessarily employed there are women and children walking the streets begging for bread. Yesterday a fine, high type American lady came to me pleading for help. She was secretary to a Congressman here. She went to the Woodward Building looking for work. A high-class law firm offered her \$5 a week. On investigation I found the man who offered her \$5 a week lives in one of the swellest apartments in Washington. What we need is a little more humanity in government and a little more humanity in the hearts of the people.

It is up to this Congress and these leaders, who are always talking about money, finances, and bonds, to think a little about the unemployed. I take you briefly to my own State of California, where letters to me indicate that conditions are becoming increasingly worse. The county of Los Angeles borrowed money from the Reconstruction Finance Corporation. The poor, distressed unfortunates in my county who were paid with these funds were taken from their work and called into the office.

In order to continue in employment they were forced to subscribe to a pauper's oath, and in this oath they required to know whether the wife at home had an engagement ring or a wedding ring. Can you imagine such a thing in this free country of America? But you will all observe that when \$90,000,000 was loaned to Dawes, which he turned over to Insull, they did not ask Dawes whether his wife had a wedding ring.

Mr. LUNDEEN. Will the gentleman yield?

Mr. HOEPEL. I yield.

Mr. LUNDEEN. I wonder if the gentleman is aware of the fact that recently something on the same order happened to some soldiers? They required them to leave the soldiers' home at Dayton, and when expelled compelled them to leave without outer garments. This fact can be confirmed by reference to the May 15 issue of the Disabled American War Veterans' periodical.

Mr. HOEPEL. I can answer the gentleman in detail on that subject, as I yield to no man in my knowledge of the veteran question. [Applause.]

The SPEAKER. The time of the gentleman from California [Mr. HOEPEL] has expired.

Mr. DOWELL. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Iowa [Mr. DOWELL]?

There was no objection.

Mr. DOWELL. Mr. Speaker, there has been a great deal of discussion on the financial situation, on the condition of the Treasury, and on the subject of taxation. It is not often that I read an article in this House, but I want to call attention specifically to an Associated Press dispatch, which appeared in the Washington Star a few nights ago, and I want to emphasize this, if I may, because I take it the article is authentic.

The headlines and the article are as follows:

\$2,500,000 SALARY UNDER CHALLENGE—SUPREME COURT ASKED TO PASS ON REASONABLENESS OF TOBACCO OFFICIALS' PAY

By the Associated Press

The Supreme Court was called upon yesterday to decide whether \$2,500,000 annually is an exorbitant salary for the president of the American Tobacco Co.

At the same time it was asked to determine whether salaries of from \$500,000 to \$1,500,000 is too much for the vice presidents of the concern.

Richard R. Rogers, a stockholder, presented the question in challenging the validity of a bylaw adopted by the stockholders in 1912, under which the president and five vice presidents of that company were voted a percentage of net profits remaining after paying operating and other expenses and dividends on the preferred stock.

HOLDS AUTHORITY LACKING

Rogers contended the stockholders had no authority under the charter to adopt such a bylaw, declaring that authority was in the hands of the directors, and insisted the high court should consider the reasonableness of the compensation being paid the president and vice presidents.

The Second Circuit Court of Appeals at New York held the bylaw valid and questions from the bench developed that the reasonableness of the compensation paid the officers had not been decided by the lower courts.

Nathan L. Miller, counsel for the company, insisted the stockholders were the sole judges of the compensation to be paid their officers and that the high court should not interpose.

WARRANTED BY SERVICES

While President Hill of the company under the bylaw had received an additional \$840,000 compensation in 1930, Miller asserted the value of the services rendered by him, as shown by the increase in the earnings of the company that year was, in the judgment of the stockholders, ample to warrant it. "The stockholders", Miller said, "were always in a position to change the bylaw at any of their meetings."

Mr. Speaker, no trust organization in the United States, under the laws of the United States, should ever be permitted to pay these officers such exorbitant salaries. [Applause.] If these exorbitant salaries are being paid by any trust company in the United States a large part of these salaries should be covered into the Treasury of the United States under the tax laws of the country. I insist that while we are undertaking to raise revenue for the expenses of the Government, instead of placing further burdens on those of limited means, who can ill afford to pay, we should strike these large incomes so hard that there will be no occasion to bring suit to ascertain if \$2,500,000 is an exorbitant salary.

[Here the gavel fell.]

Mr. DEEN. Mr. Speaker, I ask unanimous consent to address the House for 20 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. DEEN. Mr. Speaker, 22 cents out of the retail dollar in 1929 was paid to chain stores. The ratio of chain sales to total sales varied greatly between types of retail stores. There were five fields in which the chain could be considered a dominant factor in distribution. These types of stores and the percent of total retail business accounted for by chains in each case were as follows:

	Percent
Variety store chains.....	89.5
Household appliance chains.....	50.5
Shoes.....	45.8
Groceries and meats.....	44.0
Filling stations.....	35.2

The variety store is better suited to the chain type of operation. Each small commodity department within a variety store is linked to every similar department in other stores in the same grouping and operated from headquarters. This is a true chain operation as compared with the situation in other fields where a number of individual units are subject to a single ownership and control, but are still of necessity operated as individual units because of the character of the business.

In the other four groups in which the chain is a dominant sales factor, there appears to be various considerations which help chain operation to succeed. In the case of chain shoe stores and chain filling stations, by far the greater number of chain systems are owned and operated by manufacturers in an effort to control and stabilize the retail distribution of their products. The case is somewhat similar for household-appliance chains, 80 percent of the systems being operated by public-utility companies who desire more than anything else to support and develop the market for electricity or gas by promoting the sales of gas and electric appliances.

The grocery chain offers at least one important advantage for chain operation in the very limited number of items which the typical grocery store carries and the consequent ease of standardizing the operation of store units in this field.

Aside from these five fields in which there may be some ground for economic advantage from chain operation, there are other fields in which chains do a much smaller percentage of the business and where their contributions to efficient distribution are extremely doubtful. One such field is the retail drug field. Only 18½ percent of all retail drug volume went through the chain units in 1929. Nevertheless, the presence of the chain organization in the field was the most important consideration confronting the trade as a whole or manufacturers supplying the trade. Chain stores in the drug field had pursued a consistent policy of drastic price cutting which continued to be a source of great dissatisfaction and confusion in the trade. The price cuts offered by the chain drug stores did not arise from a favorable position concerning operating costs. As a matter of fact, the operating expense for chains in 1929 was 27.6 percent as against 27.1 for all drug stores, including chains. It is interesting to anticipate just what economic advantage is derived from a type of concern which succeeds only in

increasing the operating expenses of the field in which it operates, despite very expert staffs of executives and merchandisers.

The volume of business done by drug chains is highly concentrated within a few organizations. Seven companies with annual sales of \$5,000,000 or more each accounted for 62.3 percent of chain drug sales, or 11.5 percent of all retail drug sales.

It is principally the practices followed by these seven major organizations which have been the source of great difficulty and dissension in the drug field. It is an open secret among all branches of the trade that these organizations secure price concessions from the manufacturer on almost all items which have no relation whatever to the relative cost of selling to chains as against other retailers. The abuses arising from a price structure built around chain stores can be observed to better advantage in the drug field than any other. Seven organizations are being permitted to create disorganization and price instability in a field where there are nearly 60,000 individual operators. This will help to explain the fact that the independent druggist has taken the lead in promoting efforts for price stabilization. Even though legislation now before Congress may be badly conceived, the multiplicity of bills offered reflect the urgency of the need for some adjustment.

It might be contended that while the chain drug store has average operating cost about 1 percent higher than the independent drug store that the chain type of organization is justified economically because of savings accruing in the performance of the wholesale function. The best figures available on the cost of the wholesale function to drug chains were collected by the Census of Distribution. For 41 chain organizations reporting the expenses of the average chain-store warehouse were 6.6 percent of the value of merchandise handled at wholesale prices. This is only slightly lower than the figure for efficient cooperative wholesale establishments in the drug field which are running 7 and 8 percent of sales for operating expenses. Considering both the retail and wholesale functions then, it appears that the chain-store organizations do not offer any economic saving over the results achieved by independent distributors.

The chain stores in many lines have enjoyed spectacular growth, particularly during the 5 years ending with 1929. There were only a few of the retail trades enumerated by the Census of Distribution in 1929 in which more than half of the chain units in operation were established previous to this 5-year period. These lines, with the percentage of units in operation before 1925 in each case, were as follows:

	Percent
Office appliances.....	87
Motor-vehicle dealers.....	67.6
News-dealer groups.....	65.3
Variety-store chains.....	57.8
Men's wear.....	57.8
Drug stores without fountains.....	54.4
Hardware chains.....	53.6

There were several lines which enjoyed unusually rapid growth in the 4 years following 1925. In fact there were several lines in which the stores opened during this period constituted a third or more of all units enumerated in 1929. These groups in order were filling stations, food chains, household appliances, department stores, drug stores with fountains, shoe chains, jewelry, restaurants, and furniture.

There were some fields in which chains were still expanding so rapidly in 1929 that 1 out of 5 or more of the stores listed were opened in that year. These groups, with the percentage opened in 1929 given in each case, were as follows:

	Percent
Department stores.....	34.6
Drug stores with fountains.....	23.9
Filling stations.....	23.8
Auto accessories.....	23.6
Women's apparel.....	22.6

The economic contribution of the chain stores is frequently claimed to have been the reduction of the spread

between producer and consumer. The coming of the chain store, according to this theory, should have meant decreasing gross margins over the entire period in which they have operated. As a matter of fact, figures for a great many trades collected by the Federal Trade Commission indicate the reverse to have been true. The earliest date for which comprehensive figures were available was 1909. In this year the gross-profit percentages of all chains reporting was 19.9 percent, as against 26.3 percent in 1930. Because of a very limited amount of data for the earlier years a fairer comparison can be made between 1920 and 1930. The percent of gross profit for all chains reporting in 1920 was 23.9.

Although there was no very decided upward trend from that date on the part of chain stores as a whole, such an upward trend is very marked in more than half of the trades reporting. Types of chains showing a definite upward trend since 1920 were grocery, meat, hats and caps, men's and women's ready-to-wear, confectionery, millinery, men's furnishings, men's ready-to-wear, women's ready-to-wear, hardware, men's shoes, men's and women's shoes, dry goods and apparel, and grocery and meat stores. The first five types enumerated show an upward trend in gross profit for earlier years as well. The most striking upward trend is for grocery stores, for which the gross-profit percentage was 8.2 in 1909 and 22.1 in 1930. The grocery field is most frequently pointed to as a line in which the chain store has contributed by the reduction of gross margins.

Three lines—namely, furniture, drugs, and dollar-limit variety stores—show a horizontal trend through a long period of years. The latter two particularly have moved in a very narrow range, with gross margin varying only slightly on each side of 35 percent.

The only lines which show a definite downward trend in gross margins are musical instruments, department stores, tobacco, dry goods, and general merchandise. Musical instruments and tobacco may be looked upon as special cases. The deflation of gross margins in tobacco retailing has largely been due to the price policies and distribution practices of the large manufacturers of cigarettes. The decline of margins in musical instrument stores has resulted to a great degree from the impact of the development of the radio industry.

Other types of stores will be recognized as those which have developed to the highest degree the technique of the special cut-price sale. Department stores show the most consistent downward trend with a gross margin of 35.8 percent in 1911 and 29.8 percent in 1930. Department stores have based their merchandising to a very increasing degree on various types of special sales and anniversary events. On such sales both the manufacturer and retailer accept a lower margin in order to offer particularly attractive prices to the consumer. This decline in department store margins can be looked upon purely as a competitive phenomenon and cannot be expected to produce any benefits for the consumer over the long run. Department store margins have been lower than department store operating costs, in most instances, ever since 1930, which would indicate that margins cannot conceivably remain at their present low levels.

Mr. WEIDEMAN. Mr. Speaker, will the gentleman yield?

Mr. DEEN. I yield.

Mr. WEIDEMAN. In line with the gentleman's general argument the chief difficulty with these chain stores is that they are taking money out of the communities.

Mr. DEEN. Yes.

Mr. WEIDEMAN. Every time you spend a dime in a chain store the profit from that transaction goes right back to Wall Street, does it not?

Mr. DEEN. The gentleman is correct.

Mr. WEIDEMAN. Into the hands of the Mellons and the Morgans. It merely means the accumulating of the money into the hands of a few.

Mr. DEEN. The gentleman is right.

Mr. WEIDEMAN. Every time they get a dollar it goes back to Wall Street, where it gets into the hands of the international bankers, and much of it goes out of the country.

Mr. DEEN. The gentleman is exactly right. It works in the direction of the centralization of wealth into the hands of a few. This policy has been pursued too long already in this country.

Mr. COLMER. Mr. Speaker, will the gentleman yield?

Mr. DEEN. I yield.

Mr. COLMER. Is it not a fact the chain stores are destroying the middle class of people, which has been the backbone of this Nation?

Mr. DEEN. In my judgment, the great middle class, which has supported the institutions of the country, the roads, the schools, the churches, and which have been the backbone of the Nation, is fast being destroyed because of the power of the centralized dollar that is impoverishing millions of the common people of the country.

Mr. ZIONCHECK. Mr. Speaker, will the gentleman yield?

Mr. DEEN. I yield.

Mr. ZIONCHECK. What is the gentleman's remedy for this situation?

Mr. DEEN. I will come to that at the conclusion of my speech.

The chain store does not necessarily lead to the grouping of retail sales in larger units. As a matter of fact, there are a number of lines in which there has been a definite decrease in average sales per store during the period covered. In looking at the period from 1920 to 1930, this sales decrease is particularly marked.

On the other hand, among the seven kinds of chains which show a definite increase in average sales per store, there are several whose percentage of operating cost increased during the same period. This is particularly true of grocery stores, meat stores, and combination stores. Despite the advantage of operation in larger units which, theoretically, should tend toward decreased operating cost, all three of these types, as previously noted, have collected a constantly growing percentage of gross profit from the consumer.

In the years since 1929 chain-store growth in most lines has slowed down or ceased entirely. Growth figures available for these later years are not as comprehensive as those shown by the census for previous years. Types of chains which were still growing very fast in 1929 showed a much slower rate of growth in the 3 succeeding years, and in 1932 closings exceeded openings in many cases. This was true for eight variety chains for which figures are regularly compiled and was, no doubt, true for most of the leading drug chains.

In terms of volume, the downward trend has been even more marked. Volume figures for representative organizations in the field of variety stores, mail-order chains, and restaurant chains show a decline in sales for every year since 1929. In these three groups the sales volume for 1932 ranges between 60 and 75 percent of the sales for 1929. It would appear that the chains in this field have absorbed approximately the same percentage of decline noted in the case of independent dealers. Apparently they were possessed of no particular management skill which enabled them to maintain volume while independents in the same lines were suffering sales declines.

There, no doubt, has been similar, although less marked, declines in the grocery field, although the leading grocery organization showed a slight gain in 1930 over 1929, and receded only slightly in 1931. Between 1931 and 1932, however, this company showed a very marked decline from \$1,035,542,000 to \$887,713,000. It is not known whether this loss in volume was partly due to the closing of stores in this instance. In the case of the second largest chain in the grocery field, however, a great many individual units were closed during 1932. This is probably true for most of the large organizations in this field as in others.

The chain stores in both the grocery and the drug fields is now forced to compete with a type of price-cutting organiza-

tion with still more aggressive policies. In the drug field this new price cutter is known as the "pine-board store" while the grocery field has seen the development of huge cut-price markets. Both types of outlets can be considered special products of the depression. The principal saving in operating cost made by such companies is frequently rent free or rent at greatly reduced rates granted them by landlords holding distress property.

Mr. WEIDEMAN. Mr. Speaker, will the gentleman yield further?

Mr. DEEN. I yield.

Mr. WEIDEMAN. In addition to driving down rental values of property constantly, these chain stores, no matter what they are, are constantly driving down the wage scale, are they not?

Mr. DEEN. The gentleman is correct.

Mr. WEIDEMAN. Men who used to be independent merchants we now find working as clerks in chain stores at salaries of \$10, \$12, and \$14 a week, do we not?

Mr. DEEN. Yes.

Mr. WEIDEMAN. And in the days of the independent business man, when the little fellow had a store on every corner in your little village and my big town the profit that he derived from the proceeds of his business was in turn spent with the shoemaker, the butcher, the baker, and so forth, in the community and the money stayed right there for redistribution.

If we keep on at the rate we are going, eventually there will not be any little men, because they cannot buy as cheaply as the big chains can. Does not the gentleman agree with my statement?

Mr. DEEN. I agree with the gentleman's statement.

Mr. WEIDEMAN. I think the gentleman and I are pretty well in accord on this proposition.

Mr. DEEN. We are in agreement.

Mr. WEIDEMAN. In addition to that the merchandising operations of the chain store is such that they tell the manufacturers what their goods must be manufactured for, saying to one of them that if he does not meet the price someone else will. So the ill effect of the chain extends throughout the entire range of operations from the factory worker through to the independent business man.

Mr. DEEN. I agree with the gentleman, and my next statement will answer his questions, especially the last one.

Their chief source of saving on the purchase cost of goods has been the desire of many manufacturers to find some sort of outlet for products that would not move through regular channels, even though the merchandise had to be sold at greatly reduced prices. There have been several striking instances of staple products which were ruined by such policies. One manufacturer of an important advertised product found his sales dropping from fourteen million to four million dollars in the space of 18 months because of the lack of a price-stabilization policy. Manufacturers in many lines have awakened to the menace to their position which such practices hold. Chain stores also, finding that they were not able to compete with the new organizations, which now offer the ultimate in price appeal, have become interested in price-stabilization programs. In the drug field, for example, a new organization which has for its central purpose an attempt at price stabilization, is securing the cooperation of not only retailers and wholesalers but of manufacturers and chain stores as well.

A comprehensive report has been made by the Federal Trade Commission on this policy of loss leaders in chain stores which has led to this situation. In a number of instances chain officials admitted that they had been selling merchandise below cost in order to attract customers who might be sold other items. This policy of offering merchandise at or below purchase price carries with it an element of deception. The intention is usually to limit the sale of leaders by every possible device and to use high-pressure selling to get purchasers to take other merchandise instead. Definite evidence is available in several cases of steps taken to delay the sale of leaders during the sale day by having

too few people at the counter where leaders are displayed, by slowing down wrapping and change-making, and similar devices. There seems to be a growing sentiment in a number of trades that this type of merchandising has about run its course. Consumers are more fully conscious of the trick element in this type of selling and are increasingly insistent upon obtaining precisely the item asked for when responding to a special sale.

Citizens of several of the States in the United States, recognizing the positive need for legislation which would place a proper tax on chain stores, have made a distinct contribution to merchandising policies as related to the home-town merchant and to the buying public in general. Chain stores, with their amassed capital, have forced the commodity price level of agricultural and industrial products to an exceedingly low plane. With their centralized wealth they have hammered down farm products. Through their enormous buying power they have squeezed the very life out of thousands of individual merchants. They have put out of business thousands of the men and women who have built the very towns and communities in which they now operate. Usually they do not enter a town until it is considered modern and progressive. In most cases they do not go to small towns while the schoolhouses are being built, streets and sidewalks are being paved, sewerage systems being installed, and other civic improvements. The local citizens do the work and pay the bills and later find themselves being driven out of business by these very monopolistic chain stores who take the money from the local communities and carry it to the large money centers.

Each of the several States in the United States should expeditiously enact proper legislation that will prevent the stream of money flowing from their local communities to the coffers of money lords. The following States have enacted anti-chain-store taxes:

Alabama: Enacted 1931. A graduated license tax based on number of stores. Applies to both wholesale and retail. Provisions: 1 store, \$1; graduated to \$75 for each store over 20. Contested, but in force.

Arizona: Enacted January 1, 1932. A graduated license tax based on number of stores. Provisions: 1 store, \$3; graduated to \$25 for each store over 20. In March 1933 repealed by legislature.

Delaware: Enacted 1917 (ch. 13, Session Laws). A property, nonresidence tax. Provisions: \$10, plus 10 cents for each \$100 of aggregate cost value of goods in excess of \$5,000 for concerns having principal place of business outside the State and maintaining stores or depots within the State. In force.

Florida: Enacted June 24, 1931. A graduated license tax based on number of stores located in one county. Provisions: Where all stores are located in 1 county, 1 store, \$5; graduated to \$40 for each store over 75; where stores are in more than 1 county, 2 stores, \$15 per store; graduated to \$50 for each store over 75; \$3 for each \$1,000 stock carried in each store; counties and towns were allowed to tax in the same way as the State but to only 25 percent of the extent. On March 13, 1933, the United States Supreme Court declared the law unconstitutional.

Georgia: Enacted 1927. A straight license tax. Provisions: For each store over 5, \$250. On September 4, 1929 (Corporation Tax Service, Georgia Digest, p. 58N) in *F. W. Woolworth against Vandivier* the Superior Court of Fulton County made permanent an order restraining the enforcement of the law. Not in force.

Georgia: Enacted 1929. A straight license tax. Provisions: For each store in a chain of more than 5, \$50. In *Woolworth against Harrison*, April 1931, the State court declared the law unconstitutional.

Idaho: Enacted March 1, 1933. A graduated license tax based on number of stores. Provisions: 1 store, \$5; graduated to \$500 for each store over 20. In force.

Indiana: Enacted 1929. A graduated license tax based on number of stores. Provisions: 1 store, \$3; graduated to \$25

for each store over 20. Superseded by more severe law 1933.

Indiana: Enacted March 11, 1933. A graduated license tax based on number of stores. Provisions: 1 store, \$3; graduated to \$150 for each store over 20. In force.

Kentucky: Enacted 1930. A graduated sales tax. Provisions: One twentieth of 1 percent of gross sales of \$400,000 or less graduated to 1 percent of gross sales in excess of \$1,000,000. In force.

Louisiana: Enacted July 7, 1932. A graduated license tax based on number of stores. Provisions: 2 stores but not exceeding 5 stores, \$15 each; graduated to \$200 on each store in excess of 50. In force.

Maine: Enacted March 31, 1933. To take effect July 1, 1933. A graduated license tax based on number of stores. Provisions: 1 store, \$1; graduated to \$50 for each store over 25. In force.

Maryland: Enacted 1927. A graduated license tax on chain stores in Allegany County only. Provisions: \$500 for each store up to 5, inclusive; prohibited more than 5 stores of one chain in the county. Circuit Court of Allegany County declared law unconstitutional.

Maryland: Enacted 1933. A graduated license tax based on number of stores. Provisions: 1 to 5 stores, \$5 per store; graduated up to \$150 for each store over 20. In force.

Minnesota: Enacted 1933. Graduated license tax based on number of stores. Provisions: \$5 for each of first 10 stores; graduated to \$50 for each store over 50. In force.

Mississippi: Enacted 1930. A sales tax on chain stores. Provisions: To a general sales tax of one fourth of 1 percent for retailers and one eighth of 1 percent for wholesalers is added an extra one fourth of 1 percent for common interest operating more than five stores in the State. By enacting a general sales tax the law was superseded.

Montana: Enacted March 16, 1933, to be effective July 1, 1933. A graduated license tax based on number of stores. Provisions: 1 to 2 stores, \$2.50; graduated to \$30 for each store over 10. In force.

New Mexico: Enacted March 9, 1933, effective January 1, 1934. A graduated sales tax. Provisions: On annual sales from \$3,000 to \$10,000, \$15; graduating to \$25 per \$1,000 for all sales over \$400,000. In force after January 1, 1934.

North Carolina: Enacted 1927. A license tax on more than five stores. Provisions: If there were more than 5 stores, \$50 on each, including the first 5; no tax if there were 5 or less. On October 10, 1928, the State court declared the law unconstitutional.

North Carolina: Enacted 1929. A per-store license tax. Provisions: On each store in excess of one, \$50. Upheld by both Supreme Court of North Carolina and the United States Supreme Court on October 26, 1931. In force.

South Carolina: Enacted 1928. A license tax on five or more stores. Provisions: For 5 or more stores, \$100 for each store, including the first 4; no tax on 4 or less. Litigated, but by the passage of a more drastic law this one was repealed.

South Carolina: Enacted 1930. A graduated license tax. Provisions: 1 store, \$5; graduated to \$150 for each store over 30. In force.

Vermont: Enacted March 23, 1933. Graduated gross-sales tax. Provisions: One eighth of 1 percent on gross sales from \$50,000 to \$100,000, and graduated to 4 percent on sales of over \$2,000,000. Effective June 1, 1933. In force.

Virginia: Enacted 1928. Chain-warehouse tax. Taxes purchases. Provisions: \$10 on less than \$1,000; graduated to 10 cents per \$100 on all purchases in excess of \$100,000. In force.

West Virginia: Enacted March 17, 1933. Effective June 15, 1933. A graduated license tax. Provisions: 1 store, \$2; graduated to \$250 for each store over 75. In force.

Wisconsin: Enacted 1932. Automatically expires December 31, 1933. A graduated license tax. Provisions: \$10 on each store between 2 and 5, inclusive; graduated to \$50 for each store over 20. In force.

MUNICIPAL ANTI-CHAIN-STORE TAXES, MAY 15, 1933

Portland, Oreg.: Enacted fall of 1931. A graduated tax based on number of stores. Provisions: 1 store, \$6; graduated to \$50 for each store over 20. In force.

Hamtramck, Mich.: Enacted November 10, 1931. A graduated license tax on food chains based on number of stores. Provisions: 1 store, \$25; 2 stores, \$50 each; 3 stores, \$75; and 4 stores, \$1,000 each. Circuit Court of Wayne County, Mich., declared the law unconstitutional, null, void.

Durham, N.C.: Enacted July 20, 1931. Flat tax on more than one store. Provisions: 1 store, no tax; \$50 for each store in excess of 1. In force.

Red Bank, N.J.: Enacted December 7, 1931. Flat tax where six or more stores are owned by same interest, either in or out of the State. Provisions: \$50 for each store if more than five are owned by common interest. By action of city council, repealed.

Knoxville, Tenn.: Enacted September 20, 1932. Flat tax for more than one store. Provisions: For each store in excess of one, \$25. In February 1933, by action of the city council, this law was repealed.

Fredericksburg, Va.: Enacted December 13, 1932. A flat tax where more than one store is operated. Provisions: For each store where more than one is operated by the same ownership, \$250. In force.

Maplewood, Mo.: Enacted summer of 1932. Graduated license tax based on number of stores. Provisions: 1 store, exempt; 2 stores, \$300; 3 stores, \$500; over 3, \$1,000 each. By action of Circuit Court of St. Louis the act was voided.

St. Louis, Mo.: Enacted June 3, 1932. Graduated license tax based on number of stores. Provisions: 2 to 5 stores, \$25 per store; graduated to \$250 for each store over 25. Being litigated. In force.

Capital Heights, Md.: Enacted March 28, 1933. Flat tax based on number of stores. Provisions: For each store of a chain, \$50. City council repealed.

Aberdeen, Wash.: Enacted January 4, 1933. Flat tax on each unit of a chain store. A chain store is defined as a store owned and operated by a nonresident of the city, the owner thereof operating one or more units in addition thereto outside the city of Aberdeen. Provisions: \$100 per store for a chain. In force.

STATES AND CITIES WHICH ENACTED ANTICHAIN TAX LAWS PRIOR TO MAY 15, 1933

The following 17 States have antichain tax laws: Alabama, Delaware, Idaho, Indiana, Kentucky, Louisiana, Maine, Maryland, Minnesota, Mississippi, Montana, New Mexico, North Carolina, South Carolina, Vermont, Virginia, West Virginia, and Wisconsin.

The following four States have had, but no longer have, antichain tax laws: Arizona, Georgia, Florida, and Mississippi.

The following five cities have antichain tax ordinances: Portland, Oreg.; Durham, N.C.; Fredericksburg, Va.; St. Louis, Mo.; and Aberdeen, Wash.

The following five cities have had, but no longer have, antichain tax ordinances: Hamtramck, Mich.; Red Bank, N.J.; Knoxville, Tenn.; Maplewood, Mo.; and Capital Heights, Md.

Mr. Speaker, I believe the question of the chain-store tax should be left to the several States; in addition to this fact I also believe that sales taxes are within the province of the States. In my judgment, the Federal Government should leave the sales tax to the various States in the United States. The powers of the Federal Government are powers which have been delegated by the various States. Several of the States have already enacted a sales tax. It seems to me that for the Federal Government to continue the policy of a sales tax is further encroachment upon State rights.

The Ways and Means Committee of the House is now engaged in trying to find some method of raising \$3,000,000,000 for the purpose of carrying out the President's public-works program. Serious consideration is being given a general sales tax which, in my judgment, if enacted into law, will yield very little revenue and at the same time will

paralyze business, increase the burdens of the buying public, while at the same time millions of people will remain unemployed. The common people of this country cannot stand any more taxes now. They will rebel if the load is increased.

Serious consideration is being given a bond issue of \$3,000,000,000 with which to raise the funds. A bond issue means more debt and more taxes. It also means that we will again flood the country with tax-exempt securities. The rich people will buy these securities, which the Government will guarantee at about 4 percent interest. The masses will have to pay the taxes and the interest. I am constitutionally opposed to any further bond issues. The Federal Government has outstanding bonds and other liabilities totaling around \$20,000,000,000. This is no time to increase this huge debt. I am also opposed to the Federal Government putting on a general sales tax, because it will be passed on to the consumer.

Briefly, the President can secure this money by one or both of the following methods: First, under the recent act passed by Congress giving the President authority and power to expand the currency \$3,000,000,000 he can authorize the printing of \$3,000,000,000 in new currency and put that currency in circulation by giving employment to the unemployed in the construction of useful public works. He has that power, given him recently by the Congress. Why not use it? This is the proper course for the President to follow. It will be a tragic mistake to adopt a sales tax or to issue more bonds. An individual cannot tax himself out of debt, neither can a nation. The other method that should be pursued is to increase the inheritance tax, the gift tax, the excise tax, and surtaxes. Three hundred and seventy-six thousand corporations now have a surplus of \$60,000,000. From January 1, 1916, to December 31, 1929, these corporations made net profits of \$100,000,000,000. A substantial increase in the taxes on a few of the corporations who made their millions during and following the World War will raise several billion dollars. The disabled American veterans, their widows and orphans, millions of unemployed, and the masses of farmers and laboring people along with their dependents are pleading for justice. It is my hope that this Congress will not increase the bonded indebtedness on the Nation, will not paralyze business and crush overburdened taxpayers with a sales tax, but that we will have the courage to place the proper taxes where they belong—that is, on gifts, inheritances, excess profits, and certain corporations who are paying exorbitant and extravagant salaries to their executives and declaring millions in dividends. Let us be honest and call a sword a sword and a spade a spade. Let us legislate for the masses and not for the classes.

Mr. BLANTON. Mr. Speaker, I ask unanimous consent to extend my remarks which I made today and to insert therein certain excerpts from committee reports that I mentioned.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. BLACK. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. BLACK. Mr. Speaker, some time ago I addressed a letter to the Secretary of State and the Attorney General in an effort to find out who was responsible in their Departments for telling the Committee on the Judiciary that the Secretary of State and the Attorney General endorsed the bill that was finally passed in the House and which has been known as "the press censorship bill." This bill, as soon as it was passed by the House on the strength of the statement that it came from these Departments, was repudiated by the Secretary of State and the Attorney General.

The Secretary of State answered my letter. The Attorney General, although the letter was written over a month ago, has not answered it.

It is true that because of the emergency the House has been going along at great speed, which, of course, required

that the House abridge the individual rights of the Members of the House. A great number of the Members are reconciled to this; but because of the way the House treats its own Members does not mean there is any abridgement of the courtesy that should exist between the executive departments and the Congress. This is the first time in my career as a Member of the Congress that the head of a department has refused to answer a letter.

This bill has been completely changed in the Senate, but it left the Members of the House who voted for it in the position of having voted in these free United States for a law involving press censorship, and I believe it is the duty of the Secretary of State and the Attorney General to tell the House and the public who in their Departments were responsible for misleading the House.

The House is entitled to this information. The Secretary of State's letter was long and rambling and statesmanlike. It did not say anything and it did not give me the name of the man in the State Department who misled the House; but the Attorney General has not answered at all.

What can I do about it? You cannot force them to answer. I could write the President of the United States a letter and see if he could make them answer, but I do not want to do this. I do not want to embarrass the President. So I am making this protest on the floor of the House so it will not happen again.

Now, why has he not answered this letter? It is one of three reasons, and I prefer to believe that the first one is the correct one. It is either lack of courtesy or it is inefficiency in his Department or it is concealment. I prefer to believe it is lack of courtesy; lack of courtesy not to me personally, but in my official capacity as a Member of the Congress.

It is true that the country generally believes that the Congress has sunk to a low estate as compared with the executive departments, but this is because of the artificial system which prevails now because of the speed required.

If it is inefficiency, it is this kind of inefficiency: Here is the head of a department charged with the investigation and prosecution of crime. If the head of the Department cannot find out who in his Department used his name wrongfully before a committee of the House, how is he going to find the ordinary criminal?

If it is concealment, why the concealment? And there is every indication that it is concealment, because the letter of the Secretary of State to me was evasive and concealing.

We should know in this House who is responsible for putting over this proposition on the House. Why did somebody in the executive branch of the Government want press censorship? Who suggested it? Where did it come from? What is the purpose of it? Why was the House left in this position?

It is a dangerous thing in this country, if there is lurking in the mind of anybody in the executive branch of Government the idea that there should be press censorship. We have heard a lot about dictatorship; we have heard a lot about Congress surrendering its rights, which is bad enough; but if there is in the brains of anybody in the executive branch of Government the idea that in addition to this so-called "dictatorship" there should also be press censorship, then I say the freedom of this country is in danger, and we should know whether it was carelessness, whether it was neglect, or whether it was actually the purpose of somebody in the executive departments that this House should pass a press-censorship law.

As I have said, there is nothing I can do about it except to leave it to the House and the committee, but I am going to go as far as I can. [Applause.]

[Here the gavel fell.]

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill, H.R. 5390, entitled "An act making appropriations to supply deficiencies in certain appropriations for the fiscal year

ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes."

Mr. FORD. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes.

The SPEAKER. Is there objection?

There was no objection.

AMERICA'S MORAL LEADERSHIP

Mr. FORD. Mr. Speaker, one of the tragedies of this distressing period through which the world is passing is the apparent inability of the present rulers of Germany to realize that racial hates and religious bigotry are the demoralizing and destructive indications of a national hysteria, similar to that which plunged the world into a bloody, useless, and insane war in 1914.

The people of Germany have suffered deeply from foolish and vain leadership. It was this that made them a military nation in 1914, with the one idea of winning what they were taught to think was their just place "under the sun." And it is an equally false leadership that now decrees that all sorts of injustices be visited on the Jews in Germany. Many of these Jews have been German citizens for generations; have been law-abiding, industrious, respected members of their communities. And now, without reason and without justification, they are subjected to every sort of indignity and worse.

This has caused a wave of horror to sweep through all just countries. It has been particularly strong in our own country. And this is right and natural. For a country dedicated to religious freedom and racial equality must voice its protest when those sacred principles are violated as they are now being violated under Hitler in Germany.

While every man and woman who loves justice must be revolted by the treatment of the Jews in Germany, each account of that treatment comes like a sword thrust in the heart of our Jewish citizens. For many of these have relatives there. And each morning they awake to the fear that the day may bring to them news of new calamities that have been visited upon an aged mother, a long-respected father, or to other dear ones.

It is because of this that I am voicing my protest here. But I have something other than a protest to offer. And that is an assurance to the many thousands of Jewish people who are living under direct anxiety as to the fate of their relatives in Germany. That assurance is that they can have faith in the State Department, which is informed as to the facts, is enlightened and liberal, and can be trusted to make such representations to the Hitler government as are in accord with diplomatic usage. That Hitler will listen and will change his policy is my firm belief.

And this belief is based on the fact that under the virile and enlightened Presidency of Franklin D. Roosevelt the United States is winning the respect and confidence of the nations and is taking world leadership in moral as well as economic issues. [Applause.]

LEAVE OF ABSENCE

By unanimous consent, the following leave of absence was granted, as follows:

To Mr. HAMILTON, for 5 days, on account of important business; and

To Mr. ADAMS, for 2 days, on account of important official business.

SENATE ENROLLED JOINT RESOLUTION SIGNED

The SPEAKER announced his signature to an enrolled joint resolution of the Senate of the following title:

S.J.Res. 50. Joint resolution designating May 22 as National Maritime Day.

BILL PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on May 18, 1933, present to the President for his approval a bill of the House of the following title:

H.R. 5081. An act to improve the navigability and to provide for the flood control of the Tennessee River; to provide for reforestation and the proper use of marginal lands in

the Tennessee Valley; to provide for the agricultural and industrial development of said valley; to provide for the national defense by the creation of a corporation for the operation of Government properties at and near Muscle Shoals in the State of Alabama, and for other purposes.

ADJOURNMENT

Mr. ARNOLD. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock p.m.) the House, under its previous order, adjourned until 11 o'clock a.m. tomorrow, Saturday, May 20, 1933.

COMMITTEE MEETING

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

(Monday, May 22, 10 a.m.)

Continuation of the hearings on H.R. 5500, Emergency Transportation Act, 1933.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

74. A letter from the chairman of the Public Utilities Commission of the District of Columbia, transmitting a proposed act to amend an act entitled "An act to provide for the expenses of the Government of the District of Columbia for the fiscal year ending June 30, 1914", and for other purposes; to the Committee on the District of Columbia.

75. A letter from the Governor of the Federal Reserve Board, transmitting the Nineteenth Annual Report, covering operations during the calendar year 1932 (H.Doc.No. 437); to the Committee on Banking and Currency and ordered to be printed, with illustrations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. LAMBETH: Committee on Printing. House Resolution 140. Resolution to authorize the printing of communications from the Secretary of War transmitting letters of the Chief of Engineers submitting reports on the examination and survey of certain waterways in the United States; without amendment (Rept. No. 146). Referred to the House Calendar.

Mr. FLANNAGAN: Committee on Agriculture. H.R. 4812. A bill to promote the foreign trade of the United States in apples and/or pears, to protect the reputation of American-grown apples and pears in foreign markets, to prevent deception or misrepresentation as to the quality of such products moving in foreign commerce, to provide for the commercial inspection of such products entering such commerce, and for other purposes; with amendment (Rept. No. 147). Referred to the Committee of the Whole House on the state of the Union.

Mr. POUL: Committee on Rules. House Resolution 149. Resolution providing for the consideration of House Joint Resolution 149, a joint resolution authorizing an annual appropriation for the expenses of participation by the United States in the International Institute of Agriculture at Rome, Italy; without amendment (Rept. No. 148). Referred to the House Calendar.

Mr. POUL: Committee on Rules. House Resolution 150. Resolution providing for the consideration of H.R. 5661, a bill to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes; without amendment (Rept. No. 149). Referred to the House Calendar.

Mr. STEAGALL: Committee on Banking and Currency. H.R. 5661. A bill to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes; without amendment (Rept. No. 150). Referred to the Committee of the Whole House on the state of the Union.

Mr. ROBINSON: Committee on the Public Lands. S. 157. An act to amend an act approved March 4, 1929 (45 Stat. 1548), entitled "An act to supplement the last three paragraphs of section 5 of the act of March 4, 1915 (38 Stat. 1161), as amended by the act of March 21, 1918 (40 Stat. 458)"; without amendment (Rept. No. 151). Referred to the Committee of the Whole House on the state of the Union.

CHANGE OF REFERENCE

Under clause 2 of rule XXII, the Committee on Interstate and Foreign Commerce was discharged from the consideration of the bill (S. 804) to authorize the Secretary of War to grant a right of way to The Dalles Bridge Co., and the same was referred to the Committee on Military Affairs.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. HASTINGS: A bill (H.R. 5690) to legalize the manufacture, sale, or possession of 3.2 percent beer in the State of Oklahoma when and if the same is legalized by a majority vote of the people of Oklahoma or by an act of the Legislature of the State of Oklahoma; to the Committee on the Judiciary.

By Mr. GASQUE: A bill (H.R. 5691) to authorize the Attorney General of the United States to compromise war-risk-insurance cases; to the Committee on the Judiciary.

By Mr. WILSON: A bill (H.R. 5692) to amend the act entitled "An act for the control of floods on the Mississippi River and its tributaries, and for other purposes", approved May 15, 1928, as amended; to the Committee on Flood Control.

By Mr. PETERSON: A bill (H.R. 5693) enabling certain farmers and fruit growers to receive the benefits of the Federal Farm Loan Act and amendments thereto and the Emergency Farm Mortgage Act of 1933; to the Committee on Banking and Currency.

By Mr. DUNN: A bill (H.R. 5694) to create a Bureau of the Blind in the Post Office Department, to provide for the issuing of licenses to blind persons to operate stands in Federal buildings, and for other purposes; to the Committee on the Post Office and Post Roads.

By Mr. MARLAND: A bill (H.R. 5695) to preserve and protect the correlative rights of the oil-producing States; to assist them in the proper enforcement of their oil conservation laws; to assure the conservation of crude petroleum and natural gas and to preserve the same as national resources, and to regulate the transportation and sale in interstate and foreign commerce of natural gas, crude petroleum, and the products thereof; to prevent waste in the production, marketing, and use of such natural gas and petroleum; to invest the Secretary of the Interior with power to carry out this act, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. HOWARD: A bill (H.R. 5696) to provide for the exchange of Indian and privately owned lands, Fort Mojave Indian Reservation, Ariz.; to the Committee on Indian Affairs.

By Mr. BUCKBEE: A bill (H.R. 5697) to prohibit untrue, deceptive, or misleading advertising through the use of the mails or in interstate or foreign commerce; to the Committee on Interstate and Foreign Commerce.

By Mr. CROSS: A bill (H.R. 5698) to give to Congress the power to regulate boards of trade, stock and commodity exchanges by denying to any such organization the use of the United States mails and/or any other means of communication in sending or receiving any message or messages in the transaction of such business, crossing a State line, unless such an organization shall obtain a charter from Congress to engage in such business; to the Committee on the Judiciary.

By Mr. POUL: Resolution (H.Res. 149) providing for the consideration of House Joint Resolution 149, a joint resolution authorizing an annual appropriation for the expenses of participation by the United States in the International

Institute of Agriculture at Rome, Italy; to the Committee on Rules.

Also, resolution (H.Res. 150) providing for the consideration of H.R. 5661, a bill to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversions of funds into speculative operations, and for other purposes; to the Committee on Rules.

By Mr. McFADDEN: Resolution (H.Res. 151) to request certain information from the Secretary of the Treasury; to the Committee on Ways and Means.

By Mr. McSWAIN: Resolution (H.Res. 152) for consideration of H.R. 5645; to the Committee on Rules.

By Mr. BOYLAN: Resolution (H.Res. 153) appointing a committee of five Members of the House of Representatives by the Speaker to work with the delegates appointed by the President to the international conference for the purpose of stabilization of international exchanges; to the Committee on Rules.

By Mr. GRIFFIN: Joint resolution (H.J.Res. 186) to raise additional revenue by reinstating the income-tax rates for individuals and corporations in force prior to the enactment of the Revenue Act of 1932, and, in place of the increases provided by said Revenue Act of 1932, to provide a special income tax of 1 cent on each dollar of gross income for the calendar years of 1933, 1934, and 1935; to the Committee on Ways and Means.

By Mr. RAYBURN: Joint resolution (H.J.Res. 187) directing the Interstate Commerce Commission to conduct an investigation with regard to matters related to the transportation by pipe line of petroleum and its liquid products; to the Committee on Interstate and Foreign Commerce.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Illinois, memorializing Congress to retain the United States veterans' hospital at Dwight, Ill.; to the Committee on World War Veterans' Legislation.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. AYRES of Kansas: A bill (H.R. 5699) granting a pension to Millard C. Helm; to the Committee on Pensions.

By Mr. BEAM: A bill (H.R. 5700) to amend the act entitled "An act to recognize the high public service rendered by Maj. Walter Reed and those associated with him in the discovery of the cause and means of transmission of yellow fever", approved February 28, 1929, by including therein the name of Gustaf E. Lambert; to the Committee on Military Affairs.

Also, a bill (H.R. 5701) for the relief of Stanley T. Gross; to the Committee on Claims.

By Mr. DICKINSON: A bill (H.R. 5702) granting an increase of pension to Sophia C. Dunlap; to the Committee on Invalid Pensions.

By Mr. DIMOND: A bill (H.R. 5703) to authorize the waiver or remission of certain coal-lease rentals, and for other purposes; to the Committee on Claims.

Also, a bill (H.R. 5704) to extend the provisions of the act of Congress approved September 7, 1916, entitled "An act to provide compensation for employees of the United States receiving injuries in the performance of their duties, and for other purposes", to Frank A. Boyle; to the Committee on Claims.

By Mr. DOBBINS: A bill (H.R. 5705) granting a pension to Catherine E. Burke; to the Committee on Pensions.

By Mr. JOHNSON of West Virginia: A bill (H.R. 5706) for the relief of the Graham-Bumgarner Co., of Parkersburg, W. Va.; to the Committee on Claims.

Also, a bill (H.R. 5707) granting an increase of pension to Mary E. Pritchard; to the Committee on Invalid Pensions.

By Mr. McSWAIN: A bill (H.R. 5708) for the relief of the Gospel Mission of Washington, D.C.; to the Committee on Claims.

By Mr. MULDOWNNEY: A bill (H.R. 5709) for the relief of Miles Thomas Barrett; to the Committee on Claims.

By Mr. UNDERWOOD: A bill (H.R. 5710) granting a pension to Mary Emma Bussard; to the Committee on Invalid Pensions.

By Mr. WALDRON: A bill (H.R. 5711) for the relief of Pete Ernest Simon; to the Committee on Naval Affairs.

By Mr. WEST of Ohio: A bill (H.R. 5712) for the relief of Milton M. Simpkins; to the Committee on Military Affairs.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1098. By Mr. BOILEAU: Petition signed by a committee representing the Jewish people of Wausau, Wis., protesting against the treatment of Jews in Germany; to the Committee on Foreign Affairs.

1099. By Mr. CHAPMAN: Resolution of the Chamber of Commerce, Danville, Ky., urging official designation by the United States Government of the William Howard Taft Highway, running from Sault Ste. Marie, Mich., to Fort Myers, Fla., which has been officially designated by the States through which it passes, namely, Michigan, Ohio, Kentucky, Tennessee, Georgia, and Florida; to the Committee on Roads.

1100. By Mr. CULLEN: Petition of the Pennsylvania State Hotel Association, endorsing House bill No. 5157, appropriation of \$300,000,000 for Federal highway construction, sponsored by the Honorable CLYDE M. KELLY; to the Committee on Roads.

1101. Also, petition of the Order of Railroad Telegraphers, opposing the enactment of the said Emergency Railroad Transportation Act, 1933, unless the amendments thereto as proposed and presented to the Senate and House Committees on Interstate Commerce by organized railway labor are incorporated therein; to the Committee on Interstate and Foreign Commerce.

1102. By Mr. GOODWIN: Petition signed by citizens of Livingston Manor, Sullivan County, New York State, submitted in behalf of the congregation of Agudos Achim Synagogue and the Livingston Manor Hotelmen Association, protesting against the barbarities visited by the Hitler regime upon the Jews in Germany; to the Committee on Foreign Affairs.

1103. By Mr. HANCOCK of New York: Petitions of Onondaga Lodge, No. 252, Brotherhood of Railway and Steamship Clerks, Syracuse, N.Y., opposing House bill 5500; to the Committee on Interstate and Foreign Commerce.

1104. By Mr. HOEPEL: Petition of I. Irving Lipsitch, secretary, Los Angeles Citizens Committee for Justice to the Jews in Germany, and executive director of the Federation of Jewish Welfare Organizations of Los Angeles, expressing protests of organizations against the Nazi program affecting the Jews in Germany, and urging a restoration to citizens of all faiths of complete equality of rights; to the Committee on Foreign Affairs.

1105. By Mr. LINDSAY: Petition of Ignace Wnukowski, financial secretary of the George Washington Post, No. 3, Polish Legion of American Veterans, Brooklyn, N.Y., urging continuance of the present Government hospitals; to the Committee on World War Veterans Legislation.

1106. Also, petition of the New York Board of Trade, Inc., New York City, opposing the St. Lawrence Waterway; to the Committee on Interstate and Foreign Commerce.

1107. Also, petition of New York Board of Trade, Inc., New York City, concerning revision of the Black bill; to the Committee on Labor.

1108. Also, petition of the Order of Railroad Telegraphers, St. Louis, Mo., opposing the Emergency Railroad Transportation Act, 1933; to the Committee on Interstate and Foreign Commerce.

1109. Also, petition of Industrial Council of Cloak, Suit and Skirt Manufacturers, Inc., Leo A. Del Monte, president, New York City, favoring the President's national industrial recovery act; to the Committee on Ways and Means.

1110. Also, petition of Melchior, Armstrong, Dessau Co., New York City, concerning House bill 5480, the securities bill; to the Committee on Banking and Currency.

1111. Also, petition of machine stone workers, rubbers, and helpers of New York and vicinity, Local No. 5, New York City, urging the Federal Government to use stone fabricated in the Metropolitan district in the erection of Federal buildings; to the Committee on Public Buildings and Grounds.

1112. Also, petition of C. D. Mallory & Co., Inc., favoring the passage of House bill 4871 as an amendment to House bill 5040; to the Committee on Ways and Means.

1113. By Mr. MARTIN of Massachusetts: Petition of Aaron Solotist and other citizens of Fall River, Mass., protesting against the persecution of Jews in Germany, and requesting intercession by the Government of the United States; to the Committee on Foreign Affairs.

1114. By Mr. RUDD: Petition of Industrial Council of Cloak, Suit and Skirt Manufacturers, Inc., New York City, favoring President Roosevelt's national industrial recovery act; to the Committee on Ways and Means.

1115. Also, petition of machine stone workers, rubbers, and helpers of New York and vicinity, Local No. 5, New York City, favoring a Government building program to relieve unemployment; to the Committee on Ways and Means.

1116. Also, petition of C. D. Mallory & Co., New York City, favoring the passage of House bill 5040 as amended by the Senate; to the Committee on Ways and Means.

1117. Also, petition of Melchior, Armstrong, Dessau Co., New York City, favoring the enactment of the securities bill with certain amendments; to the Committee on Interstate and Foreign Commerce.

1118. By Mr. SUTPHIN: Petition of Pride of Monmouth Council, No. 27, Sons and Daughters of Liberty, urging immediate passage of House bill 4114; to the Committee on Immigration and Naturalization.

1119. Also, petition of Pride of Mechanics Home Council, No. 61, Sons and Daughters of Liberty, of Jamesburg, N.J., urging immediate passage of House bill 4114; to the Committee on Immigration and Naturalization.

1120. By Mr. WIGGLESWORTH: Petition of the mayor and City Council of Brockton, Commonwealth of Massachusetts, favoring a study of the entire matter of veterans' legislation in the hope that such study will bring a favorable adjustment, to the end that no veteran suffering from a disability incurred in line of duty while in the active military and naval service of the United States shall be called upon to bear a greater sacrifice than other classes of the American public, bearing in mind the hardships and tribulations that they endured during the period of war; to the Committee on Ways and Means.

1121. By Mr. WOLVERTON: Petition of Jewish residents of Collingswood, N.J., protesting against the treatment given the Jewish people in Germany; to the Committee on Foreign Affairs.

1122. By the SPEAKER: Petition of the city of Two Rivers, Wis., pertaining to the issuance of national currency to municipalities on the pledge of their bonds; to the Committee on Banking and Currency.

1123. Also, petition of the citizens of Washington, D.C., having no direct representation in the matter, earnestly petitioning their Representatives in Congress not to pass the increased tax assessments again recommended by the Mapes legislative committee, increasing levies on real estate, corporations, inheritances, automobiles, gasoline, etc., nor to reduce the Federal lump-sum appropriation, because we believe that any additional tax burdens just at this time would be a discouragement to business in general in the District of Columbia; to the Committee on the District of Columbia.

SENATE

SATURDAY, MAY 20, 1933

(Legislative day of Monday, May 15, 1933)

The Senate sitting as a court for the trial of articles of impeachment against Harold Louderback, judge of the United States District Court for the Northern District of California, met at 10 o'clock a.m., on the expiration of the recess.

The managers on the part of the House of Representatives appeared in the seats provided for them.

The respondent, Harold Louderback, with his counsel, Walter H. Linforth, Esq., and James M. Hanley, Esq., appeared in the seats assigned to them.

PROCLAMATION

The VICE PRESIDENT. The Sergeant at Arms will proclaim the Senate sitting as a Court of Impeachment in session.

The Sergeant at Arms made the usual proclamation.

THE JOURNAL

On motion of Mr. ASHURST, and by unanimous consent, the reading of the Journal of the Senate sitting as a Court of Impeachment for the calendar day of May 19 was dispensed with, and the Journal was approved.

The VICE PRESIDENT. What witness do counsel for the respondent desire to call?

Mr. LINFORTH. The witness Hunter was on the stand.

The VICE PRESIDENT. Call the witness. Has the witness been sworn?

Mr. Manager BROWNING. Yes, sir.

CROSS-EXAMINATION OF H. B. HUNTER (CONTINUED)

H. B. Hunter, having been previously sworn, was cross-examined further, and testified as follows:

By Mr. Manager BROWNING:

Q. Mr. Hunter, what was the total amount of money that you collected in the Russell-Colvin estate as receiver?—A. There was over \$3,000,000 of assets.

Mr. Manager BROWNING. Mr. President, I object to the witness' not responding to the question, and I ask that the reporter read it to him.

The VICE PRESIDENT. The witness will answer directly the question according to the information he has.

The WITNESS. In my opinion, there was over a million dollars collected for the estate in the way of the collection of accounts—cash, selling securities, credits on indebtedness, and so forth.

Q. Do you mean to tell me, in answer to my question, that you collected over \$1,000,000 of money as receiver? Answer, yes or no.—A. No; not in money.

Q. Then tell me the amount of money that you collected.—A. I think in the neighborhood of \$500,000.

Q. Now, what came into your hands in the form of securities, and how much which was not money but securities?—A. There was over a million and a half dollars of securities that were in the estate, which were partially liquidated or sold to satisfy indebtedness due by the estate to the extent of \$500,000, and also additional amounts were sold to satisfy the overborrowing of the partnership on customers' securities, which would leave about some \$800,000 to \$900,000.

Q. I will ask you again to state, not including money, which you state was \$500,000, but the securities alone that came into your possession as receiver for distribution to the owners?—A. I say it was around \$500,000.

Q. You recall the filing of a petition to put the concern into bankruptcy after the appointment of a receiver?—A. I am not familiar with the petition; no.

Q. You know it was filed?—A. Oh, yes.

Q. What class of claims was it that was represented in the petition? Was that what was known as the Sanderson claim?—A. If I may correct you, it was the Sendermen case. I do not think there was a claim filed in the Sendermen case.

Q. Was the petition filed by creditors of the concern?—
A. As I understand it, Paul Marrin, representing a creditor by the name of Olmstead, filed the petition.

Q. I am talking now about the petition in bankruptcy.—
A. Oh, the petition in bankruptcy. I do not know anything about that.

Q. Do you not know that it was the Sendermen claims that were represented by this petition in bankruptcy?—A. I have heard that, but I do not know it to be a fact.

Q. You do know the Sendermen claims were settled?—
A. I do.

Q. And that that eliminated the bankruptcy proceeding?—
A. I know that Sendermen was a partner in Russell-Colvin and claimed certain partnership profits and securities. He had a claim, I think, of twenty-five or fifty thousand dollars.

Q. And that claim was settled by you as receiver?—A. On the recommendation of counsel for the general creditors.

Q. And that eliminated the bankruptcy proceeding?—A. I am not certain that that eliminated the bankruptcy proceeding, but that was a part of the deal; yes.

Q. There was also a group of claims that you settled in full of those who were general creditors of the estate, was there not?—A. The preferred creditors in the general estate; yes.

Q. Part of those claims were represented by Mr. Kreft, who testified here yesterday, were they not?—A. That was an exception filed.

Mr. Manager BROWNING. Mr. President, I ask that the witness answer my question.

The VICE PRESIDENT. If the witness has knowledge, he must answer the direct question that the counsel asks.

Q. Part of those claims that were settled were represented by Mr. Kreft, who testified here yesterday, were they not?—
A. I know \$75,000 was paid to Mr. Kreft's clients.

Q. That was in full of his claim?—A. It was not in full.

Q. What percentage did you pay?—A. A very small part or percentage.

Q. Do you mean that he settled for less than was paid out to the other creditors?—A. No; but to avoid long litigation. Mr. Kreft claimed certain offsets, and, on recommendation of the counsel for the plaintiff and the defendant, the matter was settled.

Q. Were those recommendations from the counsel for the receiver?—A. They were not.

Q. Well, on whose advice did you settle that? Did you do it without advice from your own counsel?—A. My own counsel undoubtedly thought that was the advisable thing to do to save the estate from lengthy litigation.

Q. I will ask you again if it was on advice of counsel for the receiver that you made the settlement?—A. I would say so; yes.

Q. Now, Mr. Hunter, there was a certain amount of stock that you had on option and that you permitted the option to expire on without selling for the price that had been offered, was there not?—A. May I correct you on that?

Q. Yes.—A. There were certain bonds of the Consolidated Box deal which were on option to be sold to Mr. Blumberg, representing something like 21 bonds. I think there were conditions. There was an option to deliver them at a certain time; there was a letter of credit issued by the Wells, Fargo Bank guaranteeing payment; the due date on the option and the due date on the letter of credit varied 30 days.

Q. You did permit that option to expire without selling?—
A. I did.

Q. And what was the loss to the estate because of that lapse of the option?—A. The loss to the estate was \$4,200. That I do not consider a complete loss for this reason: There were 13 bonds pledged to the collector of internal revenue, guaranteeing him the payment of the income tax. If I had refused or had gone to him and said, "Now, you sell your bonds", it would have put him in a very difficult position. It would have lengthened the litigation by many months, fighting with the Government over the payment of their income tax. So that I took it to avoid a long-drawn

out litigation and justification for more fees and more expenses.

Q. It was out of your consideration for him that you let this option lapse, was it?—A. Out of consideration for Mr. Blumberg?

Q. Yes.—A. Not at all.

Q. You gave as a reason that he would have lost on his income-tax matter, as I understand.—A. No; the collector of internal revenue.

Q. But you did not take that into consideration when you let the option lapse, did you?—A. No, sir. The reason the option lapsed was due to a misunderstanding of the legal terms of the letter of credit.

Q. When you testified before our committee last September in San Francisco you took full responsibility for this yourself?—A. I do; as I always do in the administration of anything.

Q. And you did not offer at that time any excuse for your failure to sell on that option?—A. No, sir; there is no excuse when a man makes an error.

Q. How long were you connected directly as assistant to the president of the San Francisco Stock Exchange?—A. I think about 8 or 9 months.

Q. Have you been closely associated with the stock exchange or members of the stock exchange before and since that time?—A. I think so.

Q. Do you think you are very familiar with the attitude of the conduct of the stock exchange?

Mr. LINFORTH. Just a minute. I submit, Mr. President, that question is objectionable. The attitude of the stock exchange and its conduct should not be left to the opinion of the witness.

Mr. Manager BROWNING. I am asking him whether he knows it, and that is the only way we have to prove it.

The VICE PRESIDENT. What is the object of the testimony?

Mr. Manager BROWNING. The object of the testimony, Mr. President, is that this man, as assistant to the president of the stock exchange, and as directly connected with the members of the stock exchange, should know what the attitude of the stock exchange has been toward the liquidation of the estates of its members. The effort has been made here to try to show some kind of a suspicious interest on the part of the exchange in the settlement of this estate, and we want to prove what the attitude of the stock exchange really is in the case of these administrations.

Mr. LINFORTH. One minute, Mr. President. We submit their attitude on any matter other than the matter under consideration is purely immaterial to this inquiry, and I make the objection in the interest of time.

The VICE PRESIDENT. Is the purpose of the managers on the part of the House to show the general reputation of the stock exchange?

Mr. Manager BROWNING. No; the purpose is to show whether the activities of the stock exchange on matters that involve its members is in the interest of covering up something or the interest of protecting the public and economical administration.

The VICE PRESIDENT. The witness may be allowed to answer the question.

Mr. Manager BROWNING. I will ask the reporter to read the question.

The WITNESS. I think I recall the question. I have no knowledge of the attitude of the stock exchange.

By Mr. Manager BROWNING:

Q. Did you contact the attorneys for the stock exchange in the administration of this Russell-Colvin matter?—
A. I contacted every attorney in town interested in the estate, including the stock-exchange attorneys.

Mr. Manager BROWNING. I asked the witness one question, and I insist I have the right to an answer to that question.

The VICE PRESIDENT. The witness will answer the question directly.

The WITNESS. I did.

Q. Was that Mr. Lloyd Dinkelspiel and other members of the firm?—A. Lloyd Dinkelspiel.

Q. How often and in what relation?—A. Once when I asked him to come to sit in with a great many other attorneys who were there as to the method of handling the estate to approve the procedure that I was setting up so that I would have his approval and should not have a long-drawn-out litigation later.

Q. Who are the attorneys who were present in this conference?—A. Lloyd Dinkelspiel, Mr. Ackerman—

Q. Is that Lloyd Ackerman?—A. Lloyd Ackerman. Mr. Cohen—Aaron Cohen—a representative from Mr. Peart's office, Mr. Simon from the stock exchange, and several other attorneys. I do not recall the names now.

Q. Was Francis Brown there?—A. Oh, Francis Brown was there; yes.

Q. And De Lancey Smith?—A. I do not recall De Lancey Smith's being there, but I think Mr. Marrin was there.

Q. You mentioned some representative of the stock exchange other than Lloyd Dinkelspiel; who was that?—A. Mr. Simon.

Q. In what relationship did he represent the exchange?—A. Only as a member, I should say, and as a member of the board of governors.

Q. Throughout the administration of this estate, to your knowledge was there any effort on the part of anyone representing the stock exchange to cover up any act of this member of the exchange that would be hurtful to the public or to the creditors?—A. I do not know of any. I had full cooperation from the exchange.

Q. Mr. Hunter, when were your fees paid? What date was the money transferred from the receiver's account to your personal account in this case?—A. I think the estate had run about 15 months when the amount was allowed by the court of \$33,000 which I received. In another 6 months I think I was paid an additional \$7,500.

Q. I am asking the exact date on which the money was transferred from your account as receiver in this first matter of the allowance of fees to your personal account, and when the second amount was allowed and transferred to your personal account?—A. I do not recall. My records, which were subpoenaed in this case, and my bank account would show that. I do not recall the exact date. The cash account will show that.

Q. Will you consult the records in the hands of the clerk and give us that information?—A. I will try to; yes.

Q. Do you know the exact date on which the money was paid to the attorneys in this case?—A. Probably the same date.

Q. You will supply that for the record at the same time you supply the other?—A. Yes.

Q. I believe you stated yesterday that you did not divide your fees with anyone?—A. That is absolutely true. I think when you were in San Francisco and subpoenaed my account, I satisfied you in that regard. My account and my wife's account were investigated thoroughly and I think we accounted for every nickel.

Q. Soon after your fee was allowed to you in this case did you consult an attorney and tell him that you thought you were supposed to divide your fee with somebody?—A. I do not recall it; no, sir.

Q. If you had, would you know it?—A. I certainly would.

Q. Do you say now that you did not consult anyone at any time about a division of your fee?—A. Absolutely.

Q. Did you speak to an attorney about your fee after you got it?—A. I do not recall.

Mr. Manager BROWNING. That is all.

The VICE PRESIDENT. Are there any further questions?

Mr. LINFORTH. Just a question or two, Mr. President.

The VICE PRESIDENT. Proceed.

Redirect examination by Mr. LINFORTH:

Q. In line with the question asked you, did you submit your bank account and your wife's bank account to Mr. LaGuardia when the investigation was going on in San Francisco?—A. I did.

Q. Did you also, upon their demand or request, take them to your safe-deposit box, so they could examine your safe-deposit box?—A. Absolutely; both Mrs. Hunter's and my own box and accounts.

Q. They examined both your safe-deposit box and your wife's safe-deposit box?—A. Absolutely. No rock was left unturned.

Mr. LINFORTH. That is all.

Mr. KING. Mr. President, I wish to submit a question which I wish to propound.

The VICE PRESIDENT. The clerk will read the question submitted by the Senator from Utah.

The legislative clerk read as follows:

Q. The testimony indicates that you and your attorney consulted frequently. Was there any necessity to consult so often?

The WITNESS. There was, Senator. I think my daily record of service, in which I am rather methodical when I put down matters, shows that I consulted them almost daily on questions of law.

Mr. KING. Mr. President, I submit another question.

The VICE PRESIDENT. Let it be read.

The legislative clerk read as follows:

Q. State the reasons for such frequent consultations.

The WITNESS. There were hundreds and hundreds of questions that had to be settled in the liquidation of a brokerage concern, and these came up every day as I worked on the problem. As an instance of the questions I wished decision upon, I recall a few. The first thing that I wanted to know was what date would the securities be appraised. Would it be the date of the receiver's appointment or a later date or an earlier date? That is just one illustration. There are hundreds of them that you can find out from the record. I have a record of questions asked that I should be glad to submit if anyone cares to look at them.

The VICE PRESIDENT. Are there any further questions? If not, the witness will stand aside.

(The witness retired from the stand.)

EXAMINATION OF JOHN DINKELSPIEL

Mr. LINFORTH. We will call Mr. John Dinkelspiel.

John Dinkelspiel, having been first duly sworn, was examined and testified as follows:

The VICE PRESIDENT. The Chair appoints the Senator from Nevada [Mr. McCARRAN] to preside for this day.

(Thereupon Mr. McCARRAN took the chair.)

Mr. LINFORTH. Shall I proceed?

The PRESIDING OFFICER. You may.

By Mr. LINFORTH:

Q. Will you please state your residence and occupation?—A. My residence is San Francisco, Calif., and my occupation is attorney at law.

Q. What is the name of your firm?—A. Dinkelspiel & Dinkelspiel.

Q. At the time of the transactions which are under investigation who were the members of your firm?—A. For part of the transactions the firm consisted of my father, who was then living, Henry G. W. Dinkelspiel, and my brother, Martin J. Dinkelspiel, and myself. My father passed away in 1931.

Q. How long had he been practicing law in San Francisco?—A. He was admitted to the bar of San Francisco in 1891.

Q. In the 5 years which Judge Louderback was upon the Federal bench, in how many matters were you appointed attorney for a receiver?—A. Four.

Q. When he was upon the trial bench of the superior court for 8 years, were you appointed attorney for a receiver in any matter?—A. No, sir.

Q. In any of the fees allowed your firm in the four receivership matters to which you have referred, did Judge Louderback directly or indirectly receive any part or portion of them?—A. No, sir.

Q. Did anyone except yourselves receive any portion of those fees?—A. No, sir.

Q. Do you know Mr. W. S. Leake?—A. No, sir.

Q. Never met him?—A. Never in my life.

Q. In the case known as "the Sonora Phonograph case", you were attorneys for the receiver?—A. Yes, sir.

Q. Who was the receiver?—A. It was an ancillary receivership proceeding. There were two receivers in the first instance, the Irving Trust Co., of New York City, and G. H. Gilbert.

Q. Mr. Dinkelspiel, in answering my questions, in the interest of time, will you please cut out as much detail as you can and just give us the ultimate facts or conclusions?—A. Very well.

Q. Who was the receiver in that receivership?—A. The Irving Trust Co. and G. H. Gilbert.

Q. Did the Irving Trust Co. continue to act during the entire time, or was it relieved of its duties?—A. It was relieved of its duties.

Q. How long did the receivership continue, approximately?—A. Approximately 7 months.

Q. In that time, in round numbers, how much money was collected by the receiver?—A. Approximately \$350,000.

Q. Did the receiver carry on the affairs of that concern as a going concern?—A. He did.

Q. Did the receiver dispose of the assets which that company had within the northern district of California?—A. He did.

Q. In that matter what fees were allowed by Judge Loud-erback?—A. The receiver received sixty-eight hundred and some odd dollars, and the attorneys \$20,000.

Q. Was the amount allowed the receiver figured upon the statutory basis?—A. The fees allowed to the receiver in that case were fixed according to section 48 of the bankruptcy law.

Q. That established the amount that was allowed to the receiver. Is that correct?—A. Yes, sir.

Q. What amount was allowed to you?—A. \$20,000.

Q. Before that amount was allowed to you was there any agreement made by the representatives or attorneys of the home receivership in New York as to the amount that should be allowed you?—A. We filed an application for \$22,500. We submitted that to the attorney for the Irving Trust Co. and to the attorneys representing the creditors' committee in New York City. They advised us that we should file an ad interim account and that they agreed that as an interim allowance the court should allow us \$15,000 on account.

Q. Subsequently, when an additional application was made for \$7,500, was that taken up with the attorneys for the home receiver in New York, and was any suggestion or agreement made as to what should be allowed?—A. Yes, sir. The attorneys in New York City representing the trustees, and also the attorneys representing the creditors' committee, suggested that an allowance of \$2,500 be approved.

Q. In other words, the attorneys for the New York receivership consented to an allowance of \$17,500 in full?—A. That is correct.

Q. And the court allowed you \$20,000?—A. That is correct.

Q. You have the telegrams and the letters of those attorneys to that effect?—A. I have.

Q. You can produce them here if opposing counsel desires them?—A. I can, sir.

Q. Did you apportion or divide the fee received in that manner with anyone?—A. No, sir.

Q. Except your partners?—A. No, sir.

Q. Not a dollar of it?—A. No, sir.

Q. During that receivership, did you come in daily contact with Mr. Gilbert, the receiver?—A. Practically every day, sir.

Q. With respect to the work that he did as receiver, how did you find him, efficient or otherwise?—A. I found him efficient in that case, and believe that the people in interest also found his work efficient.

Mr. Manager SUMNERS. Mr. President—

Mr. LINFORTH. I consent that the part of the answer which purports to state what the others found him to be may go out.

The WITNESS. I am sorry.

By Mr. LINFORTH:

Q. Were you the attorney for the receiver in the Golden State Asparagus case, so called?—A. Yes, sir.

Q. In round numbers, what was the value of the assets of the Golden Gate Asparagus Co.?—A. In round numbers, slightly over \$1,000,000.

Q. And, in round numbers, what were its liabilities?—A. Its secured liabilities were approximately four or five hundred thousand dollars; and, in round numbers, its unsecured liabilities were about the same figure.

Q. Who was the receiver in that case?—A. George N. Edwards.

Q. Did you know Mr. Edwards before he had been appointed receiver?—A. No, sir.

Q. By the way, does your firm make a specialty of matters of this kind—liquidation matters?—A. Yes, sir. We have, I should say, a large bankruptcy and receivership practice.

Q. In the Asparagus Co. matter, how long did that receivership last?—A. It was commenced in September 1930 and it is still pending.

Q. During that receivership, did you ascertain that a great portion of its assets had been pledged and mortgaged to a certain bank?—A. When the receiver was first appointed, in September 1930, I might say generally that practically every asset of any value of the company was hypothecated to the Pacific National Bank of San Francisco.

Q. As the result of negotiations entered into by the receiver, Mr. Edwards, and yourself, with the assistance of others, did you liquidate the assets that were under pledge or mortgage?—A. We were able to pay off the loan to the Pacific National Bank in full and preserve an equity in the company of a considerable amount of money. I cannot fix the amount, because it depends on the value, based on economic conditions.

Q. How much was the obligation of that bank which you and the receiver, with the assistance of the others, liquidated and paid off?—A. Between \$225,000 and \$235,000.

Q. Do not go into detail, but state briefly how many petitions and applications of various kinds were prepared by you and presented to the court during the administration of that receivership?—A. We prepared, on behalf of the receiver, 18 separate rent-share base contracts and leases, all of which were different, and on which we could not use the previous form or basis to work out. We prepared a petition and negotiated to close the sale of some 16 acres to the Southern Pacific—

Q. Mr. Dinkelspiel, will you permit an interruption in the interest of time? Instead of stating what they were, unless it is asked for on cross-examination, will you state in round numbers the number of petitions that you prepared which were submitted to the court and passed upon by the court in that receivership?

Mr. Manager SUMNERS. Mr. President, may I suggest to counsel for respondent that it will perhaps save time if the witness will indicate in what connection these various documents were prepared. It might save time.

Mr. LINFORTH. In the interest of time, I leave that for the cross-examination, Mr. President.

The PRESIDING OFFICER. You may proceed.

The WITNESS. We prepared approximately 18 or 19 separate leases, probably 5 or 6 separate agreements, and numerous other agreements which were drafted and not executed.

Q. In round numbers, how much in cash did the receiver take in during his receivership?—A. I do not believe I could answer that question without referring to the receiver's account.

Q. Could you answer, in round numbers, whether it was several hundred thousand dollars or a few dollars?—A. I could not give an answer on that.

Q. The receiver took in more than enough to pay the bank two hundred and odd thousand dollars, did he not?

Mr. Manager SUMNERS. We object to that question, Mr. President.

Mr. LINFORTH. My embarrassment is that I am trying to save time.

Mr. Manager SUMNERS. I withdraw the objection.

The PRESIDING OFFICER. The objection is withdrawn.

The WITNESS. I could not give you a proper answer without referring to the receiver's account, which is on file with the papers.

Q. In that matter, to your knowledge, was an arrangement made between the attorneys representing the plaintiff and the attorneys representing the defendant in that case with reference to the compensation of the receiver?—A. Yes, sir.

Q. What was the arrangement made with those attorneys as to the compensation of the receiver?—A. The receiver was to receive \$1,000 per month.

Q. How much did you apply for as one of the attorneys for the receiver?—A. \$14,000, covering 1 year's services.

The PRESIDING OFFICER. Just a moment. The Chair assumes that when you use the word "you", you mean the firm, do you not?

Mr. LINFORTH. Thank you, Mr. President, for the suggestion.

By Mr. LINFORTH:

Q. When I say "you", I mean your firm.—A. \$14,000 for 1 year's services.

Q. Before that application came on for hearing, was there any discussion between you and the receiver and the attorneys for the American Can Co., the plaintiff in that case, with reference to the amount that should be allowed to yourself and the receiver?—A. Yes, sir.

Q. Who was that attorney?—A. Mr. Fox, of Chickering & Gregory, and Mr. Richter, of Cushing & Cushing.

Q. What amount was agreed to as the reasonable value of the services of the receiver and the attorney?—A. We were unable to agree to any figure. Mr. Richter, who represented the defendant company, advised us that his client no longer had any direct interest in the situation, and referred us to the creditors' committee and to Mr. Fox, who represented the American Can Co., who was the petitioner in the action. We took up the matter with Mr. Fox, and advised him that we were considering filing a petition both for the receiver and for his attorneys for \$15,000 apiece to cover the 1 year's service. Mr. Fox said, "Well, I should rather not pass on that. I will suggest that you take up the matter with Judge William J. Hayes", who was the attorney for the San Francisco Board of Trade, and who was representing numerous creditors.

Q. Did you take it up with Mr. Hayes?—A. We did, sir.

Q. What amount did Mr. Hayes suggest?—A. He suggested that a fee of \$10,000 would be in order.

Q. Did the matter come on subsequently before Judge Louderback for hearing?—A. Yes, sir.

Q. At that hearing did Mr. Hayes suggest that he thought \$10,000 would be reasonable?—A. Mr. Hayes' statement in court was, he advised the court that we had discussed this matter with him; that we had offered at that time—we felt, if I may recount that conversation a little more fully—

Q. Mr. Dinkelspiel, I want you, please, to be as brief as possible, and cut out details.—A. Judge Hayes advised Judge Louderback, when the matter came on for hearing, that he was neither approving nor disapproving of the application made, but that he was instructed by his clients to state that in their opinion an allowance should be made of \$10,000 covering 1 year's services.

Q. Did the court make any statement to Mr. Fox, representing the American Can Co. and its attorneys, Chickering & Gregory, as to what amount in his opinion was reasonable?—A. Yes, sir.

Q. What did Mr. Fox reply?—A. Mr. Fox suggested, instead of making the allowance for 1 year's services, in view of the fact that the application was being heard about 16 or 18 months after the inception of the receivership, that Judge Louderback make the allowance on account of services rendered to date.

Q. Was there any question from the judge to Mr. Fox as to what, in his opinion, the services were worth?—A. Yes, sir.

Q. What took place in that respect?—A. The judge asked Mr. Fox, on his suggestion, what he felt should be a proper allowance on account, as distinguished from our application for 1 year. Mr. Fox stated \$15,000.

Q. In the submission of the matter, how much did the court allow you and how much did the court allow the receiver?—A. To the receiver, \$14,000 on account; and to ourselves the same amount on account.

Q. Was any appeal ever taken from either order?—A. No, sir.

Q. With reference to that fee of \$14,000, to your absolute knowledge did the respondent, Judge Louderback, ever receive a cent of it?—A. No, sir.

Q. Did anyone except the firm of Dinkelspiel & Dinkelspiel ever receive a cent of it?—A. Absolutely not.

Q. You made no contribution and no division to anybody of any part of that fee?—A. No, sir; no, sir.

Q. Were you—and when I say "you" I mean your firm—the attorneys for the Fageol Motors Co.?—A. For the receiver in equity of the Fageol Motors Co.

Q. That is what I meant, Mr. Dinkelspiel. May I amend the question? Was your firm the attorneys for the receiver of the Fageol Motors Co.?—A. Yes, sir.

Q. And who was the receiver?—A. G. H. Gilbert.

Q. How long did that receivership last?—A. From February 1932 until sometime in July of 1932.

Q. In that matter, do you know who allowed or fixed the compensation of the receiver and his attorneys?—A. Yes, sir; the referee in bankruptcy at Oakland, Calif., Burton K. Wyman.

Q. Did Judge Louderback, the respondent here, have anything whatever to do with fixing those fees?—A. No, sir.

Q. In the application made, how much was requested as fees of the attorney and the fees of the receiver?—A. The attorneys requested \$10,000 and the receiver \$6,000 or \$6,500; I do not recall the exact amount.

Q. In open court upon the hearing of that application, did the creditors consent to the payment of those amounts?—A. Yes, sir; those allowances were made by us after several conferences with the creditors, and made at their suggestion as to a reasonable fee to ask for.

Q. Mr. Wainwright was the representative of the largest unsecured creditor?—A. He was.

Q. And Mr. Ross was the representative of the Waukesha Co., the next largest unsecured creditor?—A. He was.

Q. Were both of them present in court at the time of the application for fees?—A. I believe so.

Q. And did they, as well as the other creditors present, consent to the allowance of \$10,000 as attorney fees, and \$6,500 as fees of the receiver?—A. Absolutely.

Q. And after their consent, what order did the court make?—A. It allowed the attorneys \$6,000 and to the receiver \$4,500.

Q. Did anyone except Dinkelspiel & Dinkelspiel receive any part or portion of that fee?—A. No, sir.

Q. No division of any part or portion was made to Judge Louderback or anyone else?—A. Absolutely not.

Q. By the way, did Mr. LaGuardia, when in San Francisco, examine the bank accounts of Dinkelspiel & Dinkelspiel?—A. He did.

Q. Were they all turned over to him, together with the vouchers and checks?—A. Yes, sir.

Q. Was that before the hearing which took place subsequently in San Francisco?—A. Prior to the hearing and during the pendency of the hearing at San Francisco.

Q. Did you at that time furnish to him all information and all data relating to your bank accounts that he requested?—A. Yes, sir.

Q. In either the Sonora Phonograph matter or the Golden State Asparagus matter, was there any litigation?—A. There was no litigation in the Sonora Phonograph Co. There was some in the Golden State Asparagus Co.

Q. How many suits did you commence in the Golden State Asparagus Co. case?—A. I think, up to the present time, five.

Q. Did at least one of them go to trial?—A. Yes, sir; one case was tried before Judge St. Sure in the Federal court at San Francisco.

Q. Did your firm try it?—A. Yes, sir.

Q. Did that result in a judgment in favor of the receiver?—A. It did, sir.

Q. For how much money?—A. Seventeen-odd thousand dollars.

Q. In that matter did you employ, or did the receiver under your instructions employ, a firm of accountants to make an audit?—A. We employed a firm of accountants in the Fageol Motor Co. matter.

Q. Who was that firm of accountants?—A. Lybrand, Ross Bros. & Montgomery.

Q. At whose suggestion or request did you employ those accountants?—A. At the suggestion of Mr. Wainwright, of the bank, and at my own suggestion.

Q. When you employed those accountants, did you have any understanding with them as to what the maximum charge or fee was to be?—A. Yes, sir.

Q. What was it?—A. Not to exceed \$5,000.

Q. Did you take that up with Mr. Wainwright representing the creditors, and did it meet with his approval?—A. It did.

Q. Subsequently a bill for how much was received from those accountants?—A. Some fifteen and odd thousand dollars.

Q. Did you oppose the bill?—A. When the bill was submitted, the equity receivership had terminated—

The PRESIDING OFFICER. Answer the question "yes" or "no", and then explain if you care to.

The WITNESS. Yes.

By Mr. LINFORTH:

Q. After the Fageol Motor Co. went into bankruptcy and Mr. Street was appointed as receiver, did you cooperate with him in opposing that bill?—A. I did.

Q. The other receivership matter in which you represented the receiver was the Prudential Holding Co.?—A. Yes, sir.

Q. And Mr. Gilbert was the receiver in that matter?—A. Yes, sir.

Q. How long did that receivership last?—A. About a month or 6 weeks.

Q. Did you take any part in the proceedings made to dismiss the receivership?—A. No, sir.

Q. Did you apply for or did you receive any compensation in that matter?—A. No, sir.

Q. Did the receiver apply for or receive any compensation in that matter?—A. No, sir.

Q. Then, am I correct in saying that the only compensation you ever received in any matters under appointment by Judge Louderback, where you represented the receiver, was in the three matters you have already referred to?—A. That is correct.

Mr. LINFORTH. You may take the witness.

Mr. KING. Mr. President, I submit two interrogatories dealing with the fee of \$20,000.

The PRESIDING OFFICER. The clerk will read the interrogatories.

The legislative clerk read as follows:

Q. Was the reasonable value of the legal services of your firm worth the amount allowed, \$20,000?

The WITNESS. In my opinion it was, sir.

Q. What was the provision of the statute which you state authorized the payment of \$20,000?

The WITNESS. The Senator misunderstood my answer. There is no provision in the statute providing for compensation to attorneys for receivers or trustees. The reference I made is that the receiver's compensation in that case was pursuant to the bankruptcy act.

The PRESIDING OFFICER. The managers on the part of the House may cross-examine.

Cross-examination by Mr. Manager BROWNING:

Q. Mr. Dinkelspiel, what other cases, representing receiverships in other courts than Judge Louderback's, has your

firm been in since your father's death?—A. We represented the receiver in the American Radio Stores, a case before Judge St. Sure.

Q. Who was the receiver?—A. Bartley C. Crum. We represented a case of Hirsh Millinery Co., where the receiver was Morris Rodgers, appointed by Judge Kerrigan.

Q. What were your fees in each of those cases?—A. The fees in the American Radio Stores were some \$2,000, as I recall at the present time.

Q. And in the other case?—A. I do not recall, Mr. BROWNING.

Q. Who knows that?—A. The court records would show it. I have not refreshed my memory on it for some time.

Q. It was less than \$2,000, was it not?—A. I believe so.

Q. How long did the Sonora Phonograph Co. case last?—A. Seven months, approximately; 6 or 7 months.

Q. This concern was conducted for a part of that time as a going business?—A. Yes, sir.

Q. What other attorneys assisted in the conduct of this receivership?—A. In California?

Q. Yes.—A. None, except in one or two instances or several instances, the exact number I do not recall, where we engaged counsel in various cities of California and on the Pacific coast to assist in the collection of accounts.

Q. They were paid out of the estate?—A. Yes, sir.

Q. Was there a single claim in that case that went to litigation?—A. No, sir.

Q. And you attended to all the work yourself?—A. Yes, sir.

Q. How did you get into that case, Mr. Dinkelspiel?—A. We were requested by an attorney in New York City, who represented certain creditors, to file a petition for the appointment of an ancillary receiver in California.

Q. Were you a member of an association or some list of collection attorneys that brought you that business?—A. No, sir.

Q. How did you get your connection with this concern?—A. I assume they knew of our firm. We are representatives in San Francisco in several law lists.

Q. What date did you receive your fee in that case?—A. The fee was allowed in two parts, one in May of 1930, and the balance of \$5,000 in July of 1930.

Q. Your correspondent who requested you to file this petition for ancillary receiver was also in this same law list, was he not?—A. I do not know.

Q. Are you not acquainted with the lists in which you are listed?—A. No, sir; we are listed in probably 25 or 30. He possibly knew our firm from the Commercial Law League of America, of which at one time my father was president, and was prominent in its activities.

Q. Do you not know that is how you got it?—A. I do not know how we got it; no, sir. I assume by reason of the facts I have given you that our firm was known to the attorney in New York City.

Q. Did this correspondent of yours ever ask for a portion of this fee?—A. No, sir.

Q. Did he not ask you for a third of it under the commercial regulations as to the division of fees?—A. No, sir.

Q. Or no part of it?—A. We understood at one time—

The PRESIDING OFFICER. Answer that "yes" or "no" and then explain afterward.

The WITNESS. He never asked for it. May I explain?

The PRESIDING OFFICER. Yes.

By Mr. Manager BROWNING:

Q. Yes; go ahead and explain.—A. It had been customary, and still is customary, when legal matters are forwarded from these law lists which I have described, that the receiving attorney is entitled to two thirds of the fee which may be allowed, and the forwarding attorney one third. We assumed at that time that it would be proper, in view of the custom, that he would receive one third of any fee which we were to obtain. During the course of that administration the United States Supreme Court rendered a decision frowning upon that procedure, and on the strength of that decision we advised him that, regardless of whether he anticipated

receiving a fee from us or not, he was not to receive any, and there never was any division of fee with that party.

Q. Was your father living at the time you filed this petition?—A. Yes, sir.

Q. How much of your time each day did you put in in the administration of this receivership during that 6 months?—A. I would approximate 3 or 4 or 5 hours a day. It is all set forth in a verified petition with the court papers, Mr. BROWNING.

Q. The last appropriation that was made to you was contested by every interest in the case except the receiver, was it not, and especially by the Irving Trust Co.?—A. Yes, sir.

Q. In the Golden State Asparagus Co. case, Mr. Fox and Mr. Richter were just as active as your firm in the administration of that receivership, were they not?—A. Absolutely not.

Q. You do know that they stopped the forced sale—A. They did not.

Q. (Continuing.) Of the property, before you were appointed as attorney in the case?—A. They did not.

Q. When were you appointed?—A. We were appointed on—I have forgotten the exact date in September 1930.

Q. How many days after Mr. Edwards was appointed as receiver were you appointed?—A. I think 1 or 2 days.

Q. You do know that the forced sale was stopped the day he was appointed, do you not?—A. I know that the president of the bank told us that he would have no further dealings with Mr. Fox, and it was through our efforts that the sale was continued.

Q. Although it was 2 days before you were appointed that the sale was actually stopped, you are willing to say that now?—A. No, sir; the sale was, as I recall it, noticed to be held 2 days thereafter. Prior to the receivership a sale had been noticed, and the bank decided sufficient notice had not been given. It accordingly readvertised the sale to be held after the appointment of Mr. Edwards as receiver.

Q. And that was the day he was appointed?—A. No, sir; after, as I recall.

Q. Do you mean to say now that it was after you were appointed as the attorney?—A. That the sale was to take place; yes, sir, as I recall it at this time.

Q. You also know that Mr. Fox and Mr. Richter and their firm were very active in helping prepare all these leases and transactions you have described as coming within your services in the case?—A. No, sir.

Q. Did they do any part of it?—A. We prepared every lease that is described.

The PRESIDING OFFICER. Answer the question.

By Mr. Manager BROWNING:

Q. Did they do any part of it?—A. Simply consulted with us after we had prepared the leases.

Q. But you did consult with them about all of these transactions?—A. Absolutely.

Q. And got their advice on it?—A. We submitted it to see if it would be satisfactory to them and if they had any suggestions to make.

Q. And you had their full cooperation?—A. Yes, sir.

Q. Have you been paid your fee of \$14,000?—A. Been paid \$5,000.

Q. Why have you not been paid it all?—A. Because we did not feel that in view of the present economic conditions it would warrant drawing out any more money from the company.

Q. Was there any in there to draw out?—A. There was a potential amount at that time, but since the allowance was made the price of asparagus has dropped from 4 cents a pound to 2 cents a pound.

Q. Can you pay fees out of potential matters?—A. Yes, sir; we anticipated that the crop which had been harvested or was ready to be sold at that time would be sold at the then existing market price.

Q. What they had for sale was asparagus, was it not?—A. Yes, sir.

Q. And you could not take your fee in asparagus, of course?—A. We do not expect to, sir.

Q. In the Fageol Motors case, what were the assets of that concern, do you recall?—A. The assets were in excess of a million dollars in round figures.

Mr. KING. If I am not violating any rule, I wish to inquire what was the case to which counsel referred?

Mr. Manager BROWNING. The Fageol Motors Co.

Q. What was the nature of their business?—A. Automobile assembling and manufacturing plant.

Q. Did it have an extensive business up and down the Pacific coast?—A. Yes, sir.

Q. How many States did it stretch over?—A. Washington, Oregon, Utah, and California principally.

Q. They not only manufactured bodies and other parts of automobiles but they had an assembling plant, did they not?—A. Yes, sir.

Q. And they had sales agencies and service also?—A. Yes, sir.

Q. How long did this receivership last?—A. From February 17, 1932, until some time in July of 1932.

Q. How much of your time did you devote to that concern?—A. I should say on an average of half a day for 4 or 5 days a week.

Q. For how many months?—A. During the first part of the receivership, not so much after we had the thing running along.

Q. How long do you count "the first part of the receivership"?—A. About 3 months.

Q. And after that time what part of your time did you devote to the business?—A. I cannot say offhand, Mr. BROWNING. May I refer you to the account which we filed?

Q. Can you approximate it?—A. I would not dare do that, sir.

Q. But you did have something to do with it every day?—A. Practically every day; yes, sir.

Q. Did you have any litigation?—A. We filed some suits for the company.

Q. How many?—A. I think three direct suits as such.

Q. Did they go to trial?—A. Two of them did.

Q. And were they on matters of collection?—A. Yes, sir.

Q. Were you successful in those suits?—A. Yes, sir.

Q. How much did you recover for the concern?—A. Several hundred dollars; they were small matters.

Q. Do you know how much money came into the hands of the receiver in this case?—A. I would not give an opinion on it. The records will show that.

Q. Approximately how much? You gave the amount in some of these other cases. Are you not as familiar with this one as with the other cases?—A. No; I am not, without referring to the records. I have a notation in my file, and if I might refer to that I could give it.

Q. Please refer to it.—A. (After examining file.) The receiver collected approximately \$120,000 in accounts receivable and liquidated about \$150,000 of the inventory.

Q. That was about \$270,000 that he, in fact, handled?—A. Converted into cash, I am referring to, sir.

Q. Yes. Now, in comparison to the other receivership, in the Sonora Phonograph case, did you do as much work in this one as you did in that?—A. About the same.

Q. And did you do as much work in this as you did in the Golden State Asparagus case?—A. No, sir.

Q. You did not do as much in this?—A. Well, probably about the same; it is hard to say exactly.

Q. This was straight liquidation, was it not?—A. Are you referring to the Fageol Motors case?

Q. Yes.—A. No, sir.

Q. It was a going concern and operated during the receivership?—A. Yes, sir.

Q. The Golden State Asparagus case is a going concern?—A. Yes, sir.

Q. There is no liquidation about it?—A. No, sir.

Q. You say the employment of these accountants was agreed to by Mr. Wainwright?—A. May I recount the circumstances of that, sir?

Q. Yes.—A. Two or three days after the receiver was appointed we received a report or statement from a man named Crook, who had been an accountant of the company.

Mr. Wainwright brought that to my office and we discussed it together and decided that it was absolutely no good to us in determining any sort of a policy in connection with the company. We decided that it would be necessary to engage reputable accountants to handle the work. I discussed the matter with Mr. Bronson, who represented the defendant company, and he approved of the suggestion, stating that the cost would not be too great. I asked him if he had any suggestion as to whom to employ. He said "no." I then interviewed 2 or 3 or 4 people in reference to prices in connection with the work. I finally determined, on behalf of Mr. Gilbert, that Lybrand, Ross Bros. & Montgomery, who, I understand, are one of the largest accountant firms in the United States, be employed for the reason that they had branches in every city where the company had branches. They submitted a certain statement to me of what the charge would be, and we agreed that it would be about \$5,000. I said that the ultimacy would have to be subject to the approval of the court, but I wanted to understand about what the charge would be at the present time. I submitted that to Mr. Wainwright, and he approved it.

Q. What did you tell the auditor that you wanted in the way of a report; just what information did you want?—A. We had to have a comprehensive balance sheet, the segregation of the accounts receivable, and the segregation of commercial accounts receivable that had been assigned and discounted with various finance companies.

Q. What you were after was a balance sheet?—A. Yes, sir.

Q. Did you have a definite contract with these people that the charge was not to exceed \$5,000?—A. As I explained to you, it was agreed between us that the fee would be around \$5,000, but I specifically put in the order that any allowance to them would be made subject to the approval of the court, which I felt was a sufficient safeguard against any overcharge.

Q. Then you did not have any agreement with them at all, except that the court would fix the fees for the auditor. Is that right?—A. No, sir; I had an agreement with them; I had an understanding with them.

Q. Why did you leave it to the court?—A. Because I knew that any agreement in an equity receivership must be subject to the court's approval. I had no authority to engage them, and I had no authority to bind them as to any particular fee.

Q. But you did not put into the order "not to exceed \$5,000", did you?—A. No, sir.

Q. You did tell Mr. Wainwright and Mr. Bronson that the fee would not exceed \$5,000?—A. Yes, sir. That was my understanding.

The PRESIDING OFFICER. May the Chair inquire what was finally paid in that case?

Mr. BROWNING. Will the witness answer?

The WITNESS. I do not know, sir, because I was not interested in the case when it came up; it was compromised; I know that.

By Mr. Manager BROWNING:

Q. The record does show that it was \$11,000 or \$12,000 was it not?—A. I do not know; I know there was a compromise.

Mr. LINFORTH. Mr. President, I do not think that counsel should make a statement not in accord with the record of the testimony. It was reduced to \$6,000 or \$7,000.

Mr. Manager BROWNING. Mr. Peterson testified, in chief here, that it was between \$11,000 and \$12,000, and put it in the record, and it is in the record here now.

The PRESIDING OFFICER. If the witness does not know, he need not answer.

By Mr. Manager BROWNING:

Q. You say you had a lawsuit in the Golden State Asparagus case in which you made a recovery. What was the nature of that case?—A. When the receiver was appointed it appeared that the Golden State Co. had advanced some \$15,000 to a man named Neilson, who is president of the Golden State Asparagus Co. Neilson was in partnership with two other people. We discussed the

situation with Mr. Richter, who was attorney for the company, and Mr. Richter advised us that the Golden State Co., and, therefore, the receiver, had no claim other than a partnership accounting. We checked into this situation on our own account and advised the receiver, against Mr. Richter's advice, that, in our opinion, we had a claim for moneys advanced and that the Golden State Co. was not a partner of this other outfit and when we could not obtain a settlement from them filed suit in the Federal court, which was heard before Judge St. Sure, and judgment was rendered in the receiver's favor for the sum of seventeen-odd thousand dollars.

Q. Mr. Dinkelspiel, why did you not apply for a fee in the Prudential Holding Co. case?—A. Because I checked into the law and I found, in view of the order made by Judge Louderback abandoning the receivership, that we had no legal right to do so.

Q. You mean by that that the court could not allow a fee for the services you had already rendered?—A. No; in view of the court's order invalidating its order appointing a receiver; no, sir. I checked the law on that and I believe I am correct in my conclusion; otherwise, though the services rendered were not very great, I should have filed an application.

Q. Then, your understanding of the law is that when the judge or any court invalidates the appointment of a receiver he is entitled to no compensation?—A. Yes, sir.

Q. When was the first information you had of the origin of the Prudential Holding Co. case?—A. Mr. Gilbert called me and said he had been appointed receiver.

Q. What was the first case you were in with Mr. Gilbert?—A. The Sonora Phonograph Co. case.

Q. How did he happen to select you as attorney in that case?—A. He was named by Judge Louderback, and we requested of Judge Louderback that we be retained in that case as counsel for Mr. Gilbert and the Irving Trust Co. as coreceivers. The judge, I imagine, instructed Mr. Gilbert to do so.

Q. Whom do you mean by "we"?—A. I am referring to our firm, sir.

Q. Was your father living at that time?—A. Yes, sir.

Q. He was really the head of the firm?—A. Yes; at that time, sir.

Q. Who else were members of the firm at that time?—A. My brother and myself.

Q. Did you personally know Mr. Gilbert before that time?—A. No, sir.

Q. Where did you first meet him?—A. Either at my office or at the chambers of the judge.

Q. When Mr. Gilbert went to the chambers of the judge and qualified, were you there?—A. I do not recall, sir. It was 3 years ago, and I do not remember where I did first meet Mr. Gilbert. It was either out there or at my office.

Q. In that first conversation Mr. Gilbert told you that he expected to appoint John Douglas Short, did he not?—A. Yes, sir.

Q. And you told him that you were to be appointed?—A. We expected to be appointed; yes, sir.

Q. Well, who else did he talk to before he made the recommendation of you to the court, except you?—A. I have no idea.

Q. Did he make a recommendation then and there when you first talked to him? Did he sign the petition for your appointment at that time?—A. No, sir.

Q. How long after that did he sign it?—A. I would say within 24 or 48 hours; I do not recall the exact time, sir.

Q. Did he come to your office and sign the petition?—A. Yes, sir.

Q. You drew it for him?—A. Yes, sir.

Q. How did you get the notice that you were to be the attorney in the Fageol Motors case?—A. Through Mr. Gilbert.

Q. Did he call you or come to see you?—A. I believe he phoned me and then came down to my office.

Q. What time of day did he phone you?—A. I think it was some time early in the afternoon.

Q. Would you say before 2 o'clock?—A. I would not say. It was around that hour. I could not say. I made no note of the hour.

Q. What time did you qualify?—A. I would say about 3 o'clock. I would say about an hour after he phoned, and I believe he came down to my office about an hour after that.

Q. You and he went to the judge's chambers then together?—A. Yes, sir.

Q. You were advised that you were to be appointed, and you had the orders drawn?—A. I assumed I would be appointed when Mr. Gilbert called me and asked me to act, and I prepared the orders and asked him, as I remember it, to come to my office, and that we would arrange to obtain the necessary bond for his qualification and such other papers as are necessary to properly qualify a receiver.

Q. You then went to the judge's chambers before you went to the clerk's office to qualify?—A. You cannot qualify in the clerk's office until you go to the judge's chambers and have the judge approve the bond.

Q. I ask if you did not go to the judge's chambers before you went to the clerk's office to qualify?—A. Yes, sir; to have the bond approved.

Q. Did the judge at that time sign the order to approve the bond?—A. Yes, sir.

Q. And you took it to the clerk's office and qualified?—A. Yes, sir.

Q. The first thing you did after that was to call Mr. Bronson, was it not?—A. I took a taxicab to my office and phoned Mr. Roy Bronson.

Q. He asked you at that time if Gilbert had already qualified?—A. Yes, sir.

Q. And you told him that he had?—A. Yes, sir.

Q. Did he tell you why he asked you that?—A. No, sir.

Q. Did he then make an engagement with you to talk to you about the case?—A. I asked him if I could make an appointment with him for that afternoon, and he advised me it was too late in the afternoon and we would make it for the morning. There were 5 or 6 various interests involved, and he made an engagement, as I recall, for 11 o'clock the following morning.

Q. To refresh your memory, did he not request you at that time for a conference, and you told him you could not see him until next morning?—A. No, sir. To the best of my recollection, I asked him for a conference that afternoon, and, to the best of my recollection, he said it was too late that afternoon, that we would make it in the morning. I may be mistaken, but that is the very best of my recollection.

Q. You did have a conference the next morning?—A. Yes, sir.

Q. Mr. Gilbert went with you?—A. Yes, sir.

Q. These men at that time cross-examined Mr. Gilbert on his qualifications for this work?—A. Very thoroughly.

Q. They told him they found him thoroughly incompetent so far as his experience and his attitude were concerned?—A. I did not hear them make any statement to his face to that effect, sir.

Q. Not to that effect?—A. No, sir. They merely asked questions in regard to his various qualifications and activities, to which he answered, and what conclusion of mind they came to I do not know because to the best of my recollection they did not express it so I could understand it.

Q. Do you not know they told him that his responses did not satisfy them at all, or his qualifications?—A. No, sir; I do not recall them having made that statement.

Q. Or that in substance?—A. No, sir.

Q. At that time they asked you and asked him to agree, if he stayed in, to let the creditors' committee run the estate, did they not?—A. Not in that language; no, sir. They asked us to cooperate with them.

Q. What did you understand by that?—A. At that particular moment I did not understand it until I had a conversation at 2 o'clock that afternoon with Mr. Wainwright.

Q. What did he state in that conversation?—A. He advised me that he was very disappointed at first in the ap-

pointment of Mr. Gilbert, but that he felt satisfied after attending the meeting that morning. His exact language was that he was afraid of the appointment of a stranger; that he had been interested, or his bank had been interested, in another case in Oakland where another receiver had been appointed, and, in his language, the receiver had run roughshod over the creditors and that they had had an awful time managing the receiver, but that with the assurance of Mr. Gilbert and ourselves that we would work together with them and be guided by such suggestions as they had, he would be satisfied.

Q. In fact, he asked you to consent then and there to let them run the receivership, in effect, did he not?—A. No, sir; absolutely not.

Q. But at that time you did agree to do everything they asked you to about the estate?—A. Certainly. They were the parties in interest and we wanted to work along with them.

Q. They told you then there would not be any big fees in this case if it stayed in receivership?—A. They asked about the fees and we said, "Gentlemen, you need not worry, because before any application for fees be made we will submit the matter to you and have you pass upon it."

Q. They insisted there would not be any big fees in that case if it stayed in receivership?—A. There was no insistence. There was no enmity of any kind. It was a gentlemen's discussion and we met them voluntarily in answer to their questions. There was no insistence on their part, though.

Q. You do not consider that you made an agreement at that time to keep the fees below the ordinary fees allowed in matters of this kind?—A. We only discussed the matter of fees as I pointed out; that we would take it up with them when the proper time came.

Q. You made no other assurance than that about the fees?—A. No; not as far as I can recall.

Q. Do you not know at that time you and Mr. Gilbert agreed that they should employ a man who knew the business and send him out there to have active charge of it?—A. At that time, no, sir; absolutely not at that time.

Q. At what time did you do it?—A. That afternoon Mr. Wainwright and Mr. Gilbert and myself went over to Oakland. Another creditor was to come, but did not appear. We went over the situation in a hurried manner and found out at that time that the president of the company, a man named Bill, had as his assistant and sales manager his son, who was drawing, in our opinion, a high salary and had run the company behind the previous year some \$700,000. We decided the first thing to do was to put in a new manager, and that, therefore, if we let the so-called "Bill family" go, we would have to get someone else in. Mr. Wainwright said, "I can recommend an excellent man to you", which he did, and that man was Mr. Lundstrom. Meanwhile certain other creditors recommended a Mr. McKenzie. Mr. Gilbert and I interviewed both of them, and finally we discussed the matter together and with Mr. Wainwright, and in view of Mr. Wainwright's nomination of Mr. Lundstrom we determined to take him and let the Bill family go.

Q. At that time you did employ Mr. Lundstrom and put him in full charge of the business?—A. No, sir. He was employed a week afterwards.

Q. After you did employ him, you put him in charge of the business?—A. I should not say full charge.

Q. What did you give him to do out there? What authority did he have?—A. I was not out there very much myself, and it would be difficult to answer; but I believe he had charge of the manufacturing and assembling and to some extent of the sales.

Q. What else was there to do and have charge of?—A. There is quite considerable work to do.

Q. I mean what other branch of the industry was there to have charge of?—A. It was determined by Mr. Gilbert, when he stepped in there, together with the cooperation of the other creditors, that as a matter of economy, the branches at Los Angeles, at Seattle, at Tacoma, at Portland, and at Salt Lake City should be immediately closed.

Q. Who determined that?—A. I think Mr. Wainwright and Mr. Lundstrom and Mr. Gilbert and myself had a meeting.

Q. Who suggested it?—A. I could not say.

Q. Do you not know that Mr. Gilbert never made the suggestion?—A. I know that it was Mr. Gilbert's suggestion that the Bills be removed from the business, and it was a valuable suggestion.

Q. I am talking not about the Bill family but about the suggestion of closing those branches. Do you not know Mr. Gilbert never made that suggestion?—A. I do not know. I could not say yes or no.

Q. Do you not recall that Mr. Wainwright was the man that actually suggested it, and you took his suggestion?—A. I do not think that is absolutely true. I do not know how many suggestions Mr. Wainwright made and how many Mr. Gilbert made, but we were all meeting together on and off and discussing the situation as best we could.

Q. Tell me one suggestion Mr. Gilbert made about the conduct of the business, an independent suggestion.

The PRESIDING OFFICER. That you know of.

The WITNESS. As I recall, Mr. Gilbert suggested to me in reference to the discount companies who owned some \$800,000 worth of contracts which the company had previously discounted, that we enter into an agreement with them whereby we would be allowed to resell the motor trucks which had been repossessed, charging the finance company the expense of resale and the expense of repair. That meant a great deal to the company.

By Mr. Manager BROWNING:

Q. You do not know whether Mr. Wainwright suggested that to Mr. Gilbert before he suggested it to you, do you?—A. No; I cannot say that.

Q. What had been Mr. Gilbert's previous experience before this appointment?—A. He told me he was with the Western Union Co.

Q. The Western Union Telegraph Co.?—A. Yes, sir.

Q. Do you not know that throughout the Sonora receivership he worked regularly for the Western Union Telegraph Co.?—A. I know it, because he told it to me; yes, sir.

Q. When he began in the Fageol Motor Co. case he also retained for some time or at that time did have his connection with the Western Union?—A. I understand, at the time he became receiver of the Fageol Motor Co. he resigned his position with the Western Union Co.

Q. Do you know whether he resigned or whether he was fired?—A. I know he was not fired. I understand he resigned.

Q. Was there any trouble between him and the company?—A. I did not know of any.

Q. Do you not know he had to take his choice between that and this?—A. I do not know anything about it.

Q. How do you know he was not fired?—A. Possibly I do not, but as I stated before I do not know anything about the fact he was working for them other than he told me.

Q. But you did say you knew he was not fired?—A. Yes, sir; that is what he told me.

Q. Was he in the operating part of the Western Union or in the business part of it?—A. I cannot answer anything about it, because it is all hearsay about what he told me.

Q. What did he tell you he was doing in the Western Union Telegraph Co.?—A. I think he was traffic manager, night traffic manager, as I recall.

Q. Who were the parties that brought the suit that resulted in this ancillary receivership?—A. In which case is that?

Q. The Fageol Motors Co.—A. I do not understand the question.

Q. I mean the Sonora Phonograph Co. case.—A. The Arrow Parts Electric Co., as I recall.

Q. Who were the lawyers?—A. A lawyer named Robert I. Blum, of New York City.

Q. You say the first you heard of the Prudential Holding Co. case was when Mr. Gilbert called you and asked you to represent him as his attorney when he was to be appointed receiver?—A. That is my recollection; yes, sir.

Q. Do you know Kearsley, from Los Angeles, the attorney in that case?—A. I do now; yes, sir.

Q. Do you know James H. Stephens, who was named a vice president of the company at that time?—A. I do, sir.

Q. You knew him at that time, too, did you not?—A. No, sir.

Q. In fact, Mr. Kearsley and Mr. Stephens came to your office before the petition was filed to talk to you about it, did they not?—A. They talked to me. They met in my office.

Q. What day?—A. I think the morning they went out to court.

Q. Was it that day or the day before? Are you certain?—A. No; I am not certain. I do not know.

Q. Did Blum send you down the petition in the Sonora Phonograph case?—A. What do you mean by sending down?

Q. A draft of the petition that was to be filed for ancillary receivership.—A. No; not that I recall. We prepared our own petition.

Q. Did you see Kearsley and Stephens either the morning that the petition was filed at your office, or the day before?—A. I do not remember having met them.

Q. But you do recall that they were there?—A. I remember that they came into my office, but I do not remember personally having met them.

Q. What purpose did they come in there for?—A. Mr. Kearsley phoned and said he had an appointment with Mr. Stephens and asked if he could use our office. We had done court business with their firm in Los Angeles.

Q. And they left your office and went to apply for the receivership?—A. I assume so.

Q. After the receivership was granted, you went with Gilbert to the office of the concern in Oakland?—A. That afternoon. It was Saturday afternoon.

Q. How soon after the petition was filed did you qualify as attorney for the receiver?—A. I do not know when the petition was filed, but we qualified about—it was after 12 o'clock of that day, of Saturday.

Q. And you got to Oakland before 1, did you not?—A. I do not know. It takes 40 minutes to go from San Francisco to Oakland. I know that Judge Louderback had gone for the day. We qualified before the United States commissioner, and we proceeded immediately to Oakland. Just the exact time, I cannot say.

Q. You saw Mr. Hawkins out there that day; did you?—A. No, sir.

Q. You did see him on Monday following?—A. Yes, sir.

Q. You saw Miss Lind out there that day?—A. I assumed that is who she was. I did not know her at that time.

Q. You saw the lady who was the secretary of the concern?—A. I found out later she was the secretary. I did not know it at that time.

Q. She had in a long-distance telephone call, and requested to remain until she could complete that, to Mr. Hawkins, the attorney in Los Angeles, did she not?—A. I do not remember that.

Q. You do not remember her requesting that she remain for that?—A. No, sir.

Q. You do recall that?—A. I do not. It is not a question of recalling. I do not remember; yes or no. I will not deny that she may have done it.

Q. But you do recall that she was asked to vacate, and a padlock was put on the door?—A. Well, it was not as severe as that, sir. What happened was, it was a Saturday afternoon; there was no business, and Mr. Gilbert asked me what he should do to take control of the business and protect himself, having been appointed as receiver. I suggested to him the only thing that could be done, in view of the fact that we were to meet Mr. Hawkins on the following Monday, and no business would take place between that time, would be to have the lock on the door changed, and leave the business in status quo.

Q. And you were advised at that time—you and Mr. Gilbert—that there were three other corporations that had their offices in that same room and on that same floor?—A. We were either advised at that time or the following Monday.

Q. When you saw Mr. Hawkins on Monday he made the contention to you that the receivership was absolutely void at that time, did he not?—A. Yes, sir.

Q. And he warned you that you were trespassers?—A. Not exactly that.

Q. What did he tell you about it?—A. He talked something about the violation of the fourth amendment of the United States Constitution, which I did not understand, and then he said that he thought he would move to set aside the receivership on that ground. I advised him that he was certainly within his rights; that I would do nothing to prevent it. He said he could not determine that until he spoke to a Mr. Beck, who, he advised me, was president of the company, and who, I understood, was in Idaho or Montana.

Q. But you do know the assets of this concern were turned over under more or less violent protest from the attorney and from the officials of the concern?—A. As a matter of fact, sir, there were no assets.

Q. Had it not been alleged in the petition that it was worth over a million dollars?—A. I knew nothing about the allegations. I only am telling you what I found.

Q. You were attorney for the receiver, and you did not know the allegations in the petition?—A. I knew them; but the allegations may or may not have been true. I am merely recounting to you what I found when I appeared at the Prudential Holding Co.'s place of business.

Q. You do know that after the dismissal of the receivership this concern operated for several months after that time without any legal interference?—A. I do not know anything about it, but I do not know what they could have operated on.

Q. They had a lot of real estate; did they not?—A. They had four pieces of real estate, all of which were under foreclosure or subject to an attachment lien.

Q. Do you mean that there was actual foreclosure in process at that time?—A. Subsequently I was named one of the attorneys for the receiver in bankruptcy, and the only work I did was to petition the court for restraining orders to try to protect the equities in those properties.

Q. You were named as receiver in bankruptcy of this concern?—A. One of the attorneys for the receiver.

Q. Who named you there?—A. Judge Louderback.

Q. How many days was that before the dismissal of this equity receivership?—A. I do not know. I do not have the dates in my mind, sir.

Q. As a matter of fact, it was on the 30th day of September that you were named, was it not, as attorney for the receiver in bankruptcy?—A. Well, if you say it was, that is the date. I do not know the dates.

Q. And you qualified on October 2?—A. Whatever the records will show. I do not recall the dates.

Q. Who was appointed receiver in bankruptcy in that case?—A. Mr. Gilbert.

Q. By whom was he appointed?—A. By Judge Louderback.

Q. Did you draw the petitions in those appointments also?—A. No, sir; I do not recall that we did. As a matter of fact, our firm was not named as attorneys for Mr. Gilbert in that proceeding. The firm of Torregano & Stark were named as his attorneys, and A. B. Kreft, and they requested that a member of our firm be joined with them because of our knowledge of the conditions; and my brother, Martin J. Dinkelspiel, I believe alone, appears as attorney. The firm does not appear; and the only active part we took was, as I stated, in trying to prevent the foreclosures of these valuable equities in real estate.

Q. I thought you said a while ago that they did not have any assets to protect.—A. They did not, but we made the best effort we could to find some assets.

Q. You now say they were "valuable equities", do you not?—A. Well, I change the word "valuable", because they had no value.

Q. Why do you change it?—A. Possibly I meant the word facetiously; but there was no value to those properties.

Q. Mr. Dinkelspiel, how much of your testimony here before the Senate has been facetious?—A. None of it, sir.

Q. How do you explain that answer, then, that you made it facetiously?—A. I am sorry, sir; but I did not mean it in the sense of having any value.

Q. Was the Kreft that you mentioned the one who testified here yesterday before the Senate?—A. Yes, sir.

Mr. Manager BROWNING. I think that is all, Mr. President.

Mr. LINFORTH. Just a question or two more, Mr. President.

Redirect examination by Mr. LINFORTH:

Q. Mr. Dinkelspiel, in the work of the attorneys for the receiver in the four matters that you refer to, did you also have the assistance and the cooperation of your brother Martin?—A. Yes, sir.

Q. He also acted with you in each of those matters?—A. Yes, sir.

Q. With reference to the assets of this Prudential Holding Co., to your knowledge did the receiver get possession of anything tangible?—A. I think an amount less than \$200 or \$300 in the savings bank, and he collected some rents from the premises during the period of foreclosure, all of which rents were practically paid back for operating expenses, so that he turned back to the company some thousand dollars, I think it was.

Q. The bank that you refer to was where? In what State did you find a bank account of this concern?—A. In Reno, Nev.

Q. Was that the only bank account you could find that this \$2,000,000 concern had?—A. To the best of my recollection.

Q. Mr. Hawkins was the regular attorney for this concern, was he?—A. I understand so.

Q. Did you have a talk with him as to whether or not the company had any assets, or whether it was bankrupt?—A. I talked with Mr. Hawkins on the Monday that I went to Oakland after the Saturday the receiver was appointed.

Q. What did he tell you at that time with reference to the financial condition of the company, if anything?—A. His conversation to me at that time was, "Well, what are you doing with an equity receivership in here?—What are you going to do with the assets?" I said, "Why?" He said, "There are no assets." He said, "The value of the entire firm here is worth about \$250."

Mr. LINFORTH. I have no further questions.

Mr. Manager BROWNING. That is all, Mr. Witness.

The PRESIDING OFFICER. Call your next witness.

(The witness started to leave the stand.)

Mr. LINFORTH. May I recall Mr. Dinkelspiel on one matter?

The PRESIDING OFFICER. You desire to recall him for another question on redirect examination?

Mr. LINFORTH. Yes, Mr. President.

The PRESIDING OFFICER. Proceed.

By Mr. LINFORTH:

Q. There is one matter I overlooked, Mr. Dinkelspiel. Where is your brother Martin at the present time?—A. He is in San Francisco at the present time.

Q. Is he ill or otherwise?—A. He was operated on about 4 weeks ago, and was confined to the hospital for 2 weeks, and was just back to his office for the first time a few days prior to the time I left San Francisco to come to Washington.

Q. Is his condition such as to enable him to come here?—A. He was so advised by his doctor.

Q. That it was, or was not?—A. That it was—that his condition was such that he would not stand the trip.

Mr. LINFORTH. That is all.

Mr. Manager BROWNING. One more question, Mr. President.

By Mr. Manager BROWNING:

Q. Do you know anything about the "M" account to which your brother testified to Mr. LaGuardia in San Francisco last September, that was in the name of your father,

or something of that kind?—A. I know he had an "M" account; yes, sir.

Q. What was that account?—A. An "M" account is a special account that some of the San Francisco banks have, that allows you to withdraw at any time and pays you interest during the period of deposit.

Q. That was not in the name of your firm, was it?—A. No; it was my father's own personal account.

Q. Is that account still in existence?—A. No; it is not in existence any more—I do not believe so. I could not answer you definitely.

Q. Do you know how long it ran?—A. No; I do not, sir.

Q. It was a savings account?—A. Yes.

Q. And you and your brother had no connection with it?—A. No; as far as—I had none. I do not know about my brother. I do not think so.

Q. You know it was revealed at that time that considerable amounts of money were taken out and put back into this account?—A. I do not recall at the time. I have not looked at it since I went over the account with Mr. LaGuardia. I went over all my records with him very carefully on two or three occasions, as you recall.

Q. Were you present when your brother testified?—A. At San Francisco?

Q. Yes. I do not mean now, in the open hearing. I mean before Mr. LaGuardia in special room 2093.—A. I do not recall being present. I went over there with him, but I do not think I was there. I am not sure, Mr. BROWNING.

Q. Let me read you a portion of that testimony:

Getting right down to the point—

Mr. LINFORTH. Just a moment, Mr. President. We object to the reading of any portion of what is called "that testimony", being some private investigation being made by Mr. LaGuardia before there was any hearing on behalf of the committee. If anything was said at that time which may be the basis of a question for impeachment, it should be put in the proper way; and that statement, or testimony, as it is called, should not be read.

The PRESIDING OFFICER. If it is for the purpose of impeachment, the foundation has not yet been laid. Otherwise the Chair does not see the materiality of it.

Mr. Manager BROWNING. As a matter of explanation, I will say that Mr. LaGuardia, as a member of the committee, did have authority to swear witnesses and take proof on this direct question of the investigation of Judge Louderback. It is under that authority that he was acting. The witness was sworn and testified on that occasion. I am not inclined to press the matter, however, unless the Senate would care to hear it.

The PRESIDING OFFICER. Mr. Manager, does it pertain to the testimony given by this witness at a former hearing or some other witness?

Mr. Manager BROWNING. His brother.

The PRESIDING OFFICER. The Chair thinks the objection is well taken.

Mr. Manager BROWNING. Very well. That is all.

EXAMINATION OF G. H. GILBERT

Mr. LINFORTH. Please call Mr. G. H. Gilbert.

G. H. Gilbert, having been duly sworn, was examined and testified as follows:

Mr. LINFORTH. May I announce, Mr. President, that this witness, ever since he has been in Washington, has been suffering from neuritis in both knees; and it would be very difficult for him to stand.

Mr. KING. Mr. President, in view of the rule which we adopted requiring every witness to stand, and in view of the statement just made by the attorney for the respondent, I ask unanimous consent of the Members of the court that the rule be waived, and that the witness be permitted to be seated during the giving of testimony.

The PRESIDING OFFICER. Is there objection? If not, it is so ordered.

Mr. KING. Mr. President, while I am on my feet I suggest that the microphone be adjusted so that he can speak directly into the microphone.

The PRESIDING OFFICER. You may proceed with the examination.

Direct examination by Mr. LINFORTH:

Q. Mr. Gilbert, will you state your name and your residence?—A. Guy H. Gilbert, 1600 California Street, San Francisco.

Q. Have you any objection to stating your age?—A. None at all; 50 years old.

Q. Are you a married man?—A. Yes, sir.

Q. Up to February 17, 1932, what was your business?—A. Night traffic manager for the Western Union Telegraph Co. at San Francisco.

Q. How long had you been an employee of the Western Union Telegraph Co.?—A. About 35 years.

Q. Covering your entire business life up to that time. Is that right?—A. Yes, sir.

Q. And you started with the Western Union Telegraph Co. in what position, and at what place?—A. As a clerk in Jacksonville, Ill.

Q. During the years that you were night manager of the traffic department of the Western Union Telegraph Co. where were you located?—A. At San Francisco.

Q. As traffic manager, did you have under your immediate supervision and control any other employees of the company?—A. I did.

Q. How many?—A. They ranged from 150 up.

Q. Up to how many?—A. Well, on special occasions, like Christmas Eve, or a heavy file of business, it would probably run 250 to 300.

Q. Would you state as briefly as possible the duties of night traffic manager of the Western Union Telegraph Co.?—A. My duties were organization, efficiency, economies, detailing the handling of traffic, taking care of emergencies that might arise, and directing about seven different departments.

Q. Did your duties require executive work?—A. They did; yes, sir.

Mr. Manager SUMNERS. Mr. President, I suggest that this witness be asked to state what his duties were.

Mr. LINFORTH. The witness has answered, Mr. President.

Mr. Manager SUMNERS. I am directing now a general objection to this character of testimony. This is a key witness, and we suggest that the witness is being led beyond the requirements to elicit the testimony.

The PRESIDING OFFICER. In other words, you object to the form of the question?

Mr. Manager SUMNERS. That is right, yes; and to the form of the examination generally.

Mr. LINFORTH. The question may be withdrawn.

The PRESIDING OFFICER. I think the objection is well taken as to a number of questions which the court has permitted right along.

Mr. LINFORTH. I will keep within the rule, Mr. President.

By Mr. LINFORTH:

Q. While acting as night traffic manager for the Western Union Telegraph Co., what were your hours of duty?—A. Four p.m. to midnight.

Q. Are you acquainted with the respondent Judge Louderback?—A. I am.

Q. How long have you known Judge Louderback?—A. Fifteen or sixteen or seventeen years.

Q. Do you recall how you became acquainted with him?—A. Yes, sir.

Q. Would you state, briefly, how it was, without going into details?—A. I first met Judge Louderback when he was running for police judge in San Francisco. I became active in his campaign at that time, and I have met him frequently ever since.

Q. From then on have you been good friends with Judge Louderback?—A. Yes, sir.

Q. Are you acquainted with Mr. W. S. Leake?—A. I am.

Q. How long have you been acquainted with Mr. Leake?—A. I would say from 15 to 20 years.

Q. Has he been a close friend of yours during that time?—
A. Yes, sir.

Q. Has your wife been a patient of his?—A. Yes, sir.

Q. Is she a believer in the Christian Science faith or doctrine?—A. She is.

Q. Was that the reason—

Mr. Manager SUMNERS. Mr. President, I do not know the purpose of this examination and how far it is intended to go, but we suggest that until counsel has established the fact that Mr. Leake is a Christian Science healer, or however he desires to be designated, information as to the witness' wife's peculiar religious belief is not pertinent to this inquiry.

The PRESIDING OFFICER. I think the objection is well taken.

Mr. LINFORTH. Mr. President, merely for the benefit of the court, I desired at the outset to show the relations of the witness with Mr. Leake.

The PRESIDING OFFICER. I think one or two questions are enough along that line.

By Mr. LINFORTH:

Q. Have you, during your acquaintanceship with Mr. Leake, been a patient of his?—A. Yes, sir; to a limited extent.

Q. Mr. Gilbert, in the 5 years that Judge Louderback has been judge of the District Court of the Northern District, in how many cases have you been appointed receiver by him?—A. Four cases.

Q. In the 8 years that he was judge of the superior court of California were you appointed receiver by him in any case?—A. No, sir.

Mr. NORRIS. Mr. President, I could not hear the answer of the witness when he was asked as to how many times he had been appointed receiver.

Mr. KING. He stated in no cases while the respondent was judge of the State court.

Mr. LINFORTH. Shall I proceed?

The PRESIDING OFFICER. Yes; proceed.

By Mr. LINFORTH:

Q. Did you ever meet the firm of Dinkelspiel & Dinkelspiel, or either one of them, prior to your appointment as receiver in the Sonora Phonograph case?—A. No, sir; I did not.

Q. Do you know John Douglas Short?—A. Yes, sir.

Q. How long have you known him?—A. Since about 1928 or 1929. I do not recall the exact time.

Q. In the time that you have been acquainted with him in how many matters has he acted—and when I say "he" I mean he or the firm with which he is associated, Keyes & Erskine—in how many matters has he acted for you as attorney for the receiver?—A. One time only.

Q. To what matter do you refer?—A. The Stempel-Cooley bankruptcy case.

Q. Was that the only matter of employment by you, as receiver, of him?—A. Yes, sir.

Q. Did you ever employ him in any other matter?—A. No, sir; I did not.

Q. The fee allowed you as receiver in the case to which you have referred was how much?—A. \$500.

Q. Who allowed that, what judge?—A. Referee Sheridan, of San Francisco.

Q. Were you appointed receiver in the Sonora Phonograph case, so called?—A. Yes, sir.

Q. In that matter did Dinkelspiel & Dinkelspiel represent you as attorneys?—A. Yes, sir.

Q. How long did that receivership last?—A. Approximately 7 months.

Q. What time did you devote to your duties of receivership in that matter, about? I do not intend that you shall be exact, but I want you to make it as brief as possible.—A. From about 8:30 in the morning to 3:30 in the afternoon every day.

Q. In round numbers, how much did you collect as receiver in that matter?—A. The total assets, you mean?

Q. I mean the amount of money you collected as receiver in the Sonora Phonograph matter.—A. Approximately \$300,000.

Q. Did you operate that concern as a going business down to the time when you closed it out as receiver?—A. Yes, sir; I did.

Q. What compensation was allowed you in that matter?—A. Sixty-eight hundred and some odd dollars.

Q. Was that amount determined by the statute?—A. Yes, sir; a statutory fee.

Q. What person fixed the fee, if you recall?—A. Well, it was heard before Judge Louderback. A petition for the statutory fees was heard before Judge Louderback.

Q. And the order was made by Judge Louderback?—A. Judge Louderback; yes, sir.

Q. In the Fageol Motor matter, were you the receiver appointed in that case?—A. Yes, sir.

Q. Upon being appointed, did you suspend your service with the Western Union Telegraph Co.?

Mr. Manager SUMNERS. Mr. President, we want the witness to tell what happened. We think this witness is being led beyond reason.

The PRESIDING OFFICER. I could not hear the question. I should like to have the last question read.

The Official Reporter read as follows:

Q. Upon being appointed, did you suspend your service with the Western Union Telegraph Co.?

The PRESIDING OFFICER. I think he may be permitted to answer this question, but I will ask counsel to desist asking leading questions following this question.

Mr. LINFORTH. May the question be again read?

The Official Reporter read as follows:

Q. Upon being appointed, did you suspend your service with the Western Union Telegraph Co.?

Mr. Manager SUMNERS. He did not make the point clear. The point is whether this witness suspended his connection, or whether this witness was suspended.

Mr. LINFORTH. I withdraw the question and put it in another form, and try to meet the objection, Mr. Manager.

By Mr. LINFORTH:

Q. Upon your appointment as receiver in the Fageol Motor Co. matter, what, if anything, did you do with reference to your position with the Western Union Telegraph Co.?—A. I requested a furlough, and it was granted.

Q. For how long?—A. For 6 months.

Q. What time—and make this as brief as possible—did you devote to the work of receivership in the Fageol Motor Co. matter?—A. My entire time ranged from 8 to 15 hours a day.

Q. And what did you do in the way of executive work, if anything?—A. I was the directing head of the entire company. I took care of the matters of insurance, matters of policy, conferred with the creditors on all major matters, took care of the bonding of employees, particularly followed up on the matter of cash receipts and disbursements. I signed all the disbursement checks for all branches on the Pacific coast; allowed no one to write any checks except myself from the 10 branches along the coast, and I did everything that was required of the head of a company to do.

Q. Did you do anything in the way of discharging any of the employees or officers?—A. I did; yes, sir.

Q. Who, upon investigation, did you discharge?—A. I released the president and took over his duties, one of the auditors, the superintendent of the shop, consolidating his job with the engineer's position. I eliminated quite a number of clerks and various employees in various shops in the plant, and I cut down the stenographic department. In fact I made curtailments according to the amount of the business we were handling.

Q. And what was the salary of the president and his son whom you removed?

Mr. Manager SUMNERS. We object to that. When this witness came into responsibility, the right of any employee of this concern to remain in a position of responsibility ter-

minated, and what happened prior to his cutting expenses we do not believe has any pertinency whatever with reference to the administration.

The PRESIDING OFFICER. The Chair understands the interrogatory to encompass that. May the Chair have the interrogatory read?

The Official Reporter read as follows:

Q. And what was the salary of the president and his son whom you removed?

Mr. LINFORTH. Mr. President, the purpose is to show executive management by the witness, who is alleged in the articles to be an incompetent employee, and to show a substantial saving to the Fageol Motors Co. by the action of the witness.

The PRESIDING OFFICER. The Chair wishes to make this remark before ruling. It does seem to the Chair that this inquisition is going far afield in many respects, and the Chair thinks probably the time of the Senate is being taken up a great deal with some details that are not necessary. However, some of it has been brought out by the presentation of the case on the other side. The Chair has that in mind, and, having that in mind, he is going to permit one or two questions along this line, but is going to sustain objection to them very shortly.

Mr. LINFORTH. May I be permitted to add, Mr. President, that in the examination of the witnesses this morning I have endeavored to be very brief; I have also endeavored to be very brief with this and all other witnesses.

The PRESIDING OFFICER. The Chair will suggest to counsel how the course being pursued might lead on indefinitely, and, of course, the Chair is not going to permit that.

Mr. LINFORTH. I will make the examination as brief as possible. I ask that the question may be again read.

The Official Reporter read as follows:

Q. And what was the salary of the president and his son whom you removed?

Mr. Manager SUMNERS. Not to stress the point unduly, we submit that the president of the company was removed by operation of law; he was not removed by this receiver.

The PRESIDING OFFICER. The Chair holds that the objection is well taken and sustains it.

Mr. LINFORTH. May I then put this question? Did you then, as receiver, reemploy the president or his son or somebody else?—A. I did not reemploy the president or his son, but I did employ other persons, including Mr. Lundstrom.

Q. And that resulted, did it or did it not, in a saving; and if so, how much, to the company?—A. It resulted—

Mr. Manager SUMNERS. Now, Mr. President, there is no objection whatever to this witness stating the salaries paid by him and, to be broad about it, we do not object to testimony as to the salaries paid under the old regime except to have in mind the difference between the concern operating unlimitedly and the concern operating under very great limitation under a receiver.

The PRESIDING OFFICER. Is not that a matter of argument rather than of admissibility? The Chair is going to overrule the objection.

Mr. Manager SUMNERS. He is stating it as a matter of argument.

Mr. LINFORTH. May the question again be read.

The PRESIDING OFFICER. The question will again be read.

The Official Reporter read as follows:

Q. And that resulted, did it or did it not, in a saving; and if so, how much, to the company?

The WITNESS. It did result in a saving of \$800 per month.

By Mr. LINFORTH:

Q. In the matter of the compensation of yourself as receiver, what amount was applied for?—A. Six thousand dollars.

Q. And what amount was applied for by your counsel?—A. Ten thousand dollars.

Q. Were you present at the hearings had before Judge Wyman on the hearing on that application?—A. I was; yes, sir.

Q. Did all creditors at that time agree to that allowance?—A. There were one or two objections from small creditors, but the principal creditors had agreed to the amount.

Q. And upon that taking place, what amount did the court allow them?—A. It allowed me as receiver \$4,500 and my attorneys \$6,000.

Q. In any of these fees that you have received, did Judge Loudback participate to any extent whatever?

The PRESIDING OFFICER. Will the reporter read the question?

The Official Reporter read as follows:

Q. In any of these fees that you have received, did Judge Loudback participate to any extent whatever?

The PRESIDING OFFICER. Is counsel confining the question to one specific case or embracing all of them?

Mr. LINFORTH. All of them. We are trying to save time by asking one general question.

Mr. Manager SUMNERS. I think that we will obtain economy of time in that way. I do not think it would take very much time to point out how those fees were allowed.

Mr. LINFORTH. May the question be read and the witness answer it?

The PRESIDING OFFICER. The question will be read.

The Official Reporter read as follows:

Q. In any of these fees that you have received, did Judge Loudback participate to any extent whatever?

The WITNESS. No, sir.

By Mr. LINFORTH:

Q. Did anyone except yourself require any part or portion of those fees?—A. No, sir.

Q. Was there any division with anyone of any part or portion of those fees?—A. There was not.

Mr. LINFORTH. You may take the witness.

The PRESIDING OFFICER. Cross-examination of the witness will proceed.

Cross-examination by Mr. Manager SUMNERS:

Q. Mr. Gilbert, you have been a long time connected or were a long time connected with the Western Union Telegraph Co.?—A. Yes, sir.

Q. For thirty-odd years, I believe?—A. For nearly 35 years.

Q. Are you connected with that company now?—A. No, sir; I am not.

Q. What is your present employment?—A. I am not employed at present.

Q. Have you been employed since the winding up of your receivership matters?—A. No, sir; I have not.

Q. In the discharge of your duties with the telegraph company, were you engaged in the business of buying and selling for the company?—A. For the Western Union?

Q. Yes.—A. No, sir.

Q. Your business had to do with the physical operation of the plant and the transmission of communications, did it not?—A. Well, yes; it did principally. Of course, there were a great many detail matters of investigation, service complaints, and things of that sort, that I was called upon to detail.

Q. You mean that when somebody complained that a telegram had not been properly received it was your responsibility to ascertain the facts?—A. Yes, sir. If a complaint was filed against the company for any lack of service of any kind, and they wanted the details of the handling of it, or to form the basis of a lawsuit, or anything of that kind, if the telegram concerned me as to the handling of it between 4 o'clock and midnight, I was the one called upon to detail the traffic handling and to place the responsibility, and things of that sort.

Q. What other business did you have? What were your other duties in connection with this telegraph company?—A. General supervision over seven departments.

Q. I know, but that does not mean anything to us. What did you do about it?—A. Well, I had to see that the costs were kept down with the amount of business filed.

Q. The costs of what?—A. The costs of operation, the cost of handling telegrams.

Q. Did that have to do with the salaries of employees?—A. Yes.

Q. Did you have to do with the employment of the other employees who worked under you?—A. I was on the advisory board of the traffic manager's office.

Q. Will you answer my question?

Mr. LINFORTH. Just a minute. We protest, Mr. President, against interruption of the witness when he is endeavoring to answer the question.

Mr. Manager SUMNERS. Yes; but we submit he is endeavoring—I do not mean he is deliberately doing so—but he is endeavoring to answer the question not responsively. I asked him the very direct question as to whether—

The PRESIDING OFFICER. The Chair thinks the comment is well taken and will ask the witness to answer directly.

By Mr. Manager SUMNERS:

Q. Did you have to do with the—

Mr. McKELLAR. Mr. President, if I may be permitted, I should like to submit a question.

The PRESIDING OFFICER. The Senator from Tennessee propounds a question, which will be read by the clerk.

The legislative clerk read as follows:

Q. What salary did you get from the telegraph company for the past 5 years?

The WITNESS. Three thousand and sixty dollars a year.

By Mr. Manager SUMNERS:

Q. Will you answer my question?

The PRESIDING OFFICER. Let the Official Reporter read the question to the witness.

The Official Reporter read as follows:

Q. Did you have to do with the employment of the other employees who worked under you?

Mr. Manager SUMNERS. That is the question to which I want an answer.

The WITNESS. I did not employ anyone; no, sir.

Q. Did you have the responsibility of discharging employees?—A. Not exactly of discharging them, but of referring them to my superior officer in case they were not satisfactory.

Q. You made complaint to your superior officers with reference to inefficiency of service?—A. Yes, sir.

Q. Did you have any business on the side, any additional business, or other business, than that of an employee of the telegraph company?—A. Well, I did some speculating in real estate, but that is the only thing.

Q. To what extent did you have experience in the real-estate market?—A. Well, I had been personally acquainted with some real-estate people who were speculators in real estate, and I became interested in that way. I bought and sold some real estate.

Q. How much in your 30 years—how many tracts?—A. Well, it is pretty hard to answer that question. I would say not over \$10,000 worth, probably.

Q. Ten thousand dollars' worth in about 30 years. When you did that did you act upon your own responsibility as to real-estate values or take the judgment of the real-estate agencies through which you acted?—A. Both.

Q. In what other business did you engage?—A. Other than the receiverships that I have been connected with, I have no other business.

Q. I believe you stated that you were acquainted with Mr. Leake, Sam Leake?—A. Yes, sir.

Q. How long have you known him?—A. Fifteen or twenty years. I could not say just how long.

Q. I believe he designates himself as a mental healer or some such designation as that. Can you give us a more specific or correct designation of how Mr. Leake designates himself?—A. I think he refers to himself as a metaphysical student. Mr. Leake is a Christian Science practitioner.

Q. Is he recognized by the Christian Science organization as one of their practitioners?—A. I do not know.

Q. Do you not know he is not?—A. No; I do not know that he is not.

Q. Are you a patient or client, or whatever it is called, of his?—A. I have been to some extent.

Q. Members of your family?—A. Mrs. Gilbert has.

Q. Through how long a period of time?—A. Ever since I have known him, probably 15 years or so.

Q. Have you made any donations or payments to Mr. Leake for services?—A. Yes; I have occasionally.

Q. How much?—A. I have given Mr. Leake \$5 at a time, occasionally.

Q. You gave him a check for \$150 at one time, did you not?—A. I gave him a check of \$150 at one time several years ago.

Q. I believe you say that the first employment under designation of the respondent was in the Stempel-Cooly case?—A. Yes, sir.

Q. In that case you received a \$500 fee?—A. Yes, sir.

Q. Mr. Short was your attorney, Mr. John Douglas Short?—A. Yes, sir.

Q. Did you consult Mr. Leake prior to the engagement of Mr. John Douglas Short as to his selection?—A. I did in this way, that I told Mr. Leake I had been appointed receiver and asked him if he could recommend anyone for an attorney for me. He stated that he had no particular choice in the matter, but he thought John Douglas Short would make a good attorney for me. I telephoned him there and went to his office and engaged him.

Q. Did you tell Mr. Short over the telephone that you contemplated engaging him and then went over to fix up the details with him?—A. I do not recall that. I asked if I could see him, if I remember correctly, and I went over to his office a very few minutes after that.

Q. Were you not pretty well acquainted with lawyers in San Francisco, or at least a number of them?—A. No; I would not say that I was. I have had no dealings with lawyers prior to that time.

Q. You did not have an independent attitude as to whom you should select?—A. Not in particular; no.

Q. Prior to this time you had served under appointment of Judge Louderback when he was a judge of the State court. You were acquainted with him?—A. Yes, sir.

Q. Do you remember the style of that case?—A. Do I remember what?

Q. Do you remember the style of that case?—A. It was a probate matter.

Q. Was it in the Brickell case?—A. Yes, sir.

Q. You served as an expert to appraise property, did you not?—A. I served as an appraiser.

Q. Do you know how much was involved in that estate?—A. I do not recall the amount.

Q. What did it consist of chiefly, just briefly?—A. The Brickell estate consisted principally of stocks in the Brickell Co., and the Brickell Co. holdings were principally real estate.

Q. You examined the stock and the real estate, did you?—A. No; I did not.

Q. You never saw a bit of the property, did you?—A. No; I did not.

Q. When the committee was in San Francisco you did not even remember the name of the estate or what it consisted of, did you?—A. No; I did not. I could not recall.

Q. You got a fee of \$500?—A. Yes, sir.

Q. What did you do to earn that fee?—A. I was called to the office of the State inheritance-tax man, and I signed an appraiser's oath. He stated to me that he would call me after he had had time to look into the matter and see what further work we could do in it.

Q. Mr. Gilbert, are not these the facts, and did you not so testify in San Francisco—that you did not know what the estate was, you did not know what it consisted of, but the only thing you had to do was to sign your name?

Mr. LINFORTH. Just a moment. I submit, Mr. President, the witness was answering the question as to what

he did when counsel interrupted him. I think he should be permitted, in all fairness, to finish the answer. If it does not agree with what he said in San Francisco, counsel should confront him with the record.

The PRESIDING OFFICER. Had you concluded your answer?

The WITNESS. No, sir.

Mr. Manager SUMNERS. Let him say anything else he wants to.

The PRESIDING OFFICER. Let the question and answer be read.

The Official Reporter read as follows:

Q. What did you do to earn that fee?—A. I was called to the office of the State inheritance-tax man, and I signed an appraiser's oath. He stated to me that he would call me after he had had time to look into the matter and see what further work we could do in it.

The PRESIDING OFFICER. Is that the conclusion of your answer?

The WITNESS. No, sir; it is not.

The PRESIDING OFFICER. Proceed.

The WITNESS. I did not hear anything further from the State inheritance-tax collector until 4 or 5 months later. He called me to his office and said, "I have the inventories all prepared. I have gone into every detail of it." He said, "There is no occasion for duplication of work." So I signed the papers with him on his assurance to me that he had gone into all details in the matter.

By Mr. Manager SUMNERS:

Q. I will ask you if this did not occur in San Francisco on the occasion of the presence of the special committee designated by the House of Representatives to investigate this matter. Were you not asked these questions, after having testified with reference to your selection in the Sonora case:

A. Well, I was appointed as an appraiser in an estate prior to that time.

Q. By whom?—A. By Judge Louderback.

Q. What was the nature of the appraisal?—A. There were three appraisers appointed in an estate, and I was one of them.

Q. What was the property that you had to appraise?—A. Well, I did very little work in that case. There was—I forget the man's name now that did look up the property—I did very little work in that case.

Q. What kind of property was it?—A. Well, I cannot recall.

Q. Was it land, real estate, or personal?—A. It was real estate; it was real estate. It was some estate, and I think it considered principally of real estate. The work was more accurately done by this gentleman, I cannot recall his name. I did practically nothing in that case.

Q. Do you remember the name of the case?—A. No; I cannot recall it.

Q. Do you remember about the time that you were designated as an appraiser by Judge Louderback?

Then you went on to state the period when it was. You stated you did not know where the property was located and that you did not go on the property. Is not that true?

Mr. LINFORTH. We object to that question as not in any sense contradictory of anything the witness is now stating.

The PRESIDING OFFICER. The Chair thinks the objection is well taken.

Mr. McKELLAR. Mr. President, I think we should take an appeal from the ruling of the Chair on that question. If the witness has given contradictory testimony it ought to be brought out here, and therefore I ask for a vote by the Senate sitting as a court.

The PRESIDING OFFICER. The question is, Shall the decision of the Chair stand as the judgment of the Senate sitting as a court?

Mr. LINFORTH. Mr. President, may I add—

The PRESIDING OFFICER. This is not a question to be discussed.

Mr. AUSTIN. Mr. President, I suggest the absence of a quorum.

Mr. LINFORTH. Mr. President, to save time we withdraw the objection.

The PRESIDING OFFICER. The objection is withdrawn. Counsel may proceed.

By Mr. Manager SUMNERS:

Q. Do you recall the question?—A. Yes; I do.

Q. Was that the testimony you gave?—A. That was my testimony at San Francisco.

Mr. McKELLAR. Mr. President, the objection was withdrawn, but at the same time the Senator from Vermont [Mr. Austin] did not withdraw his point of no quorum. I ask unanimous consent that the request for the call of a quorum be withdrawn.

Mr. AUSTIN. Mr. President, without any coercion whatever, I withdraw the request.

The PRESIDING OFFICER. Without objection, it is so ordered.

By Mr. Manager SUMNERS:

Q. Mr. Gilbert, is it not a fact that the only thing you did in this matter was to sign your name to a report which had been prepared, is not that a literal fact?—A. The oath and the inventory were prepared and I signed them.

Q. That is all you did, too, is it not?—A. That is all I did.

Q. Who served with you on that board?—A. Mr. Mogan is the only man that I had any dealings with on it. He was the State tax man.

Q. Do you know who the third man was on that board?—A. I have since heard.

The PRESIDING OFFICER. Do you know?

The WITNESS. Yes; I know.

By Mr. Manager SUMNERS:

Q. Who was it?—A. Mr. Leake.

Q. Mr. Sam Leake?—A. Yes, sir.

Q. How much did you get for your services in that connection?—A. \$500.

Q. Do you know that the allowance under the laws of the State of California is \$5 a day for these services?—A. I have since heard so; yes, sir.

Q. You got paid for 100 days' work by Judge Louderback for signing your name on one day?

Mr. LINFORTH. We object to that question as being argumentative. The facts are already in evidence.

The PRESIDING OFFICER. It is argumentative. Objection is well taken.

Q. I believe you have already testified to your designation in the Stempel-Cooley case?—A. Yes, sir.

Q. Mr. Short was your attorney there?—A. Yes, sir.

Q. Were the services of Mr. Short satisfactory?—A. Yes, sir.

Q. Which was the next appointment by Judge Louderback?—A. By Judge Louderback? It was the Sonora Phonograph case.

Q. That was a going concern? They were engaged in the purchase, sale, and distribution of phonographs and receivers?—A. Yes, sir.

Q. What experience prior to this time had you had in that kind of business?—A. None.

Q. How did you come to be designated, if you know, as receiver in that case?—A. I do not know.

Q. How did it come about?—A. I was appointed, and notified by the judge's secretary. I reported to his office, his chambers, the following morning, qualified, petitioned for counsel, and took active charge of the affairs of the company.

Q. Who prepared the petition for counsel in that case?—A. Mr. Dinkelspiel.

Q. Did you request that Mr. Dinkelspiel be designated as your attorney or did he request it?—A. I met Mr. Dinkelspiel—

Q. Wait a minute. I should like to have that question answered, if you can answer it.

Mr. LINFORTH. Just a moment. I do not believe that the honorable manager should shout and try to intimidate the witness in that way.

The PRESIDING OFFICER. The Chair does not see anything intimidating about it, but he thinks the question at this stage of the proceeding is rather disjointed or double-jointed. The Chair thinks the question should be read to the witness.

Mr. Manager SUMNERS. I should like the witness thoroughly to understand the question. May I ask the question in such a way that if there is any confusion I can remove the confusion?

The PRESIDING OFFICER. There is a question pending. Does the manager on the part of the House desire the court to rule on it, or does he desire to withdraw it?

Mr. Manager SUMNERS. I withdraw that question and will propound another question. I thought the objection was to my talking too loud. I withdraw the height of my speaking.

By Mr. Manager SUMNERS:

Q. I want to know, as a matter of fact, whether the notion that you should employ Mr. Dinkelspiel originated with you or, as far as you know, originated with him?—A. It originated with Mr. Dinkelspiel, inasmuch as he was already in the case.

Q. How was he in the case?—A. He had been retained and filed a petition for the Irving Trust Co., of New York, the main receiver. Mr. Dinkelspiel stated that he had charge of the case when I first met him at the judge's chambers.

Q. He stated to you that the Irving Trust Co. had asked him to file this petition for ancillary receivership?—A. Yes, sir.

Q. And because of that fact and that statement you consented to his employment?—A. I did, after conferring with Judge Louderback on the matter.

Q. After conferring with Judge Louderback? First you had the conversation which you have detailed with regard to Mr. Dinkelspiel and then you had a conference with Judge Louderback?—A. I did; yes, sir.

Q. And after the conference with Judge Louderback you consented to the application to have Dinkelspiel & Dinkelspiel designated as your attorneys in that case?—A. Yes, sir.

Q. Your preference had been for Douglas Short, had it not? He had represented you?—A. Well, I had in mind Mr. Short, but I had made no move in regard to having him appointed or filing a petition for it.

Q. Had you discussed your own selection with Mr. Leake?—A. No, sir.

Q. You did not go to him to make inquiry as to whom you should appoint?—A. No, sir; I did not.

Q. In the meantime, had you got acquainted with Dinkelspiel & Dinkelspiel?—A. No, sir. The first time I ever met Mr. Dinkelspiel was in the judge's chambers on the morning that I qualified in the Sonora case.

Q. Did you know him by reputation or personally?—A. Well, I had heard of the firm, but I had never seen either one of the gentlemen. I did not know them.

Q. Which one of the gentlemen was it that had the conversation with you in the judge's office?—A. Mr. John W. Dinkelspiel.

Q. I think you testified as to the transactions that took place in the administration of the estate of the Sonora Phonograph Co.—A. I did, as near as I could recall at the time.

Q. What was your next case?—A. The next case for Judge Louderback was the Prudential Holding Co. case.

Q. What was your fee in that case?—A. I did not receive any fee in the Prudential Holding Co. case at all.

Q. I believe that is the case where they were engaged in real-estate transactions. They had some apartment houses that they were operating?—A. Yes; they had four apartment houses.

Q. That is the case in which you said you did not come out very well, is it not? That is the case?—A. Yes; that is the case I did not come out very well on.

Q. You did not get any fee there. You were appointed receiver in equity in that case, and then an application to put the concern in bankruptcy was filed. Is that true?—A. Yes, sir.

Q. And that application to put the concern in bankruptcy fell in Judge St. Sure's court?—A. Yes, sir.

Q. And during his absence the respondent sat in that division?—A. Well, I was not present at the hearing. I have heard so, but I do not know positively that that was the fact. I was not present.

Q. Then the petition in bankruptcy was granted and you were appointed receiver in that situation, were you not?—A. Yes, sir.

Q. But you did not get anything in either one?—A. I did not get anything; no, sir.

Q. The receivership in equity was dismissed. Who dismissed the bankruptcy matter?—A. I think Judge Louderback dismissed the bankruptcy matter. I think he did.

Q. Judge St. Sure did dismiss it.—A. Probably it was Judge St. Sure. I may have been mistaken.

Q. Which was the next case in which you were engaged?—A. The Fageol Motors Co.

Q. You have already testified in the main with reference to the Fageol Motors Co. case?—A. Yes. I testified in San Francisco on that.

Q. The Fageol Motors Co. was engaged rather extensively on the Pacific coast, was it not?—A. Yes, sir.

Q. It was engaged in the business of assembling automobiles, buying parts and assembling them, and also engaged in the business of manufacturing, to some degree at least, bodies for automobiles, was it not?—A. They assembled trucks, automotive trucks. They did not handle automobiles.

Q. Trucks?—A. And coaches—trucks and coaches.

Q. Do you mean by "coaches" those big automobile things that run up and down the road and carry passengers?—A. Yes, sir; look like street cars.

Q. What experience had you had in the automobile business prior to that time?—A. I had not had any experience in that particular line.

Q. I believe you have pretty well covered the character of service rendered. How were you able, without any experience in connection with the automobile business, to go in there and take charge and give intelligent direction to the affairs of that rather big concern?—A. Well, I knew organization for a big company through my experience with the Western Union. They had a rather large administrative force; and I conferred with the heads of each department, consolidated some, made a great many curtailments in every office on the Pacific coast, including the factory, closed out several offices when I found out they were not paying—

Q. If it would not interrupt you, how did you find that out?

Mr. LINFORTH. Just a moment, Mr. President. The witness was asked a question as to how he knew certain things and how he could do certain things. I submit he should be permitted to complete his answer.

Mr. Manager SUMNERS. All right. That is perfectly all right. Go ahead.

The PRESIDING OFFICER. Proceed with the answer.

The WITNESS. Well, I organized the Fageol Motors Co. or operated the business under my experience in the telegraph company as to organization and efficiency. As far as the shop, the mechanics, and men of that sort were concerned, each department was under an expert, with whom I conferred every day; but my principal duty was to get the thing down on a paying basis and rehabilitate the company if it was possible to do that.

I found a great many wastes there which I eliminated. For instance, the telephone bill was running around \$700 a month when I went in there. I ordered about 17 telephones taken out that were absolutely unnecessary, and cut the bill down to about \$285 a month. I stopped all long-distance telephone calls from the various departments unless they had an O.K. from my office. I sent letters out to every person owing the company, hired a collector, and followed up on all collections.

I collected a great deal of money that was outstanding. One thing I found on the books was some items, aggregating \$6,000, that had been written off the books entirely. I had them put back on the books, and sent a man out to collect them, and he was successful in collecting \$2,000 of that amount; and we had good prospects, or believed we did, of collecting the balance.

I also found that the company had overpaid their income tax something like \$12,000. I made arrangements to have that refunded. Those negotiations were under way at the time my receivership was terminated.

There was any amount of detail in that way that I did. I do not suppose you want me to recite that, for reasons of time.

By Mr. Manager SUMNERS:

Q. What I am trying to find out is, how your experience in the organization of a group of telegraph operators helped you in determining the operation of a great, big business concern, distributed over the western coast, assembling and manufacturing automobiles.—A. In my experience with the telegraph company, my executive experience with them, my training, I learned the matter of costs and operations, and the same principles apply in a telegraph company that apply anywhere else in that regard.

Q. In other words—I do not mean to argue it with you—but your notion is that any person who could be an efficient man as a supervisor of telegraph operators could take charge of a big business and run it right off the reel?

Mr. LINFORTH. One minute. We submit that that is objectionable as calling for his notion.

Mr. Manager SUMNERS. I withdraw it.

The PRESIDING OFFICER. The question is withdrawn. By Mr. Manager SUMNERS:

Q. When were you paid for your services in this connection?—A. I think it was August of 1932. The receivership terminated on July 20. About a month later the fees were allowed.

Q. You had two savings accounts, did you not?—A. Yes, sir.

Q. And then you had a safety-deposit box?—A. Yes, sir.

Q. How did you distribute this fee?—A. The Fageol fee?

Q. Yes.—A. When I was paid I put the entire amount in my safe-deposit box, and left it there for some time. I have since deposited half of it in savings accounts and I have used considerable of it for living expenses.

Q. Was that drawn out of your safe-deposit box or out of your savings account?—A. Safe-deposit box.

Q. With regard to your separation from the Western Union Telegraph Co., I believe you stated that during all your receiverships, except the last, you continued in your employment with the Western Union Telegraph Co.?—A. Yes, sir.

Q. When you were selected in the last case, did not difficulty arise between you and one of the superintendents of the telegraph company?—A. No; there was no difficulty. I requested a furlough, and I was granted the customary 6 months' furlough from the company.

Q. But did you not tell the respondent here that trouble had developed between you and one of the superintendents, and that you were up against a situation, in effect, of having to separate either from the receivership or separate from the Western Union Telegraph Co.?

Mr. LINFORTH. We object to that question as not being cross-examination and not germane to any issue here involved.

The PRESIDING OFFICER. The objection is overruled.

By Mr. Manager SUMNERS:

Q. Is not that true?—A. I had no difficulty with the superintendent—

Q. I did not ask you that.

Mr. LINFORTH. May the question be read?

The PRESIDING OFFICER. Let the question be read. The Official Reporter read as follows:

Q. But did you not tell the respondent here that trouble had developed between you and one of the superintendents, and that you were up against a situation, in effect, of having to separate either from the receivership or separate from the Western Union Telegraph Co.?

By Mr. Manager SUMNERS:

Q. Let me add this much before you answer. And did not the judge tell you to remain with the telegraph company?

The PRESIDING OFFICER. Answer "yes" or "no", and then explain if you wish to.

The WITNESS. Yes, sir. I mentioned to Judge Louderback in a conversation one day that my furlough was about to expire, and that I had made application to have an extension, but it had not been granted. The judge advised me to continue with the telegraph company. That was his advice

to me. That is practically all the conversation I had with the judge on the matter.

By Mr. Manager SUMNERS:

Q. That is the question I asked you.—A. Yes, sir.

Q. You have already stated that you got approximately \$6,800 in the Sonora Phonograph Co. case?—A. Yes, sir.

Q. For how long a period of time was that?—A. About 7 months, I think.

Q. How much did you get in the final wind-up of the business?—A. The last payment?

Q. That is right.—A. Twenty-eight hundred and some odd dollars.

Q. Will you indicate briefly what you did with that fund? In order to refresh your memory and to save you time, I will ask you if you did not deposit \$1,200 in one savings account?—A. Yes, sir.

Q. And if you did not deposit \$2,000 in another bank?—A. Yes, sir.

Q. And then you paid off a note of \$500?—A. Yes, sir.

Q. And the rest of it you deposited in your vault?—A. I paid out about a thousand dollars, including a note of \$510. At the time I stated that, I could not recall exactly all my disbursements, but I paid out around a thousand dollars, and the balance I put in a safe-deposit box.

Q. I believe you stated that a good deal of that you have used up for living expenses?—A. Yes, sir.

Mr. BLACK. Mr. President, may I propound an inquiry? I did not clearly get the answer about the safe-deposit box.

The PRESIDING OFFICER. The Senator from Alabama submits a question, which the clerk will read.

The Chief Clerk read as follows:

Q. What was the amount of your compensation you put in the safe-deposit box, and when did you do that?

Q. In what case?

Mr. BLACK. Mr. President, I will add to the question, in the first case that was testified about, where he said he took half out at a later date and deposited it in the bank.

The WITNESS. That was the Fageol case. I put in half of my Fageol fees in the safe-deposit box and deposited the other half in the bank.

Mr. BLACK. Mr. President, may the question be read again?

The PRESIDING OFFICER. The clerk will read.

The Chief Clerk read as follows:

Q. What was the amount of your compensation in the first case you put in the safe-deposit box, and when did you do that?

The PRESIDING OFFICER. That is the Fageol case to which the Senator refers.

The WITNESS. The amount was \$4,500, and I put it all in the safe-deposit box at the time I received it, the latter part of August 1932.

The PRESIDING OFFICER. The clerk will read the other question propounded by the Senator from Alabama.

The Chief Clerk read as follows:

Q. When did you deposit half of the compensation in the bank?

The WITNESS. Within the last 2 months, when they got to questioning hoarders for keeping their money in safety-deposit boxes.

The PRESIDING OFFICER. The clerk will read the next question of the Senator from Alabama?

The Chief Clerk read as follows:

Q. What bank did you put the money in, and in what bank did you have a safe-deposit box?

The WITNESS. I put the money in three different accounts—in the Bank of California, in the San Francisco Bank, and the American Trust Co. My safe-deposit box is in the American Trust Co.

The PRESIDING OFFICER. The managers may proceed with the examination.

By Mr. Manager SUMNERS:

Q. May I ask on what date you put this money in the safe-deposit box?—A. The Fageol matter money I put in the day I got paid. I do not know what day that was. I can not remember that—the latter part of August, as I recall it.

Q. In order to save time, have you your deposit slips, or the things which indicate at what time deposits were made by you of these amounts which you received in the receivership matters?—A. No, sir; I haven't them with me.

Mr. Manager SUMNERS. Mr. President, we may want to recall this witness a little later, but this is all we desire to ask the witness at this time.

Mr. LINFORTH. Just a question or two in redirect.

Redirect examination by Mr. LINFORTH:

Q. Mr. Gilbert, when you paid Mr. Leake the \$150 referred to in the questions by opposing counsel, was that for services rendered to your wife?—A. It was; my wife and myself.

Q. How many years before you were ever appointed receiver in any of these matters did that take place?—A. I would say 4 or 5 or 6 years prior.

Q. With reference to your bank accounts, to which you have referred, were they submitted to Mr. LaGuardia when he was in California on the investigation had in September of last year?—A. I did not submit my books to him, but I stated the facts to him on his interrogations.

Q. Did he ask for your books at that time?—A. He did not ask for my books; no, sir.

Mr. LINFORTH. That is all we desire to ask.

Mr. Manager SUMNERS. That is all at the present time.

The PRESIDING OFFICER. You may recall the witness again?

Mr. Manager SUMNERS. Yes; we may recall him again.

Mr. BLACK. I desire to propound other questions.

The PRESIDING OFFICER. The clerk will read the questions.

The Chief Clerk read as follows:

Q. When did you get your compensation in the Sonora case, and how much was it?

The WITNESS. I received my Sonora fees in three different installments. The last one was in July or August of 1930. The total amount aggregated six thousand eight hundred and some-odd dollars.

Q. What did you do with it, and when?

The WITNESS. I deposited \$3,200 in savings accounts, paid off a note and some bills that I owed to the extent of about a thousand or eleven hundred dollars, and put the remainder in a safe-deposit box.

Mr. BLACK. I submit another question.

The PRESIDING OFFICER. The clerk will read.

The Chief Clerk read as follows:

Q. How much did you put in the box, and when?

The WITNESS. I put in the box all except what I deposited in the bank, and about eleven or twelve hundred dollars that I paid out on bills. The remainder I put in the box.

Mr. BLACK. May the question be read to him again?

The Chief Clerk read as follows:

Q. How much did you put in the box, and when?

The WITNESS. About \$2,400 I put in the box immediately after I received it.

Q. When did you pay out the money you mentioned?

The WITNESS. Within a very few days after receiving it.

The PRESIDING OFFICER. Are there any further questions?

Mr. McKELLAR. I submit a question.

The PRESIDING OFFICER. The clerk will read the question submitted by the Senator from Tennessee.

The Chief Clerk read as follows:

Q. When was the first time you ever rented a safety-deposit box?

The WITNESS. About 20 years ago.

Q. Have you a box now?

The WITNESS. Yes, sir.

Q. Have you any money in the box now?

The WITNESS. Yes, sir.

Mr. Manager SUMNERS. No further questions.

Mr. TYDINGS. I should like to ask the witness a question.

Mr. Manager SUMNERS. It is understood that when I say we have no further questions, we mean at this time.

The PRESIDING OFFICER. The Chair understands that. The clerk will read the question submitted by the Senator from Maryland.

The Chief Clerk read as follows:

Q. Why did you put part of the money in the safe-deposit box?

The WITNESS. It has always been my custom to keep some money in a safe deposit box.

Q. Why in three banks?

The WITNESS. Well, I did not want to put all my eggs in one basket.

The PRESIDING OFFICER. Are there any further questions? If not, the witness may stand aside.

(The witness retired from the stand.)

Mr. LINFORTH. Mr. President, at this time we offer in evidence a letter from Judge A. F. St. Sure which, by stipulation of the parties, may stand as his testimony in the matter.

The PRESIDING OFFICER. That stipulation has been entered?

Mr. Manager SUMNERS. Mr. President, I am advised by my associates that that stipulation has been entered.

The PRESIDING OFFICER. The letter may be filed.

Mr. LINFORTH. Mr. President, the letter is upon one of the letterheads of the United States District Court for the Northern District of California, it is dated April 25, 1933, and reads:

U.S.S. EXHIBIT F

UNITED STATES DISTRICT COURT,
NORTHERN DISTRICT OF CALIFORNIA,
CHAMBERS OF A. F. ST. SURE,
San Francisco, Calif., April 25, 1933.

HON. HAROLD LOUDERBACK,
United States District Judge,
San Francisco, Calif.

THE UNITED STATES OF AMERICA v. HAROLD LOUDERBACK, UPON ARTICLES OF IMPEACHMENT PRESENTED BY THE HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA

MY DEAR JUDGE LOUDERBACK: You have asked for my interpretation of the last paragraph of our court rule no. 53, which reads as follows: "Receivers shall employ counsel only after obtaining an order of the court therefor."

When this rule was adopted in 1928, we had before us report pamphlet no. 1 of the Association of the Bar of the City of New York, which contained recommendations upon the appointment of equity receivers and the employment of counsel by the receivers. One recommendation in particular read as follows: "That counsel for the receiver should be designated only after order of court and upon appropriate affidavit by the receiver."

After a full discussion the judges of this court were of the opinion that the rule would prove a useful one, and it has so proved. It gives the court discretion in the matter of the appointment of attorneys for the receiver, to the end that no attorney shall be appointed who for good and sufficient reasons is deemed disqualified—who has appeared for or acts for a party or for any creditor of the defendant (whether intervenor or not), or for any other person interested in the cause or the estate; and in case where the court appoints as ancillary receiver a person who is the primary receiver in another jurisdiction, it gives the court the power to appoint, as representing the court, a local attorney of good standing at the bar.

I have read the above to our associate, Judge Kerrigan, and he gives me permission to say that he agrees with my interpretation.

In the matter of one judge sitting in the absence of another. Our rules provide "that court shall be held at Sacramento in each month except for the months of July and August", and that "court shall be held in Eureka in July, * * *. The Sacramento and Eureka terms of court shall be held by the several judges, turn and turn alike, and in regular rotation; subject to such temporary variations as are agreed upon by a majority of the judges." When I have been sitting in Sacramento or Eureka, you have courteously presided in my department in San Francisco, called my calendar, heard and ruled upon ex parte and other motions, and when you have been absent from San Francisco, I have performed a like service for you.

In the matter of the Prudential Holding Co. of Los Angeles, a Nevada corporation, alleged bankrupt. You have called my attention to testimony given by Attorney H. H. McPike, who was a witness at the hearing before the special committee of the House of Representatives, Seventy-second Congress, pursuant to House Resolution 239, held in San Francisco from September 6 to September 12, 1932. It appears that there had been made before me a motion to dismiss a bankruptcy proceeding, which was

granted, and that thereafter a motion to set aside the order of dismissal was made. Mr. McPike testified that in denying the latter motion, I said "I found there was a bad smell about the case." I have no recollection of having made the remark quoted, but as Mr. McPike has so testified under oath, it is probable that I did. You inform me it has been suggested that the remark quoted was a personal allusion to you. I am certain I did not have you in mind when the alleged remark was made.

Yours truly,

A. F. ST. SURE,
United States District Judge.

AFS/BA.

Mr. Manager SUMNERS. May I see that paper, Judge?

Mr. LINFORTH. Certainly.

The PRESIDING OFFICER. Under stipulation the Chair understands that the letter is to be filed and become of record.

Mr. Manager SUMNERS. I will hand it up in just a moment. I have the privilege of making an examination of it.

Mr. LINFORTH. May I inquire, does the Presiding Officer desire me to file this stipulation with the letter?

The PRESIDING OFFICER. No; it is understood that it is stipulated that it may be received.

Mr. Manager SUMNERS. To make it clear, the concession is that this letter may go in as though it were a deposition or the testimony of Judge St. Sure.

Mr. LINFORTH. That is my understanding, Mr. President.

The PRESIDING OFFICER. That is the record.

RECESS

Mr. ASHURST. Mr. President, I did not understand the honorable attorney. Did he ask me a question?

Mr. LINFORTH. I had a thought in mind that we had reached a point where we might take a recess.

Mr. ASHURST. Have you no other witness?

Mr. LINFORTH. I am quite fatigued and weary. I worked very late last night, and I am under the impression—

Mr. Manager PERKINS. There is a witness waiting in the lobby to be called, and we could consume 25 or 30 minutes more.

The PRESIDING OFFICER. It is the desire of the Presiding Officer at this time that the proceeding go on and that time be saved just as much as possible.

Mr. ASHURST. I suggest that we proceed until 1:30 o'clock, at least.

Mr. LINFORTH. May I add this statement, Mr. President? I have been under a good deal of stress in this matter. My working hours have been about 20 each day from the time of my arrival in Washington. I have reached that point in age where I feel fatigued a little more early than I did many years ago. I feel, Mr. President, that when I reach that point I cannot discharge to the full extent of my ability my duty to my client. I should like, if it may be done, that at this time we take a recess until next Monday. I am quite confident, cutting matters as I have cut them out this morning, that we may be able, and I hope we shall be able, to conclude the evidence by next Monday; and I am perfectly willing for the honorable court to make such order as it may deem necessary to lengthen the hours on Monday, if necessary, to that effect.

The PRESIDING OFFICER. Senators have heard the statement of counsel. What is the suggestion of the Senate?

Mr. ASHURST. It was not anticipated that the court would take a recess until 1:30 o'clock today, but in view of the statement of the honorable attorney, I feel that I ought to make such motion as he suggests.

I am about to say something that doubtless I should not say, but I am going to say it at the risk of impropriety. The honorable attorneys are weary, but there are others who are weary from hearing questions that have no relation to the subject repeated over and over and over again. Other men grow weary as well as the honorable attorneys. I therefore move that the Senate, sitting as a Court of Impeachment, take a recess until 12 o'clock noon on Monday.

The PRESIDING OFFICER. The question is on the motion of the Senator from Arizona.

Mr. LINFORTH. Mr. President, I want to add my thanks to our friends.

The PRESIDING OFFICER. The question is on the motion of the Senator from Arizona.

The motion was agreed to; and (at 1 o'clock and 10 minutes p.m.) the Senate sitting as a Court of Impeachment, took a recess until Monday, May 22, 1933, at 12 o'clock meridian.

LEGISLATIVE SESSION

The Senate, pursuant to the order for the recess entered yesterday, resumed legislative session.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

REPORT OF THE FEDERAL RESERVE BOARD

The VICE PRESIDENT laid before the Senate a letter from the Governor of the Federal Reserve Board, transmitting a copy of the annual report of the Board covering operations during the year 1932, which, with the accompanying report, was referred to the Committee on Banking and Currency.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following joint resolution of the Legislature of the State of Maryland, which was referred to the Committee on Post Offices and Post Roads:

Joint Resolution 4

A joint resolution memorializing Congress of the United States to enact House Joint Resolution 191, commemorating the one hundred and fiftieth anniversary of the naturalization as an American citizen in 1783 of Brig. Gen. Thaddeus Kosciuszko, a hero of the Revolutionary War, by issuing special series of postage stamps in honor of Brig. Gen. Thaddeus Kosciuszko

Whereas on October 13, 1933, will occur the one hundred and fiftieth anniversary of the naturalization as an American citizen of Brig. Gen. Thaddeus Kosciuszko, a hero of the Revolutionary War; and

Whereas the service rendered by him was of great value and assistance to the cause of American independence and of such high importance that on October 13, 1783, he was appointed brevet brigadier general of the Continental Army and was granted naturalization as an American citizen; and

Whereas it is but fitting that proper recognition should be given to the memory of Brig. Thaddeus Kosciuszko, whose illustrious service in the war for American independence is well known to all who are familiar with our history: Therefore be it

Resolved by the General Assembly of Maryland, That the United States Congress be, and it is hereby, requested to enact legislation which will provide for the effective carrying out of the provisions of the said resolution, whereby the Postmaster General would be authorized and directed to issue a special series of postage stamps of the denomination of 3 cents, of such design and for such period as he may determine, commemorative of the one hundred and fiftieth anniversary of the naturalization as an American citizen and appointment of Thaddeus Kosciuszko as brevet brigadier general of the Continental Army on October 13, 1783; and be it further Resolved, That the secretary of state be, and he is hereby, requested to send a copy of this resolution to the President of the United States, the Vice President of the United States, the Speaker of the House of Representatives, and to each Senator and Representative in the Congress of the United States from Maryland.

Approved April 21, 1933.

STATE OF MARYLAND,
EXECUTIVE DEPARTMENT.

I, David C. Winebrenner, 3d, secretary of state of the State of Maryland, do hereby certify that the foregoing is a true and correct copy of joint resolution no. 4 of the acts of the General Assembly of Maryland of 1933.

In testimony whereof, I have hereunto set my hand and affixed my official seal at Annapolis, Md., this 19th day of May 1933.

[SEAL]

DAVID C. WINEBRENNER, 3d,
Secretary of State.

The VICE PRESIDENT also laid before the Senate resolutions adopted by the Commissioners Court of Fort Bend County, Tex., endorsing the program of President Roosevelt, and favoring the inauguration of a public-works program providing highway construction in the State of Texas, which were referred to the Committee on Finance.

He also laid before the Senate resolutions adopted by the Perry Community Club, of Perry, La., endorsing Hon. Huey P. Long, a Senator from the State of Louisiana, condemning attacks made upon him and protesting against a senatorial

investigation of his alleged acts and conduct, which were referred to the Committee on the Judiciary.

He also laid before the Senate two letters in the nature of memorials from citizens of the State of Louisiana, endorsing Hon. HUEY P. LONG, a Senator from the State of Louisiana, condemning attacks made upon him and remonstrating against a senatorial investigation of his alleged acts and conduct, which were referred to the Committee on the Judiciary.

He also laid before the Senate a petition of sundry citizens of Bay Ridge, Brooklyn, N.Y., praying the Senate to adopt a resolution to the effect that it does not endorse the inquiry for which "the taxpayers' money was paid to Gen. Samuel T. Ansell" in connection with the senatorial campaign investigation in Louisiana, etc., which was referred to the Committee on the Judiciary.

RESOLUTION OF HOBOKEN NATIONAL MEMORIAL ASSOCIATION

Mr. KEAN presented a resolution adopted by the Hoboken (N.J.) National Memorial Association, which was referred to the Committee on the Library and ordered to be printed in the RECORD, as follows:

HOBOKEN NATIONAL MEMORIAL ASSOCIATION, HOBOKEN, N.J.

Whereas the President of the United States of America, by proclamation duly issued, called all loyal sons to the colors of this great country on April 6, 1917; and

Whereas 2,000,000 of them took up arms in our defense overseas; and

Whereas hundreds of thousands embarked from Hoboken in Hudson County in the State of New Jersey; and

Whereas after the armistice on November 11, 1918, hundreds of thousands returned to their home soil through the gateway of Hoboken; and

Whereas a boulder and flag staff were erected and dedicated to mark this spot of egress and ingress in 1925 by Hoboken assembly of the Knights of Columbus; and

Whereas the veteran, fraternal, and civic organizations of the city of Hoboken desire to perpetuate this site as a permanent memorial: Therefore be it

Resolved, That the Hoboken National Memorial Association, in regular meeting assembled this 1st day of May A.D. 1933, hereby petition the Senate of the Congress of the United States of America to do all in its power to set aside a suitable plot of ground at the entrance to the piers, now in control of the United States Shipping Board, at Hoboken, as a national memorial to commemorate the egress and ingress of the valiant sons and daughters of this Nation who left or returned through this portal during the late World War.

Done under the seal of the chairman, secretary, and committee, at Hoboken, Hudson County, N.J., this 1st day of May A.D. 1933.

JOSEPH M. CURIO, *Chairman*.
S. KALLER, *Secretary*.

Patrick Barry, Grand Army of the Republic; Fred A. Williams, Sons of Veterans; David J. Alexander, Spanish-American War Veterans; Michael Montet, Knights of Columbus; Justin B. Falk, Benevolent and Protective Order of Elks; Fred A. Williams, Fraternal Order of Eagles; Francis J. Conroy, Disabled American Veterans; Theodore C. Ivers, Commander Veterans of Foreign Wars; Thomas J. Kenney, American Legion Post, No. 107; ———, Free and Accepted Masons; Michael Mantet, Foresters of America; ———, Junior Order United American Mechanics, Committee; Frank B. Hoffman, secretary; J. S. Hamill, P.S.; Chas. E. Schmidt, K. of W.; Walter J. Hoey; Owen Mulvaney.

TREATMENT OF JEWS IN GERMANY

Mr. KEAN presented resolutions adopted at a meeting of American-Jewish citizens of Monmouth County, in the city of Asbury Park, N.J., which was referred to the Committee on Foreign Relations and ordered to be printed in the RECORD, as follows:

Whereas a protest has been made heretofore on the 27th day of March 1933 at the high-school auditorium in the city of Asbury Park, county of Monmouth and State of New Jersey, against the intolerant policy of the Hitler government in relation to the Jews of Germany, in which protest participated the lay and spiritual leaders of Jewish, Catholic, and Protestant religions of the Monmouth County seaboard, as well as civic, political, and industrial leaders of said county; and

Whereas this formal protest was delivered to the State Department of our Federal Government and to the German Ambassador, Wilhelm von Prittwitz; and

Whereas verified and confirmed reports from Germany have since that time brought to America, day after day, the news of a systematic and thorough exclusion of Jews from the civic and political life of Germany by the Hitler government, an exclusion

which expresses itself in the elimination of Jews from all federal, state, and local offices; the wholesale dismissal of Jewish physicians; the forced retirement of Jewish professors and instructors from the colleges and universities and smaller educational institutions; the ejection of Jewish judges from the courts; the expulsion of Jewish lawyers from the bar; the limitation and restriction of the attendance of Jewish students in all the higher educational institutions: Be it therefore

Resolved at this meeting of American-Jewish citizens of the county of Monmouth, State aforesaid, held this 10th day of May 1933, at the Synagogue, Sons of Israel, in the city of Asbury Park, county of Monmouth and State aforesaid, That we do hereby most emphatically condemn the unjust, intolerant, and outrageous anti-Semitic measures, policies, and discriminations of the Hitler regime; and be it further

Resolved, That we do hereby call upon the Honorable W. WARREN BARBOUR and the Honorable HAMILTON F. KEAN, United States Senators for the State of New Jersey, and also upon the Honorable WILLIAM H. SUTPHIN, Congressman of the Third Congressional District of the State of New Jersey, to raise their voice of protest in the Halls of the United States Congress, move for the adoption of the resolution by the Congress and the Senate denouncing the unjust, unwarranted, and inhuman exclusion of Jews from the civic, political, and professional life of the country in which they have lived over sixteen hundred years, and to which they brought untold glory and distinction in every field of endeavor; and be it further

Resolved, That we call upon the Honorable Franklin D. Roosevelt, President of these United States, to use his good offices in behalf of the oppressed and persecuted Jews in Germany.

Respectfully submitted by the resolutions committee.

MEYER COHEN,

Rabbi of Congregation Sons of Israel, Asbury Park, N.J.

SYDNEY DRESDEN,

President Congregation Sons of Israel, Belmar, N.J.

RALPH B. HEACHEN,

Temple Bethel.

BENJAMIN FREEDMAN,

President Asbury Park Hebrew School.

LOUIS I. MILLAR,

President of Congregation Sons of Israel.

REPORTS OF THE PUBLIC LANDS COMMITTEE

Mr. DILL, from the Committee on Public Lands and Surveys, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

S. 1727. An act for the relief of Earl A. Ross (Rept. No. 84); and

S. 1728. An act for the relief of Frank P. Ross. (Rept. No. 85).

Mr. BRATTON, from the Committee on Public Lands and Surveys, to which was referred the bill (S. 1724) authorizing the reimbursement of Edward B. Wheeler and the State Investment Co. for the loss of certain lands in the Mora Grant, N.Mex., reported it without amendment and submitted a report (No. 86) thereon.

ADDITIONAL COPIES OF FARM LOAN EMERGENCY ACT

Mr. VANDENBERG. Mr. President, there is a great demand by Senators and Members of the House for additional copies of the Farm Loan Emergency Act. On behalf of the junior Senator from Arizona [Mr. HAYDEN], Chairman of the Committee on Printing, he being unavoidably absent, I present a unanimous report on Senate Resolution 83 from the Committee on Printing to provide additional copies of the act, and I ask unanimous consent for its present consideration.

The VICE PRESIDENT. Is there objection to the request of the Senator from Michigan?

There being no objection, the resolution (S.Res. 83) was read, considered, and agreed to, as follows:

Resolved, That 25,000 copies of Public Law No. 10, approved May 12, 1933, relating to agricultural adjustment, agricultural credits, and currency expansion, be printed for the use of the Senate document room.

ENROLLED JOINT RESOLUTION PRESENTED

Mrs. CARAWAY, from the Committee on Enrolled Bills, reported that on May 19, 1933, that committee presented to the President of the United States the enrolled joint resolution (S.J.Res. 50) designating May 22 as National Maritime Day.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. VANDENBERG:

A bill (S. 1737) authorizing a preliminary examination and survey of the Crooked and Indian Rivers, Mich.; to the Committee on Commerce.

By Mr. McCARRAN:

A bill (S. 1738) authorizing the Reconstruction Finance Corporation to make loans to irrigation districts for certain purposes; to the Committee on Irrigation and Reclamation.

By Mr. SHEPPARD:

A bill (S. 1739) to relieve the existing critical national economic emergency in agricultural as well as in commercial and industrial pursuits; to the Committee on Agriculture and Forestry.

AMENDMENT TO BANKING BILL

Mr. CLARK submitted an amendment intended to be proposed by him to Senate bill 1631, the banking bill, which was ordered to lie on the table and to be printed.

WORLD ECONOMIC CONFERENCE—ARTICLE BY FORMER AMBASSADOR EDGE

Mr. KEAN. Mr. President, I ask unanimous consent to have printed in the RECORD an article by former Ambassador Edge in regard to the forthcoming World Economic Conference, published in the New York Tribune of last Sunday.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the New York Herald Tribune, May 14, 1933]

EDGE URGES UNITED STATES TO RENOUNCE INTERNATIONAL SANTA CLAUS ROLE BEFORE NEW CONFERENCE OPENS—SEVERAL NATIONS ALREADY IN LINE FOR ECONOMIC HORSE TRADING AND AMERICA SHOULD NOT FORGET HER CREDITOR POSITION WHILE CONSIDERING LOWER TARIFFS AND TRADE PACTS, FORMER ENVOY WARNS

By Walter E. Edge, former American Ambassador to France

These are days when every citizen, irrespective of previous political or economic convictions, should contribute all in his power in the interests of national solidarity. However, in my judgment, this goal can best be reached, or at least more headway made, through frankly facing the facts.

Of course, we should approach the responsibilities of the World Economic Conference wholeheartedly, enthusiastically, and with determination to secure definite results. In fact, the recent Washington conversations certainly demonstrate that intention. Nevertheless, in the interest of harmonious and constructive action, it occurs to me it might be just as well for the United States, in advance of the convening of the conference, to let it be known that we do not propose to be an international Santa Claus.

The apparent diffidence of the nations invited to enter into a tariff armistice before and during the duration of the conference is in itself significant. It must not be overlooked that some of the countries abroad have for months been preparing and arming themselves for future bartering and horse trading. While our Government has been suggesting the lowering of tariffs and the elimination of other trade restrictions, European nations have been adding them on as well as concluding new treaties which exclude the United States. Now that a definite proposal is made by us to stop this practice, at least during the period of discussion, we are met generally with a lack of enthusiasm and, in fact, in some instances, with definite reservations.

This should serve as a note of warning that, notwithstanding the optimism which seemed to surround the Washington conversations, some foreign governments, nevertheless, are still recalcitrant. If, in the hope of increasing our export trade, we are to face a proposition for the cancellation, or at least a substantial revision, of war debts, the validity and legality of which no nation has questioned; if we are to remove protection from local producers through lowering our tariff and then in the final analysis we are expected to again loan Europe money in order to buy our goods, as obviously Europe will not take many of our wares without new loans, then a little advance figuring from a domestic standpoint would seem to be quite justified.

Our experience in international conferences in terms of the results obtained does not warrant much optimism—except where we are prepared to make the major sacrifices.

STEPS TOWARD DISARMAMENT

Consider, for instance, the various steps toward a disarmament agreement.

At Washington in 1921 real progress was made in the direction of the limitation and reduction of capital ships when the United States agreed to scrap ships built or building while other nations nobly sacrificed their blueprints.

At London the results were relatively negligible and limited to three naval powers, while at Geneva, despite our many proposals for real reduction, notably former President Hoover's move for a one-third curtailment, nothing has eventuated except generous discussion. Nevertheless, even with all these previous discouragements, it is obviously our clear duty to press on in the hope that present world conditions will ultimately compel broader understandings and more liberal reactions.

After 3 years abroad in the Foreign Service, I am more than ever convinced that America is basically dependent economically on a scientific preparation and application of a protective tariff that fully protects. If the present disinclination on the part of other nations to enter into a tariff truce is any criterion, then they must hold the same opinion as applying to their own problem.

I do not attempt to defend many inconsistencies and inequalities in our existing tariff schedules. Nevertheless, I feel quite positive that tariff trades, unless they followed a comprehensive and individual study which justified reductions, would add significantly to our economic difficulties by inviting sectional discord and still further reduce our standard of living as well as increase unemployment, all without comparable compensation in the form of greater markets for our goods abroad.

WORLD CARTEL IDEA IMPRACTICABLE

If the producing countries of the world could form an international cartel, as it were, control production and amicably divide the world's markets, the situation might be improved. But, apart from the absolute impossibility of reaching, or at least carrying out, such a utopian agreement, I greatly doubt the wisdom or efficacy of this course.

The world, generally speaking, has prospered through healthy competition. It only started on the downgrade when an uncontrolled orgy of speculation set aside all normal practices and precedents.

Following my retirement from the ambassadorship, I visited the capitals of all the Balkan States, as well as other countries in southern and eastern Europe. I had the privilege of chatting unofficially and informally with many of the rulers and cabinet officers of those different states. I was particularly impressed with the unanimity of opinion, freely expressed, that nothing concrete could come out of the proposed economic congress if the disarmament conference failed to reach real agreements. The pessimism in this regard was universal.

I am far from being an extreme nationalist. But I feel strongly that in the present zeal for international idealism we should not evade the facts or practice self-deception.

LITTLE ACCOMPLISHED SO FAR

The years since the war have been replete with fruitless conferences. The interests of the people are so diverse, their ambitions and emotions so complex, that little headway in the field of material international agreement has been found possible. I regret to admit it, but it is my firm conviction that most of our problems of national recovery must be worked out within our own borders, and we now seem to be making commendable headway in that direction.

Of course, progress was made at Lausanne toward the solution of the reparations problem. But it should not be overlooked that that agreement is apparently contingent upon further sacrifices by Uncle Sam. Moreover, it is not much of a concession to wipe off a type of credits that will not be paid in any event.

Possibly the United States is facing similar difficulties with war debts, but before these just claims become actual stage money there are some justifiable bargains and adjustments that can and should be made, and that without involving the destruction of vital protection to American labor and industries.

There are trade restrictions practiced by some of our debtors, many discriminatory, that should be adjusted before we seriously talk revision. We hold a very effective weapon and are from every standpoint justified in using it.

In short, in our negotiations we should not give up the cake and the penny too.

CRITICS ADVISED TO LOOK AFIELD

Those who charge against our protective system most of the present economic ills and particularly criticize our nonscalable tariff wall, as they characterize it, seldom make comparisons with what is being practiced by competitive nations.

Efforts to blame our protective system, even despite unfair and unjust trade restrictions in many parts of Europe, as the major cause of the depression is simply to evade existing facts. I cannot understand the policy of some of our own people, especially when they see what is taking place abroad, of pointing to the United States as a glaring example of trade barriers and prohibitive tariffs.

In point of fact, the United States presents the fairest tariff policy in the world today. While some of our individual schedules are undoubtedly too high and should, when not justified by trade or production facts, be lowered, nevertheless our general application of the most-favored-nation principle treats all competitors alike and establishes the United States as an open market without any favorites among the nations.

The same cannot be said for many of our neighbors. Quota restrictions which are nothing more nor less than partial embargoes, discriminatory turn-over and license taxes (none of which are in effect in the United States) form trade barriers against American imports which cannot be surmounted. The United States has been able to close commercial treaties with but few nations because of these obvious discriminations.

While a reversal of our economic policy and the substitution of a bilateral or bargaining system for general most-favored-nation treatment has some support, I am of the opinion that in the long run it would open the way to untold difficulties and surely invite reprisals. The fact must not be lost from sight that we are the greatest creditor nation in the world.

Again, when the proposal is made to discard our present open-door policy, careful consideration must be given to the character

of our foreign trade. Even in normal or affluent times we have exported less than 15 percent of our production, divided into approximately 11 percent of raw materials and under 4 percent manufactured goods. In other words, the outside world purchases from us mainly such materials as it cannot buy on equal terms from other nations in the open market for purposes of domestic manufacture.

While I do not minimize the importance of disposing of even this relatively small proportion of our production, at the same time I fail to see where our protective system, which is similar to the system prevailing in all other countries, influences, much less controls, purchases of our goods by foreign countries at world's prices. It has not in the past and in normal times will not in the future, if we have the required material to sell.

It is plain, ordinary common sense that a foreign nation purchases from the outside only what it does not produce at home and then at the best prices it can obtain. As a rule the tariff only indirectly enters into these sales as these needed commodities are usually on the free list.

DOMESTIC MARKET COMES FIRST

The same applies moreover to the small foreign consumption of our manufactured goods, accentuated considerably by inventions and styles. For example, American automobiles and farm machinery have a market everywhere because to date no other country has turned out such satisfactory products.

As a consequence I am convinced that our main effort should be to reinvigorate our domestic market. It is estimated that sales at home have declined about 45 percent as compared with normal times. Most certainly a blanket reduction of our import duty would not correct this situation. Every additional invoice of competitive goods imported must necessarily still further reduce domestic production. This, of course, is an old story, but to me it lies at the very root of the whole situation. Likewise, our exports abroad will increase only with a return of general business activity greatly contingent upon a return of confidence at home which, fortunately, now seems to be on the upgrade. Our energy should be expended still further on that domestic effort.

European countries, unfortunately, are frequently compelled to give more attention to the prevention of warlike outbreaks and to adjust political problems with each other than to the readjustment of international commerce across the sea. It is our duty to help in every way we can without becoming embroiled. In our own interest it is imperative to keep in close touch with every development. But at this time we have, first and foremost, a man's job at home, and I cannot see how a general reduction of the tariff will regenerate American confidence or increase American sales.

At the outset of this article I frankly admitted the existence of many inconsistencies in the American tariff schedules and stated my opinion that they should be readjusted. There is no doubt in my mind that there have been individual cases of unjustifiable tariff boosts. These have doubtless been the origin of much of the criticism of the tariff. To overprotect a commodity is as wicked as to expose it to the raids of cheap foreign importations. In the former case the consumer is unfairly gouged; in the latter instance the American workman is thrown out of employment.

AN EXAMPLE OF MISJUDGMENT

During the period of my official responsibility in France I witnessed one particularly glaring example of attempted overprotection, and I did not hesitate to denounce it publicly. One branch of Congress proposed to raise the ad valorem duty on certain types of hand-made lace, principally produced in northern France and Belgium. The old rate was from 80 to 90 percent ad valorem; the new rate soared as high as 300 percent. Of course, such a raise would have been tantamount to an embargo. The effort failed. Without any doubt if it had been enacted it would have exaggerated the cost to the American consumer.

And while I hope I am a consistent protectionist, nevertheless I refuse to believe that any industry, whether a so-called "infant industry" or otherwise, is entitled to such high protection. If we are unable to produce a commodity at a cost less than 3 times the average world cost, we should permit the other fellow to enjoy the trade. I am no more opposed to embargoes, quota allotments, or discriminatory levies than I am to overprotection.

But if our tariff, equal to all, has seriously contributed to the world's economic troubles, as some insist, then let us repair the error along scientific and not political lines. And if our debt contracts, duly accepted and ratified, are to be reopened and revised, the discriminations and inconsistencies now faced by American exporters must in all fairness be first permanently adjusted.

PUBLIC-WORKS PROGRAM—ARTICLE BY JAMES M. THOMSON

Mr. LA FOLLETTE. Mr. President, I ask unanimous consent to have inserted in the RECORD an article by James M. Thomson published in the New Orleans Item of May 15, 1933.

There being no objection, the article was ordered printed in the RECORD, as follows:

[From New Orleans Item, May 15, 1933]

LARGER WORKS ISSUE FAVORED—INCOME TAX TO CARRY BONDS

By James M. Thomson

Senator NYE, of North Dakota, offers an amendment to the forthcoming tax bill which may avoid the necessity for a sales tax for the impending public-improvement bond issue. He shows that

reflation must necessarily bring vast profits to those who have picked up real estate, stocks, bonds, and other bargains at pre-closure or sacrifice sales. So he proposes a supertax on incomes above \$100,000 a year. He would grade this tax up to 75 percent of net incomes above \$1,000,000 so long as the war on depression and unemployment lasts. He would also enlarge Federal inheritance and gift taxes. In other words, he would follow the course pursued by our Government in income taxation during the late war on Germany.

All taxes are unpleasant and most of them undesirable. The tax which falls heaviest on the consuming masses is a sales tax, for the workingman with a large family necessarily pays more sales tax than a rich but smaller family does, and far more than wealthy individuals who put their time on increasing their accumulations. Sales taxes necessarily tend to impede business, and at this time what we want above all is to speed business up.

Increasing the prices of farm products will put a sales tax running to a billion dollars a year on consumers; in general, most of them city and town people. Likewise limitation of farm production will have the same effect. Yet we have already adopted this policy in the new farm bill in order to restore farmers and farm laborers to industry and give them purchasing power.

I favor not a \$3,000,000,000 public-works bond issue but five or even six billion dollars for that purpose.

The war in America is a war to put our unemployed to work. It is a more serious war than the one we waged in Europe. It justifies Federal expenditures on a scale which will insure our winning that war.

As inflation brings back values speculators and gamblers will count their profits by millions and billions. The same men who got income-tax rebates of five or six billions of dollars under the Mellon-Mills administration of the Treasury, following the Hoover panic, will pick up surplus profits of billions of dollars. There is every reason in equity that they should pay a considerable part of this back into the Treasury at a time when it is needed to fight a war on superdeflation and depression. They paid taxes of this kind to aid in the World War. Many of them expressed themselves as glorying in the sacrifice. Surely the condition of unemployment among their fellow citizens should have an even stronger appeal to them. For this expenditure is entirely constructive.

For one I have not sympathized with the agitation for cutting the wages or salaries of either our better-paid Government employees or of our Senators and Representatives. Nor am I in favor of the cutting of the salaries of our presidents of our life-insurance companies or our railroads or of our great manufacturing or industrial organizations. Men of great ability, of experience and skill, men who carry great responsibilities are entitled to a handsome reward for their talents. Congressmen get not too much but too little. Cabinet members and their executive assistants are woefully underpaid. The President of the United States gets too little.

But in times like these there is a moral value in the gesture they make of cutting their salaries while they are cutting Government expenses all round. The people who make the country a going concern are the people who furnish it with brains and brawn. The men and women who live on "unearned increment", who shoot craps in a large way, can in this emergency well afford to contribute to government more of their surplus incomes over a hundred thousand and over a million net per year. They can afford, for a while at least, to pay some additional inheritance and gift taxes.

This talk about all the rich in America being broke is hokum. If it were true, no one would oppose taxes of the kind Senator NYE proposes.

Plenty of concerns in America have net incomes above \$10,000,000 this year. There are plenty of individuals whose net income will vary between a million and \$5,000,000. And these people can well afford to give part of their surplus which is not invested in tax-exempt bonds and securities.

In England this class of people pay real income taxes and real inheritance taxes. England has used this tax to keep a great dole going to millions of her idle people over a long period. This policy is all wrong, in my opinion. Our people should have work at good wages, not doles. And if we sustain a real public-improvement program with taxes of this kind, we will give our people work, speed up business, stabilize values, and add enormously to the real wealth of the very people who are paying the super taxes. Meantime the little fellow who has been out of work for some years will not have to pay a sales tax on everything he consumes.

NOMINATION OF FEDERAL RELIEF ADMINISTRATOR

Mr. ROBINSON of Arkansas. Out of order, and as in executive session, I ask that the Senator from Florida [Mr. FLETCHER], the Chairman of the Committee on Banking and Currency, may report a nomination.

The PRESIDING OFFICER (Mr. McCARRAN in the chair). Is there objection? The Chair hears none.

Mr. FLETCHER. From the Committee on Banking and Currency I report favorably the nomination of Harry L. Hopkins, of New York, to be Federal Emergency Relief Administrator, and I ask unanimous consent for its present consideration.

The PRESIDING OFFICER. Is there objection?

Mr. McNARY. Mr. President, I stated yesterday the general practice and the desire not to take up matters of this kind until reported by a committee. I understand that the report on this nomination was unanimous.

Mr. FLETCHER. That is correct.

Mr. McNARY. And in view of the emergent situation about which the able Senator from Arkansas told me, I have no objection to having the nomination acted upon, and, going farther, to having the President notified.

The PRESIDING OFFICER. Without objection, the nomination is confirmed, and the President will be notified.

Mr. ROBINSON of Arkansas. I thank the Chair and the Senator from Oregon.

OPPOSITION TO SECURITIES REGULATION BILL

The Senate resumed legislative session.

Mr. LEWIS obtained the floor.

Mr. FLETCHER. Mr. President—

The PRESIDING OFFICER. Does the Senator from Illinois yield to the Senator from Florida?

Mr. LEWIS. The distinguished Senator from Florida has a matter which he feels that he would like to present at this time and it is more or less dependent upon a matter waiting outside. I yield to the Senator, with the understanding that I do not yield the floor and that I may take the floor immediately following the conclusion of the remarks of the Senator from Florida.

Mr. FLETCHER. Mr. President, it was not to be expected that a measure, such as the Federal securities bill, now in conference, designed to protect the public from the financial racketeering of certain classes of so-called "investment bankers", could be enacted without arousing the most determined opposition on the part of that profession which has mulct the people of some \$50,000,000,000 during the past 10 years.

These interests were given their day in court in the hearings before both the Senate and House committees and submitted voluminous briefs, but it is evident from the almost unanimous approval of the bill in both Houses, that their arguments made little impression.

Every effort was made by both committees to satisfy every reasonable criticism or objection made to the bills. It became necessary, therefore, for opponents to resort to other expedients, and this has taken the form of inspired telegrams and letters to the members of the conference committee, seeking to influence their decision and to postpone further action on the bill until the next session of Congress when, these interests hope, sufficient time will have elapsed for the public and the Congress to have forgotten to some extent the occurrences of the past few years.

Not all the firms, however, to whom they sent instructions to wire protests to committee members were in sympathy with the suggestion. One of these latter has sent to the committee a copy of the telegram of instructions they received, which, the writer states, was sent by "representatives of perhaps a thousand investment bankers in the United States, including especially the principal ones in New York City." This telegram reads in part as follows:

Vitally important that you contact immediately executives of important industries, urging that they wire immediately Hon. SAM RAYBURN, House Office Building, and Hon. DUNCAN U. FLETCHER, Senate Office Building, Washington, the ranking members of the conference committee, stating in own language that while intent of Federal legislation approved, both bills as drafted are unworkable and constitute serious menace to industry.

Mr. COUZENS. Mr. President, may I ask the Senator from Florida who signed that telegram?

Mr. FLETCHER. I have not the original telegram with me, but it comes, I believe, from St. Louis.

Mr. COUZENS. They have been coming to Senators other than the conferees.

Mr. FLETCHER. Yes; undoubtedly.

The Senator from Nebraska [Mr. NORRIS] made it clear in the Senate on May 4 that the president of the United States Chamber of Commerce has always been essentially a

promoter and director in numerous public-utility companies. He listed more than 20 power companies which Mr. Harriman had either promoted or in which he serves as an executive or member of the board of directors. The report of the Senator from Nebraska stated that—

Mr. Harriman has exhibited no grief over billions of watered stock on which the consumers must pay higher rates to maintain dividends.

Moreover, it is well known the United States Chamber of Commerce includes numerous investment bankers, brokers, and dealers among its membership. That organization's instructions, transmitted through local chambers to their more important members, reads as follows:

Believing that you should interest yourself in opposition to these bills which are now being considered by the conference committee of Congress, I urge that you immediately wire the Honorable DUNCAN U. FLETCHER, Senate Office Building, and the Honorable SAMUEL RAYBURN, House Office Building, Washington, D.C., stating in your own language that—

You are in sympathy with the intent of Congress to regulate the issuance of securities but believe both bills (giving their numbers), as drafted, are unworkable and also are a serious menace to industry and business generally.

The securities bill, now in conference, received the most careful consideration by two Federal departments before being submitted to Congress and has been minutely studied by the committees of both Houses for some weeks past with the assistance of recognized authorities on investment matters, who have gladly contributed their aid in drafting and editing this measure. When its provisions were first released to the public, it was received with editorial acclaim throughout the entire country, including that financial authority, the Wall Street Journal.

The proposal was also well received by most of those financial institutions that desire to do a legitimate business and realize the absolute necessity of restoring public confidence before they can prosper. One firm, for example, that had been asked by certain investment bankers to wire a protest, did the contrary and telegraphed the committee as follows:

Earnestly against this organized effort of bankers to thwart just legislation by the administration and that they were still subjected to efforts to whip them into old-gang line, whereas they conceive the salvation of investment banking business solely dependent upon restoration of confidence by assurance that past crookedness will not occur again in short time.

Truly, these instructions sent out by the chamber of commerce and the investment brokers have had quite a contrary effect of that intended and, boomeranglike, have done their cause far more harm than good.

While pretending to be favorable to the President's message and declaring they were in accord with the purpose of the legislation, they insisted on delaying action, and although they had been offered every opportunity for being heard, and were heard for weeks, they urged, after the hearings closed and the bills were reported, that they be given additional time and opportunity to present their views. They simply wish to be let alone, have their own way, pursue their own course, without any restriction or regulation, as in the past.

The country justly demands that the public have some protection, real investors some safeguards, and honest business a legitimate chance.

The conferees have agreed, and helpful and needful legislation will be enacted shortly.

I wanted to make this statement in connection with the bill because I know that Senators have been bombarded by this kind of telegrams stating in a general way that the bill is not workable and will do more harm than good, and asking to have it postponed for future consideration. I ask that the Senate, when the time comes, will take action at once and that this legislation may be placed upon the statute books.

Mr. President, I ask to have printed in the Record a copy of my letter to Mr. Harriman with reference to the legislation.

The VICE PRESIDENT. Without objection, it is so ordered.

The letter is as follows:

MAY 8, 1933.

Mr. HENRY I. HARRIMAN,
President Chamber of Commerce of the United States,
Washington, D.C.

MY DEAR MR. HARRIMAN: Yours of May 8 came to me just after the bill passed the Senate today.

We passed the Senate bill with some amendments and then substituted it for the House bill, so the whole matter will now go to conference. The Senate today named conferees and probably tomorrow the House will name conferees, and they will endeavor to harmonize the differences between the two bills.

This will give an opportunity for the conferees to consider any suggestions you may make. There will be no hearings, but if you will submit your views in writing, or make any suggestions, I am certain the conferees will give them due consideration.

I am very much afraid the people you are hearing from are against the legislation entirely.

The President submitted a special message asking for the legislation March 29.

The bill, S. 875, was introduced on March 29 and referred to the Judiciary Committee.

On March 30 the Committee on the Judiciary was discharged and the bill was referred to the Committee on Banking and Currency.

That committee took it up at once and proceeded with the hearings, day after day, until everyone who had applied had an opportunity to be heard.

The newspapers carried notices of the fact we were holding hearings on the bill; numerous persons testified and submitted arguments and briefs.

Many amendments were made to the original bill—so many, in fact, that the committee decided to report a substitute bill, and that was done on April 17 (calendar day April 27).

The hearings had been held almost daily from March 30 to April 27. Everyone who wanted to be heard was heard. Investment bankers, accountants, business men, brokers, and what not were heard. There was scarcely a day that the press did not carry notices regarding this bill and these hearings.

Now for these people to speak about not having an opportunity to be heard on the bill is ridiculous.

The House committee held hearings, and finally when their hearings were closed a subcommittee got together with their experts and drafting force to prepare the bill, and did so, and the House finally passed the bill H.R. 5480 May 4.

Today the calendar was taken up in the Senate, and the Senate proceeded to consider S. 875.

A few amendments were offered to it and agreed to.

As amended, it was substituted for the House bill, and the conferees on the part of the Senate were named.

We would be here until Christmas if every individual had to be satisfied about the bill; in fact, we would never have any legislation at all.

All I can say is, as I have stated above, if anyone has anything to say about the bill or any views or suggestions to offer, I feel certain the conferees will consider them. As the case now stands, both the House and Senate bills are in conference and each provision in each bill can be dealt with by the conferees.

Very truly yours,

DUNCAN U. FLETCHER, *Chairman.*

Mr. FESS. Mr. President, may I ask the Senator from Florida, in reference to the correspondence about which he has just commented, whether the letter from the president of the chamber of commerce was a recent one or whether it had reference to the House bill?

Mr. FLETCHER. It was a recent letter. His letter was dated May 9.

Mr. FESS. I had a letter earlier from the president of the United States Chamber of Commerce to the same effect, but I thought the Senate bill had largely cured the objections which were being made and which were directed to the House bill. I am receiving a great number of letters from Ohio that have probably been stimulated by this interest coming from Washington. I answered them to the effect that in my judgment the Senate committee reported the bill which the Senate passed and sent to conference that cured very largely the specific objections that had been made.

Mr. FLETCHER. I think the Senator is quite right. There has been a great deal of confusion. Some have had the Senate bill and some have had the House bill, and they have been filing complaints about them when neither of them will be the bill that is to be reported.

Mr. FESS. That is why I wanted to know whether the letter was a recent one.

Mr. FLETCHER. Yes; it was dated May 9. It had reference to one bill or the other, but the bill that will be reported is still another bill. It is partly the House bill

and partly the Senate bill. I think many criticisms are not well founded at all because they have been cured by subsequent action of the Senate or House.

CONFERRING OF DEGREES UPON NAVAL ACADEMY GRADUATES

Mr. TRAMMELL submitted the following report, which was ordered to lie on the table:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval Academy having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment as follows: After the word "academies", at the end of the said amendment, insert the following: "from and after the date of the accrediting of said academies by the Association of American Universities"; and the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title of the bill and agree to the same.

PARK TRAMMELL,
FREDERICK HALE,

Managers on the part of the Senate.

CARL VINSON,
FRED A. BRITTON,

Managers on the part of the House.

RESIGNATION OF JOHN MARRINAN

Mr. COSTIGAN. Mr. President, Mr. John Marrinan, a trusted investigator of the Committee on Banking and Currency, recently resigned. He desires placed in the RECORD—and I am glad to comply with the suggestion by requesting its insertion—some correspondence relating to his resignation. There has been some misunderstanding of the reasons for his resignation, and of his helpful offer in connection with it to assist the committee through the hearings set for the coming week, and otherwise to aid as a consultant.

There being no objection, the correspondence was ordered to be printed in the RECORD, as follows:

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
May 20, 1933.

Hon. EDWARD P. COSTIGAN,
United States Senate, Washington, D.C.

DEAR SENATOR COSTIGAN: A public misapprehension seems to have arisen through publication of an incomplete account of my tender of resignation as an employee of the Senate Committee on Banking and Currency in connection with the inquiry into investment practices. As you were advised when my resignation was offered, it was to become effective at the end of the present month. I have had an active part in the investigation of private-banking practices, regarding which public hearings are to be held next week. I have intended, and still intend, to give every assistance to the committee until this phase of the inquiry is concluded. You are aware of my further offer to serve as a consultant to the committee during the future conduct of the investigation upon invitation to do so.

Will you be good enough to have printed in the CONGRESSIONAL RECORD the two attached letters pertaining to my resignation? They make it clear, I believe, that I have had no desire to retire until the forthcoming public hearings on the affairs of J. P. Morgan & Co. and other private bankers have been closed.

Yours sincerely,

JOHN MARRINAN.

MAY 17, 1933.

Ferdinand Pecora, Esq.,
Suite 1110, 285 Madison Avenue, New York, N.Y.

DEAR FRED: The attached copy of letter to Senator FLETCHER will require no explanation. All I can add to it is that I dislike leaving the very agreeable association I have had with you. I have been in this picture since the investigation started. In retrospect, I count my most valuable contribution to be the part I played in retaining you as counsel.

It is needless for me to add that I am under no obligation whatsoever to anybody until June 1. You may, therefore, count upon me fully until that time.

Yours sincerely,

JOHN MARRINAN.

MAY 17, 1933.

HON. DUNCAN U. FLETCHER,

United States Senate, Washington, D.C.

DEAR SENATOR FLETCHER: I wish to tender my resignation as economic adviser to the Senate Subcommittee on Banking and Currency which is conducting the investigation into investment practices under the terms of Senate Resolution 56, Seventy-third Congress, first session. If agreeable to you and to the committee, I should like to terminate my services as of May 31 next.

I am taking this step with reluctance by reason of my interest in the work of the committee and the personal satisfaction I have derived from being associated with you and with Mr. Pecora. However, my personal circumstances have moved from bad to worse over the past year by reason of the salary limitation imposed in the Legislative Appropriation Acts of 1933 and 1934, and I find myself unable to continue on my present income. Moreover, there does not appear to be any easy remedy within the power of the committee, because I am already receiving the maximum permitted by law, namely \$255 per month net. It should be added that other members of the staff are in the more fortunate position of having supplementary sources of income.

I desire to express to you and to the individual members of the subcommittee my sincere gratitude for the consideration shown me during my period of service. If I can be of assistance without remuneration as a consultant during the further course of the committee inquiry, I would be glad to have you call on me.

Yours sincerely,

JOHN MARRINAN.

PROJECTED CONSULTATIVE PACT—ITS DANGERS IF MISUNDERSTOOD

Mr. LEWIS. Mr. President, I beg for a moment to enter to a subject that is not akin to finance and the banking bill, as to which addresses have just been made by the honorable Senators from Florida and Michigan. I embark, sir, on a theme to which I am moved by assertions from international publications—all of eminent source—that do injustice to the United States.

Mr. President, an eminent philosopher-poet has left for our consideration the suggestion that Falsehood upon the wings of Mercury will take its course, in winding ways, and proclaim itself all virtue—and with such rapid strides find abiding places, and from these herald posts hiss its mists of deadening miasma, while Truth, with her leaden heel and slow approach, will move so slow behind the masked cavalcade that she will never overtake to convert to right the legions who, trembling with alarm and disturbing concern, are fixed breathless in fear.

The European press, flashing its continental sensation, makes free to announce that the eminent spokesmen of the great nations of Europe, whose representatives have had the honor of being lately in consultation at Washington with the distinguished President of the United States—these renowned envoys were received with that courtesy which becomes, of course, the ever-hospitable manners of the United States and the welcome of its people to the strangers within our gates—sirs, we today have it reported that these ambassadors of international unity proclaim that there was an agreement made between those who represented a European national situation with the President of the United States that the United States and its people will enter into a "consultative pact"; that this so-called "consultative pact" binds the United States to become a party to whatever controversy should arise between those foreign nations as between themselves, or as between themselves and the Asiatic countries, should such arise.

The impress is very clearly conveyed to affirm that the United States is on the eve of closing into some form of understanding which the writers characterize and the parliamentary spokesmen in public assemblages define as a pact in which the United States will, upon invitation, enter into the consideration of whatever controversy or conflict there is pending or threatened between any countries of Europe, or that of any countries of Europe and Asia. It is asserted that under this compact we will adjudge which of these in contest or conflict is the aggressor nation. May I use the exact language as I read it, saying—

It will be left to the United States to judge which is the aggressor to be punished.

It is claimed that when one has been determined as the aggressor the form of punishment to be inflicted will be decided, or at least will be controlled, by the course that the United States may suggest should be taken.

Mr. President, to ourselves in the United States these projected boastings mean little. We in public life, in all public posts—my eminent colleagues who sit about me on both sides of the Senate—know how often exaggerated observations are indulged. Sometimes such is fulminated to serve some local purpose in Europe, or, perchance, to serve an object at home here in America. Then oftentimes, as is the case now, when such will enhance the value of eminent representatives or when such will impart certain credit to the foreign nations which are busy in sending forth the propaganda that best serves its immediate object then in hand.

Mr. President, I make bold, as a Member of this honorable body and as a citizen of the United States, to say it is an error of fact from any source which asserts that the United States has now entered, or in the future will enter upon, any form of an arrangement called "a consultative pact" in which we volunteer to sit in judgment in the controversies between European nations that do not touch us in any form. Or, sirs, to enter in the controversies between European nations and Asiatic nations which in no wise affect our interests, but did we so depart, would leave us as an intruder or offensive trespasser.

Sirs, from this forum we tell the world that the people of the United States have never authorized any President of the United States of the past, nor, if I conceive them correctly—as I feel I do—for any future, will the United States be directed or authorized to enter into any form of an arrangement by which we are to sit in council and judgment touching the conflicts of foreign nations with each other, and never in our own behalf, ex cathedra, adjudge and decide who is the aggressor in any national conflict of Europe or Asia and proceed upon our verdict to inflict a form of penalty—these penalties as is reported in one of these statements I hold in my hand, by "withdrawing commercial credit", "withholding governmental association", and then latterly to determine what form of force we will put behind the decision in order that it shall be executed according to the will of the United States. Now, sirs, our Nation has a President who never could be allured by seductive glamor nor forced by intimidations to offend the spirit of his Nation or violate his fixed principles of a constitutional officer now fulfilling oath and duty. To hold him out as capable of either offense is to slander his wisdom and impeach his patriotism.

Sir, this country ought not be subjected to the charge by these eminent sources of Europe of ever having been willing to enter into the broils of the governments of foreign lands, nor to consent to act as a judge as between their conflicts, and decide which, from our point of view, is an aggressor, and then proceed to inflict such punishment as the European nation will define, as called for and justified from the circumstances as presented to us by these European contestants.

Sirs, we can say for our President that through him the United States will not enter into any arrangement called a "consultative pact" that calls for any other consultation than that to which it may be invited to offer its advice and counsel as to the best manner of maintaining the peace, avoiding conflict, and, in every possible instance that we can command, obstructing war. Sirs, the people of the United States shall not now be deluded with the theory, visioned from foreign report, that there has been any secret understanding indulged here at Washington between these eminent representatives of foreign nations and the distinguished President of the United States that would so violate the traditions of our land as to intimate that we have voluntarily assumed to come into an offensive pact whenever invited, to the end that we may render judgment in favor of one and against another of the foreign nations, and then suggest, in the plenitude of our trespass, the form of penalty that should follow, and thereupon be prepared to see that the penalty should be executed by whatever force may be demanded by these foreign representatives to carry out the principle of whatever their contest may be. This violation of our basic principles of self-government and home rule will never be inaugurated by a democratic United States of true republican form.

Mr. FESS. Mr. President, will the Senator permit an interruption?

The VICE PRESIDENT. Does the Senator from Illinois yield to the Senator from Ohio?

Mr. LEWIS. Certainly; I am pleased to yield to the Senator from Ohio.

Mr. FESS. My inquiry is as to how far we could go in consultation and still be free from the application of any penalty. In other words, I have never felt any great hesitancy about the Government of the United States consulting with others, but my fear has always been that a judgment to be arrived at might carry with it the inference of sanctions or enforcements of it; and my query to the Senator is, How far could we go in the former without being subject to the criticism of the latter?

Mr. LEWIS. Mr. President, the eminent Senator from Ohio, learned, as we know, by his experience in public affairs of the great possibility of danger of this United States entering into either a conflict of words or a conference where we will make a decision as to the right of one foreign nation and the wrong of another, propounds a pertinent query. I answer the Senator: The furthest it was ever the intent of our countrymen to authorize our representatives to enter into that which would be called a consultative pact is that which has ever been their privilege and ever been their offering in every instance of conflict—which is the mere advice and counsel as to the manner in which peace may be preserved and to act as some interceding agency looking to the restoring of good feeling and complete harmony; but never, I answer the able Senator from Ohio, was it the intent of our country, nor, I make bold to say, the intent of the distinguished President of the United States now sitting, that we should be called into any pact that must result in our passing judgment and being left in a position where the nation against which we offer judgment is to be our enemy and carry within its bosom a hatred of us; while that which we favor would immediately expect of us strength and force sufficient to carry out the decision that was in its favor and benefit. For the reason, sir, that either one of these may transpire, I will assume that no consultation beyond that which we have ever indulged—to wit, the advices of a good friend—can go, and no farther should it assume to go.

Mr. BARKLEY. Mr. President—

The VICE PRESIDENT. Does the Senator from Illinois yield to the Senator from Kentucky?

Mr. LEWIS. I yield to my friend from Kentucky.

Mr. BARKLEY. I desire to ask the Senator whether he opposes this country consulting with other countries, or with representatives of other countries, in a mutual, world-wide effort to bring about peace or prevent armed conflict? And if the United States should enter into an agreement to sit down at a table and consult about the best methods by which peace could be preserved, does the Senator think there would be any implication in such consultation that if there was failure of the consultation, and armed conflict should finally result somewhere, we would be under any obligation to enter into that conflict?

Mr. LEWIS. I answer my able friend from Kentucky by saying that, if we are asked to sit at table for conference looking to the general peace of mankind, we fulfill that spirit that loves peace and serves humanity that is ever that of the United States. Yet, sir, to be seduced into a conference where already conflict has ensued, and war is threatened, and where the question to be determined is as to which is the aggressor in that particular matter, I say to my able friend from Kentucky that such course is no part of the duty of the United States; and, should it enter upon such, that action would involve the United States rendering judgment against one country in order to favor the other with a decision affirmatively asserting its innocence. We should keep out of intermeddling with the affairs of European countries which in no wise affect ourselves. Therefore, I can see great danger from it; and, I answer my able friend from Kentucky, so great a danger that I would advise my country under all considerations to avoid any gathering or such pact with such baleful object.

Mr. BARKLEY. Mr. President, if the Senator will yield further—

Mr. LEWIS. I yield to the Senator.

Mr. BARKLEY. I have never understood that the suggestion of a consultative pact carried with it anything more than an obligation or agreement to consult about the world's difficulties and troubles. I have never understood that if a failure to agree upon any policy, or a failure to prevent warfare, should result from such a conference, there was any implication that we thereby obligated ourselves, whatever might have been our position in the consultation, to follow into war for or against any nation which might take part in the conference.

Mr. LEWIS. I answer the able Senator from Kentucky by reminding him that we were invited from time to time into conferences looking to what many of us felt was some order of peace and intercession and mediation as between the countries that were at war—Germany, France, and England—we all remember the final act; and we will not forget that our entrance in being invited through the insidious propaganda with its effect drew us to where our judgments and announcements were held as offenses against other countries involved, and our entrance into these consultations touching the affairs of these outside nations was treated as a violation of treaty and neutrality, and we found ourselves in war, the results of which we are depicting from day to day from this great Chamber, while we suffer the burdens and miseries—and all the unhappy consequences which followed.

Therefore I insist that any pact that this land should enter into, whether through the action of the honorable President of the United States or otherwise, can go no farther than the entrance into a consideration of friendship looking to advice and counsel with the view of avoiding war and preventing conflict. But, sirs, when we are asked by any foreign people or nation to participate in a consultative pact touching relations and conflicts which have already begun in some form, and we are by our pact to pass a judgment as to which is the aggressor, and an intimation as to how the aggressor should be punished, that, I declare, sir, is no part of the duty of the United States. Where our interests are not involved, we should in no wise be brought into such entanglement; and, to avoid such, I respectfully insist there is no privilege on the part of any foreign government to assert that any arrangement has been made with the United States to enter into consultative pacts touching the conflicts already opened in disputive diplomacy or battlefield contest between foreign countries in which we have neither interest nor a part.

Mr. President, I therefore speak of things that are a little too far geographically for all of us to understand. This morning the eminent Senator from Florida spoke as to telegrams which had come to this honorable body. The Senator from Ohio joined in calling attention to similar matters touching purely civic legislation, all urging action on the Senate to serve private interest.

Now comes from our country, particularly in the West, the sheaf of telegrams asserting that certain societies of citizens believe that we have entered into an understanding which is to step in and participate in conferences which are to arrive at which is guilty or which is innocent as between these who have already begun a contest among themselves and anticipate conflicts and wars that would ensue from such. Our people are frightened by this fleshless and unbodied specter.

Our countrymen must be free from any such fear. America must understand that her public officials have never assumed, without the consent of their countrymen, to enter into the affairs of any foreign country, either for the adjustment of their military arrangements or their private financial disputes, and pass judgment as though we were acting as guardian of their affairs or the conservator of their interests. Sirs, from such imaginings we are likely to awaken from our own countrymen a very serious suspicion of our conduct and lose the confidence of the great masses of our people now being so greatly enjoyed by the distinguished

President of the United States. This confidence and trust should not be shattered by the misinterpretations which are going abroad and coming from abroad, and are being published now, recoiling in their influence against the United States.

Mr. President, one other observation I make bold to tender. It is inseparable from the gossip and false whispers as to our Nation surrendering its principles at demand of foreign power. It is said in all quarters that there is something mysterious or hidden in the relationship of the war debts. It is now charged that they have been injected in the movement for the economic conference that is assumed soon to be begun.

I respectfully assert that there is no one who can justify the charge that the President of the United States, or the representatives of this honorable Government, of any political organization, have ever conceded to the theory by which the war debt should be made a basis of discussion and preliminary to the entrance upon the economic conference, the conference that has for its object the purpose only of adjustment of the matters of international trade.

Mr. President, I make bold further to say that if the time shall come when the President of the United States shall assume that there are justifications for entering again upon consultations and conferences as to the debts, looking to the modification of terms or the extension of time, or for whatever reasons urged, I respectfully assert that since we are now going to Europe at the instance of the European nations to assemble at London, and then at Geneva, at London on the economic question, what is ascertained and designated as the tariff truce, and at Geneva in the matter which we define as looking to some method of disarmament.

Then, sir, if the question of the international debts, particularly the war debts, is to be taken up, and then considered anew, separate and apart from these others which at London or at Geneva are to be indulged, I propose that then those discussions, of whatever nature they may be on the war debts now in dispute, this new consideration be taken up here in the United States; I ask that the meeting on that subject, if it shall ever be held, shall be held here, and I would suggest at the Capital of this Nation at Washington. Here it is where the whole question may be free, sir, from the prejudice of the environment which has surrounded the discussion at each previous time it has been entered upon. Here we would be rescued from that prejudice of inherited hatred which followed the World War, and which is still so indulged by certain countries that we see each morning the flickering lights upon the skies indicative of the new flames that flash the fires of war as between some of these nations who are to sit in the deliberations.

If, therefore, this question is, out of the generosity of our hearts, or for the purpose of some justice which we see could follow as a result—I say, if it is to be taken up in a new conference and for a new consideration, justified in the mind of the President of the United States, or the Congress—then, sir, let it be at such a place that the result, whatever it will be, cannot be imputed to the transmitted hatred of nations, and all subject to the mad moments we glimpse in the political upheavals of our surrounding nations.

Sirs, we offer such peaceful and quiet atmosphere to our foreign visitors who come as delegates and envoys. Sirs, all the world knows we are a people who seek no territory; we are a people who seek no penalty. We are of a nation that looks for peace. We are a great government that cries out to the world for the harmony of friendship, the prosperity of nations, and the happiness of man. Let that latter question, if it is to be entered, be entered here, where the arena is calm, where the surroundings are just, and where the environment is such that all mankind will see that, whatever comes from it, comes in the spirit of American justice, to the end that all the world will see our distributed justice—to all people—while America to her own people stands firm in the right and to all her people ever true.

I thank the Senate.

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COMMUNICATION FROM THE PRESIDENT—THE OIL INDUSTRY

The VICE PRESIDENT laid before the Senate a communication from the President of the United States, which was read, as follows:

THE WHITE HOUSE,
Washington, May 20, 1933.

HON. JOHN N. GARNER,

President of the Senate.

MY DEAR MR. PRESIDENT: As the Congress is doubtless aware, a serious situation confronts the oil-producing industry. Because oil taken from the ground is a natural resource which once used cannot be replaced, it is of interest to the Nation that its production should be under reasonable control for the best interests of the present and future generations.

My administration for many weeks has been in conference with the Governors of the oil-producing States and with component parts of the industry, but it seems difficult, if not impossible, to bring order out of chaos only by State action. In fact, this is recognized by most of the Governors concerned.

There is a wide-spread demand for Federal legislation. May I request that this subject be given immediate attention by the appropriate committee or committees? The Secretary of the Interior stands ready to present any information or data desired.

May I suggest further that in order to save the time of the special session it might be possible to incorporate action relating to the oil industry with whatever action the Congress decides to take in regard to other industries—in other words, that consideration could be given at the same time that action is taken on the bills already introduced and now pending in committee.

Very sincerely yours,

FRANKLIN D. ROOSEVELT.

The VICE PRESIDENT. The communication will be referred to the Committee on Interstate Commerce.

Mr. KING. Mr. President, the message of the President which has just been read, if I properly interpret it, may call for an abrogation or a material modification of existing laws against trusts and combinations in restraint of trade. Certainly any measure that would accomplish what the President's message seems to show he desires to have accomplished would require that the Clayton Act and the Sherman antitrust law be modified, that the provisions of the latter be temporarily suspended, or something of the kind. It seems to me, in view of the significance of this question and its importance, and the legal questions involved, the message ought to go to the Committee on the Judiciary.

The VICE PRESIDENT. Let the Chair say to the Senator from Utah that a bill dealing with the entire matter involved in the letter from the President to the Presiding Officer of the Senate was introduced yesterday or the day before and referred to the Committee on Interstate Commerce. In view of that fact, the Chair thought that the letter from the President should be referred to the same committee.

Mr. KING. Mr. President, in view of the measure to which the President refers, I shall not insist upon any change of reference of the President's letter, but I do insist that the committee which considers this question should take into account the fact that, as we are advised, there is a disposition upon the part of industry, including the oil industry, so to modify the Sherman antitrust law and the Clayton Act as that industries may combine in order to conduct their operations.

Of course, the suggestion is made that these combinations shall be effected under the control and supervision of some Federal agency. It seems to presage an introduction into our industrial life of the cartel system of Germany, changing materially the competitive systems under which our country has been led to great heights of prosperity in the past.

Mr. President, something may be said later upon these efforts to destroy our competitive system, repeal the Sherman antitrust law and the Clayton Act, or further so to modify them as that combinations may form and a monopolistic control of industry be brought about in our country.

Mr. ROBINSON of Arkansas. Mr. President, I desire to add a few words to the discussion that has been taking place.

The communication of the President of the United States to the Vice President relates to a subject matter of very great importance. The oil industry apparently is in very great distress. The prices being received for the raw product are so low that they do not even approach the cost of production.

The object of the message which has been received by the Vice President, and kindly laid before the Senate by him, is to assure that prompt consideration will be given to this subject matter. It expresses the hope that the subject matter may be dealt with in one of the general bills which are now pending before the Congress, and I express the hope that the committees having jurisdiction of those bills will heed the suggestion that has been made, and give the matter attention.

Mr. BARKLEY. Mr. President, I suppose I have no authority to speak for the committee to which this communication and the bill have been referred, or for the chairman of the committee, but I think it is safe to give assurance that the committee will give earnest and thoughtful consideration to this message and to any measure that may be framed along that line.

Mr. ROBINSON of Arkansas. The Senator refers to the Committee on Finance?

Mr. BARKLEY. The Committee on Finance and the Committee on Interstate Commerce.

Mr. ROBINSON of Arkansas. Both committees?

Mr. BARKLEY. Both committees; yes.

Mr. ROBINSON of Arkansas. Very well. I am very happy to receive that assurance.

RELIEF FOR HOME OWNERS

Mr. TRAMMELL. Mr. President, in the noon edition of the Washington Times I notice, in an article commenting on the emergency legislation which is to be proposed before the conclusion of this session, that the home loan bank bill which passed the House and is pending before a committee of the Senate may be abandoned if the opposition proves stubborn. That is a bill which has inspired hope in the breasts of millions and millions of home owners throughout the United States—hope that they will be able to secure some relief in the nature of loans to them for the purpose of refinancing and saving their homes from foreclosure.

Mr. President, I have gone over that measure. I do not think it is as broad and as generous as it should be, and I have contemplated offering some amendment to it so that an owner may be able to obtain a loan. Most everyone has been taken care of in legislation, and will be, except the individual home owner who has a mortgage upon his property, or desires to obtain a loan upon his home. I just rose to state that I hope this article in the Times is a mistake, and that the measure referred to will not be abandoned, regardless of the stubbornness of the opposition. I myself do not know of any opposition, but the bill has been pending for some time; it was referred to the committee on May 1 but has not yet been reported back to the Senate.

Mr. McKELLAR. Mr. President—

The VICE PRESIDENT. Does the Senator from Florida yield to the Senator from Tennessee?

Mr. TRAMMELL. I yield.

Mr. McKELLAR. I wish to say that I join wholeheartedly in the sentiments expressed by the Senator from Florida. I have many letters every day, probably a score of them, from people in my State whose homes are about to be sold. They are intensely interested in this subject. I do not think that there is anybody in the country more interested in legislation than are the home owners. So I sincerely hope that this bill will not be abandoned, but that,

on the contrary, it will be passed at the earliest practicable moment.

Mr. BARKLEY and others addressed the Chair.

The VICE PRESIDENT. Does the Senator from Florida yield; and if so, to whom?

Mr. TRAMMELL. I yield the floor.

Mr. BARKLEY. I want to say that I did not hear the reading of the newspaper article by the Senator from Florida, and I do not know what the article contains; but, as I am a member of the subcommittee of the Committee on Banking and Currency, considering the home loan bank bill, I can say that, so far as that subcommittee is concerned, and so far as the full committee is concerned, there has been no discussion of abandoning this proposed legislation; there has been no intimation that it is to be abandoned; but there has been some delay in the ability of the subcommittee to get the bill ready and to report it to the full committee, largely because the members of the subcommittee have been engaged in the preparation of other important legislation and have found difficulty in attending to their multifarious duties all at the same time. However, we expect and hope early next week to report the measure to the full committee and get it reported to the Senate and put upon the calendar.

Mr. TRAMMELL. Mr. President, I am very glad to hear the statement of the Senator from Kentucky, and from it I gather the impression that the writer of the article to which I have referred was mistaken when he stated that the bill would probably be abandoned if it was stubbornly opposed.

Mr. McADOO. Mr. President, I may say, supplementing what my colleague on the committee, the distinguished Senator from Kentucky [Mr. BARKLEY] has just said, that as a member of the subcommittee dealing with this subject I can inform the Senator from Florida that the subcommittee has almost perfected this bill. I think we succeeded in putting the final touches on it this morning. There has been great difficulty in dealing with this very complex subject, and no time has been lost in trying to work it out, but many members of the committee, as the Senator from Kentucky has stated, are engaged on other subcommittees, and it has not always been possible to have meetings as promptly as we desired. I think, however, that the report of the subcommittee will go to the full committee early next week, and we hope to have the bill reported to the Senate during the same week.

A NEW MEDIEVALISM—ARTICLE BY GUGLIELMO FERRERO

Mr. BONE. Mr. President, the unhappy and somber picture presented by the present world conditions has impelled the President recently to address a communication to all the leading countries of the world. A gentleman who, I think, is an outstanding historian, Professor Ferrero, has recently prepared a very brief, lucid, and penetrating article dealing with world conditions which I think is as fine a bit of writing dealing with that matter as I have seen in many months. I ask unanimous consent that it may be inserted in the RECORD. It is very brief.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Herald, May 17, 1933]

A NEW MEDIEVALISM

By Guglielmo Ferrero

GENEVA.—Happily there are still the Jews in the world! They, at least, scream and struggle when they are flayed alive.

For 15 years the world has been full of horrors. On all sides there is massacre, pillage, deportation; scaffolds are erected, prisons are filled, and entire peoples are reduced to a state of slavery. No one is moved; no one even knows about it.

Millions have been spent on laying cables across the earth, wireless telegraphy has been invented, we can telephone from one continent to another. Newspapers spend fabulous sums in order to have the latest news. And never as at the present time have the free peoples so completely ignored the violence to which the enslaved peoples are subjected. It is a silent strangling of all liberty.

In certain countries of old civilization the inquisition has been restored, the liberty to think, speak, or print suppressed; savants, professors, and journalists have been reduced to the rank of salaried agents of force. In what free country have the savants,

professors, and journalists been moved? How much have they exerted themselves, even to merely sign a protest? It seems that the liberty of others is a matter which concerns no one.

In certain countries it is religion, in others science, which is persecuted. Many thousands of young men languish in the prisons of Europe because they wished to pray to God or study and judge the world according to the free aspiration of their own souls. The world does not even know. The churches are as indifferent as the universities. The tribunals of the countries under dictatorship are highly perfected machines; they massacre in silence.

The world seems to have no more sensibility or conscience. The indifference to liberty of the free countries is one of the most alarming phenomena of our epoch. After allowing 10,000,000 men to be butchered for liberty in the Great War, France, England, and the United States look on unmoved while tyranny takes possession of nearly all countries. Sometimes they even encourage it with their imprudent sympathy.

Germany would also have been trampled on and stained with blood by despotism, without the world perceiving it, had not Hitler conceived the idea of attacking the Jews. In this case, happily, a dictatorship has for the first time come into collision with a race and a religion capable of resistance. May this reaction be welcomed by all free men as a sign of hope.

Once more the Jews will have suffered for themselves and for humanity. Their cries of rage and pain have partially awakened the West. And it begins to ask:

"But what are these dictatorships which render possible persecutions of which only the Middle Ages were capable?"

Let us hope that the West is not about to relapse into its cowardly somnolence. On the day when the West asks itself seriously where the world is going it will perceive that this persecution of the Jews is not the only medieval barbarity which is reviving in the war-devastated world. There are others not less grave. It is time to perceive them and be moved by them. For little by little we are unconsciously sinking into a Middle Age far worse than the first, for it will be a Middle Age with nitroglycerine.

EXECUTIVE SESSION

Mr. ROBINSON of Arkansas. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The VICE PRESIDENT laid before the Senate several messages from the President of the United States submitting nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

NOMINATION OF CHARLES E. JACKSON—NOTIFICATION TO THE PRESIDENT

Mr. SMITH. Mr. President, yesterday I overlooked asking that the President be notified of the confirmation of the nomination of Mr. Charles E. Jackson to be Deputy Commissioner in the Bureau of Fisheries.

The VICE PRESIDENT. Is there objection to notifying the President of the confirmation of the nomination? The Chair hears none, and it is so ordered.

THE CALENDAR

The VICE PRESIDENT. Reports of committees are in order. If there be none, the calendar is in order.

The legislative clerk announced Executive C (72d Cong., 2d sess.), a treaty between the United States and the Dominion of Canada for the completion of the Great Lakes-St. Lawrence deep waterway, signed on July 18, 1932, as first in order on the calendar.

Mr. ROBINSON of Arkansas. I ask that the treaty go over.

The VICE PRESIDENT. The treaty will be passed over.

THE ARMY—GEORGE SHERWIN SIMONDS

The legislative clerk read the nomination of George Sherwin Simonds to be major general in the Army.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

JAMES FULLER M'KINLEY

The legislative clerk read the nomination of James Fuller McKinley to be The Adjutant General.

Mr. TYDINGS. Mr. President, I do not want to take the time of the Senate today, but I do think that there is a state of facts which the Senate ought to have in connection with a motion to confirm the nomination of General McKinley. I have nothing personal against General McKinley,

but I do not think there are enough Senators present this afternoon to consider the matter; and I will ask that it go over until Monday, when more Senators shall be here.

The VICE PRESIDENT. The nomination will be passed over.

FURTHER ARMY NOMINATIONS

The Chief Clerk read sundry nominations of appointments in the Regular Army, appointments by transfer in the Regular Army, and promotions in the Regular Army.

The VICE PRESIDENT. Without objection, the nominations are confirmed.

THE NAVY

The legislative clerk read sundry nominations of promotions of officers in the Navy.

The VICE PRESIDENT. Without objection, the nominations are confirmed. That completes the calendar.

RECESS

The Senate resumed legislative session.

Mr. ROBINSON of Arkansas. I move that the Senate take a recess until the conclusion of the proceedings of the Senate sitting as a Court of Impeachment on Monday next.

The motion was agreed to; and (at 2 o'clock and 5 minutes p.m.) the Senate, as in legislative session, took a recess until the conclusion of the proceedings of the Senate sitting as a Court of Impeachment on Monday, May 22, 1933, the hour of meeting of the Senate sitting as a Court of Impeachment being 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate May 20 (legislative day of May 15), 1933

SECRETARY IN THE DIPLOMATIC SERVICE

Hooker A. Doolittle, of New York, now a Foreign Service officer of class 5 and a consul, to be also a secretary in the Diplomatic Service of the United States of America.

FEDERAL TRADE COMMISSIONER

Ewin Lamar Davis, of Tennessee, to be a Federal Trade Commissioner for the term expiring September 25, 1939, vice Charles W. Hunt.

COMPTROLLER OF CUSTOMS

Arthur A. Quinn, of New Jersey, to be Comptroller of Customs in Customs Collection District No. 10, with headquarters at New York, N.Y., in place of Arthur F. Foran.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 20 (legislative day of May 15), 1933

FEDERAL EMERGENCY RELIEF ADMINISTRATOR

Harry L. Hopkins to be Federal Emergency Relief Administrator.

APPOINTMENTS IN THE REGULAR ARMY

George Sherwin Simonds to be major general.
Claude Ernest Brigham to be Chief of the Chemical Warfare Service.

Edward Croft to be Chief of Infantry.
Alfred Theodore Smith to be brigadier general.
Francis Lejau Parker to be brigadier general.
Pegram Whitworth to be brigadier general.
Sherwood Alfred Cheney to be brigadier general.
David Lamme Stone to be brigadier general.
Edgar Thomas Conley to be Assistant The Adjutant General, Adjutant General's Department.
Albert Ernest Truby to be Assistant to the Surgeon General, Medical Corps.
Creed Fulton Cox to be Chief of the Bureau of Insular Affairs.

APPOINTMENTS, BY TRANSFER, IN THE REGULAR ARMY

Capt. Paul Shober Jones to Judge Advocate General's Department.
Capt. Eugene Ferry Smith to Judge Advocate General's Department.
First Lt. George DeVere Barnes to Quartermaster Corps.

PROMOTIONS IN THE REGULAR ARMY

Michael Charles Grenata to be captain, Corps of Engineers.
 Arthur Layton Cobb to be first lieutenant, Field Artillery.
 Benjamin Beckham Warriner to be lieutenant colonel, Medical Corps.

William Dey Herbert to be lieutenant colonel, Medical Corps.

Eugene Milburn to be lieutenant colonel, Dental Corps.

Lowell B. Wright to be lieutenant colonel, Dental Corps.

Harry Morton Deiber to be lieutenant colonel, Dental Corps.

James G. Morningstar to be lieutenant colonel, Dental Corps.

George Jefferson McMurtry to be chaplain with the rank of major.

APPOINTMENT IN THE OFFICERS' RESERVE CORPS

GENERAL OFFICER

Alvin Horace Hankins to be brigadier general.

PROMOTIONS IN THE NAVY

To be captain

Randall Jacobs.

To be lieutenant commanders

John W. Roper	Byron J. Connell
Franz O. Willenbuecher	Arthur Gavin
William N. Updegraff	Andrew Crinkley
William E. Clayton	George L. Compo
John H. Cassady	William J. Graham
Thomas W. Mather	

To be lieutenants

Howell C. Fish	Wayne N. Gamet
Thomas H. Templeton	Theodore J. Shultz
Edwin R. Wilkinson	Edward W. Young

To be surgeons

Charles G. Terrell
 Howell C. Johnston

To be paymasters

Francis L. Gaffney	John A. Fields
Russell D. Calkins	Dillon F. Zimmerman
Maurice M. Smith	

To be assistant naval constructors

Philip F. Wakeman	Oscar M. Browne, Jr.
Leslie E. Richardson	Robert E. Perkins
Howard R. Garner	Robert T. Sutherland, Jr.
Harold M. Heiser	Harry W. Englund
Stanley M. Alexander	Marvin H. Gluntz

To be chief carpenter

Harold S. Hamilton.

To be chief pay clerk

William F. Bogar.

HOUSE OF REPRESENTATIVES

SATURDAY, MAY 20, 1933

The House met at 11 o'clock a.m.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Amid this sweet stillness, while we bow, Lord of mercy, hear us and forgive. As we live in Thy presence, so we live in Thy strength. Let this benediction of love supply a fresh reason why we should delight in Thee and acknowledge our daily blessings as Thy bountiful gifts. Heavenly Father, come with us; give us Thy guidance, that we may not indulge in intemperate speech or in pride or in willfulness. O keep our whole lives with large thoughts, fine emotions, and in fellowship with the things above. These blessings, dear Lord, will be a precious discipline against the day of friction and in the hour of humiliation. Bless all of us with good health, with the joy and peace of a good life. Amen.

The Journal of the proceedings of yesterday was read and approved.

CONTROL OF OIL PRODUCTION

The SPEAKER laid before the House the following communication from the President of the United States:

THE WHITE HOUSE,

Washington, May 20, 1933.

MY DEAR MR. SPEAKER: As the Congress is doubtless aware, a serious situation confronts the oil-producing industry. Because oil taken from the ground is a natural resource which once used cannot be replaced, it is of interest to the Nation that its production should be under reasonable control for the best interests of the present and future generations.

My administration for many weeks has been in conference with the Governors of the oil-producing States and with component parts of the industry, but it seems difficult, if not impossible, to bring order out of chaos only by State action. In fact, this is recognized by most of the Governors concerned.

There is a wide-spread demand for Federal legislation. May I request that this subject be given immediate attention by the appropriate committee or committees? The Secretary of the Interior stands ready to present any information or data desired.

May I suggest further that in order to save the time of the special session it might be possible to incorporate action relating to the oil industry with whatever action the Congress decides to take in regard to other industries; in other words, that consideration could be given at the same time that action is taken on the bills already introduced and now pending in committee.

Very sincerely yours,

FRANKLIN D. ROOSEVELT.

HON. HENRY T. RAINEY,

Speaker of the House of Representatives,

Washington, D.C.

Mr. MARLAND. Mr. Speaker, I ask unanimous consent to address the House for 10 minutes on the subject of oil.

The SPEAKER. Is there objection?

There was no objection.

Mr. BYRNS. Mr. Speaker, I have not objected to this request, but I shall be compelled to object to any other request for time to discuss matters foreign to the two matters we have up today. We want to get through with this general debate today on the banking bill.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. BYRNS. Yes.

Mr. SNELL. Does the gentleman expect to bring up the program he referred to yesterday?

Mr. BYRNS. Yes. The first matter under consideration will be the rule relating to the Agricultural Institute, and then it is expected that a rule relating to the banking bill will be taken up for consideration. We are very anxious to conclude the general debate on the last bill today, so that we can take it up under the 5-minute rule on Monday and complete it. I do not know that anybody is going to ask for time to speak, and I make this statement in advance. I shall be compelled to object to any further requests for time.

Mr. WOODRUM. Mr. Speaker, I call the gentleman's attention to the fact that yesterday it was tentatively agreed that my colleague should have permission to ask unanimous consent.

Mr. BYRNS. Oh, I have no objection to giving unanimous consent in the case referred to, which I recall; but I shall object to anyone who desires to make a speech.

Mr. MARLAND. Mr. Speaker, I am presenting today a bill which is the result of many weeks of effort by the Government and the oil industry to atone for the crime of the century, the despoliation of the oil fields of this country through the lack of technical knowledge of some and the greed of other producers, causing the waste of that great natural resource. Since the geology of petroleum has become better-known, the oil-producing States have recognized this waste and have passed conservation laws to protect their oil resources. The present Interstate Commerce Act interferes with the proper operation of the State conservation

laws and permits the shipment in interstate commerce of oil produced in violation of those laws. The purpose of this bill is to aid and assist the oil-producing States in enforcing those laws intended to prevent both physical and economic waste.

The greatest problem confronting the petroleum industry today lies in the fact that, while the market demand for crude petroleum in the United States is very large, the State of California alone can produce the amount required; the State of Texas alone can produce the required amount; the State of Oklahoma alone can produce the required amount at the present time and for a short space of time. The resources of Venezuela, Rumania, Russia, and Iraq are each of them capable of satisfying this demand without any assistance from other fields.

Continued uncontrolled production will mean closing many fields in other States, destroying hundreds of thousands of small wells whose ultimate production will be greater than the total ultimate production of the 30,000 wells whose open flow is now destroying the market for the 300,000 older wells. These wells with settled production represent the most valuable known petroleum resources in the country and must not be destroyed.

To assist the States in carrying out the purpose of their conservation laws, Congress should authorize someone to act as umpire between these various States who after consultation with the authorities of the several oil-producing States might allocate to each of the oil-producing States its fair share of the general market, in this way protecting the correlative rights of the oil-producing States in the enjoyment of a common market. For the purpose of protecting our oil fields in this country, Congress must also limit the amount of oil that can be brought into our market from foreign countries.

No dictator is provided in this bill whose purpose is "to preserve and protect the correlative rights of the oil-producing States and to assist them in the proper enforcement of their oil-conservation laws." The Secretary of the Interior is given power to act in conjunction with State officials in order to protect these correlated rights.

After setting forth the emergency nature of this legislation and its limit to 2 years from the date of enactment, the bill declares that it is the policy of Congress to protect the Nation's oil supplies for present use and future necessities, for the national defense, and to prevent waste in their production and marketing in excess of the reasonable market demand or in violation of the laws of the producing State. This bill also declares it unlawful to deliver or receive for transportation in any manner any natural gas, petroleum, or petroleum products produced or withdrawn from storage in excess of the market demand determined by the Secretary of the Interior or in violation of any of the laws of the producing State.

No crude petroleum or its products may be imported, under this bill, into the United States without a certificate from the Secretary of the Interior stating that such crude petroleum or its products are imported in accordance with regulations concerning the market demand, provided that so long as the United States has the capacity to produce sufficient crude petroleum to supply the Nation's consumption demands and its export trade, the Secretary is directed to limit petroleum imports to the daily average during the last 6 months of 1932. Imports under bond for the purpose of exporting after processing or refining in this country are exempted from this provision.

Allocations to the oil-producing States of their equitable proportions of the total market demand are to be made by the Secretary of the Interior in order to protect the correlative rights of the oil-producing States. Where any State fails to accept the amount determined as its equitable proportion of the Nation's production, the Secretary is authorized to appoint an emergency committee, representative of the public interest in such State, to prorate equitably the State's production to pools, areas, or common sources of supply. In case such a committee cannot agree, the Secretary himself may establish these production allowables.

The Secretary is directed in order to prevent the premature abandonment of wells of settled production to establish a minimum price no less than the average costs of such wells and in determining when such abandonment would be premature is directed to take into consideration the interests of the purchasing and consuming public and the oil industry as a whole.

The investigation of any monopolistic practices, investigation of the feasibility of divorcing pipe lines from affiliated refineries or holding companies, devising practical means for attaining such divorce and initiation of rates and regulations on transportation and storage, the establishment of minimum rates of pay after conference with employers and employees, power to seek mandatory or other injunctions against violators, recommendations to the States that they enact uniform conservation laws, including control of drilling and producing, retention underground of crude petroleum whose production would be in excess of the market demand, equitable apportionment to owners of a common source of oil and authorization for unit operation are other provisions set forth in the bill.

A tax of 50 cents per barrel in addition to all other taxes is levied upon all petroleum produced in excess of the market demand as established by the Secretary. A tax of one fourth of a cent per barrel is levied upon all petroleum produced in accordance with the market demand, the proceeds of this tax to be used in providing funds to meet the expenses incurred in enforcement of the measure.

Fines from \$1,000 to \$5,000 with imprisonment of 1 year to 5 years are provided for individual violators of this act, while corporations violating it are to be subject to fines from \$5,000 to \$10,000 for each day of such violation.

The bill is the result of many weeks of work in the Interior Department, after the hearings held before the Secretary of the Interior, at which the Governors of the oil-producing States were represented, and after many consultations with oil men representing all branches of the industry. The bill was finally prepared by the Solicitor for the Interior Department and introduced by me yesterday at his request. It is intended to preserve the petroleum industry from total collapse. That industry is now losing at the rate of a million dollars a day in its various branches.

Mr. HASTINGS. Mr. Speaker, will the gentleman yield?

Mr. MARLAND. Yes.

Mr. HASTINGS. What is the average price of oil now in the Oklahoma-Texas field?

Mr. MARLAND. Oil is selling today in Texas, Oklahoma, and Kansas for 25 cents a barrel.

Mr. HASTINGS. The gentleman is an experienced oil man. About what does it cost to produce oil in that field and under those circumstances?

Mr. MARLAND. The average cost of production in the midcontinent field of the United States is figured at \$1.07 per barrel.

Mr. HASTINGS. So that there is a loss of 82 cents a barrel?

Mr. MARLAND. Yes.

Mr. FORD. Is that price paid for oil due to the fact that there is an overproduction or to the fact that the oil companies, the big crowd, own and control the pipe lines and can pay any price that they want to pay?

Mr. MARLAND. That is a double-barreled question. So far as overproduction is concerned, it is not the result of actual overproduction so much as it is the result of the threat of overproduction. As to the second part of the question, the pipe-line companies or their purchasing companies do post the price of oil and control the price of oil at the well. There are thousands of producing and refining companies in this country that will go to the wall this summer if Congress does not take some action at this special session to stop the racketeers and the bootleggers in the petroleum industry. The oil-producing States in the mid-continent field have passed sane, fair, well-considered legislation to conserve their oil resources, but those States are helpless to protect themselves against the racket of

unlawful production of oil and the shipment of that illegally produced oil in interstate commerce.

Mr. DUNN. Mr. Speaker, will the gentleman yield?

Mr. MARLAND. Yes.

Mr. DUNN. Does the gentleman know how much oil is shipped in from foreign countries at the present time?

Mr. MARLAND. At the present time approximately 150,000 barrels a day.

Mr. WEIDEMAN. Mr. Speaker, will the gentleman yield?

Mr. MARLAND. Yes.

Mr. WEIDEMAN. So that the Members may understand the terms the gentleman uses I wish he would tell us just whom he includes in the bootleggers and racketeers, so that we can follow his argument.

Mr. MARLAND. Any producer of oil, large or small, that produces oil in violation of the laws of the State in which he is producing. All of the racketeers are not small producers.

Mr. SNYDER. Will the gentleman yield?

Mr. MARLAND. I yield.

Mr. SNYDER. The gentleman spoke of the oil-producing States. Does he include Pennsylvania in that?

Mr. MARLAND. I do.

Mr. SNYDER. Does it cost more to produce oil in the State of Pennsylvania than it does in Oklahoma?

Mr. MARLAND. Undoubtedly.

Mr. SNYDER. Is it a higher grade oil and does it sell for more than it does in the gentleman's State?

Mr. MARLAND. Yes.

Mr. SNYDER. Is the racketeering going on in our State of Pennsylvania the same as in the gentleman's State?

Mr. MARLAND. I cannot speak advisedly on that. I think not.

Mr. SNYDER. Is there a sufficient duty on oil being shipped from foreign countries to prevent that shipment into the United States?

Mr. MARLAND. That question is not in this bill. I think the duty is not sufficient to protect the Pennsylvania oil fields.

The purpose of this bill is to aid and assist the oil-producing States in enforcing their conservation laws passed to prevent the waste of this irreplaceable natural resource. The people of the United States are widely interested in this subject. A continuation of uncontrolled production of oil in flush fields will mean the closing of 300,000 small wells in the United States. Those old small wells are a great national asset. The old wells of the State of Pennsylvania are a great asset to this Nation. The ultimate yield of oil from the 300,000 small wells in the United States will be vastly greater than the yield from the 30,000 or 50,000 flush wells in the United States. The small wells, therefore, must not be destroyed.

No one with knowledge of the subject can predict at this time, with any degree of certainty, the amount of our national petroleum resources, or how soon the time will come when every barrel from these small wells will be needed. Anyone versed in geology of petrolium will tell you that all wells in the United States at present existing will be incapable in 3 years from this time of producing an amount of oil sufficient to meet the then current demand. Of course, we will probably discover new fields before the exhaustion of these old wells, and I do not look for a shortage of oil for many years to come. But some day that shortage is coming, and this country should take steps immediately to preserve this great natural resource.

The bill I have introduced, as I say, is the result of the work of the Interior Department. It represents many weeks of earnest study and consultation. I hope it will be possible to hold hearings immediately on this bill and have it reported out for consideration and passage by this House during this special session. If that is not done, a great majority of corporations in the petroleum industry will fail before this summer is over and an irreplaceable natural resource will be lost.

Mr. BAILEY. Will the gentleman yield?

Mr. MARLAND. I yield.

Mr. BAILEY. I understood the gentleman to say that the purpose of this bill was to aid the State in conserving the oil?

Mr. MARLAND. That is right.

Mr. BAILEY. Is it not a fact that the purpose of this bill is to oppose the State of Texas in the exercise of its power to govern oil production in this State?

Mr. MARLAND. The purpose of this act is to protect the relative rights of the oil-producing States. The State of Texas needs protection itself from imports from Venezuela, Rumania, and Mesopotamia.

Mr. BAILEY. But it is a fact, is it not, that the oil industry is opposed to the order which the constituted authorities of the State of Texas have issued permitting production from the east Texas field?

Mr. MARLAND. The oil interests?

Mr. BAILEY. The oil industry and the oil men.

Mr. MARLAND. I think there are very few oil men who at this time seek to violate the orders of the Railway Commission of Texas.

Mr. BAILEY. But the gentleman did not answer my question. The order of the Railroad Commission of Texas permitted a total production of 750,000 barrels from east Texas. That is the thing which the oil industry is after suppressing, is it not?

The SPEAKER. The time of the gentleman from Oklahoma [Mr. MARLAND] has expired.

MARKETING OF APPLES AND PEARS

Mr. ROBERTSON. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (H.R. 4812) to promote the foreign trade of the United States in apples and/or pears, to protect the reputation of American-grown apples and pears in foreign markets, to prevent deception or misrepresentation as to the quality of such products moving in foreign commerce, to provide for the commercial inspection of such products entering such commerce, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from Virginia [Mr. ROBERTSON]?

Mr. BLANTON. Reserving the right to object, Mr. Speaker, why should a bill of this kind come up in this way out of order? I cannot understand the reason for it.

Mr. ROBERTSON. If the gentleman will permit me to explain, I will tell him why. This will be very helpful—

Mr. BLANTON. Has the President of the United States sent this bill here and asked that it be passed?

Mr. SCHULTE. Mr. Speaker, I object.

INTERNATIONAL INSTITUTE OF AGRICULTURE, ROME, ITALY

Mr. POU. Mr. Speaker, I call up the resolution, H.Res. 149.

The Clerk read as follows:

House Resolution 149

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of House Joint Resolution 149, authorizing an annual appropriation for the expenses of participation by the United States in the International Institute of Agriculture at Rome, Italy, and all points of order are hereby waived. That after general debate, which shall be confined to the joint resolution and shall continue not to exceed 1 hour, to be equally divided and controlled by the Chairman and ranking minority member of the Committee on Foreign Affairs, the joint resolution shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the joint resolution for amendment the Committee shall rise and report the joint resolution to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the joint resolution and the amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. BLANTON. Mr. Speaker, this is a very important matter, and I make the point of order that there is not a quorum present. I think there should be a quorum present.

Mr. BYRNS. If the gentleman will reserve his point of order, I asked that the House meet at 11 o'clock today with the express promise to the House that we would take up these two rules and try to conclude general debate upon the banking bill. If the gentleman is going to make a point of order

of no quorum and take 30 or 40 minutes to call the roll, we will have to stay here that much later tonight.

Mr. BLANTON. I want to say to my friend that he knows he is my leader and I follow him, but I cannot follow him on something that is uneconomical and unsound.

Now, what is the use of debating an important matter like this with only about 120 Members present, when the ones now absent are going to have to vote on it after a while and will not know anything about what they are voting on?

Mr. BYRNS. Mr. Speaker, I am sure the Members will be here.

Mr. BLANTON. Mr. Speaker, the gentleman from Tennessee has a way of getting them here without a roll call, and with his assurance that he will get them here, I am content. So I am still following my leader and withdraw the point of no quorum.

Mr. KVALE. Mr. Speaker, will the gentleman yield for the submission of a unanimous-consent request?

Mr. POUL. Mr. Speaker, I yield for that purpose only.

CONGRESS—THE NATION'S SCAPEGOAT

Mr. KVALE. Mr. Speaker, I ask unanimous consent to extend my remarks by incorporating therein an article which appears in Scribners for June of this year entitled "Congress, the Nation's Scapegoat," written by a former Member of this House in defense of the House, Hon. F. H. LaGuardia.

Mr. MARTIN of Oregon. Mr. Speaker, I object.

Mr. BLANTON. I hope the gentleman from Oregon will not object.

Mr. KELLER. The article ought to be printed.

Mr. BLANTON. This is from our good friend LaGuardia, and is the first time a kind word has been said for Congress in a long time.

Mr. MARTIN of Oregon. What is the nature of the article?

Mr. KVALE. It is an article in defense of Congress and its procedure, showing the pressure that comes upon the Membership of this House from all kinds of agencies.

Mr. MARTIN of Oregon. I understand the RECORD is reserved for speeches of present Members, not past Members.

Mr. KVALE. I hope the gentleman will not object.

Mr. BLANTON. I hope the gentleman will let it go in. It is the first kind word Congress has had in a long time.

Mr. MARTIN of Oregon. Let me see the article. Mr. Speaker, I withdraw my objection.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. KVALE. Mr. Speaker, under the leave to extend my remarks in the RECORD I include the following article written by F. H. LaGuardia, of New York:

It has been my lot for the past 20 years to come to the defense of the persecuted. Invariably that meant being in a minority. It would seem, therefore, in keeping with that record, that it is timely and proper for me to come now to the defense of Congress. Congress may not be half as good as I believe it to be—certainly it is not one tenth as bad as Wall Street says it is. The drive—and it was a drive—against Congress and the well-planned, systematic, organized attacks upon it were initiated by minority groups who for a long time had been the recipient of favored legislation, the beneficiaries of legalized exploitation, the promoters of inequitable laws. The abuse of and antagonism to Congress were started by the financial interests concentrated on the lower tip of Manhattan Island. They soon became contagious. The whole country for several months has been heaping abuse upon its own chosen representatives.

Only representative government is suitable to the American people. They are not adapted to any other kind of government. Countries that have never had or have been deprived of representative government have a full appreciation of the benefits and necessity of a Parliament or Congress. There has been great clamor recently on the part of moneyed interests for a dictatorship. Extraordinary powers granted to the President in our country can be only occasional and temporary. A dictatorship simply could not endure. Even though an American dictator were superhumanly perfect and infallibly wise, there would be no stability or continuity of rights. If a dictator is despotic, the masses will revolt; if he is unduly benevolent, the classes will resist. It is not benevolence that the American people seek, but the enforcement of legally established rights.

The framers of the Constitution might have failed in detailing the necessary regulation of an involved industrial system, which at the time did not exist and which was then beyond contempla-

tion. They did know human nature—the virtues and vices, the weaknesses and frailties of mankind. They provided as perfect a form of government as imperfect human beings could live under. They visualized an enormous population growth in this country and provided a form of government as nearly democratic as was possible in a country of extensive territory and for a nation of millions of people. Most reformers of economics are constitutional fundamentalists. Representative government is not suited to a small class who would own all the property and money and control the destinies of a country. Representative government controlled by the people will not indefinitely tolerate exploitation of the workers, concentration of wealth, and mass poverty. Economic security for all willing workers is a necessary concomitant with political freedom and individual liberty guaranteed by our Constitution. The Constitution created Congress. Its powers are well defined. Abuse of Congress is the privilege of every free American citizen. Criticism and abuse of a dictator would not be tolerated. Suppression of opinion is the first restriction the American people would feel.

Naturally, Congress has its faults. It often takes time to enact legislation. Long-drawn-out debates and discussions are the rule. An impartial review of the legislative history of this country will disclose that a great deal of vicious legislation has been defeated by what might at the time have seemed unduly protracted debates. It will also be seen that the greatest mistakes have been made when legislation was jammed through without proper and complete debates and discussion, under the pressure of unexpected emergencies. I fear some of the recently enacted legislation may prove that way.

Congress is a representative body. It is but natural that there should be every shade of thought and viewpoint in that body. That is what makes it representative. Every section of the country has its local interests. It is quite in keeping with proper representation to seek to reconcile, as far as is compatible, local interests with national legislation. Nothing short of complete hearings on all sides of a subject before committees, followed by full debate in the House and Senate, would enable final adjustment and compromise on legislation for a country of such magnitude and diversified interests as ours.

Lobbying has been going on from the first session of the first Congress. In all likelihood it will continue. There are different kinds of lobbying. Some are quite legitimate. Of the illegitimate lobbying I would say it has very little direct influence on Congress. Many State legislatures have enacted antilobbying laws when activities became too brazen and disreputable. At one time we had an epidemic of antilobbying bills pending in both Houses of Congress. I doubt if such laws really are effective. They do not hurt the faker and do not deter the rogue. A lobbying law will no more prevent lobbying than prohibition prevented drinking. The vicious lobbyist will always work under cover and he knows how and what contacts to make. Such lobbyists seldom make contacts directly with Members of Congress. So-called "big lobbyists" do not operate in Washington. Their approach is through the political boss back home. It is in this way that a legislator is very often "delivered." He may be entirely innocent, though not alert. If he is up to his job and legislates according to his judgment and conscience, nothing of the sort can be put over on him. A thoroughly honest but politically weak legislator who would indignantly spurn the suggestions of a lobbyist might willingly accept the ostensibly friendly advice of a political boss. Our political system is at fault—not Congress as a constitutional institution.

Many lobbyists receive big fees. Disclosures by a United States senatorial investigation committee some time ago revealed huge fees received by men whose names were not known to the vast majority of Members of the House and Senate. Their dealings were with the "big shots" of political parties. In the case of the sugar lobby—with the "very big shots."

Then there is the secret or implied obligations assumed by political parties. Just before election when resolution committees of political parties are formulating platforms, their financial committees are seeking contributions. It can safely be said that large contributions are generally given with the expectation of returns in some form or another. The big contributor to political campaigns makes it his business to see to it that his contribution is made through the right contact man. Perhaps nothing is said at the time the contribution is made. Later when legislation is pending that affects that contributor, the former acquaintance is renewed, the subject discussed, obligation recalled, and desired results obtained. This is true of both parties.

The control of national legislation by predatory interests began to slip after the ratification of the seventeenth amendment to the Constitution. The popular election of Senators made it difficult for special interests to control Congress. Since then these same interests which became powerful and rich through special legislation and for many years were able to check social, welfare, and progressive laws, commenced their attacks on Congress and have kept it up ever since. The attacks cease only during those periods when crises demand legislation. As soon as the legislation is obtained, the attack is renewed and a howl is heard for Congress to adjourn, go home, and "give business a chance."

Congress was directly blamed by members of the New York Stock Exchange in their circulars, letters, bulletins, and in paid advertisements for the decline of stock and security prices. Yet the greatest decline took place during the time that Congress was not in session. In the same breath in which the very men responsible for the bank crashes, security frauds, and tax evasions

were abusing Congress, it was necessary for the President to call a special session of Congress to provide relief for them. When Congress authorized the issuance of currency and provided emergency measures to meet the banking situation, it was all hall to Congress. At the moment of this writing, when Congress is struggling with farm relief, the same bankers, stockbrokers, bond mongers, and floor traders are shouting for Congress to adjourn and denouncing all farm-relief measures as demagogic, unsound, and disastrous.

The Government is no longer something mysterious, distant, and impersonal. A long period of public education has been slowly taking effect. Economic necessity has hastened the process. The people have learned that the Government is in their control. The people have learned that the Representative in the House is there to reflect the views of his neighbors back home and that their Senator is there to reflect the viewpoint of his State. They demand contact with their representatives and information as to the activities of Congress.

Recently there has been coined the phrase "organized minority." This phrase was coined by qualified experts who themselves actually are an organized minority. Much has been said about the power of minority groups and of the weakness of Congress in submitting to the demands of organized minorities. Veterans' legislation is constantly cited as an example of the power of an organized minority. When veterans' legislation was enacted, it was at the demand not of a minority group but of an overwhelming majority of the American people. When this majority abandoned the veterans or left the veterans to themselves and asked Congress to change existing laws in order to reduce expenditures for allowances theretofore authorized to veterans Congress responded immediately.

The actual situation of the so-called "organized minority of veterans" can be easily analyzed. It was not a minority. The average congressional district is composed of about nine counties. There are but 65 Members of the House out of 435 whose districts are entirely within city limits. It is true that the number of veterans of the World War constitutes but a small percentage of our entire population. Yet let us look at the situation. There are thousands of veterans' posts scattered throughout the United States. There are 5 or 6 national veterans' organizations and hundreds of local service organizations. These posts are in every city, town, and village in every county of every State. The veteran is not clannish—the organizations are not exclusive. Veterans are very active in their communities. "Nothing is too good for the veterans" was the slogan of the nonservice people and adopted as a national policy. The veterans' interest became the people's interest. During that period of 5 or 6 years when most of the veterans' legislation was enacted, everybody at home was for it. There were no protests. On the contrary, from every city, town, village, and hamlet came resolutions from patriotic, civic, social, fraternal, religious, and every other kind of organizations; yes, and from business associations, and also from boards of aldermen and town councils and city officials and even from State legislatures, urging the passage of the legislation for veterans which Congress was considering. It was not the result of the activities of a minority group at all—it was Congress in its representative capacity carrying out the almost unanimous demands of the American people.

Later, there came strong protests against the immediate cash payment of the bonus. The veterans were then in a minority and the cash bonus bill was defeated during the first session of the Seventy-second Congress. As long as public opinion remains against it, there will be no such legislation.

I have also heard it said that prohibition was brought about by an organized minority. I doubt that. The fight for prohibition had been going on in Congress for over 20 years. During that period State after State had adopted State-wide prohibition. Delegations from dry States voted for national prohibition. As the number of States in the dry column having State-wide prohibition increased, likewise the number of votes in the House and Senate increased, until the number grew to the necessary two-thirds vote. I know, for I was in a lonesome minority in the early days of my opposition to prohibition and my legislative efforts for the repeal of the eighteenth amendment. The change of national sentiment on prohibition was gradual. It took 10 years, five Congresses, from the time when I first exposed corruption, graft, waste of public funds, and even murder in the course of prohibition enforcement, when I was jeered and sneered at by the overwhelming majority of my colleagues in the House, to the time when the resolution calling for the repeal of the eighteenth amendment was passed with a safe majority over the necessary two-thirds vote, after only 40 minutes' discussion in that same House. It was necessary to undergo these years of trial before a large number of sincere American citizens who really believed in prohibition was convinced that as a national policy it was a failure and that as a national law it could not be enforced. When the majority of the American people realized that, their viewpoint was immediately reflected in the House of Representatives and in the United States Senate. It was not a wet minority group that brought about this change. There may be at this writing a wet minority group that will again become active in seeking to prevent proper supervision and regulation of the liquor traffic. That same minority might seek again to reinstate the liquor interests in politics and reestablish conditions of old. It cannot succeed. If it should be partially successful, public opinion of the majority would curb such activities and again the lid of prohibition would be clamped on.

The dwindling power of strong lobbies may be seen in the waning influence of the Manufacturers' Association. This association is a great organization composed of manufacturers throughout the country. In former times, when this organization or its predecessors made demands upon Congress, it generally got them. Its power is becoming less each year. It did have an isolated victory in the last tariff bill enacted in the Seventy-first Congress. That organization has written its last tariff bill. It could not now permanently block any piece of beneficial legislation. As a minority it is fighting national child labor laws. That fight is not over. The child-labor amendment to the Constitution will be eventually ratified in spite of the present setback. While I have heard the lobby of this organization severely criticized, its activities in Washington during the last 14 years have been within the realm of propriety as far as I have been able to observe. For many years it was able to defeat the anti-injunction law curbing the abuse of the Federal courts in labor disputes and ending the use of the so-called "yellow dog" contract. In 1932 when a bill was finally perfected upon which all elements of the labor movement agreed and lawyers were convinced of its constitutionality, all efforts of the Manufacturers' Association were futile.

A great deal has been said in metropolitan newspapers about the farm lobby and the farm bloc. The present plight of the farmers—and the lack of legislation favorable to them—is the complete proof that to date there has been no undue influence on Congress either by a farm bloc, farm groups, or any organized minority. Up to a few years ago concerted action by the farmers and their Representatives, owing to conflicting interests, seemed impossible. The politicians and the commodity exchanges skillfully utilized this conflict and for a long time were able to keep the farmers divided among themselves and the city Representatives aligned against all farm legislation. It would seem incredible to any student of economics that up to only a year or two ago Representatives from city districts opposed farm legislation on the ground that it would "increase the cost of living," these same Representatives and their predecessors for generations having sponsored high tariffs. Then again, along the fringe of every farm community there are the wholesalers, jobbers, and persons under the domination and control of city interests who thrive on the exploitation of the farmer. The worst enemies the farmers have had in the American Congress are the individuals here and there representing grain or cotton sections who, through their home connections, were in one way or another under the influence of the cotton exchange, the grain exchange, or the ticker broker.

The four great national farm organizations have enlarged and are constantly improving their organizations. While perhaps they might have taken active parts in bitterly contested local elections, from my observation the activities of their representatives in Washington have always been carried on with dignity, propriety, and I would say helpfulness to the legislator who wanted accurate facts. True, several farm relief bills have been passed; but it must be remembered that they have always been modified, weakened, and distorted through the selfish influence of the commodity exchanges, cotton and grain gamblers. A stabilization plan was first resisted and finally defeated by these influences. The cooperative-marketing plan never did have a fair trial. It was resisted, then emasculated, and finally passed. It could not be successful under the supervision of an administration following the Mellon school of economics.

Until the relation of the economic condition of the farmer to the country as a whole is understood by a majority of our people it will be impossible to restore prosperity. The farmers of our country have recently undergone a very liberal though costly education. They are no longer to be fooled. The professional politicians have lost control of them. It is to be hoped forever. If the commodity exchanges, along with the commodity gamblers, continue their ruinous policies of exploitation, there is grave danger that the farmers may take the situation in their own hands as they did a few months ago to preserve their homes against the greed of the usurers and the loan sharks. The farmers as such are in the minority as to population. It must not be forgotten that the majority of the population depends entirely for its food upon this minority. This unorganized minority must be reinforced by the thinking people of the cities. An understanding between railroad workers and farmers could in 24 hours tie up the food supply of this country. Is it fair that this important part of our population should be driven into a state of tenant peasantry, deprived of their homes, reduced to a low standard of living, and subjugated to abject misery because of the ruthless system of permitting a few parasites to gamble on the products of their toil? The farmers have had as a whole very splendid and loyal representation. These men were bucking an artificial system of distribution existing for scores of years and becoming progressively more vicious each year. Here and there a Representative from the farm districts would fall by the wayside.

I remember one who came from the Midwest as a great champion of the farmer and an exponent of farm legislation. What a voice he had. He was immediately recognized as a leader in the House. A charming personality and a forceful character, but alas, the boys from the Northeast soon saw the possibilities of this 250-pound legislator. My, my, how he was courted and taken into the folds of society. Before long as our friend would come into the reading room instead of stopping to look at the weather map to see how crops might be affected, he would make a wild dive for a metropolitan newspaper and turn to the stock-market reports. He is no longer in Congress.

When I say that organized labor has not influenced national legislation to any great extent, I know that such a statement will attract a howl of protest. Nevertheless, it is a fact. There is no better proof that Congress has not acted sufficiently or intelligently on behalf of labor than is the existing disastrous condition. Congress has met every year since the adoption of our present Constitution almost 150 years ago, during which time we have seen grow and develop a gigantic system of mechanized industry. Labor-saving devices have come upon us constantly with increased efficiency, so that now our industries can in 3 months produce more than the whole Nation can consume in 1 year. Industry is entirely mechanized and farming almost entirely industrialized. Yet, under an unpardonable misconception, Congress has permitted labor conditions to remain at a standstill while progress has been made in electricity, chemistry, mechanics, and transportation. It has been satisfied with the excuse that the Federal Government had no jurisdiction under a Constitution which was written and adopted at a time when railroads were unknown, steam not yet applied, electricity in the laboratory experimental stage, and manufacture limited to hand labor and man power.

Labor is also to blame. It was satisfied for many years to engage in local politics, and with this went along partisan allegiance and political control. In late years a most competent and able staff of legislative advisers has been brought together in Washington by the American Federation of Labor. The custom of rewarding local labor leaders with local political appointments in return for political support has been at a sacrifice to the cause of labor. But here, again, legislators have had a liberal, though costly, education through the sufferings of millions of people, through hundreds of thousands of bankruptcies and bank failures. It has finally been recognized by real leaders in thought that the only purchasing power of American industry is the American wage earner and the American farmer. During the period of gambling and speculation when the country was at the height of the stock-ticker prosperity, each year more workers were being laid off until the final crash came in 1929. When an inventory was taken, it was found that there were several million men and women unemployed. The number has increased ever since. It is now over 12,000,000. Industrial and economic conditions have woven our 48 States into one economic fabric. If the Constitution does not permit Congress to enact labor laws fixing the hours of labor in all States of the Union, providing for uniform factory regulations and supervision, minimum wage, inhibition against the employment of children (an interpretation which I will not concede), then the Constitution should have been amended long ago to permit such legislation. Perhaps someone may point to the 8-hour law and the recent Railway Labor Act as indicating national labor legislation. Correct, although both of these measures are but a tiny step in the right direction. The validity of these laws, as established by the Supreme Court, strengthens my belief that Congress, particularly in the face of a national crisis, could so legislate as to reconcile working conditions to our present mechanized mass-production system and bring about economic security to the producers of our country. In other words, adapt existing machinery to human beings instead of expecting 126,000,000 human beings to adapt themselves to machinery. We must distribute the blessings of science. We must equalize the enjoyment of progress.

Now, we come to the most peculiar and let me say the most effective form of lobbying in Washington. That lobby is not conducted by any private interest, but by two of the executive departments of the Government itself, that of the Army and Navy. It just cannot be beaten. The Navy had an effective lobby long before the Army even attempted to start its own in about 1920. I will not say that some of the complaints of the Army and Navy are not justified. For instance, the pay of the junior officers is wretchedly low. On the other hand, I will say that they invoke every possible influence to prevent legislation they consider inimical to their own interests. At creating public opinion by the subtle use of propaganda, the Navy is a past master. There is nothing they will not do from moving an entire fleet a thousand miles for the purpose of a spectacular entrance into a port at the time when legislation for additional ships is under consideration, to the turning over of the Naval Academy for the purpose of making a commercial film. Rest assured the Navy will get its message into that film while the company will take the profits from the box receipts.

The Army and Navy will play practical politics, too. A specific instance of politics might be seen in the consideration of the 1932 Army appropriation bill. Efforts were made to reduce the cost of the Army by eliminating a number of supernumerary and supernumerary officers. The Army put all of its resources to work and on a division vote in the House the amendment was defeated by a comparatively small margin. The entire Tammany delegation voted with the Army. Then, lo and behold, the Army and Navy Journal said:

"John F. Curry, the leader of Tammany Hall, paid a visit to Governors Island last week. This modest gentleman, who has risen by brains and integrity to the captaincy of the great political organization which rules New York, came and went unheralded. Commanders of the area have invited him to be their guest, but important business or social engagements prevented his acceptance. On this occasion, however, he went quietly to the island to see Capt. A. C. Purvis, whom he had had appointed to West Point. [Italics mine.] He has told his friends that he enjoyed himself, and we are glad he did so. Mr. Curry is a strong advocate of adequate national defense. He makes no secret of his

attitude nor of the fact that Tammany, under his leadership, is determined to uphold the policy of patriotism. It was that policy which, observed by the members of the society's delegation in Congress, defeated the destructive provisions by which Mr. COLLINS sought to hamstring national defense. To Mr. Curry and Tammany the country and the Army are heavily indebted." (Army and Navy Journal, May 21, 1932.)

Brains and integrity!

As if this were not enough, there appears in the issue of July 16, 1932:

"The power and independence and patriotism of that great organization known as 'Tammany' were never better illustrated than in the matter of the officers' cut. * * * It is possible to attribute this solidarity largely to the attitude of that brilliant leader, John F. Curry. * * * The Army is grateful to Mr. Curry and the Tammany representatives in the Senate and House."

This a few weeks after Judge Samuel Seabury submitted his report on the Tammany administration.

The Washington social lobby is perhaps the most insidious. Its technique is awkward, its purpose apparent. It, too, is fast losing its influence. For a time during the "cocktail era" it looked as if the social lobby were in the ascendancy and would again come into its own. Economic conditions, however, have made the people back home too alert and the social lobby is again on the decline. There is nothing the social lobby will not do to influence legislation upon subjects ranging from a special schedule in a tariff bill to the lowering of an income tax, or the restoration of the dress uniform of the United States marines. It is ever ready to wile the doubtful, entertain the weak, lionize the prominent, and cater to the influential. Sometimes there are strange results of this mixture of the social and political. Only recently at the home of one of Washington's most influential dowagers, a home that has entertained lavishly and often for many years, where many bills were put across, over demi-tasse and cigarettes, a supposedly prominent Senator from a small Eastern State was the "ranking guest." That in the parlance of the Washington parvenu means the guest of honor. The Senator was chairman of a subcommittee, having a certain bill under consideration and giving that bill the pigeon-hole treatment of slow, painless, but certain death. The Senator accepted the invitation. The right ones were invited to give the Senator the social works. Well, it so happened that at the time that particular subcommittee had several important bills before it and the chairman was much in demand. He stopped at other "conferences" before going to the affair of the evening.

The Senator was in good fettle. He displayed his most gracious and courtly manners. An invitation from this particular hostess was the certificate absolute that "one had arrived socially." "He likes it," murmured the wise ones. Dinner was announced. The "ranking guest", of course, sat at the hostess' right. The hors d'œuvres were served and the Senator was quite talkative. The soup was served and the Senator became most loquacious. Then the Senator became quite friendly, and real clubby. Placing his arms around the shoulders of his hostess he prepared to tell one of the latest and choicest of cloakroom stories. The hostess was embarrassed, the "wise ones" startled, the young ones snickered, the butler grunted, but everyone maintained dignity. Washington always does.

Congress is not faultless, it has its defects and shortcomings. It is representative of the American people. Congressional government may be at times inefficient and often wasteful. Many forms of government may be thought of as more efficient and less costly, but they are not American. Mistakes are made, experiments are tried. As mistakes are discovered and experiments proved failures, correction is rapid and certain. The Membership of Congress is human, and fortunately has a sense of humor. It is the constant target for ridicule and abuse which it has learned to absorb quickly and good naturedly. It is the people's government and it will always be as alert, as intelligent, and as constructive as the people themselves.

INTERNATIONAL AGRICULTURE INSTITUTE, ROME, ITALY

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of House Joint Resolution 149, authorizing an annual appropriation for the expenses of participation by the United States in the International Institute of Agriculture at Rome, Italy, and all points of order are hereby waived. That after general debate, which shall be confined to the joint resolution and shall continue not to exceed 1 hour, to be equally divided and controlled by the Chairman and ranking minority member of the Committee on Foreign Affairs, the joint resolution shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the joint resolution for amendment the Committee shall rise and report the joint resolution to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the joint resolution and the amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. WOODRUM. Mr. Speaker, the gentleman from Indiana has very kindly consented to yield for consideration of the little bill called up by the gentleman from Virginia.

Mr. SCHULTE. No; I did not. I beg the gentleman's pardon.

Mr. WOODRUM. I misunderstood the gentleman.

Mr. SCHULTE. I said to wait until we discussed some of these other matters.

Mr. WOODRUM. I misunderstood the gentleman.

Mr. POUL. Mr. Speaker, before I proceed may I say to my colleague from Pennsylvania that we do not apprehend that we will use very much of the half hour on this side, but I will yield to the gentleman the usual half hour to be used by him as he may see fit.

Mr. Speaker, this resolution provides for the consideration of House Joint Resolution 149, authorizing an annual appropriation for the expenses of participation by the United States in the International Institute of Agriculture at Rome, Italy.

I am informed that the International Institute of Agriculture is a sort of world clearing house for statistical information affecting agriculture throughout the world.

The resolution provides for general debate not to exceed 1 hour, which must be confined to the resolution; and the resolution is open to amendment under the general rules of the House.

Mr. SNELL. Mr. Speaker, will the gentleman yield for a question?

Mr. POUL. I yield.

Mr. SNELL. As I understand the situation, we have not appropriated for, and have not been a member of, this conference for several years, have we?

Mr. POUL. I think that is true.

Mr. SNELL. Have any dire results come about by reason of our not being a member?

Mr. BLOOM. Mr. Speaker, will the gentleman yield that I may reply to the inquiry of the gentleman from New York?

Mr. POUL. I yield.

Mr. BLOOM. We have always been a member of this Institute. We are a member at the present time. We have been appropriating money right along, but in the last 2 years we have not been appropriating as much as we did previously.

Mr. SNELL. Has it only been the last 2 years that we have not been appropriating?

Mr. BLOOM. We reduced the appropriation 2 years ago. If the gentleman is interested, and cares to have them, the figures are these:

In 1928 we appropriated \$54,340. In 1929, \$58,000. In 1931 we reduced the appropriation to \$15,260. In 1932 we reduced the appropriation to \$11,060. However, we have always been in; we have never been out.

Mr. SNELL. Have we had a representative there, and have we really gotten any benefits from this conference?

Mr. BLOOM. Yes, we have secured a great deal of benefit; and it is on account of lack of information in the last 2 years similar to that received by the Government right along theretofore that they want to go back in. We have been in since 1906, and had been in 100 percent up to 1928. Then certain things happened and we had to step out.

Mr. SNELL. What are those certain things?

Mr. BLOOM. It was regarding certain management over there at the time, certain officials. That has been changed at the request of the Government.

Mr. SNELL. Why should an agricultural conference be called in Italy?

Mr. BLOOM. As soon as I get the floor in consideration of the bill I shall be pleased to explain.

Mr. LEHLBACH. Mr. Speaker, will the gentleman yield for a question to the gentleman from New York?

Mr. POUL. I yield.

Mr. LEHLBACH. Is not the only change sought to be made in existing law by the bill which is to be made in order by this rule the creation of a \$7,000 job in Italy?

Mr. BLOOM. No.

Mr. LEHLBACH. What other change from existing law is there?

Mr. BLOOM. The change is that the party who was the representative of the United States in Italy heretofore,

receiving a salary of \$5,000 a year, was a very wealthy man, and he was spending the additional sum of money that was necessary out of his own pocket. To secure the services of the proper kind of representative over there the Secretary of Agriculture states we ought to have at least a \$7,500 a year man.

Mr. SNELL. Will the gentleman give me the right to appoint a \$5,000 man who will do the job?

Mr. LEHLBACH. With the permission of the gentleman from North Carolina, may I ask one further question of the gentleman from New York?

Mr. POUL. I yield for one more question.

Mr. BLOOM. I shall be very pleased to explain the entire matter at the time I have the floor.

Mr. LEHLBACH. I simply want to ask one more question.

Mr. BLOOM. I have not the floor at this time.

Mr. LEHLBACH. If the gentleman refuses to explain the bill, well and good, but we want to know it.

Mr. BLOOM. I have not the floor.

Mr. POUL. Mr. Speaker, I should prefer not to attempt to answer questions respecting the merits of this joint resolution, because the 1 hour of general debate will be devoted to a discussion of the merits.

The Committee on Foreign Affairs has asked for the rule providing for the consideration of Joint Resolution 149. The Secretary of State approves the passage of the resolution.

This institution is a great clearing house of statistical information, and it looks a little bit cheap for the United States of America to refuse to participate.

Mr. Speaker, I reserve the remainder of my time and yield 10 minutes to the gentleman from Iowa [Mr. WEARIN], who has had experience with this Institute and will give the House first-hand information.

Mr. WEARIN. Mr. Speaker, I am not going to take very much time this morning, but I did listen with a good deal of interest to the remarks that were made yesterday concerning this project, and I will be frank in saying I do not think it should degenerate into a petty quarrel here on the floor of the House on the part of anyone. I happen to have had a little first-hand experience with this particular project as related to the various nations of the world some time ago.

I may say also in answer, probably, to a premeditated question, that I was not over in Europe at the expense of the Federal Government, either. I was over there on my own hook. I was over there for the purpose of securing information, which I was able to secure partly through the agency and the assistance of the International Institute of Agriculture.

The question was asked a moment ago by the distinguished leader of the minority as to why this agricultural conference should be held in Rome or why it is located there. There is a reason for this. The institute was founded back about 1905 by a certain David Lubin, of California. He had previously urged upon the United States that the institution be established in Washington under the supervision and with the assistance of the distinguished Secretary of Agriculture from my State, Tamm Jim Wilson, but the United States did not see fit to set it up at that time. However, the King of Italy, King Victor Emmanuel, did see some advantages in the establishment of an institution of this kind, and under his auspices and with his assistance David Lubin brought into being the International Institute of Agriculture, in Rome.

I am making these statements simply because I think the House should have a little information on this subject before they vote on it. Whether you vote for it or against it is your privilege, but you ought to know something about the International Institute of Agriculture.

Now, what is it doing? It is not a junket. It is not sending somebody over there on a summer vacation. I would not go over to Italy and live in Rome and be the representative of the United States Government at the International Institute of Agriculture for \$15,000 a year, but I will say that I think we ought to have a man over there; and if we can

get him to go over there, we should participate in this organization because it is valuable from a lot of standpoints.

In the first place, it is gathering some information that is more valuable to individual farmers than the average farmer realizes. I am living on an Iowa farm, and consequently I feel I speak with a little authority and a little interest in this project. I want to say to you that they are gathering information of an extremely valuable nature. No Member of this House, I dare say, realizes that much of our present farm-loan system in the United States was drawn from observations of David Lubin from the experiences of other countries through the agency of the International Institute of Agriculture.

Mr. GREEN. Will the gentleman yield?

Mr. WEARIN. Not until I have finished my statement.

Another very interesting development with respect to this particular project is the matter of trade relations and the movement of products. This institution is interested in gathering information upon the amount of farm products that are being produced in certain countries and determining where they can be transported for the purpose of disposing of surpluses. In other words, people who are interested in the domestic allotment bill on the floor of this House ought to be interested in this institution for the reason they are working in the same general direction.

I am not authorized to speak for the President of the United States, and I would not attempt to do so; but I will venture the suggestion upon my own authority that it may be possible Mr. Roosevelt is looking upon the International Institute of Agriculture with the thought he can use it in his program of developing our reciprocal trade relations with the rest of the world.

I think that is possible. Now, another very valuable contribution that is of interest to many is the matter of the discovery of diseases dangerous to agricultural products, and the prevention of the movement of these diseases from one country into another, and the means to prevent it.

Now, I cannot but feel, Members of the House, that the problem of agriculture—and I speak, as I say, from the standpoint of one interested in agriculture on the basis of being a farmer—I cannot help but feel that agriculture is a problem of international importance and that we are never going to be able to solve it solely in the United States—that it is going to be solved only through the readjustment of trade relations with the rest of the world, and through an agency of this kind. Now I will yield to the gentleman from Florida.

Mr. GREEN. We have trade commissioners representing the Government in different countries, and it seems that they could get the information that may be promulgated there. And further than that, if the information is worth while, it seems to me that we could save this \$40,000 that we are going to put out for this purpose.

Mr. WEARIN. I am glad the gentleman has asked that question. It shows that Members do not realize the value of the information that is compiled. David Lubin discovered in his researches that the information gathered on the part of representatives of foreign countries in relation to agriculture was entirely inadequate; that it did not go into the subject thoroughly.

Mr. RANKIN. Will the gentleman yield?

Mr. WEARIN. I yield.

Mr. RANKIN. If we had had this institution in operation gathering information, would it not have saved the spending of millions of dollars in the fight against the Mediterranean fruit fly in Florida?

Mr. WEARIN. The gentleman is correct.

Mr. RANKIN. We have the world honeycombed with commercial attachés. It seems to me that if we are going to send commercial attachés all over the world to represent the manufacturing interests we can afford to give agriculture this small amount of assistance.

Mr. WEARIN. Yes; for the interests of agriculture.

I want to answer further the gentleman from Florida [Mr. GREEN], who asked whether or not we can gather the information through other sources than the Institute of

Agriculture in Rome. The Institute of Agriculture is not a political organization.

Mr. MOTT. Will the gentleman yield?

Mr. WEARIN. I yield.

Mr. MOTT. While we were spending millions of dollars fighting the Mediterranean fruit fly we were participating in this institute at Rome.

Mr. WEARIN. In the beginning; but since then this institution has been developed to a greater extent, and today the organization represents 95 percent of the population of the world.

Mr. MOTT. One other question: In subdivision 3, page 2, there is an item of rent. Is that for rent of the officer who is to draw the \$7,500 salary?

Mr. BLOOM. No.

Mr. MOTT. The gentleman stated one specific thing, and that was for the investigation of various pests. Will the gentleman mention any other specific thing that the Institute does? Would the gentleman care to be specific as to the various things which this Institute does?

Mr. WEARIN. I will be able to do that if I can get the time.

Mr. POU. Mr. Speaker, I yield the gentleman 10 minutes additional.

Mr. WEARIN. I want to take just a moment's time in reading the following statement. This particular institution that is devoting itself to agricultural research in Rome is accomplishing a good many things, and I made some notations of them in this book that I think are interesting. For example:

The aim of the international organization that concerns itself with the basic industry of agriculture is evident when it assembles the nations of the world for the consideration of a peaceful pursuit.

That in itself is an important item.

Mr. MOTT. Mr. Speaker, will the gentleman yield?

Mr. WEARIN. Yes.

Mr. MOTT. If the gentleman will just name the things that this institution does, specifically, I think he will give us all the information that we want. The general data that the gentleman just read does not do us any good.

Mr. BLOOM. Mr. Speaker, will the gentleman yield?

Mr. WEARIN. Yes.

Mr. BLOOM. What is the book the gentleman is reading from?

Mr. WEARIN. That is my own volume.

Mr. BLOOM. I wanted the gentleman to inform the House that this is his own volume from which he is reading—a book written about this institution.

Mr. WEARIN. That is correct. I wrote it while there in Rome going into the details of this organization.

Mr. BLOOM. Just one more question. Would the gentleman at the same time kindly explain to the House the kind of building this organization occupies in Rome, the library, and the workings of the organization which have been going on since 1906.

Mr. BULWINKLE. Mr. Speaker, will the gentleman yield?

Mr. WEARIN. I want first to answer the two questions on my left and clear that up. I will discuss Mr. Bloom's question in a moment—I want to complete the statement that this organization is important from the standpoint of world peace, because it is not a political organization. Getting to specific matters, as the gentleman requested, I find in a report from that particular organization the following statement made by Mr. Asher Hobson, with whom I happen to have had personal acquaintance some time ago when I was in Rome.

One of the primary duties of the Institute is the rapid collection, compilation, and dissemination of information concerning acreage sown, crop conditions, and harvest yields pertaining to the principal farm products in the world.

I think that indicates without a doubt that it is of the utmost importance in developing international trade.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. WEARIN. Yes.

Mr. SNELL. From what book is the gentleman quoting now?

Mr. WEARIN. I am reading from a report on the International Institute of Agriculture, written by Asher Hobson, published in 1931. In answer to the question of the gentleman from New York [Mr. BLOOM], concerning the building and equipment of the Institute over there, in my limited experience in traveling through western Europe and also through the United States from coast to coast, I have seen only one other building that surpasses it in excellence; that is the building put up by the Carnegie Institution at The Hague for the housing of the World Court. Somebody may be about to get up and say, "Do you mean to tell me that the United States has been paying for that building?" The answer is no; absolutely no. The building was put up entirely through a donation on the part of King Victor Emmanuel of Italy, who at the same time set up an endowment fund that yields approximately 300,000 lire annually in support of the institution. We could not possibly participate for the sum stated in this joint resolution if it were not for that fact.

Mr. HOPE. Mr. Speaker, will the gentleman yield?

Mr. WEARIN. Yes.

Mr. HOPE. Can the gentleman tell us what proportion of the total expenditure for this purpose is expected to be contributed by the United States; that is, in percentages?

Mr. WEARIN. I shall have to ask the chairman of the committee to answer that question. The purpose I have in addressing the House at the present time is to explain the actual conditions surrounding the organization.

Mr. GLOVER. Mr. Speaker, will the gentleman yield?

Mr. WEARIN. Not until I have completed the answer to Mr. BLOOM's question. The gentleman from New York asked me to explain something about the library at the International Institute of Agriculture. It is composed of approximately 185,000 volumes that have been gathered, some of which have never before been assembled in a public library for the use of the general public. I have had my hands on them and used them.

Mr. BULWINKLE. Mr. Speaker, will the gentleman yield?

Mr. WEARIN. Yes.

Mr. BULWINKLE. I should like the gentleman to tell the House what knowledge has been disseminated to the United States Department of Agriculture by this Institute which they did not already know.

Mr. WEARIN. I shall be very glad to answer the gentleman's question, though I hate to take up so much time of the House in going into these details.

Mr. MOTT. Before the gentleman goes on with that question, will he state whether in his opinion he has fully answered my question?

Mr. WEARIN. I think so. In answer to the question of the gentleman from North Carolina, much of the information on the diseases of foreign plants had not been discovered until it was reported to the Department of Agriculture by the International Institute at Rome. Does that answer the gentleman's question?

Mr. GLOVER. Mr. Speaker, will the gentleman yield?

Mr. WEARIN. Yes.

Mr. GLOVER. The joint resolution here proposes to appropriate—

Mr. WEARIN. Just one moment. If the gentleman wants to discuss the details of the joint resolution, I want him to discuss them with the chairman of the committee. Is that the gentleman's question?

Mr. GLOVER. I am asking the gentleman why this appropriation is to be made annually; that is, forever hereafter.

Mr. WEARIN. There is no appropriation made in this resolution at all, as I understand it. I will ask the chairman of the committee to answer that question when I finish.

In conclusion, I simply want to state as one who is very much interested in this Institute, not from the standpoint of being interested in going over there at the expense of the Government, because I would not go if you would bring me a commission on a silver platter, but I do think the House

should know that this Institute of Agriculture is an important factor in the development of the international program of trade relations as far as the United States Government is concerned. It is a valuable link in the chain of our tariff and international-trade program in which we are all so interested at the present time. [Applause.]

The SPEAKER. The time of the gentleman from Iowa [Mr. WEARIN] has again expired.

Mr. RANSLEY. Mr. Speaker, I yield 5 minutes to the gentleman from New Jersey [Mr. LEHLBACH].

Mr. LEHLBACH. Mr. Speaker, I do not intend to use 5 minutes, because I want to make a very simple statement. This institution has been going on for many years and we have been a member of it. We have continually been a member of it and are a member of it today and appropriate for our share of its maintenance. The information that is gathered and disseminated by the Institute is available to us whether we have a resident secretary there or not. We are getting it today and have been getting it.

Mr. WEARIN. Will the gentleman yield?

Mr. LEHLBACH. Yes; I will yield.

Mr. WEARIN. I should like to make the statement to the gentleman that I think he is mistaken. I have reliable information that we have endeavored in the last year or two, while we have not been a member of the International Institute of Agriculture, to get a statement from them concerning certain things in which we were interested and that was refused because we were not an active member.

Mr. LEHLBACH. But we were a member.

Mr. WEARIN. We are not an active member or a participating member of the organization.

Mr. LEHLBACH. Are we not paying \$35,000 a year for our membership?

Mr. BLOOM. If I may answer the gentleman, no; we are not paying anything now. We are paying about \$4,000 a year now. In other words, we are sneaking in under the tent. Whatever we are getting out of it we are not paying for.

Mr. LEHLBACH. This would not change our membership. We are a member and are entitled to all the information they have to disseminate. The only difference in our status as a member of this Institute, sought by this law, is to have a man in Italy at a cost of \$7,500 salary and \$5,500 living expenses, and so forth. If they can show us where we will benefit \$13,000 or \$13 worth by sending somebody over there to this sinecure, I should like to know it.

Mr. BLOOM. Will the gentleman yield?

Mr. LEHLBACH. I yield.

Mr. BLOOM. By treaty we are supposed to pay 190,000 francs. Before the depreciation in value we were paying practically the same equivalent, but afterward we increased it. Now we are bound to pay the same as all other first-class countries, the same as Argentina, Brazil, China, Germany, and so on. We would pay \$37,000 for our fee or our part of the share of the expense of running this institution. That is not for rent or anything else. The only other two expenses that come out of that would be the salary of our representative and \$5,500 for all other expenses; not a dollar more. There is no traveling; there is no junketing; there is no nothing else in this. It is \$37,000, according to our treaty agreement, that we are supposed to pay as a member of this Institute, the salary—whether it is \$5,000 or \$7,500, and \$5,500 for all expenses. That is the whole thing.

Mr. LEHLBACH. Well, that is it. We do not need that man over there.

Mr. BLOOM. Well, we do need him.

Mr. LEHLBACH. We had a man over there, as the gentleman from New York stated, to whom we paid \$5,000 a year. Several years ago he quit and the job lapsed. This is to recreate that job with an increase of salary to \$7,500.

Mr. TABER. Will the gentleman yield for a question?

Mr. LEHLBACH. I yield.

Mr. TABER. I have been following this thing, trying to find out where the Government of the United States or the people of the United States got any good out of it. Where do we get it?

Mr. LEHLBACH. Oh, this Institute has available and gathered from all over its member nations, which is the greater part of the earth, information as to crop production, quantity production, crop movements, and information of that kind, which is collated at the Institute and disseminated among the member nations. We would get that without anybody over there just as easily as not.

Mr. HASTINGS. Will the gentleman yield?

Mr. LEHLBACH. I yield.

Mr. HASTINGS. Suppose all other countries refused to participate along with us, then where would there be any information for dissemination all over the world?

Mr. LEHLBACH. But we have not refused. Everything the Department of Agriculture has is available to any member nation that is a member of that institute, and other nations treat us the same way.

Mr. BLOOM. Will the gentleman yield?

Mr. LEHLBACH. Yes; I yield.

Mr. BLOOM. Is it the gentleman's thought or idea that the United States should continue to ask for and receive the information from this institution that it has been receiving up to 3 or 4 years ago, and ask and get all this without paying their fee, their share of the running expenses of this institution in Rome? Would the gentleman want the United States to do that?

[Here the gavel fell.]

Mr. LEHLBACH. That is a double question which is not answerable by "yes" or "no."

The SPEAKER. The time of the gentleman from New Jersey has expired.

Mr. RANSLEY. Mr. Speaker, I yield 5 minutes to the gentleman from New York [Mr. FISH].

Mr. FISH. Mr. Speaker, I voted against a resolution practically identical with this one when it came up in the Committee on Foreign Affairs under the recent Republican administration.

When the present resolution was considered by the committee a few weeks ago, I took no part on the final roll call because I was not convinced the expenditure of this money is necessary or that it will help agriculture. What worries me about this resolution is whether we have a commitment. If we have a commitment to pay our quota as a member of this International Institute of Agriculture at Rome, then I believe in keeping faith with those who have made the commitment for us. But in the consideration of this resolution, we, on our side of the House, propose to offer two amendments; and I may say, for one, if these amendments are accepted, I shall not oppose the resolution.

The first amendment to be offered will be to eliminate the word "annually."

This resolution provides some \$48,000 to be appropriated annually. This means permanently, for all time, so to speak. It is not at all necessary. It is not in accordance with general procedure and practice. If we want to try this out, if we want to experiment with it and see if it is of any good to agriculture, we should appropriate the \$48,000 only for this year by striking out the word "annually." Then, at the end of the year, if it is worth while, we can continue it. We have not been paying any such sum for the last 6 years. Since 1928 we have been paying in paper francs, or a very much less sum, amounting to about \$5,000 a year. We are now called upon to pay in gold francs which increases the payment this year to about \$38,000 as our quota. I should like to know if all the other nations are also paying on the basis of gold francs. The other amendment is one which will be presented by my colleague from Illinois [Mr. ALLEN], a member of the committee, to reduce the salary of the commissioner from \$7,500, as provided in the resolution, to \$5,000. That was the sum recommended under the Republican administration by Secretary of State Stimson, and I think a good many on this side feel it is ample to provide for such a commissioner as long as he does not live at the Grand Hotel in Rome, or one of the expensive hotels there.

In addition, \$5,000 is carried in this resolution for quarters, traveling expenses, clerical help, and so forth. We do not

oppose this sum. We, however, do not believe that it is necessary in these days to increase the salary of this Commissioner by 50 percent when Congress is reducing the pension, benefits, and compensation of war veterans and cutting the pay of even the members of the State Department and of about 1,000,000 Civil Service employees. It is utterly inconsistent to ask for a 50 percent increase for this Commissioner in these days of economy and unemployment.

These are the two amendments that we expect will be offered on this side. I am inclined to think—although there is some opposition to the whole resolution—that if these amendments are adopted, a good many Members on this side will go along with the bill unless there are some new developments. If, when we go back into the House after considering the resolution in the committee, a motion to recommit is made, which will be in order, I hope, in view of the fact that many Members are absent, that the vote will be postponed until Monday.

This is all I want to say at this time on the resolution in regard to the two proposed amendments. I am not convinced at all from the hearings that this international institute will help agriculture. I rather believe, on the other hand, that the State Department, with its representatives and consulates in every country, can get all the information desired without belonging to the International Institute of Agriculture at Rome.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield.

Mr. SNELL. Information has come from the administration that they were going to bring home from Europe several hundred people we have had over there roaming around getting information. In view of this statement, ought we to have another commission to go over there and get information?

Mr. FISH. I may say to the gentleman from New York that the gentlewoman from Massachusetts [Mrs. ROGERS], who will speak in a few minutes, will present those figures to the House. There are some 300 or 400 who will be recalled, yet here it is proposed to send over to Rome another commissioner at a salary of \$7,500 with an additional sum for quarters and traveling expenses.

[Here the gavel fell.]

Mr. RANSLEY. Mr. Speaker, I yield 5 minutes to the gentlewoman from Massachusetts [Mrs. ROGERS].

Mrs. ROGERS of Massachusetts. Mr. Speaker, I am very sorry to go against my chairman, the Chairman of the Foreign Affairs Committee, because no one ever had a finer, more courteous, more cooperative chairman, but I must. In the first place, I cannot see why this legislation is necessary. I think the President has the power to appoint this man if he wishes to without further authority.

I am terribly tired of the policy of the administration of robbing Peter to pay Paul. [Applause.] They are doing it every day.

Mr. BLOOM. Mr. Speaker, will the gentlewoman yield?

Mrs. ROGERS of Massachusetts. I am very sorry I cannot yield. I have only a few minutes and I want to bring out some facts with reference to the number of the personnel the administration intends to recall from our Foreign Service.

Our disabled veterans are being robbed every day, having their compensation cut, without a hearing. They are not even allowed to present their cases or prove the service-connected nature of their disabilities while large appropriations are voted for other purposes.

I have here a list showing the number of agricultural and trade commissioners we have abroad roaming about in foreign countries getting the very information this member of the Agricultural Institute could get. There are 19 of them. Their salaries, I am told, average \$5,000 a year.

Their salaries total \$82,450—this after the cut of 15 percent. They also receive commutation of quarters, light, and heat, which amounts to a total of \$12,570. This last amount has been reduced 50 percent this last year. The figure given is that after the reduction was made.

Probably one of these men will be dismissed owing to the cuts in every department, and this other man will receive not only the pay he is now receiving but an added \$2,500. Another example of robbing Peter to pay Paul! I have here figures from the State Department. They show the reduction in their personnel for 1934 as being over 600 people.

This reduction will retard our success in foreign countries very much. These experienced officials are particularly needed at this time to carry out the work that the President is doing with foreign countries in connection with international trade and tariff agreements with debt settlements and with armament agreements. We need at this time a trained personnel in foreign service as never before in history, in my belief. Diplomatic relations are strained all over the world. Economic conditions are bad everywhere. We needed trained personnel during the World War. We need it even more today.

Mr. Speaker, I ask unanimous consent to insert as a part of my remarks certain tables sent to me by the State Department; and in order to be absolutely accurate, I shall read the statement that is made with reference to them.

The SPEAKER. Is there objection?

There was no objection.

Mrs. ROGERS of Massachusetts. As shown by the following table, the appropriation for 1932 amounted to over \$18,000,000. The program of expenditure for 1934 is less by approximately \$8,000,000, which is a reduction of 43 percent below the appropriation for 1932, and this in view of the fact that we are going to have the most difficult trade relations and diplomatic relations we have ever had. Further reductions remain to be made.

Following is the statement of the Department of State:

DEPARTMENT OF STATE, May 19, 1933.

Statement showing appropriations and personnel of the Department of State as of July 1, 1933, and amount of reduction below appropriations and personnel for fiscal year 1932

Purpose	Fiscal year 1934		Amount of reduction below 1932	
	Funds available for 1934	Proposed personnel	Appropriated funds	Reduction in personnel
Department proper.....	\$1,637,482	728	\$864,636.00	118
Foreign Service.....	8,299,707	3,612	3,877,861.00	465
Foreign buildings.....			2,000,000.00	
International obligations.....	834,911	58	1,295,345.54	20
Permanent and indefinite.....	27,900		113,333.00	
Total.....	10,800,000	4,398	8,151,175.54	603

As shown by the foregoing table, the appropriation for 1932 amounted to \$18,951,175.54. The program of expenditure for 1934 is less by approximately \$8,151,175, which is a reduction of 43 percent below the appropriations for 1932. Personnel has been reduced by 603, a reduction of 12 percent. Further reductions remain to be made. In regard to the effect of these reductions upon diplomatic and consular officers in foreign countries, it is necessary to point out that under existing law Congress provided a basic salary for these officers and then provided for the adjustment of that salary to the cost of living in the several countries by the addition of post allowances and also made provision for rent of living quarters and also defraying a part of the cost of representation. The aggregate of these several amounts constituted the official compensation or income of the officers and employees in foreign countries. The salary has now been reduced 15 percent, the allowance for quarters about 64 percent, the post and representation allowances 100 percent, and in addition in certain countries the purchasing power in which the salaries and allowances are paid has suffered a depreciation of from 14 percent to 18 percent. The result is that in those countries in which this condition exists the official income of ambassadors has suffered a reduction of approximately 45 percent; of Foreign Service officers of class I, 40 percent; Foreign Service officers of class V, 42 percent; and Foreign Service officers, unclassified, 44 percent. An unclassified Foreign Service officer in Germany, for example, who in 1932 received a salary and allowances of \$3,600, receives today approximately \$2,000. A letter from a consular officer in Danzig states that his present income in local currency is nearly 50 percent less than his income of a year ago; that he has had to give up his house and take a couple of rooms in a private home, refuse practically all invitations of a social nature, official or otherwise, since it is no longer possible for him to return them.

A letter from an officer in Kaunas, Lithuania, reports a reduction of 27 percent in the purchasing power of his official income. The members of the Foreign Service in Italy report a 27 percent

reduction in the purchasing power of their April salaries. An officer in Belgium reports that the official incomes of officers in that country have suffered a 40 percent reduction since June last as compared with a 15 percent reduction in governmental salaries in the United States. The Minister to Austria reports a 16 percent depreciation in the dollar, which, added to the 15 percent reduction in salaries, makes a total reduction in the income of officers and employees of 31 percent since April 1, 1933. The Ambassador to Italy reports a 17 percent depreciation in the dollar, which, in addition to the 15 percent reduction in Government salaries, makes a 32 percent reduction in the purchasing power of the incomes of the United States Government officers in Rome. Much the same situation is reported from Paris, from Switzerland, and a number of other countries.

Other countries are trying to make up the difference where the purchasing power of their salaries is reduced, but our Foreign Service officers are being cut more than to the bone, and many of them are being eliminated. I cannot vote for the resolution.

[Here the gavel fell.]

Mr. RANSLEY. Mr. Speaker, I yield 5 minutes to the gentleman from Kansas [Mr. HOPE].

Mr. HOPE. Mr. Speaker, I want to state in the beginning that I am not opposed to agricultural research, either scientific or economic. I presume there is no Member of the House who makes greater use of the research and statistical facilities of the Department of Agriculture than myself. I think the work this Institute is doing, or is supposed to do, ought to be done, but I am not in favor of this Congress authorizing appropriations to do this work, when our own Department of Agriculture is doing the same work and doing it much better than it can possibly be done by the International Institute of Agriculture.

Mr. BLOOM. Will the gentleman yield?

Mr. HOPE. Just very briefly. I have only 5 minutes.

Mr. BLOOM. The present Secretary of Agriculture and the former Secretary of Agriculture have stated just the opposite of what the gentleman is saying now. They have said they need this more than anything they can get in order to secure information throughout the world, and if the gentleman has read the report he will find their statements are contrary to the statement which the gentleman has just made.

Mr. HOPE. I may say to the gentleman from New York that I have read the report; and while it is true that the present Secretary of Agriculture and his predecessor approve the legislation, they do not do so in the extravagant way the gentleman has indicated. I have read every word of the report and have studied particularly that part of it setting out the purposes for which this Institute was established. A study of these purposes indicates clearly that every bit of its work is being duplicated by our own Government.

Going down the list of purposes we find the first one is to—

Collect, study, and publish as promptly as possible statistical, technical, or economic information concerning farming, both vegetable and animal products, the commerce in agricultural products, and the prices prevailing in the various markets.

We have in the Department of Agriculture a Bureau of Agricultural Economics which is doing just exactly this type of work, and doing all of the work that is included in the statement I have just read; and we appropriated for the coming fiscal year for the Bureau of Agricultural Economics \$6,095,260.

Insofar as it is necessary for us to go to foreign countries to get information with regard to foreign agricultural products and the commerce in agricultural products throughout the world, we have a special agency in the Bureau of Agricultural Economics under the head of Foreign Agricultural Service, for which we appropriated last year \$292,000, and let me call your attention to the language in the appropriation bill stating the purposes for which this money is appropriated:

To enable the Secretary of Agriculture to carry into effect the provisions of the act entitled "An act to promote the agriculture of the United States by expanding in the foreign field the service now rendered by the Department of Agriculture, in acquiring and diffusing useful information regarding agriculture and for other purposes, and for collecting and disseminating to American pro-

ducers, importers, exporters, and other interested persons information relative to the world supply of and need for American agricultural products, marketing methods, conditions, prices, and other factors, a knowledge of which is necessary to the advantageous disposition of such products in foreign countries, independently and in cooperation with other branches of the Government, State services, purchasing and consuming organizations."

And persons engaged in the transportation, marketing, and distribution of farm products.

This in substance provides for identically the same work as is mentioned in the report of the committee outlining the economic work of the International Institute of Agriculture.

Mr. McREYNOLDS. Will the gentleman yield?

Mr. HOPE. Not at this time.

Going down to the next purpose for which the Institute was founded we see it is to—

Communicate to parties interested, also as promptly as possible, all the information just referred to.

If we get it ourselves, we have no necessity for having it communicated to us from the International Institute.

The next purpose for which the Institute is founded is stated to be—

(c) Indicate the wages paid for farm work.

We can go to the Bureau of the Census and we can get information and the Bureau of Agricultural Economics and get this information at any time. So I cannot see that we need the Institute for this purpose.

The next purpose for which it is stated the Institute is organized is—

(d) Make known the new diseases of vegetables which may appear in any part of the world, showing the territories infected, the progress of the disease, and, if possible, the remedies which are effective in combating them.

[Here the gavel fell.]

Mr. RANSLEY. Mr. Speaker, I yield the gentleman 1 more minute.

Mr. HOPE. Now, we have in the Department of Agriculture the Bureau of Plant Industry, for which we are appropriating over \$4,000,000 a year, which has infinitely more knowledge of plant diseases not only in this country but throughout the world than the Institute at Rome can ever acquire.

If I had the time I should like to read the remaining purposes for which the Institute was organized and to show that in each instance our Department of Agriculture is doing exactly the same work.

There are no doubt many countries which do not maintain and are not able to maintain a government department of agriculture such as we have in this country. The International Institute can no doubt render a service to those countries.

In this country, however, we do not need it. Today we are talking about cutting down the activities of our Agricultural Department. Many men who have spent all of their adult lives in agricultural work are fearful of losing their positions because of the necessity for economy. This being the case, it is surely a poor time to increase our appropriation for an institution whose work is not needed.

[Here the gavel fell.]

Mr. POU. Mr. Speaker, I yield 3 minutes to the gentleman from Missouri [Mr. LOZIER].

Mr. LOZIER. Mr. Speaker, once a year an attack is made on the appropriation for the International Institute of Agriculture, and every year for 4 or 5 years I have defended the appropriation because of the valuable services the Institute is rendering American agriculture. The trouble with my friend from New York [Mr. FISH], and the gentle lady from Massachusetts [Mrs. ROGERS], is, although their hearts are all right and their motives are all right, still they do not know anything about the International Institute of Agriculture. They have no conception of its functions and accomplishments. They have no comprehension of the magnitude of the organization, and no appreciation of the splendid work for agriculture that it is doing. For a quarter of a century it has been serving the farmers, not only of the

United States, but of the world. It has furnished the people of 40 nations reliable information and dependable agricultural statistics. It is the only clearing house in the world for the accumulation and dissemination of agricultural information. By scientific experimentations it has tremendously advanced the vocation of agriculture; and, by the dissemination of the results of its research, it has materially aided in putting agriculture on a safer and more profitable basis.

It does not duplicate the information supplied by the Department of Agriculture. Much of the information that is disseminated by our Department of Agriculture with reference to crop conditions, grain production, and prices in foreign lands comes from the International Institute of Agriculture at Rome.

This Institute was organized by David Lubin, a Polish Jew, who as a penniless lad came to this country and by industry and genius beat a pathway out of poverty to wealth and fame. He was the father of the cooperative farm marketing system in the United States. Probably no man made a greater contribution to the development, stabilization, and standardization of agriculture in our national history. The agricultural classes of America owe him a debt of gratitude that would be hard to liquidate.

He was the founder of the International Institute of Agriculture in Rome, of which 40 nations are members. This Institute gathers valuable agricultural data from every nook and corner of the world.

Mr. HOPE. Will the gentleman yield?

Mr. LOZIER. I cannot yield; I have only 3 minutes. This information is cabled or radioed to Rome, and from Rome to every one of the 40 great nations having membership in the Institute. This data is either radioed or cabled to our Department of Agriculture and to every department of agriculture in the world.

Mr. HOPE. Will the gentleman yield?

Mr. LOZIER. I told the gentleman I could not yield. Does not the gentleman understand the English language?

Now, gentlemen, with reference to our consuls, attachés, and the representatives we have sent abroad to gather agricultural statistics and find markets for our agricultural products, I am sorry to say that most of them are the gold-lace men, whose work has been exceedingly disappointing.

We are obligated by treaty to contribute our part of the cost of maintaining this useful agency. This resolution should be adopted.

[Here the gavel fell.]

Mr. RANSLEY. Mr. Speaker, I yield 5 minutes to the gentleman from California [Mr. ELTSE].

Mr. ELTSE of California. Mr. Speaker and Members of the House, I come from the district in which the State University of California is located, and I believe it to be one of the greatest educational institutions in the country—not the greatest but one of the greatest. I thoroughly approve of what the gentleman from Kansas [Mr. HOPE] has said in respect to the jurisdiction and work of our State agricultural institutions. They amply cover the field which this resolution seeks to invade.

I want to say frankly that I do not believe there is any need for such a subsidy as this, spending \$40,000 or \$50,000—and I notice that during 1927 the appropriation was as high as \$67,000. Furthermore, during the 27 years of its existence there has been expended by this institute \$1,250,000, or thereabouts. Those are not entirely accurate figures. I invite each one of you gentlemen to take the report on this resolution and examine it. You will find it is nothing in the world but a defense from beginning to end of the failures of the institute, which you are trying now to subsidize by an additional \$50,000 or \$60,000, and to increase the salary of the resident delegate from \$5,000 to \$7,500 a year.

Mr. WEARIN. Mr. Speaker, will the gentleman yield?

Mr. ELTSE of California. Not now. I want to quote from a report by Secretary Stimson to the President in June 1932. You will find there that the surveys or the work done by this

institute have been unsatisfactory. And for a specific quotation I call attention to the language on page 4.

Mr. BLOOM. Mr. Speaker, will the gentleman yield?

Mr. ELTSE of California. Not now.

For some years before 1928 the American Government was of the opinion that serious defects had arisen in the functioning of the institute.

And they still exist. On page 6 of the report, near the bottom of the page, I find the following:

The system of extraordinary payments was introduced as a temporary expedient; it proved unsatisfactory both to the institute and to the member governments as a means of rectifying the financial situation.

And I defy anyone to take that report and read it through, and, in the words of the gentleman from Texas [Mr. BLANTON], I ask anyone to find anything anywhere that points to a specific benefit having been delivered to the American farmer. He needs relief, not statistics. The American farmer cannot digest the statistics he has before him at the present time. He has become sick of statistics.

Mr. BLANTON. Mr. Speaker, will the gentleman yield?

Mr. ELTSE of California. Yes.

Mr. BLANTON. There is our distinguished colleague GEORGE B. TERRELL sitting over there, who for the last 10 years has been commissioner of agriculture of the State of Texas, and now a Member of this House, and he will tell you that this whole bill is damned foolishness, and we ought to stop this waste of \$48,500 annually.

Mr. ELTSE of California. I hope he will. It is foolishness. I repeat it. If you will read that report carefully, you will see that it is nothing more than a defense of a subsidy for this research work on foreign soil, and when we have our own troubles over here in America, with our own American farmers who have their own pests, and their own problems of farming, of economics, of consumption and production, why do we want to spend some fifty thousand or sixty thousand or seventy thousand or eighty thousand dollars or more to make something effective on foreign soil?

Mr. HASTINGS. Mr. Speaker, will the gentleman yield?

Mr. ELTSE of California. Yes.

Mr. HASTINGS. Did not the former Secretary of State in this very report from which the gentleman is quoting recommend this, and did he not send up a printed draft of proposed legislation to carry it on?

Mr. ELTSE of California. Yes; and my answer to that is if in that report of Mr. Stimson you can point out anything to me or to any Member of the House showing a specific benefit to the American farmer, I will be glad to see it.

Mr. HASTINGS. Of course we would not have the time to analyze all the pages of the report; but did not the present Secretary of State, Mr. Cordell Hull, recommend it?

Mr. ELTSE of California. And I want to say to the gentleman that one of our gravest troubles now in connection with legislation in this body is that we do not analyze these reports and do not understand them. Analyze this report, and you will find there is no specific benefit to the American farmer.

Mr. RANSLEY. Mr. Speaker, I yield the remainder of my time to the gentleman from Texas [Mr. BLANTON].

Mr. BLANTON. Mr. Speaker, I take my hat off to our splendid New York delegation. It is the ablest, the shrewdest, the most active and energetic, the most kind-hearted and courteous, and the most ambitious and far-reaching delegation in any legislative body in the world.

Mr. KELLER. Except Illinois.

Mr. BLANTON. Our good friend from New York, Dr. SROVICH, brought in his junketing resolution to spend \$250,000 and we killed that, and then our good friend from New York, Mr. CELLER, had to bring in another junketing resolution here the other day, which we stopped by a point of order, that would have expended \$250,000 more, and now here is our good old friend from New York, Sol Bloom, with another \$48,500 junket. He brings in one also. Sol is the spokesman here of the American farmer. [Laughter.] When Sol goes to Rome, Italy, and is presented to Mussolini, we

all know of course that he pays his own expenses. When he is presented to the Pope he pays his own expenses, and when he puts on knee breeches and is presented to the King at the Court of St. James's he pays his own expenses. Oh, he is liberal-hearted. He now believes that the American farmer must be saved by this Institute of Agriculture at Rome, Italy. Sol is fathering this bill on the floor, he is the spokesman for it.

There is no law now to pay anyone \$5,000 or \$7,000 a year over there at Rome. Unless you pass this joint resolution there will not be any law authorizing it, and there will not be any more money spent in Rome, because there are enough of us here who know how to make points of order to stop those things in appropriation bills. They must pass this joint resolution to make it in order. If you do not pass this joint resolution we will not spend any more money there.

Since 1928 we have not participated in this Italian institute in Rome. Oh, we have paid our part of the European expenses of this institute at Rome, Italy, and we have always done that. We are paying our part of every single project that is being carried on in Europe right now, but we have not participated at Rome since 1928, and we ought not to participate any more. Unless you pass this joint resolution we will not participate any longer. Spending money there will stop. Of this \$48,000 there is to be \$7,500 a year paid as the salary of a resident delegate in Rome. The Institute meets just twice a year, but we are going to let him stay there the whole 12 months. I challenge any Member here to state one sane reason why we should maintain yearly a delegate at Rome, Italy, to represent us in a so-called "Institute of Agriculture" there and pay the delegate an annual salary of \$7,500 and allow him an additional \$5,500 for rent of his dwelling, heat, fuel, and lights.

It is the most absurd, ridiculous proposal I have heard of in a long time. Have we lost our common sense? Have we ceased to see things from a sane, practical standpoint? Have we ceased to reason and think for ourselves? Are we led away by some recommendation of some little bureau chief? Have we not yet begun to ask ourselves the question, before spending public money, "Is it necessary to spend it; is it worth while; does it bring the people proper returns; is it to the interest of the people of the United States, or is it to benefit some individual or individuals?"

Why should we spend this \$48,500 in Rome, Italy, every year. Why should we pay this \$7,500 salary and this \$5,500 for rent, heat, fuel, and lights?

Mr. BLOOM. Will the gentleman yield?

Mr. BLANTON. Why, you allow him \$5,500 for a private dwelling and rent and heat, light, and fuel.

Mr. BLOOM. No.

Mr. BLANTON. Yes; it is. Read the bill. Mr. Speaker, I am not going to allow my friend from New York to use my few minutes. I want him to take his own time.

Mr. ALLGOOD. Will the gentleman yield?

Mr. BLANTON. I only have 4 minutes.

There is his \$7,500 salary; his \$5,500 for his residence, heat, light, and fuel.

Mr. BLOOM. And what else?

Mr. BLANTON. Then there is about \$5,000 for the contribution for the institute expenses. The balance of the \$48,500 is junketing for experts in the Department of Agriculture and the Department of State and very likely for some Senators and some Congressmen.

Mr. BLOOM. Oh, no.

Mr. BLANTON. We have experts in the departments and experts in Congress.

Mr. ALLGOOD. Is it an emergency?

Mr. BLANTON. Emergency the devil! President Roosevelt has not recommended it. We ought to kill it. [Applause.]

The SPEAKER. The time of the gentleman from Texas has expired. All time has expired.

Mr. POUL. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the adoption of the resolution.

The question was taken; and on a division (demanded by Mr. BLANTON) there were—ayes 81, noes 80.

Mr. BLANTON. Mr. Speaker, I ask for tellers. Pending that, I ask for the yeas and nays, Mr. Speaker.

The yeas and nays were ordered.

The question was taken; and there were—ayes 152, nays 143, answered "present" 2, not voting 133, as follows:

[Roll No. 43]

YEAS—152

Abernethy	Doxey	Kerr	Ramspeck
Ayers, Mont.	Driver	Kleberg	Rankin
Bankhead	Duncan, Mo.	Kloeb	Rayburn
Beedy	Dunn	Kniffin	Reilly
Berlin	Eagle	Kopplemann	Robertson
Biermann	Elzey, Miss.	Kramer	Robinson
Bland	Englebright	Kvale	Romjue
Bloom	Fernandez	Lambeth	Ruffin
Boileau	Flesinger	Larrabee	Sabath
Boland	Fitzpatrick	Lea, Calif.	Sandlin
Boylan	Ford	Lozier	Schulte
Brennan	Fuller	Luce	Scrugham
Brown, Ky.	Gasque	McCarthy	Sears
Brown, Mich.	Gilchrist	McCormack	Shallenberger
Buchanan	Goldsborough	McGrath	Shannon
Buck	Gray	McKeown	Sinclair
Bulwinkle	Green	McMillan	Sisson
Burch	Greenwood	McReynolds	Snyder
Byrns	Gregory	Major	Somers, N.Y.
Caldwell	Griffin	Mansfield	Spence
Carden	Guyer	Marland	Studley
Carpenter, Kans.	Hancock, N.C.	Martin, Colo.	Tarver
Castellow	Harlan	Martin, Oreg.	Taylor, Tenn.
Chavez	Harter	Mitchell	Turner
Condon	Hastings	Monaghan	Vinson, Ga.
Cooper, Tenn.	Henney	Murdock	Wallgren
Cox	Hildebrandt	Nesbit	Wearin
Cravens	Hill, Ala.	O'Brien	Weaver
Crosser	Hill, Knute	Oliver, Ala.	Welch
Crowe	Hill, Samuel B.	Oliver, N.Y.	Werner
Crump	Hughes	Owen	West, Ohio
Dickinson	Imhoff	Parks	West, Tex.
Dies	Jacobsen	Parsons	Whittington
Dingell	Johnson, Tex.	Patman	Willcox
Dirksen	Kahn	Peterson	Willford
Disney	Kee	Pou	Willson
Dockweiler	Keller	Prall	Woodrum
Dowell	Kelly, Ill.	Ragon	Zioncheck

NAYS—143

Adair	Culkin	Jones	Richards
Allen	Cummings	Kennedy, Md.	Rogers, Mass.
Allgood	Darrow	Knutson	Rogers, N.H.
Almon	Dear	Kociakowski	Rogers, Okla.
Arens	Deen	Lambertson	Sanders
Bacon	DeRouen	Lamneck	Schaefer
Bailey	Dobbins	Lanham	Schuetz
Beam	Dondero	Lehlbach	Secrest
Black	Duffey	Lehr	Seger
Blanton	Durgan, Ind.	Lemke	Simpson
Bolton	Eaton	Lloyd	Smith, Wash.
Britten	Elcher	Ludlow	Snell
Brumm	Elts, Calif.	Lundeen	Strong, Tex.
Burke, Nebr.	Evans	McFadden	Stubbs
Burnham	Farley	McFarlane	Swank
Busby	Fletcher	McGugin	Taber
Cady	Foulkes	Mapes	Taylor, Colo.
Cannon, Mo.	Fulmer	Marshall	Terrell
Cannon, Wis.	Gambrell	May	Thom
Carter, Calif.	Gibson	Meeks	Thomason, Tex.
Cavichia	Glover	Merritt	Thompson, Ill.
Chapman	Goodwin	Millard	Thurston
Chase	Griswold	Miller	Traeger
Christianson	Haines	Montet	Turpin
Church	Hancock, N.Y.	Moran	Umstead
Claiborne	Hess	Morehead	Utterback
Clarke, N.Y.	Higgins	Mott	Vinson, Ky.
Cochran, Mo.	Hollister	Musselwhite	Wadsworth
Cochran, Pa.	Holmes	O'Connell	Warren
Coffin	Hooper	Palmisano	Watson
Colden	Hope	Parker, N.Y.	Weideman
Collins, Calif.	Howard	Peavey	Whitley
Colmer	Jeffers	Polk	Wigglesworth
Crosby	Jenckes	Ramsay	Wolcott
Cross	Jenkins	Ransley	Woodruff
Crowther	Johnson, Minn.	Reece	

ANSWERED "PRESENT"—2

Doughton Fish

NOT VOTING—133

Adams	Brooks	Cole	Douglass
Andrew, Mass.	Browning	Collins, Miss.	Doutrich
Andrews, N.Y.	Brunner	Connery	Drewry
Arnold	Buckbee	Connolly	Edmonds
Auf der Heide	Burke, Calif.	Cooper, Ohio	Faddis
Ayres, Kans.	Carley	Corning	Fitzgibbons
Bacharach	Carpenter, Nebr.	Cullen	Flannagan
Bakewell	Carter, Wyo.	Darden	Focht
Beck	Cartwright	Delaney	Foss
Beiter	Cary	De Priest	Frear
Blanchard	Celler	Dickstein	Gavagan
Boehne	Clark, N.C.	Ditter	Gifford

Gillespie	Lee, Mo.	Perkins	Sutphin
Gillette	Lesinski	Pettengill	Sweeney
Goss	Lewis, Colo.	Peyser	Swick
Granfield	Lewis, Md.	Pierce	Taylor, S.C.
Hamilton	Lindsay	Powers	Tinkham
Hart	McClintic	Randolph	Tobey
Hartley	McDuffie	Reed, N.Y.	Treadway
Healey	McLean	Reid, Ill.	Truax
Hoepfel	McLeod	Rich	Underwood
Hoidale	McSwain	Richardson	Waldron
Hornor	Maloney, Conn.	Rudd	Walter
Huddleston	Maloney, La.	Sadowski	White
James	Martin, Mass.	Shoemaker	Williams
Johnson, Okla.	Mead	Sirovich	Withrow
Johnson, W.Va.	Milligan	Smith, Va.	Wolfenden
Kelly, Pa.	Montague	Smith, W.Va.	Wolferton
Kemp	Moynihan	Stalker	Wood, Ga.
Kennedy, N.Y.	Muldowney	Stegall	Wood, Mo.
Kenney	Norton	Stokes	Young
Kinzer	O'Connor	Strong, Pa.	
Kurtz	O'Malley	Sullivan	
Lanzetta	Parker, Ga.	Sumners, Tex.	

So the resolution was agreed to.

A motion to reconsider the vote by which the resolution was agreed to was laid on the table.

The Clerk announced the following pairs:

On this vote:

Mr. Bakewell (for) with Mr. Tobey (against).
 Mr. Maloney of Connecticut (for) with Mr. Edmonds (against).
 Mr. Rudd (for) with Mr. Ditter (against).
 Mr. Lesinski (for) with Mr. Rich (against).
 Mr. Johnson of West Virginia (for) with Mr. Muldowney (against).
 Mr. Adams (for) with Mr. Connolly (against).
 Mr. Cullen (for) with Mr. Bacharach (against).
 Mr. Kenney (for) with Mr. Wolverton (against).
 Mr. Flannagan (for) with Mr. Hartley (against).
 Mr. Richardson (for) with Mr. Wolfenden (against).
 Mr. Sadowski (for) with Mr. Powers (against).
 Mr. Walter (for) with Mr. McLean (against).
 Mr. Delaney (for) with Mr. Beck (against).
 Mrs. Norton (for) with Mr. Doutrich (against).
 Mr. O'Connor (for) with Mr. Waldron (against).
 Mr. Corning (for) with Mr. Kinzer (against).

General pairs:

Mr. Doughton with Mr. Treadway.
 Mr. Brunner with Mr. Gifford.
 Mr. Ayres of Kansas with Mr. Cooper of Ohio.
 Mr. Lewis of Maryland with Mr. Blanchard.
 Mr. Sullivan with Mr. Martin of Massachusetts.
 Mr. Steagall with Mr. Reed of New York.
 Mr. McClintic with Mr. Focht.
 Mr. Lindsay with Mr. Kurtz.
 Mr. McDuffie with Mr. Withrow.
 Mr. Collins of Mississippi with Mr. McLeod.
 Mr. Cartwright with Mr. Strong of Pennsylvania.
 Mr. Arnold with Mr. Buckbee.
 Mr. Drewry with Mr. Moynihan.
 Mr. Parker of Georgia with Mr. Perkins.
 Mr. Smith of West Virginia with Mr. Andrew of Massachusetts.
 Mr. Kemp with Mr. Reid of Illinois.
 Mr. Sumners of Texas with Mr. Stalker.
 Mr. Underwood with Mr. Carter of Wyoming.
 Mr. Kennedy of New York with Mr. Swick.
 Mr. Maloney of Louisiana with Mr. Frear.
 Mr. Douglass with Mr. James.
 Mr. Mead with Mr. Stokes.
 Mr. Connery with Mr. Foss.
 Mr. Milligan with Mr. Tinkham.
 Mr. Dickstein with Mr. Goss.
 Mr. Carley with Mr. Kelly of Pennsylvania.
 Mr. Gavagan with Mr. De Priest.
 Mr. Boehne with Mr. Shoemaker.
 Mr. Auf der Heide with Mr. Andrews of New York.
 Mr. Browning with Mr. Fitzgibbons.
 Mr. Granfield with Mr. Beiter.
 Mr. Celler with Mr. Brooks.
 Mr. Huddleston with Mr. Randolph.
 Mr. McSwain with Mr. Hoidale.
 Mr. Sweeney with Mr. Gillette.
 Mr. Young with Mr. O'Malley.
 Mr. Pettengill with Mr. White.
 Mr. Sirovich with Mr. Darden.
 Mr. Smith of Virginia with Mr. Burke of California.
 Mr. Sutphin with Mr. Wood of Georgia.
 Mr. Cary with Mr. Carpenter of Nebraska.
 Mr. Hart with Mr. Peyser.
 Mr. Cole with Mr. Lanzetta.
 Mr. Clark of North Carolina with Mr. Wood of Missouri.
 Mr. Hornor with Mr. Lewis of Colorado.

Mr. JACOBSEN. Mr. Speaker, my colleague the gentleman from Iowa, Mr. GILLETTE, is absent on account of sickness. If present, he would vote "aye."

The result of the vote was announced as above recorded.

Mr. McREYNOLDS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the resolution (H.J.Res. 149) authorizing an annual appropriation for the

expenses of participation by the United States in the International Institute of Agriculture at Rome, Italy.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of House Joint Resolution 149, with Mr. WOODRUM in the chair.

The Clerk read the title of the House joint resolution.

The CHAIRMAN. Without objection, the first reading of the joint resolution will be dispensed with.

There was no objection.

The CHAIRMAN. Under the rule, the gentleman from Tennessee [Mr. McREYNOLDS] is recognized for 30 minutes and the gentleman from New York [Mr. FISH] is recognized for 30 minutes.

Mr. FISH. Mr. Chairman, I should like to propound a question to the distinguished chairman of the committee and ask him if it can be agreed upon that if we are to have a motion to recommit and a roll call, the roll call could go over until Monday morning?

Mr. McREYNOLDS. I understand there will be other matters to be taken up after this, and I cannot make that agreement.

Mr. FISH. There are so many Members absent on Saturday afternoon, with the understanding generally that there would not be any roll call, that I wish the gentleman could make that agreement.

Mr. McREYNOLDS. Well, we are going right on with the bank bill after this is concluded, and I am not authorized to make any agreement whatever.

Mr. FISH. I do not care about what comes after this.

Mr. McREYNOLDS. I am sorry, but I cannot make such an agreement. We are now in Committee of the Whole anyway.

Mr. BRITTEN. Will the gentleman yield?

Mr. McREYNOLDS. I do not yield out of my time, Mr. Chairman.

The CHAIRMAN. The gentleman must yield in his own time, if at all.

Mr. McREYNOLDS. I yield myself 3 minutes at present, Mr. Chairman.

Mr. Chairman, I merely take these 3 minutes to correct some statements that have been made before this body.

In the first place, this is not an appropriation. It is an authorization which when authorized will go to the Appropriations Committee of the House and which they will have every opportunity to investigate thoroughly.

Another statement has been made that \$38,000 of this is for a junket. That statement was made out of absolute ignorance, and I emphasize the word "ignorance." Anyone who has investigated this matter knows that \$38,000 goes to this organization as dues on the same basis as other nations pay their dues.

But one delegate is provided in this resolution. He goes there and gives all of his time.

Whether or not the salary should be raised from \$5,000 to \$7,500 is a question for this committee to decide.

It has been stated also on the floor that the President was not for this bill. This statement is not correct. The Secretary of State endorses it. The Secretary of Agriculture yesterday insisted that the President stated that he wanted this passed as part of his farm-relief program.

I telephoned to the White House and asked the President's secretary to please go to the President at once and ask him if I might use his name in connection with the measure and whether or not it was one of his measures; and his secretary advised me that it was and that I had the privilege of quoting him as being for this bill. That is the reason it is here.

Mr. CLARKE of New York. Mr. Chairman, will the gentleman yield?

Mr. McREYNOLDS. I have not time.

Mr. CLARKE of New York. I want to ask a simple question. Will not the gentleman give us some examples of benefits that have accrued from our participation in this institute?

Mr. McREYNOLDS. I am going to leave that to gentlemen who will follow me and I know they will be glad to inform the House in that regard.

Mr. ALLEN. Is the President in favor of this increase of 50 percent in the salary of the delegate?

Mr. McREYNOLDS. I never said that. I said that was a matter for the House to decide.

Mr. ALLEN. Is the committee in favor of this increase?

Mr. McREYNOLDS. The gentleman witnessed the vote in the committee.

[Here the gavel fell.]

Mr. FISH. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. BLANTON].

Mr. BLANTON. First, I think it is well to get some of the cobwebs out of the way. I do not make any statement on this floor unless it is supported by the record.

They say there is no junket in this. I refer you to the report of the committee that they brought in here and I read from page 4, the second paragraph:

From 1906 until 1928 this Government participated actively in the Institute being represented on the permanent committee by a delegate resident at Rome—

I call particular attention to this portion of the statement—

and sending delegations to the biennial meetings of the general assembly.

Not sending one man but sending delegations.

What did the gentleman from Tennessee mean when he put in this report, a report from the Secretary of State—and it is the same report Stimson sent here—

Mr. McREYNOLDS. Mr. Chairman, will the gentleman yield?

Mr. BLANTON. No, I am sorry, I cannot yield.

Mr. McREYNOLDS. I wish to explain the gentleman's statement.

Mr. BLANTON. I cannot yield. If the gentleman cannot yield me any Democratic time, I cannot yield to him. It is unfortunate when things come to such a pass that a Member who has been supporting the Democratic ticket ever since he has grown up has to go to the Republican side to get time to talk against an extravagant Republican bill. Why, this is a Republican bill. It was formulated by the Republican Department of Agriculture, by a Republican Secretary of State under a Republican President. President Hoover sent it here in the last Congress as a Republican measure.

Mr. TABER. Mr. Chairman, will the gentleman yield?

Mr. BLANTON. Yes.

Mr. TABER. We are prepared to repudiate it, anyway.

Mr. CLARKE of New York. Mr. Chairman, will the gentleman yield?

Mr. BLANTON. I regret that I cannot yield; I have but 5 minutes; I am sorry.

Mr. FISH. I will yield the gentleman an extra minute if he will yield for a question.

Mr. BLANTON. I am glad to yield to the gentleman from New York, who has been so generous and courteous in the matter of time. I am glad to yield to him.

Mr. FISH. I wish to point out to the gentleman from Texas that as the resolution was recommended by the Republican administration it carried a salary of only \$5,000.

Mr. BLANTON. That is right; but the gentleman from Tennessee [Mr. McREYNOLDS] has raised it 50 percent. He proposes to pay \$7,500. Is the President now in the White House in favor of the raise? He is not. I make the statement on my own responsibility that the President of the United States is not in favor of raising the salary of any Italian employee of this Government over in Rome, Italy, 50 percent.

Mr. KELLER. He is not an Italian.

Mr. BLANTON. If the gentleman from Illinois will keep still a minute, he will learn something. If SOL BLOOM has got no junket in this, I want him and the gentleman from Tennessee to explain this language, which I quote from the committee report, when, in explaining just how the State Department has spent this annual appropriation, which one

year amounted to \$68,340, Mr. Henry L. Stimson, then Secretary of State, said:

From 1906 until 1928 this Government participated actively in the institute, being represented on the permanent committee by a delegate resident at Rome, and sending delegations to the biennial meetings of the general assembly. The annual appropriations for the support of this Government's part in the institute varied in the period 1922-28 between \$29,577 and \$68,340.

Just what did he mean when he said, "And sending delegations to the biennial meetings"?

He did not say one delegate. He said delegations. That term "delegations" cannot be explained away. It is expected to send more delegations to Rome, Italy, and this is the reason this bill is written so as to provide \$48,500 for such annual expenditure.

I have a breakdown of our expenses for this institute for the past 3 years and this year, which was furnished me by Mr. Carr, of the Department of State, and from it you will note that our quota—and by quota is meant the annual contribution we are due this institute every year for expenses of it—was \$4,713.28 in 1930, and \$4,722.55 in 1931, and \$4,689.33 in 1932, and \$5,400 for 1933, this year, which has not yet been paid. Here is the statement:

Expenditures on account of the International Institute of Agriculture at Rome, Italy

	Calendar year 1930	Calendar year 1931	Calendar year 1932	Calendar year 1933
Stenographic services.....	\$83.33			
Communication service.....		\$6.42		
Travel expenses.....		827.19	\$1,457.86	
Equipment.....	978.24			
Miscellaneous expenses.....	12.08			
Quota.....	4,713.28	4,722.55	4,689.33	\$5,400
Total expenditures.....	5,786.93	5,556.16	6,147.19	5,400
Unexpended balances.....	52,213.07	9,703.84	4,912.81	
Total appropriations.....	58,000.00	15,260.00	11,060.00	5,400

¹Payment has not yet been made.

Now, if our quota, or contribution, for expenses of the institute is only about \$5,000 per annum, and we pay the salary of \$7,500 and the allowance of \$5,500, where is the balance of this \$48,500 going? Remember what Mr. Stimson said, "For sending delegations." It is for "delegations."

Mr. BLOOM. What is the gentleman reading from?

Mr. BLANTON. I am reading from the gentleman's report. Our friend Sol let too much go into this report of the committee.

I have not yielded to the gentleman.

Mr. BLOOM. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will suspend. The gentleman from Texas has the floor, and gentlemen know they have no right to interrupt him unless the gentleman yields.

Mr. BLOOM. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. BLOOM. If the gentleman from Texas mentions my name specifically and calls attention to a certain thing he is going to read, have I not the right to ask him what he is reading from and to state the page?

The CHAIRMAN. Not unless the gentleman agrees to yield, and the gentleman refuses to yield.

Mr. BLANTON. I think that is a fair, just inquiry, and if the gentleman will yield me 2 minutes extra I shall yield to him.

Mr. BLOOM. I have not got it.

Mr. BLANTON. I want to ask you this question, and I am talking to my Democratic colleagues. If there is no junket in this, what did Brother McREYNOLDS mean when he put in his report, "For sending delegations", and so forth?

Mr. McREYNOLDS. I can explain that to the gentleman if he will let me.

Mr. BLANTON. Just a minute. What did the gentleman mean when he put in here, as coming from the State Department, this language, "And sending delegations to biennial meetings"?

Mr. McREYNOLDS. That is true as to those meetings when another authorization was made, but that is not true as to this authorization.

Mr. BLANTON. I hope the Chair will not take this out of my time, because I did not yield.

Mr. McREYNOLDS. The gentleman asked me the question. I am giving the gentleman a little bit of what he has been giving everybody else.

Mr. BLANTON. Mr. Chairman, do not take this out of my time.

Now, listen to this:

"Sixty-eight thousand three hundred and forty dollars it costs 1 year." Was there not a delegation sent on that money?

Mr. McREYNOLDS. There might have been, but this does not provide for that.

Mr. BLANTON. If they sent delegations in the past, why will not they send them in the future? If you take the delegations out of this bill and if you will take the junket to Rome out of it, there will not be all this intensive interest in it.

Mr. McREYNOLDS. I have a statement right here [indicating] showing that what I stated is absolutely true.

Mr. BLANTON. Mr. Chairman, the gentleman from Tennessee is the most unfair man I ever saw.

Mr. McREYNOLDS. I thank you, sir; but I cannot beat you.

Mr. BLANTON. He is in charge of all of the time on the Democratic side, and he will not yield any of his own time and he has limited the debate against his bill to 30 minutes, and then he takes up all our time. This is not fair.

Let me tell you about gathering statistics for the farmers. Do you know what is the matter with the farmers today? The farmers have been bankrupt with statistics. God save the farmers from more statistics. They do not want any more statistics. [Applause.]

[Here the gavel fell.]

Mr. FISH. Mr. Chairman, I yield the gentleman from Texas 1 minute.

Mr. BLANTON. Mr. Chairman, all of us appreciate my splendid, brilliant, young friend from Iowa, Dr. WEARIN. He is one of the most brilliant young men in the House. I take my hat off to him. He is just 30 years old. He has not had time to learn much, practically, about actual farming. He graduated at the Tabor Academy when he was 17 years old in 1920, and then he was graduated from Grinnell College in 1924, and then in 1926 he became treasurer of his local school system at home. He went abroad for a year and studied at Rome and then in 1928 he became a member of the Iowa Legislature. He was the Democratic leader there for 4 years, and as a splendid young stalwart Democrat I take off my hat to him, but he does not know much about the way departments here provide junkets. [Laughter and applause.]

Mr. FISH. Mr. Chairman, I yield 2 minutes to the gentleman from Illinois [Mr. BRITTEN].

Mr. BRITTEN. Mr. Chairman, the distinguished Chairman of the Committee on Foreign Affairs suggested to the House a few moments ago that this bill did not carry an appropriation. Of course it does not, but it carries a direction to the Committee on Appropriations to appropriate, not only this year but every year from now on, \$48,500. And what for? To be expended almost entirely in Rome for sustaining the International Institute of Agriculture.

In the name of heaven, my good friends, is there an ounce of common sense in throwing \$48,500 into a wastebasket in Rome at a time when we have millions out of employment in the United States, at a time when we are cutting every dollar out of every appropriation we possibly can, at a time when we are discharging thousands of Federal employees all over the United States and at a time when everybody is clamoring for economy, including the President himself? Day after day there comes the cry for more economy.

I regard the Committee on Foreign Affairs very highly, but I cannot understand how any reasonable organization of

men, who have to account to their constituency from time to time and who are down here reducing the salary of everybody all the way down the line, can be in favor of a proposition of this kind.

We have never had a condition like the present emergency, and how a body of reasonable men can come in here and ask us to dump practically \$50,000 a year into a hopper in Rome in the interest of the American farmer is more than I can understand. There has never been as silly a proposition as this presented to the House, and it ought to be overwhelmingly defeated. [Applause.]

[Here the gavel fell.]

Mr. McREYNOLDS. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. KLOEB].

Mr. KLOEB. Mr. Chairman, ladies and gentlemen of the Committee, I have always found it profitable in presenting a case to a reviewing court to get the facts of the case plainly before the court, because it has been my experience that if the court has the facts correctly it can more correctly apply the law.

I feel that in this case I am about to present, the facts are grossly misunderstood. When you have the facts you are going to favor this measure. I hope that you will not interrupt me as I proceed with the statement of the facts until about the time of my conclusion. Then I shall be glad to answer any question that I am capable of answering.

What is this Institute of Agriculture? Back in 1906 there arose the necessity in the Agricultural Department of the Government that the farmers of the United States should obtain data that would be of assistance to them in planting their crops and in marketing those crops.

Someone has said, "Well, what is the function of our Department of Agriculture?" Its function is to gather statistics in the United States. It has no representatives in the forty-odd countries of the world. The duty of representing us belongs to our delegate to this institute. If the Government wanted to gather statistics from the forty-odd countries, it would be necessary to have a representative go to each of those countries. For this reason they found that it would be more economical and simpler to have cooperation among the agricultural nations of the world, and have each send a permanent representative at a given place, and there, with the assistance of clerks and expert statisticians assimilate the statistics, as well as market and crop conditions, from agricultural countries of the world that come in in all the languages of the world.

These facts are presented in their various languages to this institute, are digested, assimilated, and printed in various languages of the world, and in the form of reports are sent over here, not only to the Department of Agriculture but also to all the farmers' colleges, the agricultural institutes, and the extension bureaus. Daily cables are sent to the Agricultural Department on market and crop conditions.

What do you say this is to accomplish? Let me tell you what it has accomplished. In 1928, 135,000 farmers attended the extension schools in the United States. In 1931 846,000 farmers attended these agricultural institutes, these extension courses. Where do these extension courses get the world-wide statistics on products, on cost of marketing, on the probabilities of marketing for future crops? They get them from the Agricultural Institute in Italy where we have one representative.

Mr. JOHNSON of Minnesota. Will the gentleman yield?

Mr. KLOEB. No; I told the gentleman I could not yield until I had finished stating the facts. My friends, since 1906, when this Government by treaty became a party to that institute, we have been a member. We have sent annually a representative, who has resided in Italy, and we were fortunate since 1906 up to 1919 in having as our representative David Lubin, of Sacramento, Calif., an extremely wealthy man whose business was agriculture.

He was the father of this institute. This gentleman paid much of his own expenses. He paid out much of his own private income in order to maintain himself and his staff of assistants.

In 1919 he died, and a Mr. Hobson was appointed to succeed him. In 1928 there arose some difficulties over there in connection with the Italian delegate who sought to rule the entire delegation, and we withdrew our man.

From 1928 to this time, under the terms of the treaty, we have been paying our assessment for maintenance of the institute in French francs—not gold francs, but 3.90 francs.

Thus we reduced our payments for the maintenance of the institute to \$4,800 in American money. The institute has found that it cannot operate without the assistance of American statistics and without the full American contribution; as a consequence in 1931, our State Department sent its representative to Italy and ironed out all these difficulties, and is now asking this Congress to again authorize an appropriation to permit a representative from this country to join all of the other agricultural nations of the world. We are the only country that is an agricultural nation that does not belong to this institute. That we now be permitted to rejoin is what is being asked in this resolution. President Hoover asked for this in June of last year in a special message to the Congress. Mr. Stimson, then Secretary of State, asked for the same thing. The present Secretary of State, Mr. Cordell Hull, asks for it, and the present President of the United States asks for it. The present Secretary of Agriculture asks for it, as did the former Secretary of Agriculture. Can all of these gentlemen be wrong?

Mr. WEIDEMAN. And did the President ask for a 50-percent increase in the salary of the delegate?

Mr. KLOEB. I shall answer the gentleman. When he speaks of a 50-percent increase in salary he makes an inaccurate statement. The past salary of \$5,000 is now subject to a 15-percent cut, making \$4,250 available. In view of the fact that under former conditions none but a wealthy man could be appointed at the prevailing salary, and none but a wealthy man could be appointed at a salary of \$4,250, the Director of the Budget, Mr. Lewis Douglas, than whom there is no man in the Government service who more desires economy, asks that this increase be made. The President will then have an opportunity to select a man at a salary of \$7,500 a year, less 15 percent, and will not be confined to a selection from among wealthy men, who may know nothing about agriculture or agricultural statistics. With this arrangement he may possibly find some professor of an agricultural college who has the proper background in respect to economics and agriculture.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. FISH. Mr. Chairman, I yield 3 minutes to the gentleman from Michigan [Mr. HART].

Mr. HART. Mr. Chairman, as a practical farmer, as one who has been engaged in marketing farm products for some 30 years, and who knows something about the problems not only of farming but of the distribution of farm products, I listened with interest to the remarks of the gentleman from Ohio [Mr. KLOEB]. If there is one thing that he demonstrated in his 10 minutes, it is that he knows absolutely nothing about agriculture or the marketing of agricultural products. He demonstrated, however, that he is thoroughly familiar with the language of farm propagandists and he knows the language of the Agriculture Department, which has increased its appropriations steadily as the income of the farmer has gone down. That is patent to everyone. As fast as we have increased the appropriations of the Agriculture Department the income of the farmer has declined. The farmer is suffering today from too many figures produced about his business. If he is successful in growing a good crop, long before he can offer any portion of it to the consuming public our statisticians in the Department of Agriculture have broadcast the fact to the world—sold the price down on top of his head. That is the trouble with agriculture today. We have too many economists and too many statisticians. [Applause.] I hope we will get rid of one of them today.

I am operating today an 800-acre farm, every foot of which is under the plow. I do not require any representa-

tive at Rome. The figures can be collected from the trade in this country. My crop happens to be beans. We raise 75 percent of all the white beans grown in the United States in the State of Michigan. I am able to obtain in Europe the crop acreage as soon as it is planted.

I never heard in my 30 years of experience of any agricultural institute at Rome until I came here. I was able to get the figures with reference to the product I handled. I was able to get them from Greece, from Holland, from France, from Rumania, and points in the Far East. I had a clear picture before me of what was going on in Europe and the Near East with reference to beans. I knew what was grown in Manchuria and in Japan and China, and yet I never heard of the Agricultural Institute in Rome until I came to this Congress and was assigned to the Committee on Appropriations and to the bill where the Agricultural Department gets its money. [Applause.]

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. FISH. Mr. Chairman, I yield 3 minutes to the gentleman from Minnesota [Mr. JOHNSON].

Mr. JOHNSON of Minnesota. Mr. Chairman, I am sorry that we should take up so much time of Congress with only \$48,000. There are greater things to talk about than that, but I want to say to you that when you say we are going to send a delegation over to Rome to get information, you are badly mistaken. I do not care where you send them over in Europe, they will get some information. There is no question about that, but we have had enough information about agriculture and how to raise these wonderful things that we can produce in this country.

I have known conditions in Europe. I was born and grew up over on the other side of the Atlantic, and I have gotten information about what they are doing over there the last 40 years. But I say that when this gentleman from Ohio, an attorney or business man, or whatever he is, talks about the great attendance of farmers at the extension meetings of the great agricultural colleges, and so forth, he does not dare deny that the people do not attend them as much as they did at one time. I know two of the leading speakers, supervisors in my own State of Minnesota, who have told me personally that this work has been overdone.

When I get up in the morning and turn on the radio there is information about the prices of hogs and cattle and grain. If I turn on the radio at noontime, there is more information, and also until midnight. We get all the information we want. The trouble with us is that we have been raising too much, and if you farm with common horse sense, you do not need so many experts around your neck. [Applause.] I repeat the statement I made on the floor of Congress yesterday, that I do not belittle the efforts of these people who are trying to raise a better cow or a better sow or a better hen—

The CHAIRMAN. The time of the gentleman from Minnesota [Mr. JOHNSON] has expired.

Mr. FISH. Mr. Chairman, I yield 1 additional minute to the gentleman.

Mr. JOHNSON of Minnesota. One minute is not sufficient time to make the remarks which I would like to make. I say to you I have gone into the Red River Valley of Minnesota and North Dakota and seen millions of bushels of potatoes rotting in the ground because of overproduction. When God Almighty gives us rain and sunshine we can raise it. Our problem is to get an honest and fair price on the markets in this country. If you attorneys and other professional and business men will see that we have a market for our products and see that we farmers get the cost of production plus a little profit, you can go home with the satisfaction that the farmers are going to produce enough so that the people of this country will live. [Applause.]

The CHAIRMAN. The time of the gentleman from Minnesota [Mr. JOHNSON] has again expired.

Mr. FISH. Mr. Chairman, I yield 2 minutes to the gentleman from Kansas [Mr. HOPE].

Mr. HOPE. Mr. Chairman, I rise in these 2 minutes simply to discuss the statement that was made by the gentleman

who just preceded me, that all the agricultural information that is put out over the radio and in other ways by our Department of Agriculture originates in the International Institute of Agriculture. I am sure, if the gentleman, whom I know wants to be correct in his statements, will look into the matter, he will find he is very much mistaken about this.

Mr. BLOOM. I did not say that.

Mr. HOPE. I so understood the gentleman, and, whatever his exact language may have been, its clear implication was as I have stated it. We may get some information from the International Institute of Agriculture, but I venture to say that the International Institute of Agriculture gets 10 times more information from the United States Department of Agriculture than the Department of Agriculture gets from that institution.

We have in every country of the civilized world the American Consular Service, which is at the beck and call of the Department of Agriculture and the Department of State, to obtain any agricultural information which may be desired. We have in the Bureau of Agricultural Economics our foreign agricultural service, with its attachés in all the principal countries of the world and with ample facilities to get all the information we may need from other countries. We have the Department of Commerce, with its far-flung organization equipped to secure such data as we may need with regard to production and markets. And in the Bureau of Agricultural Economics, in the Bureau of Plant Industry, and in all the other great bureaus of the Department of Agriculture we have able and experienced men to coordinate this information and get it before the farmers of the country. This great organization of our own—not the institute at Rome—is the source of our agricultural information. [Applause.]

[Here the gavel fell.]

Mr. FISH. Mr. Chairman, I yield 2 minutes to the gentleman from Michigan [Mr. FOULKES].

Mr. FOULKES. Mr. Chairman, I am a new Member from Michigan, and this is the first time I have said a word on the floor of this House. I am a farmer. I farm more land than any other individual in that State. My family members have 80,000 acres of land, all under cultivation, and I want to say to these statesmen assembled here today that I think I understand the farming business.

I have sat here for nearly 90 days listening to arguments on agriculture as a member of the great Agriculture Committee and under the leadership of our distinguished Chairman, Mr. JONES, of Texas, I have labored hard and conscientiously in an honest effort to assist in framing sound legislation. I want to say to you that in my humble judgment most of your arguments are unsound and you do not understand the farming problem.

I want to appeal to those Broadway statesmen and to the statisticians and to these professors of the Agriculture Department and other departments to let us farmers alone. [Applause.]

I have heard more misinformation on that subject in the last 60 days than I ever knew existed anywhere.

As far as this bill is concerned, I want to say that I never heard of this association, this Institute, before in my life. If it is performing any functions, or has been of any benefit to me, I do not know it. Let me say further that if I could I would abolish the Agriculture Department. [Applause.] It is a nuisance and a delusion and a snare. You Broadway gentlemen ought to let us farmers alone. We know what we want, and if you will give us a little friendly cooperation, we will straighten out the agricultural question. [Applause.]

Mr. FISH. Mr. Chairman, I yield 2 minutes to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Chairman, no one has yet told us why we should have these consular agents in every State and town in the world to get information in reference to all subjects pertaining to agriculture, representing the Department of Agriculture all over the world, representing the Department of Commerce all over the world, and still have to have an Institute of Agriculture from which we get something else. Is it not about time we developed our efforts

with some kind of concentration in making our consular and agricultural officers perform more service, instead of getting into something else and spending more money? [Applause.] We are never going to help the farmers unless we stop this kind of monkey work. [Applause.]

Mr. FISH. Mr. Chairman, I yield myself the balance of the time.

Mr. Chairman, I ask unanimous consent to speak out of order for the balance of time.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. FISH. Mr. Chairman, today's newspapers include an Associated Press report that the Finance Minister of Italy, Mr. Jung, who recently visited this country to discuss world economic problems, has just returned to Italy, and the day following his return he went before the Italian Parliament and urged a debt reduction of 80 percent by all nations which owe us money on war debts. I feel that this is the proper place and proper time, at least, to present the American point of view and to protest any attempt by the Italian Government to dodge its just debts to the United States.

Mr. HOEPEL. Mr. Chairman, will the gentleman yield?

Mr. FISH. I cannot yield in 8 minutes on this subject. We showed more liberality and generosity to Italy in the settlement and adjustment of the war debts than to any other country. We reduced the war debt to Italy 75 percent and asked her to pay only 25 percent, in comparison to the settlement with Great Britain, which is on an 80-percent basis; with France, which is on a 50-percent basis; and Belgium, which is also on a 50-percent basis. The Italian war-debt settlement was by far the most generous that we made. Yet the same Italian minister, Mr. Jung, who came over here as the guest of our Nation, largely, so it developed, as the guest of the Democratic Party, as soon as he returned to his own land, goes before his Parliament and proclaims that not only Italy but that all the Allied Nations should have a reduction of 80 percent on the war debts due the United States. He said, "We are not able to pay."

The record shows that we loaned to Italy 60 percent of her war indebtedness after the armistice was signed, or \$1,031,000,000 prior to the armistice and \$617,000,000 postarmistice. Yet Finance Minister Jung comes along now and says that Italy is not able to pay, in spite of the fact that we have reduced the debt by 75 percent, and claims that we must reduce it 80 percent. Whether he means 80 percent of the remaining 25 percent or 80 percent of the whole debt it is difficult to tell from the Associated Press report. The basis of his argument is that Italy has not the capacity to pay. I think it would have been fairer to state that she did not have the willingness to pay. Yet the Italian Government, at the present time and for the last 3 years, has been spending more on its naval armaments than either Great Britain or Japan. The following are the figures showing the appropriations for new naval construction in Italy, British Empire, Japan, and France:

Italy: 1930-31, \$31,600,000; 1931-32, \$37,100,000; 1932-33, \$38,100,000.

British Empire: 1930-31, \$30,500,000; 1931-32, \$21,500,000; 1932-33, \$33,700,000.

Japan: 1930-31, \$40,800,000; 1931-32, \$33,500,000; 1932-33, \$26,900,000.

France: 1930-31, \$39,400,000; 1931-32, \$34,600,000; 1932-33, \$29,700,000 (for 9 months only).

These figures submitted by our naval intelligence show that Italy, which never has been a naval power, is spending more money for new construction than the British Empire or Japan.

I was told just a few moments ago that the President of the United States made a statement yesterday that if he had any recommendations to make or if any recommendations were made to him, in regard to a reduction in war debts, he would take it up with the Senators. I am afraid, if that statement is correct, that the President is under an erroneous impression that the war-debt settlements or adjustments are treaty matters that must go to the Senate.

The war-debt settlements were initiated in the House of Representatives, and they must come back to the House of Representatives for revision and the consent of Congress must be had if there is to be any change or modification of the settlement with Italy or any other nation. The matter should come back here to the Ways and Means Committee and be considered there. If we want to reverse ourselves, that is our privilege. I am not one of those die-hards. I believe there should be certain adjustments in the war debts, particularly with Great Britain; but it seems to me almost an act of impertinence for the Finance Minister of Italy, the day after he gets back from his visit here, to go before the Italian Parliament and demand that there should be a reduction of 80 percent, in spite of the fact that we have been almost overgenerous with Italy in comparison with every other country in the world. The resolution before us authorizes the expenditure of \$48,500 to pay our share toward the maintenance of an International Institute of Agriculture at Rome. Perhaps we might save something out of the Italian war debt by saying that we will adjust these debts and let Italy pay the \$48,500.

It is apparent to me that Italy does not propose to pay any of the war debt, but expects to cancel it, and that too is indicated in the statement of Mr. Jung, the Italian Finance Minister, according to the press reports today. He proposes a reduction not only of 80 percent, but in a part of his speech to Parliament an actual cancelation of the war debt. It is time for the Congress of the United States to discuss this war-debt issue and let foreign nations and their people know that there is an American side to it. I know of no better or more proper place to discuss our relations with foreign nations than the floor of the House of Representatives and thereby at least inform our people back home. I believe in the old Wilsonian doctrine of open covenants openly arrived at. We did not start the World War. We went over there and changed the tide of defeat into one of victory. We asked for nothing and that is exactly what we got—nothing at all—no plunder, no conquered territory, no indemnities, and no reparations but the allied nations are united in wishing the financial burden of the war on the backs of the American people. Italy got the Tyrol and Fiume, and parts of Africa. We all know what England and France took as their share of the spoils of war. If these nations want a reduction in their war debts, it is proper for them to discuss it with our representatives, but not while spending vast sums on naval and military armaments to plead incapacity to pay anything and to demand cancelation.

Mr. HOEPEL. Mr. Chairman, will the gentleman yield?

Mr. FISH. Yes.

Mr. HOEPEL. The gentleman says that we received nothing as a result of the war. We did receive something. We received the name of Shylock.

Mr. FISH. We got just what we get in every international conference that we have gone into. We have always got it in the neck in every foreign conference, and probably always will, and that is why the American people have so little faith in any international conference. Before we actually enter into these conferences there are secret military treaties, threats of repudiation of debts and agreements made in advance and often never known.

What is the significance of the statement made by Mr. Jung. Was there any discussion of the war debts between the Italian Finance Minister on his recent visit to Washington and the "brain trust?" Is this proposal a part of any agreement or even suggestion on the part of anyone in the American Government, or is it merely an attempt to feel out public opinion in the United States? No member of the opposition or Republican Party was even invited to attend the conferences with foreign statesmen held at Washington even as an observer. The administration for the first time since the Civil War has carried partisanship to such a degree on international issues that the opposition only learns the facts from the newspapers or from statements made by foreign diplomats or contained in European press dispatches.

Mr. BLANTON. Mr. Chairman, will the gentleman yield?

Mr. FISH. Yes.

Mr. BLANTON. This committee report shows that we have gotten it in the neck in this conference at Rome, and since 1928, because we did get it in the neck, we have not participated at all.

Mr. KELLER. Why do we get it in the neck?

Mr. FISH. Because before we actually get into these conferences, before we participate, we find other agreements have been made, whether they be tariff agreements, as you read in the newspapers a few weeks ago or secret military treaties, and in this case, the Finance Minister of Italy, Mr. Jung, evidently was not speaking alone for Italy, but was speaking for the allied nations. [Applause.]

The CHAIRMAN. The time of the gentleman from New York has expired. All time has expired and the Clerk will read.

The Clerk read as follows:

Resolved, etc., That the sum of \$48,500, or so much thereof as may be necessary, is hereby authorized to be appropriated annually for the expenses of participation by the United States in the International Institute of Agriculture at Rome, Italy, to be expended under the direction of the Secretary of State in the following manner:

(1) Not to exceed the equivalent in United States currency of 192,000 gold francs for the payment of the annual quota of the United States for the support of the institute, including the shares of the Territory of Hawaii, and of the dependencies of the Philippine Islands, Puerto Rico, and the Virgin Islands.

(2) Not to exceed \$7,500 for the salary of a United States member of the permanent committee of the International Institute of Agriculture.

(3) Not to exceed \$5,500 for rent of living quarters, including heat, fuel, and light, as authorized by the act approved June 26, 1930 (46 Stat. 818); compensation of subordinate employees without regard to the Classification Act of 1923, as amended; actual and necessary traveling expenses; and other contingent expenses incident to the maintenance of an office at Rome, Italy, for a United States member of the permanent committee of the International Institute of Agriculture.

During the reading of the House joint resolution the following occurred:

Mr. GLOVER. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. GLOVER. I should like to ask at what point amendments might be offered; whether at the end of each paragraph or at the end of the section.

The CHAIRMAN. After the bill has been read in its entirety. There is only one section in the bill.

Mr. BLANTON. Mr. Chairman, there is a proper motion in order at this juncture, and I make it. I move that the committee do now rise and report this bill back to the House with the recommendation that the enacting clause be stricken out.

The CHAIRMAN. The motion of the gentleman is not in order until the section has been entirely read. There is only one section in the bill.

Mr. FISH. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. FISH. I trust the Chairman will recognize members of the committee to offer amendments at the conclusion of the reading of the bill.

The CHAIRMAN. The Chair will endeavor to follow the rules and precedents of the House.

The Clerk concluded the reading of the bill.

Mr. FISH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FISH: On page 1, line 4, after the word "appropriated", strike out the word "annually."

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. FISH].

Mr. FISH. I should like to be heard briefly, Mr. Chairman.

Mr. McREYNOLDS. Mr. Chairman, I have no objection to the amendment.

The amendment was agreed to.

Mr. ALLEN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ALLEN: On page 2, line 5, after the word "exceed", strike out "\$7,500" and insert in lieu thereof "\$5,000."

Mr. ALLEN. Mr. Chairman, the International Institute of Agriculture was proposed by an American citizen, David Lubin, of California. Believing in its importance he succeeded in obtaining the support of the King of Italy, who, in 1905, invited most of the Nations of the World to send delegates to an international conference in Rome to consider the formation of such an agricultural organization. Henry White, Ambassador to Italy, was the delegate from the United States. The conference was attended by delegates from 40 countries. The United States ratified the convention in 1907. The Institute was established in Rome, where it occupies a building provided for its use by the Italian Government.

The purposes of the institute are:

(a) Collect, study, and publish information concerning farming, the commerce in agricultural products, and the prices prevailing in the various markets.

(b) Indicate wages paid for farm work throughout the world.

(c) Make known the new diseases of vegetables and farm products which may appear in any part of the world, showing territories infested, the progress of the disease, and, if possible, the remedies which are effective in combating them.

(d) Submit to the approval of governments measures for the protection of the common interests of the farmers.

In my opinion, there is not any question as to the practical benefit obtained. Its work is fundamentally strong and the service that it renders to our Government is very valuable. The Chief of the Bureau of Agricultural Economics wrote on June 7, 1932, as follows:

The official estimates of acreage, crop conditions, and production are of great value to the Department of Agriculture and the State agricultural colleges.

At no time has there been so many requests from farmers for information on world conditions.

The annual appropriation for the support of it for the United States has varied in the period 1922-28 between \$29,577 and \$68,340.

You are all aware of the plight of the farmer. One of the major causes of this crisis is overexpansion of world agriculture. Our own production expansion must be adjusted in the light of world competition and demand. It is necessary that we export some of our output and also meet foreign competition in our own markets. It is therefore important that our farmers have reliable information on world agricultural conditions.

I am in accord with the resolution, with the exception of the increase in salary for the United States member. Since our entrance in 1905 the salary of the member has been \$5,000 per year, with a reasonable allowance for light, heat, and quarters. To the best of my judgment, this is the first resolution that has been brought into this House asking for an increase. It has been explained to me by several of the Committee on Foreign Affairs who are in favor of this resolution in its entirety that \$5,000 is not sufficient to obtain the services of a competent man; that former members were of great wealth and the money phase of it was immaterial. They further told me that a man in that position must entertain lavishly. My friends, I would ask you if any Member of this Congress can conscientiously raise the salary of any United States employee 50 percent in order that he may entertain extravagantly, when only the past month we have reduced the compensation of the \$1,000-a-year scrubwoman 15 percent, the total-disabled war veteran all the way from 20 to 100 percent? When for economy sake we are retiring efficient men from the Government service because—and only because—they have given 30 years of honest and efficient service.

I would ask you when this Government has seen fit also to take the pension away from thousands of widows of veterans—I have been told that many widows of those heroes who gave their lives with the fall of the *Akron* will receive but \$22 per month—when it has seen fit to reduce our national defense, how can any Member explain a vote to increase the salary of an employee 50 percent when the administration is crying "economy"?

I would respectfully ask my friends that you be consistent with yourselves, to be fair with those who have been compelled to sacrifice during this emergency, and to vote to keep the salary the same as it has been for over 20 years instead of raising it 50 percent, which this resolution provides.

The amendment was agreed to.

Mr. GLOVER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, the amendment just adopted, offered by the gentleman from New York [Mr. FISH], is identical with an amendment that I had sent to the desk and which I intended to offer. Of course, I realize that the committees are entitled to all the honor of amending a bill which they bring in here, but I rather think they should bring it in right in the first place, without a proposition of carrying an appropriation forever hereafter. Just why that language was permitted I cannot understand, unless they wanted to keep this question from coming before the Congress hereafter. I am very glad indeed that it has been aired on the floor of this House.

Now, I was born and reared on a farm. I know agriculture, and I doubt if there is a man here who is a farmer by practical experience who could point out one particle of good that has ever been accomplished by the expenditure of this money. Forty-eight thousand five hundred dollars a year from the time this was entered into makes an enormous sum of money that has been spent on this. That institution over there in Italy will get up a great scare about a brown-tail moth and you will appropriate thousands and thousands of dollars to exterminate something of that kind. If you could get a cross between a bollweevil and a brown-tail moth, you could come here and get \$50,000 a year to exterminate it. That is where those things come from. They come from institutions of this kind. I say to you that agriculture is charged up with all of these expenses. Then they say, "Just look what they are doing for agriculture."

We have had a very nice confession this morning from three or four Congressmen, and the balance of us could make the same kind of confession when we were here fresh, as they are. I doubt if 5 percent of the people who have come to Congress in the last 5 years knew that there was such a thing as that institution in existence. The farmers do not know it. They know they are getting no good from a thing like that. I believe the gentleman sounded a warning note this morning when he said we should let them alone in many respects. I say we are hampering them with legislation sometimes.

Mr. FORD. Will the gentleman yield?

Mr. GLOVER. Yes; I yield.

Mr. FORD. I think I understand the farm question. If all the men who have stood here and said they were farmers do not know any more about the farm question than their remarks have indicated, it is no wonder the farmer is in trouble.

Mr. GLOVER. The gentleman is not referring to me, because I can take him out and lay off a straighter row through new ground than he can carry a bridle through. I know the character of farmer that I am, and I am not like my good friend from New York [Mr. BLOOM], who farms on Broadway, right up in front of the great Morgan Building, where they raise everything in the way of finances and nothing in the way of crops. What New York needs to do is eat more and talk less about agriculture. [Laughter.]

Mr. BLOOM. Will the gentleman yield?

Mr. GLOVER. I yield.

Mr. BLOOM. From what I understand of this bill, knowing as much about it as I do, I can understand why farmers such as the gentleman refers to are in the position they are today.

Mr. GLOVER. Oh, if the gentleman knew what he was talking about, he would know that the farmer is in the condition he is today because he has been following expert advice coming from great cities like New York, and not taking the practical thought of the farmers and putting it into execution. I am speaking of the actual farmer.

Mr. WEIDEMAN. Mr. Chairman, will the gentleman yield?

Mr. GLOVER. I yield.

Mr. WEIDEMAN. About all they raise on Broadway is wild dogs.

Mr. GLOVER. Oh, they raise lots of heck up there. They raise everything except corn, wheat, potatoes, and things that are good to eat.

Mr. BLOOM. Mr. Chairman, will the gentleman yield?

Mr. GLOVER. I yield.

Mr. BLOOM. Will not the gentleman admit we are pretty good contributors to the farmers?

Mr. GLOVER. You fellows certainly have good appetites; you look healthy; you look as though you fed well. The farmers have been treating you pretty well, and the city folks should think of the farmers' interest.

Mr. BLOOM. That is what I am stating.

Mr. BOYLAN. Mr. Chairman, will the gentleman yield?

Mr. GLOVER. I am always glad to yield to any of the gentlemen from New York, because they are great farmers.

Mr. BOYLAN. What would happen to the farmers if it were not for the people of the great cities of this country who eat your produce and drink your milk?

Mr. GLOVER. Yes; and what is going on now? The farmers' milk is being dumped by the roadside.

Mr. BOYLAN. You farmers have got to depend upon the cities. Does not the gentleman know to be facts these things I have stated?

Mr. GLOVER. No; I do not know all of them to be true.

Mr. FISH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FISH: On page 1, line 3, strike out "\$48,500" and insert in lieu thereof "\$46,000."

Mr. FISH. Mr. Chairman, I do not think there will be any objection to this amendment. It puts into effect in the total amount appropriated the theory of the Committee in adopting the previous amendment striking \$2,500 off the salary.

Mr. McREYNOLDS. Mr. Chairman, will the gentleman yield?

Mr. FISH. I yield.

Mr. McREYNOLDS. A mistake was made in reporting the bill in that the total was not raised by \$2,500 to provide for the \$2,500 raise in salary.

Mr. FISH. By its action on the last amendment, the Committee struck \$2,500 out of the salary provision of the bill.

Mr. McREYNOLDS. But it was not taken up the other time. The bill as originally drawn provided for a total of \$48,000, with a salary of \$5,000. When it was amended, making the salary \$7,500, the total was not changed. This was a mistake. The present total is the correct total with the salary carried at \$5,000.

Mr. FISH. I do not know that I follow the gentleman. This seems to be getting complicated; \$2,500 has been taken off the salary. Should we not also take it off the total of the bill?

Mr. McREYNOLDS. As I stated, the original bill, as the gentleman knows, carried a total of \$48,000.

Mr. FISH. The gentleman means the Republican bill?

Mr. McREYNOLDS. Yes; the Republican bill, if the gentleman desires to call it such. The salary was raised to \$7,500, but through mistake it was not reflected in the total. I trust the gentleman will withdraw his amendment.

Mr. BLANTON. The whole thing has been a mistake.

Mr. FISH. Mr. Chairman, in view of the gentleman's explanation, I ask unanimous consent to withdraw my amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. BLANTON. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BLANTON: On page 2, line 12, after the semicolon, strike out "actual and necessary traveling expenses."

Mr. BLANTON. Mr. Chairman, if these words "traveling expenses", which permit junketing, are stricken out, I am willing to vote for the resolution. For in my judgment there is involved in such words, "traveling expenses", at least \$30,000 in this bill for junketing over Europe.

Mr. McREYNOLDS. Mr. Chairman, will the gentleman yield?

Mr. BLANTON. Just a moment. I cannot yield, when the gentleman, as chairman of the committee, controlled all of the time on the Democratic side and refused to yield to us who oppose the bill.

Mr. McREYNOLDS. I wish to correct the gentleman's statement.

Mr. BLANTON. I know what I am talking about. These departments may fool the gentleman from Tennessee with their bills drawn in technical language, but they cannot fool me. I have been looking after these appropriations for 15 years. I know how to hunt and find the sneakers the department sends up here for passage.

Now, I call your attention again to the information I got from the State Department yesterday.

Our quota or contribution to this Institute in Rome in 1930 was \$4,713. For 1931, it was \$4,722.55. For 1932 it was \$4,689. How much is it this year? We have not paid it yet. They have increased it so that this year it is \$5,400.

I got this information from the State Department. It ought to be authentic. The chairman and Mr. BLOOM say \$38,400 is our quota to this Institute. That is not so, unless we are to do a most foolish thing and give the Italians \$33,000 more than they should receive. I got my figures from the State Department, sent to me by Mr. Carr, and they are correct.

Our quota for this year, 1933, is only \$5,400. It is not \$38,400. The other part of this appropriation, or at least \$30,000, is for traveling expenses of experts in the Department of Agriculture and in the State Department, and possibly somebody else, and I will prove this to you.

Mr. BLOOM. Will the gentleman yield?

Mr. BLANTON. I always yield to my friend from New York. I think he is one of the fairest men on the floor.

Mr. BLOOM. I thank the gentleman very much. Let me explain to the gentleman that the reason that is \$4,000 at the present time is because at the time we entered into this treaty obligation the gold franc was then worth five times what it is today.

Mr. BLANTON. Then the gentleman admits that instead of paying \$4,000 we are going to pay \$38,400; is that right?

Mr. BLOOM. Will not the gentleman please let me explain?

Mr. BLANTON. Yes; but that is too much of an increase. I would rather the gentleman would explain it in his own time, because I want to use the rest of my 5 minutes.

I want you to again look at page 4 of Chairman McREYNOLD's report, the report he brings in here as being authentic, and in the second paragraph you will see where they say that since 1922 they have spent all the way from \$29,000 to \$68,000 a year on this institute.

Mr. BOILEAU. Will the gentleman yield?

Mr. BLANTON. I have not time to yield in 5 minutes.

Now, they say that this was for the purpose of paying their annual delegate and sending delegations to the biennial meetings of the general assembly. What does "sending delegations" mean? It means these junkets for these experts in the Department of Agriculture and the State Department—and I am reading this from his report—"sending delegations to the biennial meetings."

If we are just going to have a resident delegate in Rome, why should we provide traveling expenses? Why should we not strike out the traveling expenses? And in my honest judgment there is \$30,000 wrapped up in the traveling expenses that I am seeking to strike out. If you will help us strike out these five words, I will vote for your resolution.

Mr. BLOOM. All right; they are out.

Mr. BLANTON. All right; I will vote for the resolution if you will strike them out; because if you strike them out, you will strike out the junketing, and that is all I am after,

Mr. BLOOM and Mr. BOILEAU rose.

Mr. BLANTON. Then the gentleman agrees to strike this out?

Mr. BLOOM. No; I do not.

Mr. BLANTON. Oh, I knew they would not do it. I knew that the junketing part of the bill is the heart of it. Sending these annual delegations to Rome is what they want to keep in this bill. That is the reason I made them a fair proposition. Was not my proposition fair?

Mr. BLOOM. The gentleman will not listen to me.

Mr. BOILEAU. Will the gentleman yield?

Mr. BLANTON. Mr. Chairman, have I the floor or not?

The CHAIRMAN. The gentleman from Texas has the floor. Does the gentleman desire to yield?

Mr. BLOOM. Will the gentleman yield?

Mr. BLANTON. I yield always to the gentleman from New York.

[Here the gavel fell.]

Mr. BOILEAU and Mr. OLIVER of Alabama rose.

The CHAIRMAN. The Chair recognizes the gentleman from Wisconsin.

Mr. BOILEAU. Mr. Chairman, I want to call the attention of the Membership of the House to the fact that the gentleman from Texas has made a very grave error in his criticism of this paragraph of the bill. You will notice that paragraph 3, on page 2, provides that not to exceed \$5,500 shall be used for rent, living quarters, traveling expenses, and so forth.

Mr. BLANTON. Then there is a semicolon.

Mr. BOILEAU. This is in paragraph 3. So all of the entire appropriation for all the purposes of paragraph 3 totals \$5,500. So I cannot see how it is possible to save \$20,000 or \$30,000 out of a \$5,500 appropriation. I may be in error, but it seems to me that the wording of this paragraph is very clear. In other words, only \$5,500 is appropriated for all the purposes outlined in paragraph 3; and any of the expenses of any so-called "junketing" to which the gentleman from Texas has been referring, must of necessity come under the general provision of the first part of the bill.

Mr. BLOOM. Will the gentleman yield?

Mr. BOILEAU. I gladly yield.

Mr. BLOOM. When the gentleman from Texas asked me a question and I said I would prove my statement to him and would go along with him, I wanted to explain the mistake the gentleman from Texas had made and confirm what the gentleman has already said that the total amount of all the expenses of the office, traveling and everything else, included in paragraph 3, cannot, in any event, exceed the sum of \$5,500. The idea is that the actual and necessary traveling expenses and other contingent expenses incident to the maintenance of an office in Rome, including clerk hire, office rent, traveling expenses, and other expenses of the representative, must come out of the \$5,500, and this is exactly the meaning and intent of this clause.

Mr. BOILEAU. I am glad the gentleman has brought out what I thought was the obvious intention of the committee. To me it is so clear that it does not need explanation, and I think the gentleman from Texas must be a Houdini if he is going to save \$20,000 or \$30,000 out of a \$5,500 appropriation.

Mr. COCHRAN of Missouri. Will the gentleman yield?

Mr. BOILEAU. Yes.

Mr. COCHRAN of Missouri. If that statement be true—and from the wording of this bill it seems to be true—then you have provided for a \$7,500 salary for the representative which has been reduced to \$5,000, by a recent amendment, and you have \$4,000 plus as our share under the treaty. What are the items that go to make up the \$48,000?

Mr. BOILEAU. The rest of the expenditure comes out of the authorization in the first paragraph of the bill.

Mr. COCHRAN of Missouri. No; the language is "in the following manner."

Mr. BOILEAU. The language is that the sum of \$48,500, or so much thereof as may be necessary, is hereby author-

ized to be appropriated for the expenses of participation by the United States in the International Institute of Agriculture at Rome, Italy, to be expended under direction of the Secretary of State in the following manner.

Mr. COCHRAN of Missouri. And that is subject to three provisos and you cannot go beyond the three provisos, so what are you going to do with the money?

Mr. BOILEAU. I am glad the gentleman brought out that point, because paragraph 1 provides for a contribution toward the maintenance of the Institute, and \$5,000 in paragraph 2, and \$5,500 in paragraph 3.

Mr. BLANTON. What becomes of the balance?

Mr. BOILEAU. I am bringing this up for the consideration of the House because the amendment offered by the gentleman from Texas does not do what he is trying to do.

Mr. McFADDEN. I want to call the gentleman's attention to lines 4 and 5 on the first page of the bill, authorizing an appropriation for the expenses of the participation by the United States in the International Institute to be expended under the direction of the Secretary of State.

[Here the gavel fell.]

Mr. OLIVER of Alabama. Mr. Chairman, I move to strike out the last two words. I am Chairman of the Appropriation Subcommittee to which this bill will be referred if passed. May I make this observation. I think the gentleman who has just spoken is entirely correct in his interpretation of the resolution.

It contains only one section and the subdivisions 1, 2, and 3 simply place very definite limitations on the authority of the Secretary of State as to the expending of any appropriations that Congress may make thereunder. He is authorized, if Congress appropriates that much, to expend \$38,400 under subdivision 1 only in payment of the annual quota of the United States for the support of the Institute, including the quotas due from Territory of Hawaii, the Philippine Islands, Puerto Rico, and the Virgin Islands.

Subdivision 2 limits the salary expense to \$7,500. You have just amended that so as to limit it to \$5,000. That is to say, the salary of the representative stationed in Italy cannot exceed \$5,000.

The next limitation is fixed by subdivision 3, at \$5,500. These amounts added together make the total of \$48,400, which is the maximum amount authorized to be appropriated under the further limitations imposed by subdivisions 1, 2, and 3. As amended the resolution only authorizes an appropriation for the fiscal year 1934; the word "annually" has been stricken out, which would have perpetuated it. I think the House understands the very clear statement made by the chairman of the committee in which he gave positive assurance that this resolution comes to the House at the insistence of, and with the full approval of, the President of the United States. You will also find that he has communicated with other Members of the House and indicated his desire for the passage of the resolution.

If you will read the report of the Secretary of State, you will find that the appropriation here sought to be authorized will be used largely during the next fiscal year for the purpose of securing information to aid the conference that is to meet in London in June, because, he states, it is for the purpose of stabilizing the world farm conditions.

The President has delivered a message to the American people along that line, and that is why at this time I feel it is important that this authorization which he has requested be passed so that the Appropriations Committee may study what appropriations are required to meet the President's wishes; and all of that will be brought to you in detail in connection with any appropriation reported.

Mr. FISH. Will the gentleman yield?

Mr. OLIVER of Alabama. I yield.

Mr. FISH. I agree with what the gentleman has said in regard to sections 2 and 3, but will the gentleman inform the House exactly how much in American dollars we must pay to participate in this thing?

Mr. OLIVER of Alabama. My information is that we are authorized to pay such sums as the treaty agreement en-

tered into in 1905 may require the United States to contribute.

Under that agreement as now interpreted, this amount cannot exceed \$38,400. That includes not only continental America, but Hawaii, the Philippines, and Puerto Rico.

Mr. LOZIER. Is it not true, as clear as the English language can make it, that of the \$48,500 authorized, \$38,000 is in payment of our treaty obligations, \$5,000 in payment of salaries, \$5,500 in payment of expenses, including traveling expenses?

Mr. OLIVER of Alabama. The Appropriations Committee will certainly place that interpretation upon this resolution, and the committee that brought in the legislation understands that that is the sole purpose of it.

Mr. BLANTON. Is it not a fact that since 1906 our quota has never yet in any year been over \$11,000?

Mr. OLIVER of Alabama. I think the gentleman is in error.

Mr. BLANTON. I mean the quota we pay them for their expenses.

Mr. OLIVER of Alabama. In years prior to 1923 there had been carried various sums, sometimes amounting to more than \$60,000.

Mr. BLANTON. But that was expenses. I got the breakdown from the Department of State.

Mr. OLIVER of Alabama. The Department of State submitted last year to the committee, I think, an itemized statement in which it was indicated that this amount would be necessary, under a resolution adopted by the institute at its last meeting, as our quota.

Mr. BLANTON. And it is \$5,400 as fixed by the institute for this year.

Mr. GRAY. Mr. Chairman, I move to strike out the last three words. I confess that I am not so much interested in striking out the last three words as I am in having the last three words. We have true economy and false economy. We have economy gestures and economy maneuvers. We have economy on small things and waste and extravagance on large things. I confess that I am growing tired and weary in this House of voting for trivial economy, and I propose to break the monotony by voting for this bill. In the meantime I realize that we are now approaching Rome, where this world agricultural institute supported by all agricultural nations of the civilized world is located, and that we must do as Rome does. I promised my constituents, acting on the advice of the exalted leaders on this side of the House, that I would vote against all so-called "gag" rules. I have voted constantly on the advice and instructions of the President and administration leaders for every gag rule in this House. [Laughter.] I have come to the conclusion that the Democrats of this House are about as inconsistent, almost, but not quite, as the Republicans of this House. The leaders in Congress on both sides of the Chamber loudly proclaim against the gag rules when they are out, but declare the virtues of so-called "gag rules" when they are in. It is largely a question of the ins and the outs.

Mr. Chairman, we are in the current of human progress. The nations are being carried on and forward like the fragments of an ice floe, seaward in advancement. Transportation, communication, and the diffusion of knowledge have brought the world together in the tide of civilization. Humanity is striving and struggling in a stream flowing upward. We cannot falter. We cannot lag or fall behind. We must keep pace with the world progress and advancement and civilization. I cannot see my way clear here today to vote to take away from agriculture the benefits of the research in the agricultural world. Belated primitive agriculture is everywhere enlisting and mobilizing in the march of chemistry and the natural sciences to promote the growth and development of plant life and animal industry.

I am not in sympathy with the program of public economy which would deny to American agriculture the benefit of world research and demonstration, coming more vital in farming and in the cultivation of the soil from day to day. The result of one experiment or one demonstration in the

eradication of plant parasites or the treatment of animal infectious diseases made available to our 40,000,000 farm population and dependents may be worth a thousand times the small pittance required here to maintain our membership in that highly developed and organized institute or research body to the farmers of a single county or an integral part of a single State.

We are maintaining costly and expensive Consular Service in every country in the world in the interest of our manufacturers, commerce, and trade. And the appropriations to maintain that service mounts up in the myriad thousands and no substantial part of which is to be withheld or withdrawn on the grounds of economy.

Farming is a great basic industry and in which more people are engaged than in any other single calling, and which, by the very nature of the occupation, the isolation and singleness of the individual operations and the want of opportunity for research by experiment and observation, and within the reach of other industries coordinated under system and organization, is without the opportunity of proper facilities open to men engaged in other trades and callings. The amount called for here is a mere grain of sand to the vast amount of money appropriated for other industries assuming higher prestige and claiming greater consideration.

But the chairman of this committee, of which I am a member, advises me and assures me that this involves a treaty obligation to maintain which in good faith as a binding obligation upon the United States, must be met. As a member of this committee I am therefore constrained and in duty bound to uphold and maintain the credit of the Nation upon its obligations. If participation in this agricultural research institute by this treaty provided for, is not a wise undertaking or of substantial advantage to American agriculture, then the treaty-making power should be importuned to withdraw from the union long adhered to and the international obligation be abrogated in proper form and in a way to maintain faith and credit in the community of nations until so terminated.

The tax burden, which we are all compelled to recognize here, prompting the strain of economy and casting its withering shadows over progress, human advancement, and civilization of the world and including this country, has resulted more from the failure and destruction of the tax-paying power, than the amount assessed and levied and appropriated for public expenditures.

When the President shall have exercised the powers conferred upon him by this Congress to expand and restore the volume and supply of money and credit, secretly contracted and withdrawn from circulation over 12 years ago by the international and manipulating bankers still maintaining their domicile and residence within the United States, and the mere announcement of which has prompted a rise of values, the price level, and the wage scale, psychologically on anticipation, the rise will be continued upward to a conservative stage, restoring the earnings and income of the people and not only the tax-paying power, but the interest-, debt-, and mortgage-paying power and the buying and consuming power.

When these powers conferred are exercised, and they must be exercised promptly and without delay to stay the rising tide of discontent and assure the public mind, and without which the advantage gained by the rise will be lost, the blight of this tax burden impoverishing and dwarfing the agencies and institutions of peace and civil life, the schools and systems of public education, the orders of benevolence and all the charities that soothe, heal, and bless, will lift, rise, and pass away like the morning mist before the noon-day sun.

Mr. BLANTON. Mr. Chairman, I ask unanimous consent to withdraw my amendment.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. BLANTON. Mr. Chairman, I now make a preferential motion that the Committee do now rise and report the bill back to the House with the recommendation that the enacting clause be stricken out, and on that I demand recognition.

Mr. TABER. Mr. Chairman, before the gentleman begins will he yield to me for a question?

Mr. BLANTON. Certainly.

Mr. TABER. It seems from page 6 of the report upon this resolution that our treaty obligation is \$4,800 per year.

Mr. BLANTON. It should not be over \$5,400.

Mr. TABER. And for a while, from 1926 to 1929, we were paying \$11,527. The object of this bill is to increase that contribution up to \$38,000.

Mr. BLANTON. That is what they say. But I am not in favor of doing it.

Mr. TABER. No one has explained the bill and just what it means. That is what it means.

Mr. BLANTON. I cannot yield any more. In Mr. Carr's statement he says our contribution for 1930 was \$4,713; for 1931, \$4,722; for 1932, \$4,689.33; and he estimates for this year, although he has not paid it yet, \$5,400. That is our contribution. That is all on God's earth there is any law or treaty or anything else which authorizes payment by this Government.

Mr. KLOEB. Mr. Chairman, will the gentleman yield?

Mr. BLANTON. No; I regret I cannot. I have not the time.

This \$48,500 is going somewhere. Who is going to get it? They say they are going to increase this quota from what Mr. Carr says we should pay of \$5,400 to \$38,400. Why? Are you willing to increase the quota you are paying to Rome for the Italian institute from \$5,400 this year to \$38,400? Are you? Well, I am not. And I am not going to permit it to be done if I can help it. When I remember the veterans of the World War and Spanish-American War, veterans who have been on their backs having been decreased in their allowance as much as 50 percent, in cases, I cannot go home and look them in the face and say, "Boys, I had to vote to decrease you, but I voted to increase the payment to keep up the Italian institute in Rome from \$5,400 to \$38,000." That is what you are going to do. You cannot get away from it. You will have to put your approval in this RECORD today as to whether or not you are in favor of increasing the quota to Italy from \$5,000 to \$38,000, and at the same time decrease the soldier boys who brought victory back from Europe.

Mr. BLOOM. Will the gentleman yield?

Mr. BLANTON. I always yield to the gentleman from New York. He and I are good friends, if I do give him the devil once in a while.

Mr. BLOOM. I should like to have the gentleman listen to this little statement.

Mr. BLANTON. Yes. What are you going to do with this \$48,000, Sol? Tell us exactly what you are going to spend it for. Will you tell me that?

Mr. BLOOM. Yes; if the gentleman will yield. In the first place—

Mr. BLANTON. Five thousand dollars is going to the resident delegate. Five thousand five hundred dollars is going for rent, heat, and light.

Mr. BLOOM. All expenses.

Mr. BLANTON. And then five thousand for the quota. Is that right?

Mr. BLOOM. No; \$5,500.

Mr. BLANTON. How much for the quota?

Mr. BLOOM. Thirty-eight thousand four hundred dollars.

Mr. BLANTON. It is only \$5,400 this year. Are you going to increase it to \$38,000?

Mr. BLOOM. Will the gentleman let me explain it?

Mr. BLANTON. I do not think you can do it, Sol, but I will let you. [Laughter.]

Mr. BLOOM. All right. In 1906, when the quota was originally made, the franc was then worth 20 cents.

Mr. BLANTON. Oh, we know all about the franc.

Mr. BLOOM. No; you do not. Now, today—

Mr. BLANTON. Mr. Chairman, I must use the balance of my 5 minutes.

Mr. BLOOM. I will give the gentleman my time if he will allow me to explain it.

Mr. BLANTON. Very well. That is fair.

Mr. BLOOM. We have between us 10 minutes?

Mr. BLANTON. Yes.

Mr. BLOOM. Now, in 1906, as I said, the franc was worth 20 cents. In the last 4 or 5 years we have been paying at the rate of the franc according to the treaty obligation, on a 4-cent rate, and that is why we have only got—

Mr. BLANTON. I cannot yield further. I am against this bill. We must kill it and save \$48,500 annually.

The CHAIRMAN. The time of the gentleman from Texas [Mr. BLANTON] has expired.

Mr. BLOOM. Mr. Chairman, I rise in opposition to the motion.

Mr. BLANTON. Now, as the gentleman took my time, let me answer his questions.

Mr. BLOOM. We are reversed now. The gentleman from Texas will come here and I will speak.

Mr. BLANTON. Now may I answer that question?

Mr. BLOOM. Yes; certainly.

Mr. BLANTON. Regardless of the fluctuation in the value of the franc, Mr. Carr said that last year, 1932, our quota was \$4,689, and under the present value of the franc for this year, 1933, our quota is \$5,400, which has not yet been paid; and yet the gentleman from New York [Mr. BLOOM] says we are just going to increase that \$38,400 as a gratuity to the Italian Government.

Mr. BLOOM. Now, the gentleman from New York will try to answer the gentleman from Texas. We are paying according to the old rate of the franc. Because we have not been participating wholly in this convention, we have continued to take advantage of the treaty obligation at that time. But since that time, since 1906, we have entered into a new contract for the 48 States and the insular possessions, which makes the contribution 192,000 gold francs that we are obligated to pay at the present rate. The present rate on 192,000 gold francs is \$38,400.

Mr. ALLGOOD. Will the gentleman yield?

Mr. BLOOM. In just a second.

We must pay \$38,400.

Now, I should like to call the attention of the gentleman from Texas [Mr. BLANTON] to a telephone message which just reached the committee from Mr. Carr.

If Mr. BLANTON discusses further information received by him from the Department of State about expenditures for the institute, I suggest you request that he read the letter to the House, and any statement that may have accompanied it. In his debate of yesterday he misstated facts that were communicated to him.

That is, Mr. Carr says the gentleman from Texas [Mr. BLANTON] should read all of the statement and not part of the statement.

Mr. BLANTON. I challenge that purported statement from Mr. Carr, and I challenge any Member here to produce such an assertion signed by him. I know that Mr. Carr would not sign such an assertion. Every quotation I made yesterday from his letter was absolutely correct, and I have his letter here to prove it. I challenge him or anyone else to show any misquotation. He cannot do it to save his life.

Mr. BLOOM. I am only reading the message that Mr. Carr sent.

Mr. BLANTON. You have no such statement signed by Mr. Carr. I challenge you to produce such a one over his signature. Here is the letter from Mr. Carr dated May 17, 1933, and if you will compare it with the quotations I made from it yesterday, now in the Record, you will see that I did not misquote him in any particular. He cannot show a single quotation that is incorrect. He cannot do it to save his gizzard. [Laughter.]

Mr. TABER. Mr. Chairman, will the gentleman yield?

Mr. BLOOM. I yield.

Mr. TABER. If we had a treaty obligation that required us to pay \$38,000 there would be no possible need for legislation such as this.

Mr. BLOOM. I beg the gentleman's pardon. We cannot pay under the treaty without appropriation.

Mr. ALLGOOD. Mr. Chairman, will the gentleman yield?

Mr. BLOOM. I yield.

Mr. ALLGOOD. The gentleman says we agreed to pay in gold. If there has been this much increase we better pay in silver. We would better go on the silver standard.

Mr. BOILEAU. Mr. Chairman, will the gentleman yield?

Mr. BLOOM. I yield.

Mr. BOILEAU. There has been a good deal of talk on the floor about junkets. As I understand from the recent developments in the discussion on the floor, no money is provided for the sending of an American delegate over there.

Mr. BLOOM. I should like for those Members to rise who do not think that \$5,500 includes every expense over there.

Mr. BOILEAU. No money is provided in this bill for the sending of any delegates over there from this country.

Mr. BLOOM. Not at all. Five thousand five hundred dollars pays for the representative and his expenses. That is why the gentleman from Texas withdrew his amendment.

Mr. BLANTON. I withdrew my amendment because I would rather kill the bill than to amend it. Mr. Chairman, will the gentleman yield?

Mr. BLOOM. I yield.

Mr. BLANTON. What do they mean in this report where they made the statement in regard to the spending of this \$68,000 and \$29,000, that it was for the "sending of delegations to the biennial meetings of the general assembly"?

Mr. BLOOM. That does not mean going from this country.

Mr. FISH. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. FISH. Would it be in order at this time to move to recommit this resolution back to the committee?

The CHAIRMAN. A motion to recommit is not in order in the Committee of the Whole House on the state of the Union. The rule under which the Committee is operating provides for one motion to recommit after the Committee goes back into the House.

Mr. FISH. Is it in order to move to strike out the last word?

The CHAIRMAN. Such a motion is not in order now, because there is pending a motion to strike out the enacting clause.

Mr. BOILEAU. Mr. Chairman, I ask unanimous consent to proceed for 1 minute for the purpose of asking a question of the gentleman from New York.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. BOILEAU. I ask the gentleman from New York if it is not a fact that the \$38,000 would be spent for the purpose of carrying out our treaty obligations; and that if we are to comply with our treaty obligations it is necessary to spend the entire \$38,000?

Mr. BLOOM. Not a penny of that amount will be spent for any other purpose than that of carrying out our treaty obligations.

The CHAIRMAN. The question is on the motion of the gentleman from Texas that the Committee do now rise and report the joint resolution back to the House with the recommendation that the enacting clause be stricken out.

The question was taken; and on a division (demanded by Mr. McREYNOLDS) there were—ayes 99, noes 79.

Mr. McREYNOLDS. Mr. Chairman, I ask for tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. McREYNOLDS and Mr. BLANTON.

The Committee again divided; and the tellers reported that there were—ayes 92, noes 84.

So the motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WOODRUM, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration House Joint Resolution 149, had directed him to report the same back to the House with the recommendation that the enacting clause be stricken out.

The SPEAKER. The question is on the recommendation of the Committee of the Whole House on the state of the Union that the enacting clause be stricken.

Mr. BLANTON. Mr. Speaker, on that I move the previous question.

The previous question was ordered.

Mr. McREYNOLDS. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. BLOOM. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. BLOOM. To strike out the enacting clause how does a Member vote?

The SPEAKER. Those desiring to strike out the enacting clause will vote "yea"; those opposed to striking out the enacting clause will vote "nay."

The question was taken; and there were—yeas 144, nays 131, answered "present" 1, not voting 154, as follows:

[Roll No. 44]

YEAS—144

Abernethy	Dear	Knutson	Richards
Adair	Deen	Kocialkowski	Rogers, Mass.
Allen	Dies	Lambertson	Rogers, N.H.
Allgood	Dobbins	Lamneck	Rogers, Okla.
Almon	Dockweiler	Lanham	Sanders
Arens	Dondero	Larrabee	Schaefer
Bailey	Dowell	Lehibach	Schuetz
Beam	Duffey	Lehr	Sears
Blanton	Durgan, Ind.	Lemke	Secrest
Boland	Eaton	Lloyd	Seger
Bolton	Elcher	Ludlow	Smith, Wash.
Bulwinkle	Eltse, Calif.	Lundeen	Snell
Burch	Evans	McClintic	Stalker
Burnham	Farley	McDuffie	Strong, Tex.
Busby	Fernandez	McFadden	Stubbs
Cady	Fletcher	McFarlane	Swank
Cannon, Mo.	Fuller	McMillan	Taber
Carpenter, Kans.	Fulmer	Major	Tarver
Carter, Calif.	Gasque	Mapes	Taylor, Tenn.
Carter, Wyo.	Glover	Marshall	Terrell
Cartwright	Goodwin	May	Thom
Caviochia	Green	Meeks	Thomason, Tex.
Chapman	Gregory	Merritt	Thompson, Ill.
Chase	Griswold	Millard	Thurston
Christianson	Hancock, N.Y.	Montet	Traeger
Claborn	Hart	Moran	Turpin
Clarke, N.Y.	Higgins	Mott	Umstead
Cochran, Mo.	Hoepfel	Musselwhite	Utterback
Cochran, Pa.	Holmes	Parker, N.Y.	Vinson, Ky.
Coffin	Hooper	Parsons	Wadsworth
Colmer	Hope	Peterson	Warren
Crosby	Howard	Polk	Weideman
Cross	Jenckes	Powers	Whitley
Culkin	Jenkins	Ramsay	Wigglesworth
Cummings	Johnson, Minn.	Ransley	Wilcox
Darrow	Johnson, Okla.	Reece	Wolcott

NAYS—131

Ayers, Mont.	Dunn	Kopplemann	Rayburn
Beiter	Eagle	Kramer	Reilly
Biermann	Ellzey, Miss.	Kvale	Robertson
Bland	Fiesinger	Lambeth	Robinson
Bloom	Fitzgibbons	Lozier	Romjue
Bolleau	Fitzpatrick	Luce	Ruffin
Boylan	Ford	McCarthy	Sabath
Brennan	Gilchrist	McGrath	Schulte
Brown, Ky.	Goldsborough	McGugin	Scrugham
Brown, Mich.	Gray	McKeown	Shallenberger
Brumm	Greenwood	McReynolds	Shannon
Buchanan	Griffin	Mansfield	Simpson
Buck	Hancock, N.C.	Martin, Colo.	Sinclair
Byrns	Hastings	Martin, Oreg.	Sisson
Caldwell	Henney	Mead	Snyder
Carden	Hildebrandt	Mitchell	Spence
Cary	Hill, Ala.	Monaghan	Steagall
Castellow	Hill, Knute	Murdock	Studley
Church	Hill, Samuel B.	Nesbit	Taylor, Colo.
Condon	Hollister	O'Connell	Turner
Connery	Hughes	Oliver, Ala.	Vinson, Ga.
Cooper, Tenn.	Imhoff	Oliver, N.Y.	Wallgren
Cox	Jacobsen	Owen	Wearin
Cravens	Johnson, Tex.	Parks	Weaver
Crosser	Jones	Patman	Welch
Crowe	Kahn	Peavey	Werner
Crump	Kee	Perkins	West, Ohio
Dingell	Keller	Pierce	West, Tex.
Dirksen	Kelly, Ill.	Pou	Whittington
Disney	Kelly, Pa.	Prall	Whitrow
Doxey	Kerr	Ragon	Woodrum
Driver	Kloebe	Ramspeck	Zioncheck
Duncan, Mo.	Kniffin	Rankin	

ANSWERED "PRESENT"—1

Fish

NOT VOTING—154

Adams	Bacharach	Berlin	Browning
Andrew, Mass.	Bacon	Black	Brunner
Andrews, N.Y.	Bakewell	Blanchard	Buckbee
Arnold	Bankhead	Boehne	Burke, Calif.
Auf der Heide	Beck	Britten	Burke, Nebr.
Ayres, Kans.	Beedy	Brooks	Cannon, Wis.

Carley	Gambrill	Lewis, Colo.	Shoemaker
Carpenter, Nebr.	Gavagan	Lewis, Md.	Sirovich
Celler	Gibson	Lindsay	Smith, Va.
Chavez	Gifford	McCormack	Smith, W.Va.
Clark, N.C.	Gillespie	McLean	Somers, N.Y.
Colden	Gillette	McLeod	Stokes
Cole	Goss	McSwain	Strong, Pa.
Collins, Calif.	Granfield	Maloney, Conn.	Sullivan
Collins, Miss.	Guyer	Maloney, La.	Sumners, Tex.
Connolly	Haines	Marland	Sutphin
Cooper, Ohio	Hamilton	Martin, Mass.	Sweeney
Corning	Harlan	Miller	Swick
Crowther	Harter	Milligan	Taylor, S.C.
Cullen	Hartley	Montague	Tinkham
Darden	Healey	Morehead	Tobey
Delaney	Hess	Moynihan	Treadway
De Priest	Hoidale	Muldowney	Truax
DeRouen	Hornor	Norton	Underwood
Dickinson	Huddleston	O'Brien	Waldron
Dickstein	James	O'Connor	Walter
Ditter	Jeffers	O'Malley	Watson
Doughton	Johnson, W.Va.	Palmisano	White
Douglass	Kemp	Parker, Ga.	Willford
Doutrich	Kennedy, Md.	Pettengill	Williams
Drewry	Kennedy, N.Y.	Peyster	Wilson
Edmonds	Kenney	Randolph	Wolfenden
Englebright	Kinzer	Reed, N.Y.	Wolverton
Faddis	Kleberg	Reid, Ill.	Wood, Ga.
Flannagan	Kurtz	Rich	Wood, Mo.
Focht	Lanzetta	Richardson	Woodruff
Foss	Lea, Calif.	Rudd	Young
Foulkes	Lee, Mo.	Sadowski	
Frear	Lesinski	Sandlin	

So the recommendation of the Committee of the Whole House on the state of the Union that the enacting clause be stricken was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Tobey (for) with Mr. Bakewell (against).
 Mr. Edmonds (for) with Mr. Maloney of Connecticut (against).
 Mr. Ditter (for) with Mr. Rudd (against).
 Mr. Rich (for) with Mr. Lesinski (against).
 Mr. Muldowney (for) with Mr. Johnson of West Virginia (against).
 Mr. Connolly (for) with Mr. Adams (against).
 Mr. Bacharach (for) with Mr. Cullen (against).
 Mr. Wolverton (for) with Mr. Kenney (against).
 Mr. Hartley (for) with Mr. Flannagan (against).
 Mr. Wolfenden (for) with Mr. Richardson (against).
 Mr. Doughton (for) with Mr. Sadowski (against).
 Mr. McLean (for) with Mr. Walter (against).
 Mr. Beck (for) with Mr. Delaney (against).
 Mr. Doutrich (for) with Mrs. Norton (against).
 Mr. Waldron (for) with Mr. O'Connor (against).
 Mr. Kinzer (for) with Mr. Corning (against).
 Mr. Swick (for) with Mr. Harlan (against).
 Mr. Goss (for) with Mr. Sandlin (against).
 Mr. Crowther (for) with Mr. Kleberg (against).
 Mr. Treadway (for) with Mr. Bankhead (against).
 Mr. Watson (for) with Mr. McCormack (against).
 Mr. Bacon (for) with Mr. Lindsay (against).
 Mr. Gibson (for) with Mr. Sullivan (against).
 Mr. Hess (for) with Mr. O'Brien (against).
 Mr. Britten (for) with Mr. Morehead (against).
 Mr. Collins of California (for) with Mr. Burke of Nebraska (against).

Until further notice:

Mr. Carley with Mr. Martin of Massachusetts.
 Mr. Auf der Heide with Mr. Andrews of New York.
 Mr. Drewry with Mr. Moynihan.
 Mr. Berlin with Mr. Guyer.
 Mr. Foulkes with Mr. Reed of New York.
 Mr. Brooks with Mr. Stokes.
 Mr. Smith of West Virginia with Mr. Andrew of Massachusetts.
 Mr. Ayres of Kansas with Mr. Cooper of Ohio.
 Mr. Peyser with Mr. Strong of Pennsylvania.
 Mr. Gavagan with Mr. De Priest.
 Mr. Celler with Mr. Focht.
 Mr. Milligan with Mr. Tinkham.
 Mr. Black with Mr. Beedy.
 Mr. Cannon of Wisconsin with Mr. Englebright.
 Mr. Collins of Mississippi with Mr. McLeod.
 Mr. Dickinson with Mr. Kurtz.
 Mr. Douglass with Mr. James.
 Mr. Dickstein with Mr. Willford.
 Mr. Maloney of Louisiana with Mr. Frear.
 Mr. Arnold with Mr. Buckbee.
 Mr. Kemp with Mr. Reid of Illinois.
 Mr. Chavez with Mr. Foss.
 Mr. Boehne with Mr. Shoemaker.
 Mr. DeRouen with Mr. Woodruff.
 Mr. Lewis of Maryland with Mr. Blanchard.
 Mr. Brunner with Mr. Gifford.
 Mr. Carpenter of Nebraska with Mr. Harter.
 Mr. Haines with Mr. Taylor of South Carolina.
 Mr. Wilson with Mr. Miller.
 Mr. Jeffers with Mr. Kennedy of Maryland.
 Mr. Marland with Mr. Hamilton.
 Mr. Lea of California with Mr. Healey.
 Mr. Browning with Mr. Faddis.
 Mr. Clark of North Carolina with Mr. Wood of Missouri.
 Mr. Cole with Mr. Lanzetta.
 Mr. Sirovich with Mr. Darden.
 Mr. Sweeney with Mr. Gillette.

Mr. Granfield with Mr. Kennedy of New York.
 Mr. McSwain with Mr. Hoidale.
 Mr. Horner with Mr. Lewis of Colorado.
 Mr. Huddleston with Mr. Randolph.
 Mr. Gambrill with Mr. Parker of Georgia.
 Mr. O'Malley with Mr. Young.
 Mr. Pettengill with Mr. White.
 Mr. Smith of Virginia with Mr. Burke of California.
 Mr. Sumners of Texas with Mr. Underwood.
 Mr. Sutphin with Mr. Wood of Georgia.

Mr. DOBBINS. Mr. Speaker, my colleague, the gentleman from Illinois [Mr. GILLESPIE], is away from the chamber this afternoon on important business and asked me to announce that if he were present he would vote yea upon this motion.

Mr. BYRNS. Mr. Speaker, the gentleman from Delaware [Mr. ADAMS] is unavoidably absent today on account of important business—

Mr. CANNON of Missouri. Mr. Speaker, I make a point of order—

Mr. BYRNS. Mr. Speaker, I ask unanimous consent to proceed for one half minute.

Mr. BLANTON. Until the vote is announced, I object, Mr. Speaker. I have no objection to the gentleman's being heard, but the vote ought to be announced first.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

Mr. BLANTON. I object, Mr. Speaker, until the vote is announced.

Mr. FISH. Regular order, Mr. Speaker.

The result of the vote was announced, as above recorded.

On motion of Mr. BLANTON, a motion to reconsider the vote by which the recommendation of the Committee of the Whole House on the state of the Union was agreed to was laid on the table.

Mr. BYRNS. Mr. Speaker, I ask unanimous consent to proceed for one half minute.

Mr. CANNON of Missouri. Mr. Speaker, reserving the right to object, is it for the purpose of announcing how some Member would have voted?

Mr. BYRNS. How some Members would have voted and at their personal request when they are absolutely unable to be present.

Mr. CANNON of Missouri. I very much regret it, Mr. Speaker, but it is contrary to the rules and practices of the House, and, therefore, I am constrained to object.

Mr. BYRNS. Then I want the RECORD to show that I made the request for the gentleman from—

Mr. CANNON of Missouri. I make the point of order, Mr. Speaker, that the gentleman is out of order. The gentleman was not recognized for that purpose and he cannot put that in the RECORD. We should observe the rules of the House.

The SPEAKER. The Chair sustains the point of order.

SECURITIES BILL

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that I may have until 12 o'clock tonight to file a conference report on the securities bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

REGULATION OF BANKING

Mr. COX. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 150 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H.R. 5661, a bill to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes. That after general debate, which shall be confined to the bill and shall continue not to exceed 4 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the same to the House with

such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion, except one motion to recommit.

Mr. COX. Mr. Speaker, this is simply an open rule for the consideration of the Steagall bank-deposits guaranty bill. I do not know of any request for time, and I move the previous question.

The previous question was ordered.

The resolution was agreed to.

Mr. STEAGALL. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H.R. 5661) to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union, with Mr. CANNON of Missouri in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the consideration of the bill which the Clerk will read.

The Clerk read the title of the bill.

Mr. STEAGALL. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. Is there objection?

There was no objection.

The CHAIRMAN. Under the rule the gentleman from Alabama [Mr. STEAGALL] has 2 hours and the gentleman from Massachusetts [Mr. LUCE] has 2 hours.

Mr. STEAGALL. Mr. Chairman—

Mr. PATMAN. Will the gentleman yield?

Mr. STEAGALL. Yes.

Mr. PATMAN. Those of us who are opposed to some provisions of the bill would like to have some time. I hope the gentleman will allot us at least 1 hour.

Mr. STEAGALL. The rule provides for 4 hours' debate, one half to be controlled by me and one half by the ranking Member on the minority side [Mr. LUCE]. I will do the best I can, but of course there are members of the committee who will want time.

Mr. PATMAN. Does not the gentleman think that the opponents should be allowed time?

Mr. STEAGALL. Oh, yes.

Mr. PATMAN. And will not the gentleman allow us at least an hour?

Mr. STEAGALL. I cannot promise any definite allotment now.

Mr. PATMAN. How about yielding us 45 minutes on each side?

Mr. STEAGALL. There ought not to be any difficulty about the distribution of time. I do not want to be bound by any definite arbitrary agreement. I do not expect to use a great deal of time myself, and I do not know that any member of the committee wants to use much time. I feel sure that the gentleman can be accommodated, and I will endeavor to see that that is done.

Mr. PATMAN. Will the gentleman assure us that he will give us 1 hour of the time?

Mr. STEAGALL. I cannot assure the gentleman of any definite amount of time.

Mr. KELLER. Then the committee has the power and will use all the time.

Mr. STEAGALL. I do not think it will do that. I think we can adjust that.

Mr. KELLER. I want to be for the bill, and strongly for it, but I want an opportunity to debate it.

Mr. STEAGALL. I recognize that everybody is more or less exhausted. I certainly am, and I believe all will agree that we should save as much time as we can in the hope of completing the work of the present session in accordance with the plans contemplated by the leaders of the two Houses.

I am willing to bear my part of the burden in order that we may save the time of the House. It is for this reason that I desire to go forward with the debate on the bank reform bill at this late hour.

Mr. SEGER. Will the gentleman yield?

Mr. STEAGALL. Yes.

Mr. SEGER. Can the gentleman tell us when it is contemplated that the session will adjourn?

Mr. STEAGALL. I will say that it is hoped that we shall be able to finish and adjourn in a few days. I share that view and that hope.

The bill before the House embodies substantially the main provisions of the measure passed in the former session of Congress by the Senate, known as the "Glass bill", and which failed of passage in the House, and the main provisions of the bank-deposit or insurance measure which I had the honor to introduce and which passed the House in the former session of Congress, and which failed of passage in the Senate. A great amount of labor has been expended in connection with those two propositions. The Glass bill, to which I have referred, was the subject of extended hearings in the Senate and exhaustive study and discussion. The measure finally passed that body without serious opposition. It was referred to by the President of the United States during the former session of Congress with approval and commendation. It has been carefully gone over during this session in frequent conferences between Members of the Congress and the administration.

I am sure every Member of the House recognizes the great responsibility that rests at this hour upon every man in a position of financial leadership or who has assumed important official duties with the Government at Washington. I shall not review the distressing experience which the people of the Nation have endured during recent years. These conditions involved every phase of business activity and affected all classes and all sections. Agriculture is prostrate. Industry is crushed. Trade and commerce, both domestic and foreign, have been paralyzed. Bank credit has been destroyed. Confidence has vanished and hope has been deferred until the hearts of the struggling masses are sick. These conditions culminated in the complete collapse of the banking system of the Nation, and the measure of recovery so far attained is by no means satisfactory.

It is useless to censure or to attempt to trace the blame. It is enough to know that neither our financial nor our official leadership furnished the discernment and courage to avert these unhappy developments. In the past, periods of panic and depression have been followed by legislative enactments to safeguard our people against repetition.

The great Federal Reserve Act was enacted as a result of the lessons of experience gathered from conditions that existed in 1907 and prior to that time. Under the Federal Reserve Act we experienced a period of progress and prosperity unparalleled in all our history. Under that act we financed the greatest war in all the tide of time and emerged from that conflict the financial center of the world and the dominating force in the diplomacies of mankind. Under that act credit facilities have been afforded for domestic purposes and also a large measure of the credit requirement for international trade and business.

But we seemed to forget the lessons of experience. We departed from sound banking principles. Our great banking system was diverted from its original purposes into investment activities, and its service devoted to speculation and international high finance. Our financial leaders went on a spree. They cranked up our great financial machine, charged it with high-powered gas, and soared away toward the heavens, forgetting that there would ever be need for a place to land or that a wreck awaited them. Agriculture, commerce, and industry were forgotten. Bank deposits and credit resources were funneled into the speculative centers of the country for investment in stocks operation and in market speculation. Values were lifted to fictitious levels. Call-money rates went soaring, community bankers over the Nation were lured away from normal and legitimate

channels into a maelstrom of untried and destructive activities.

Bankers engaged in extending credits for legitimate purposes, for loans in support of commerce and agriculture and for community service and the development of community life, were urged to abandon this service and place their investments in what were represented to them as sound and liquid securities. A campaign was turned on urging bankers everywhere to take out of their portfolios papers representing the collateral and the character of local citizens and to employ their facilities in investment banking, in speculation, in stock gambling, and in aid of wild and reckless international high finance.

The purpose of the regulatory provisions of this bill is to call back to the service of agriculture and commerce and industry the bank credit and the bank service designed by the framers of the Federal Reserve Act.

The purpose is to strengthen the banking structure, to establish adequate capital requirements, to provide more effective regulation and supervision, to eliminate dangerous and unsound practices, and to confine banks of deposit to legitimate functions and to separate them from affiliates or other organizations which have brought discredit and loss of public confidence. We propose to see to it that hereafter the credit facilities of the Federal Reserve System shall be devoted primarily to the purposes to which that great act was dedicated at the outset.

This bill prohibits an executive officer from borrowing from his own bank and further provides that if he borrows from another bank he must report his loan to the chairman of the board of his own bank.

The bill provides that in the case of national banks the Comptroller of the Currency, and in the case of a State member bank the Federal Reserve agent, when they find an officer of the bank continually violating the law, can certify the fact to the Federal Reserve Board. The Federal Reserve Board can summon such officer or director to show cause why he should not be removed from office. If after reasonable opportunity to be heard has been extended and the Federal Reserve Board finds such officer or director continuing to violate the law or indulging in unsound practices the Board may order his removal from office. Such hearings are to be closed to the press and to the public.

It is provided in the bill that after January 1, 1934, no officer or director of any member bank may be an official of any corporation or partnership which is engaged primarily in the business of selling securities.

After January 1, 1934, no officer or director or employee of any member bank can be an officer, director, or employee of any corporation or partnership which makes loans on stock and bond collateral to anyone other than its own subsidiaries.

The bill prohibits institutions dealing in securities and underwriting securities from accepting deposits.

Another provision of the bill restricts holding companies to the condition that if they vote stock held by them in national banks they must themselves submit to examination and make regular reports of their condition. After 5 years from the date of the passage of the act a holding company may get a permit to vote its stock permanently, but it must have other assets of 12 percent of the aggregate par value of all bank stock held. A holding company must also increase such other assets at the rate of 2 percent per annum until the other assets amount to 25 percent of the aggregate par value of all bank stock held. The shareholders of a holding company are also made liable for the double liability on the bank shares held by them.

Provision is made that 2 years after the passage of the bill member banks shall not have any security affiliates.

The bill provides that after 2 years from the date of its passage stock in a member bank cannot represent any interest in an affiliate. Affiliates of member banks are also made subject to examination.

Provision is made that affiliates of national banks must make not less than three reports a year to the Comptroller

of the Currency; such reports to be published as the bank's own statement.

National-bank examiners are authorized and empowered to examine all affiliates to determine the relation between banks and other affiliates. If within 90 days after the examination a national bank does not put into effect the recommendations of the Comptroller he is authorized to publish the report of the examination.

The bill provides that member State banks must be governed by the same provision as to buying, selling, and holding investment securities as national banks. This section is effective 2 years after the passage of the act.

Provision is made that the minimum capital for national banks shall be \$100,000 with the exception that in towns of less than 6,000 it may be \$50,000. In cities of over 50,000 population the minimum capital must be \$200,000 except in outlying districts where State banks are permitted to operate with \$100,000 capital. No State bank may be a member of the Federal Reserve System unless it has capital equivalent to that required of national banks.

The bill provides that investment in bank premises shall not exceed the capital stock of the bank.

The bill permits the Federal Reserve banks to make advances for 15 days on United States Government securities and for 90 days secured by rediscountable paper. However, if a member bank increases loans on stocks and bonds after warning, all such advances are made immediately due and the member bank is made ineligible to borrow from the Federal Reserve bank for such period as the Federal Reserve Board may prescribe.

The bill places all relationships and transactions of the Federal Reserve banks with foreign banks under the special supervision of the Federal Reserve Board.

Amendment of the Federal Reserve Act is made to provide for supervision by Federal Reserve banks to see whether any member bank is making undue use of its funds for speculative purposes. If such is found to be the case the Federal Reserve bank is empowered to suspend such member bank from the privilege of rediscounting. It also provides that only one member of a group-bank system may participate in reserve bank board nominations.

It is provided that after 1 year from the passage of the act the board of directors of any member bank must consist of not less than 5 directors or more than 25 directors. Every director must own stock in the bank of not less than \$2,000, par value.

The Federal Reserve Board is empowered to fix the percentage of capital and surplus of a member bank which may be loaned on stock and bond collateral. The duty is placed upon the Federal Reserve Board to prevent undue use of bank loans for speculative purposes.

The bill provides an open-market committee consisting of one member from each Federal Reserve district to have charge of the open-market operations of the Federal Reserve banks.

The bill has been reported by unanimous vote of the Committee on Banking and Currency of the House, and it comes before you under a rule representing the unanimous report of the Rules Committee of the House.

There are some differences between the House bill and the provisions of the Senate bill to which I have referred, but in the main they are similar. I will point out these differences, if I have time, both as to the regulatory provisions and the deposit-insurance provisions.

I think it was in 1923 that I first introduced in this House a bill to establish a system for the guaranty of bank deposits. Bills of the same kind and for the same purpose have been introduced by me in subsequent sessions of Congress. The legislation is not radical. It is not experimental. It involves the application of the principle of insurance—the most universally accepted principle known to the business life of the world.

In the Seventy-second Congress the House passed a deposits-insurance bill which I had the honor to introduce. The measure with respect to the insurance of bank deposits now before the House represents the agreed judgment, in

its main aspects, between myself and others who occupy positions of responsibility in connection with banking legislation. The bill is not just as I would have written it. It is not just as any man in either branch of Congress would have written it; but in my judgment it is the best plan for the insurance of bank deposits that has ever yet been submitted.

Mr. MAY. Will the gentleman yield for a question?

Mr. STEAGALL. I yield.

Mr. MAY. I am sure the gentleman wants to give us all the information he can. Being very much lacking in information myself, I should like to ask the gentleman a question.

Mr. STEAGALL. I am going to proceed to discuss the bill, if the gentleman will permit.

Mr. BLANTON. Will the gentleman yield for a question?

Mr. STEAGALL. Yes; I yield.

Mr. BLANTON. Does the gentleman's bill guarantee absolutely and make secure all deposits in banks?

Mr. STEAGALL. I will be glad to discuss that.

Mr. BLANTON. If it does, I am for it; and if it does not, I am not for any make-believe bills any more.

Mr. STEAGALL. I am glad to know the gentleman's interest and his enthusiasm in support of bank-deposit guaranty legislation. The gentleman has been active in connection with efforts to secure such legislation, and has been helpful, and I am sure we shall have his aid in connection with the bill now before us. It will ultimately accomplish results that will be satisfactory to my friend.

Mr. BLANTON. Of course, there never will be any further confidence of the public in banks until their deposits are guaranteed, and they must be guaranteed absolutely.

Mr. STEAGALL. I am in full accord with the gentleman's views and with every purpose he has in mind on that subject. I am putting forth the best efforts of my life to accomplish just what he desires.

The bill creates a corporation to be administered by a board of 5 members, 1 of whom is to be selected by the Federal Reserve Board, 1 of whom will be the Comptroller of the Currency, and 3 of whom will be appointed by the President of the United States and confirmed by the Senate. The corporation will have capital stock made up as follows: \$150,000,000 to be subscribed by the Treasury of the United States. This fund covers the larger part of sums that have been paid into the Treasury by the 12 Federal Reserve banks in lieu of a franchise tax. Approximately \$150,000,000 is to be subscribed by the Federal Reserve banks, the plan requiring that each Federal Reserve bank subscribe for the capital stock of the deposit-insurance corporation in an amount equal to one half of its surplus.

National banks and member banks of the Federal Reserve System are required to subscribe for capital stock equal to one half of 1 percent of their net deposits, to be callable by the deposit-insurance corporation, and State nonmember banks are permitted to participate in the benefits of the corporation upon like conditions and like requirements—subscription to the capital stock of the corporation, equal in amount to not more than one half of 1 percent of their net deposits. In case any State nonmember bank is not permitted under the laws of the State in which it does business to subscribe for capital stock in the corporation, provision is made for the deposit of funds equal to the amount of capital that would be subscribed by a bank having the same amount of deposits, and the deposit is substituted for subscription to capital stock.

The plan provides further that whenever the funds of the corporation are diminished to an amount less than one fourth of 1 percent of the deposits of banks participating in the benefits of the insurance provisions of the bill additional assessments shall be made against all banks so participating to the amount of one quarter of 1 percent of their net deposits.

State nonmember banks are permitted to participate in the benefits of the insurance plan upon certificate of solvency issued by the proper State examining authorities, and subject to examination from time to time by examiners of the deposit-insurance corporation.

Mr. MAY. Will the gentleman yield right there? That is where my inquiry comes in, if it will not affect the gentleman's thought.

Mr. STEAGALL. I will be glad to yield to the gentleman.

Mr. MAY. On page 22 of the bill provision is made for a minimum amount of capital stock for a national bank; and on page 23 there is a provision which defines how a bank applying for membership in the Federal Reserve System may come in. In that provision it provides it must possess paid-up, unimpaired capital sufficient to entitle it to become a national banking association under the provisions of the law.

Mr. STEAGALL. That is correct.

Mr. MAY. Therefore, no bank can become a member of the Federal Reserve System unless it has capital of a minimum of \$50,000.

Mr. STEAGALL. That is quite correct.

Mr. MAY. That being true, may I ask the gentleman if he will state whether or not there is any provision in this bill that will take care of the situation of State banks which exist by the hundred everywhere, of even \$15,000 and \$25,000 capital; whether there is some provision by which they can come in with their present existing capital?

Mr. STEAGALL. The gentleman has followed the bill with care and with intelligence, and I appreciate his interest. I wish to say to the gentleman that the requirement to which he has referred has no reference whatever to the plan for the participation of State nonmember banks in the benefits of the insurance fund. The two propositions are entirely separate and distinct. There is no limitation or requirement as to capital stock of a State nonmember seeking participation in the benefits of the deposit-insurance provision; none whatever.

Mr. MAY. I call the gentleman's attention to the language of subsection (b) of section 5138, which reads:

No applying bank shall be admitted to membership in a Federal Reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National Bank Act, as amended.

This would prohibit a bank from becoming a member if it did not have a capital of at least \$50,000.

Mr. STEAGALL. That is quite correct.

Mr. MAY. Then, how are the State banks to receive the benefits of this act?

Mr. STEAGALL. The gentleman confuses admission into the Federal Reserve System with admission into participation in the benefits of the insurance corporation that is to be established.

Mr. MAY. In other words, the amount of the capital stock has nothing to do with State banks having their deposits guaranteed if they meet other requirements?

Mr. STEAGALL. As to State banks, let me say this: No State bank under that provision may join the Federal Reserve System unless its unimpaired capital amounts to \$50,000. But any State nonmember bank complying with the requirements which I have attempted to explain is permitted to join the corporation and participate in the benefits of the deposit-insurance fund. The requirement is that a certificate of solvency by State authorities be submitted and examination by the insurance corporation be allowed. In this connection let me say regarding the suggestion that we have discriminated against State nonmember banks, that the greatest difficulty encountered in the progress that has been made toward the passage of this legislation has been on the part of those who think we have been too liberal in permitting State nonmember banks to participate in the system for the reason that more than one half of the initial fund is made up of the earnings of the Federal Reserve banks.

Mr. BLANTON. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield gladly to the gentleman from Texas.

Mr. BLANTON. I hope we will discriminate against some State banks and against every one of them until they make themselves absolutely safe and secure for the depositing

public. It is the public I am thinking of just now more than of any bank in the United States.

Mr. STEAGALL. I may say to my friend that the purpose of this legislation is to protect the people of the United States in the right to have banks in which their deposits will be safe. They have a right to expect of Congress the establishment and maintenance of a system of banks in the United States where citizens may place their hard earnings with reasonable expectation of being able to get them out again upon demand. [Applause.]

Mr. CARPENTER of Kansas. Mr. Chairman, will the gentleman yield for a question in connection with this matter of the guaranty of deposits?

Mr. STEAGALL. I yield; but I must be brief. I want to yield time to others.

Mr. CARPENTER of Kansas. I am friendly to the guaranty feature, because I believe the depositors should be protected. The objection is often made by bankers that such a system penalizes honest bankers for the acts of dishonest bankers. Will the distinguished chairman of the Committee on Banking and Currency give me an answer which will be a reply to this objection?

Mr. STEAGALL. There are various answers to this objection. Let me say this: I am not going to abuse the bankers. They have their difficulties, like all the rest of us, and all of them are not dishonest. The crooked banker is the exception and not the rule. They have suffered in this depression like the rest of us—at least many of them have—but they are business men. Business is conducted along selfish lines.

The leaders in the banking world in the United States have not only been forgetful and neglectful of their responsibility to the public but they have forgotten their own best interests, and many of them are reaping now in the distress that confronts them the legitimate results of their own folly and short-sightedness.

The same argument which the gentleman suggests filled the air all over this Capitol when the great Federal Reserve Act was in process of preparation. Many bankers then were so short-sighted that they imagined because they belonged to the larger class of bankers they did not need the service of the Federal Reserve banks, and so they objected to being required to join a system imposing burdens which they thought were for the benefit of others. They fought the passage of the Federal Reserve Act even more vigorously than they have opposed the efforts that have been made to pass legislation for the protection of depositors.

But, go among them now and ask if they want the Federal Reserve Act repealed and you will find there is not a man among them who would dare advocate undoing that great achievement in the interest of banking and for the support of legitimate business in the United States.

This bill seeks to establish a mutual insurance system supported and maintained by the banks themselves, in their own interests as well as for the benefit of their depositors.

Every banker applies the principle of insurance in every other line of his activities. He requires insurance at the hands of employees. He insures himself against his own negligence and mistakes. Every banker in the United States who pays a fire insurance premium pays out of his pocket to make good the loss of an insurance company caused by the fiend who burns his home. This bill simply sets up a system of mutual insurance. Bankers should have been first to advocate it, as most of them do advocate it now, because their successful operation depends upon deposits and they must have the confidence of the public to get deposits and before they can be free to employ deposits after they get them.

Mr. CARPENTER of Kansas. I thank the gentleman for his explanation.

Mr. STEAGALL. I am glad to have the gentleman's interruption.

Mr. CARPENTER of Kansas. I merely wanted the answer of the chairman of the great Banking and Currency Committee, the author of this bill, that I might answer telegrams

of my banker friends. I thank the gentleman from Alabama for his explanation.

Mr. STEAGALL. I could give the gentleman from Kansas some good advice about telegrams.

Mr. DINGELL. The gentleman is not from Michigan or he would not be getting that kind of telegrams.

Mr. CARPENTER of Kansas. I am from a State that went through the experience of the guaranty of bank deposits.

Mr. STEAGALL. I beg the gentleman's pardon, but they never went through the kind of a bank guaranty proposition that is now being considered.

Mr. CARPENTER of Kansas. No; I do not think so.

Mr. STEAGALL. No fire insurance company could succeed if all the risk were centered in one community. No bank deposits insurance plan could succeed with one State as a unit with a few weak banks to support it. But the record shows that wherever a State guaranty system has been attempted the results were gratifying so long as it commanded confidence. I should like to give the record of these attempts. I will mention the State of Texas. The law operated 16 years. No depositor lost a dollar. The increase in banks coming into the system was 72 percent and the increase in deposits amounted to 500 percent. Deposits increased from \$38,000,000 in 1910 to \$241,000,000 in 1925. There is a vast difference between what can be accomplished by a small number of banks in one State dependent upon a single crop and what can be successfully accomplished by the banking system of this great Nation that holds the financial leadership of the world in its hands. I desire to trace further the provisions of the bill under consideration.

The corporation is permitted to expand its capital in three times the amount of its capital stock. The plan for paying off deposits in a failed bank is that the corporation sets up a temporary deposit banking institution to take over the deposits and invites every citizen to come in and get his money. The corporation continues the operation of a deposit bank. The new bank serves the community as a deposit bank until plans can be put into effect for the establishment of a regular bank, and if none is established, within 2 years from the date of taking over the institution, the deposit corporation withdraws; the community is saved from the shock of a bank failure, and every citizen has been given an opportunity to withdraw his deposits.

I should like for the gentleman to read the telegrams that have poured into that office since the bank guaranty bill in the former Congress was given consideration. I can show the gentleman hundreds and hundreds of telegrams from bankers opposing bank deposit insurance legislation and go through the same files at a later date and find where the same bankers were urging the passage of such a law as indispensable to the salvation of the country.

Mr. CLAIBORNE. Will the gentleman yield there for a question?

Mr. STEAGALL. In just a moment.

Let me say further that the Reconstruction Finance Corporation which we established a little over a year ago, taking several billion dollars out of the Treasury of the United States, has never had any service to its credit that approaches that which has been rendered in saving communities from the demoralization and distress of bank failures.

That bill itself was a quasi-deposit guaranty scheme, and that is the best excuse that can be offered for the passage of that legislation opening up the Treasury for the use of private business. I invite the gentleman to take telegrams that he has received from bankers and go down to the Corporation and see how many of these bankers who are opposing this legislation have got their arms up to their shoulders in the Treasury of the United States right now in order to keep their doors open.

Mr. CARPENTER of Kansas. I thank the gentleman, and I shall do that.

Mr. STEAGALL. The gentleman will find that many of them who have been opposing this legislation have been able to keep open only because of the aid furnished them through the Reconstruction Finance Corporation.

This cannot go on forever. There is an end to what the Treasury of the United States can do. The funds that have been used by the Reconstruction Finance Corporation, if used from the outset for the protection of deposits in the banks of the United States, would have been worth a thousand times more than the service that has been rendered in other lines.

Mr. McFADDEN. Will the gentleman yield?

Mr. STEAGALL. Yes; I gladly yield.

I want to say just a word further before I forget and pass from it. I do not mean to be understood as favoring Government guaranty of bank deposits. I do not. I have never favored such a plan, but I will say to the membership of the House that the very class of bankers to which attention has been called are at this moment clamoring for the enactment of legislation to require the Treasury of the United States to underwrite the solvency of their banks and the protection of their depositors. I could give further information on this line that I am not entirely free to disclose at the moment. That is what is going on. Bankers should insure their own deposits. They should apply to their deposits the same principles of insurance that they apply to their employees and to their customers and every citizen who offers to pledge his property as security.

Mr. CLAIBORNE. Do the sound, conservative bankers of the country wire the gentleman that they want this insurance—not those fellows who were gambling, but the sound, conservative bankers?

Mr. STEAGALL. Can the gentleman give me a list of them? Many people have come to doubt that we have such banks. Of course, there are many sound banks under safe management. I presume all that opened after the 4th of March are all right.

Mr. CLAIBORNE. I would say that the Chemical National in New York today is a sound, conservative bank that does not want insurance, and whose depositors do not want it, and there are many others.

Mr. STEAGALL. I am not going to discuss individual banks but I want to tell you that the entire banking structure of the United States was dragged down by a few city banks. That is a matter of history.

It was my privilege to sit in a conference at the Treasury on the 5th of March, in which the high lights of the banks of the country were gathered. In that hour of distress there was no serious dissent from the suggestion that we must have insurance of bank deposits before we may expect complete recovery of business in the United States.

I invite the gentleman to come to my office and let me read him some of my files and see how the banks which he has in mind stand now on the proposition of protection of bank deposits. If the bank to which he refers does not favor it, it is different from its neighbors. I am not quite free to disclose all the information I have in this connection.

Mr. McFADDEN. Will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. McFADDEN. I have been an interested listener in the gentleman's statement, especially with reference to the guaranty of deposits. But there are other features in the bill, particularly in that all-important section of affiliates and further extending the power of the Federal Reserve System in the control of and maintenance of credit exclusively as provided for in this bill.

Mr. STEAGALL. Exclusive in what way?

Mr. McFADDEN. There is a section in the bill which provides that the Federal Reserve System shall control money that is loaned the speculative markets—practically preempts the right to loan for speculative purposes. I know that is for the purpose of curtailing it, but I also recollect that there was authority in the Federal Reserve Act for supervision by the Federal Reserve Board and they yielded to the dictation of the big banks.

Mr. STEAGALL. The regulatory provisions in the bill are designed to cure that. There are multitudinous provisions imposing restrictions and limitations and requiring the Federal Reserve Board to carry out the purpose, and to

require that the facilities of the banks shall be devoted entirely to legitimate purposes.

Mr. WEIDEMAN. Will the gentleman yield?

Mr. STEAGALL. Yes.

Mr. WEIDEMAN. The Chemical National Bank has been mentioned. I want to call attention to the fact that on page 5, section 4, they are asking for the Morris Plan banks, and the Chemical Bank controls the Morris Plan banks.

Mr. STEAGALL. These banks loan in small amounts and upon personal security. They count character in considering collateral. I see no objection to admitting them into the Federal Reserve System. I will say to the gentleman from Pennsylvania that I have not discussed some of the provisions of the bill at length for the reason that I do not wish to take unnecessary time and because of my greater interest in other sections of the measure. There will be ample time under the 5-minute rule to consider every section of the bill.

The business of this country is conducted with bank credits, not by the use of currency. Ninety-five percent of it is done with bank credits. The Banking and Currency Committee reported and the House passed a currency expansion and stabilization measure last year. I had a part in that. I refer to the Goldsborough bill. I favor expansion of the currency within sound limits under constructive control. But we cannot place enough currency in actual circulation to conduct the business of this country that has been supported by the use of bank credits. Bank credits have declined from 1929 to one half what they were at that time. Bank deposits have shrunk in proportion. Three fourths of the currency in circulation or supposed to be in circulation in the United States is in hoarding. Over a billion dollars of it is in hoarding now in postal savings, which cannot be withdrawn except by substitution of liquid paper. It is in practical effect hoarded—

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I cannot yield any more. I am sure the gentleman will appreciate the situation which forces me to decline to yield. We cannot supplant the service rendered by the use of bank credits. We cannot have a normal use of bank credit in the United States until people are willing to put their deposits in banks. Deposits constitute the basis for bank credit, and bankers can never be free to extend credit accommodations for the support of trade and commerce until they are permitted to retire at night without fear of mobs at their doors the next morning demanding cash for their deposits.

The proof is indisputable that bank-deposits guaranty, if conducted in accordance with established rules and principles of insurance, can easily be made effective at a cost easily borne.

Our national banking system is 70 years old this year. The law creating it became effective in 1863, and in the first year of its existence there were 68 national banks chartered. The system has grown in numbers through the years until now there are more than 6,000 national banks in operation.

Let us see what the cost would have been if the National Banking Act, which was first passed 70 years ago, had provided for the insurance of deposits along the lines of the legislation now pending before the Congress. It is simply a question of mathematics. The record shows that the total net losses to depositors in the national banks for the first 45 years of the national banking system amounted in round figures to only about \$45,000,000—about \$750,000 a year. The Comptroller of the Currency testified before the House Banking and Currency Committee that the total net losses to depositors of national banks from the foundation of the system down to 1930 amounted to only \$82,000,000. For each of the 70 years on an average there have been in operation 4,579 national banks, and the aggregate deposits of all the national banks for the average year has amounted to \$5,118,277,000. Thus we see the deposits in national banks have averaged \$1,118,000 per bank a year for the 70-year period.

During these 70 years 2,057 national banks have suspended business—an average of 30 banks a year; the deposits in these closed banks have aggregated \$1,406,336,000 altogether, or an average of \$20,100,000 a year.

The records show that more than 67 percent of the deposits in closed banks for the past 70 years have been converted into cash, and, after paying all expenses of liquidation, have been distributed in dividends to depositors, so that the amount that would have been required to make good all losses to depositors would be less than 33 percent of the total deposits in closed banks.

Figuring the cost at 35 percent, it would have required \$492,218,000 altogether to have made good all the losses of all the depositors in every national bank that has closed its doors since national banks were first created, or an average of \$7,035,000 a year for the 70-year period. Thus the actual cost to the banks of paying all depositors in closed national banks would have averaged fourteen one-hundredths of 1 percent of the average annual deposits of banks.

It may be said that the losses in closed national banks have been much greater on an average in the last few years than during the whole 70-year period of national banking history; and there is support for this argument.

When the Federal Reserve Act was passed in 1913 the measure as passed by the Senate contained a deposit-insurance provision. It was offered by the illustrious John Sharp Williams, of Mississippi.

This provision was stricken out in conference between the House and the Senate.

The chief argument against the provision was that Federal Reserve banks were not to become money-making institutions and would not be prepared to assume the burdens involved in insurance of deposits.

The record shows that contrary to expectations the Federal Reserve banks have made more than \$1,000,000,000 gross profits and over \$500,000,000 net profits.

Let us see what the cost of insurance of all deposits would have been if the Federal Reserve Act had provided for deposit insurance. Since the Federal Reserve Act became effective in 1915 there have been in operation each year an average of 8,102 national banks, and their deposits have averaged \$12,001,700,000 annually, or \$1,481,000 for each member bank. During these 18 years, 1,631 national banks have suspended business, or an average of 90 banks a year, and the deposits of these closed banks have averaged \$66,087,000 a year. The losses in these failed banks, figured at 35 percent of their total deposits, have amounted to \$416,311,000 for the 18-year period, or \$23,128,390 yearly average, or 2,854 per average active national banks a year.

Thus, the cost of insuring the deposits in all national banks during the past 18 years would have amounted to nineteen one-hundredths of 1 percent of the average annual deposits of these banks.

Let us see what the cost would have been in the very worst year in the history of our banking system. During the year 1931 there were 409 national banks closed having deposits at the date of suspension aggregating \$439,171,000. Both the number and the aggregate deposits for the year 1931 were more than double those of any other year in our history. Yet, figuring the losses at 35 percent of the aggregate deposits, the cost of insuring all the deposits in all national banks even in 1931 would have been \$153,710,000, or seven tenths of 1 percent of the deposits of the national banks. Nothing can be more certain than that if the deposits in banks had been adequately protected by insurance the number of failed banks, as well as losses of depositors would have been enormously reduced. But even if the cost of deposit insurance should be as great in the future as it has been during the past 70 years, or during the past 18 years, or even during the terrible record-breaking year of 1932, its cost would not be an expense to the banks but an excellent investment saving for them in enhanced profits many times the cost.

So far I have dealt with the history of the deposit losses in national banks. I think the figures demonstrate that it would not be difficult to establish a satisfactory system of

of insurance of deposits in national banks. I am aware that there is a popular impression that the problem of deposits insurance is much greater in connection with State banks than national banks. Such is not the fact. A much larger number of State banks have been thrown into liquidation, but that does not supply the real test. The comparative difficulties of the problem as it relates to the two systems can only be disclosed by examination of the amount of deposits and a comparison of final losses to depositors. The total amount of deposits in nonmember banks that closed during the 11-year period from 1921 to 1931, inclusive, is less than the total deposits in member banks that failed during that time. In this connection it should be borne in mind that the amount of deposits in nonmember banks during this period was far in excess of average deposits in member banks of the Federal Reserve System.

During the period to which I have referred deposits in member banks amounted to \$753,000,000 and deposits in nonmember banks that failed amounted to \$957,000,000, but in member banks reopened there were only \$119,000,000 of deposits and in nonmember banks reopened there were \$344,000,000 of deposits. So we find that in member banks liquidated there were \$614,000,000 of deposits and in nonmember banks liquidated only \$613,000,000.

State banks have rendered inestimable service in support of the Nation's trade and commerce, and in the promotion of community interests and the development of community life. Any plan established for the insurance of bank deposits should embrace deposits in State banks, regardless of membership in the Federal Reserve System. I heartily agree that they should be encouraged in seeking admission into the System, but we should not resort to coercion or discrimination in order to drive them into the System. The administration of the System should be such as to induce increased membership.

In the figures just presented it is assumed that the number of closed banks would be just as large and the amount of deposits and losses to depositors just as great under a system of bank-deposits insurance as they have been without deposits insurance. Certain it is that if deposits had been protected by insurance the number of failures and the amount of losses would have been enormously diminished.

The argument is urged against insuring bank deposits that it would be a premium on bad banks. Well, certainly the records abundantly prove that the system of noninsurance of bank deposits which we have had in vogue has resulted in unsafe banking, with disastrous consequences both to bankers and the public.

It is bad enough to have bank failures resulting from crookedness or insolvency; it is absolutely inexcusable that solvent banks should fail because of loss of confidence causing runs on banks. Worst of all, bankers are swept into a state of fear which results in a form of hoarding by banks vastly more serious in consequences than that which comes from hoarding by individuals.

It is estimated that banks now have available billions of dollars of collateral for use in extending loans, but the plain fact is that for more than 3 years bankers have given little thought to anything except to keep their banks in liquid condition. Who can blame them? A banker's first duty is to his depositors. Common honesty, as well as every dictate of self-interest, suggests that he give first thought to them. The fear that grips the minds and hearts of bankers, keeping ever before them the nightmare of bank runs, makes it impossible for them to extend the credits that are indispensable to trade and commerce. The same fears seize every investor and business man, great and small, and leave him without the courage to borrow from banks or to invest for increasing employment and enlarging the buying power of the public.

President Roosevelt in his inaugural address spoke the truth when he declared that fear is the underlying cause of our present economic difficulty. We must banish this fear if we are to put an end to the depression. The one indispensable remedy is insurance of bank deposits. Bankers

should be the first to support this great reform—they owe it to their depositors, to their country, and to themselves.

Much has been said of the distress and suffering caused depositors; of citizens and their families thrown out of their homes; of women and children suffering from lack of hospitalization; of loss of savings representing the sacrifice and toil of a lifetime to shelter old age from want—all resulting from bank failures.

I want to say a word for bankers, thousands of whom have gone down in the wreck of these recent years, with fortunes swept away, many of them men of ability and of highest integrity, who, in spite of strict observance of rules of business, tested and accepted as wise during the experience of half a century, have seen institutions representing the pride and ambition of a lifetime wiped out overnight; and worst of all, the love and confidence of their neighbors and friends turned into distrust and censure.

The officers of such an institution are stigmatized by public opinion as criminals, or as reckless incompetents who have brought untold injury and suffering to innocent people.

Bankers insure their homes for the reason that no husband or father can rest contented so long as there is danger of having his home destroyed by fire and his family left without shelter. Any father who has lived through the experiences which I have depicted would a thousand times rather have his family suffer any material loss than to have the son who is to bear his name victimized by the record of a father responsible for the management of a bank that failed with enormous losses to the depositing public of his community.

We may talk about percentage of gold back of our currency, we may discuss technical provisions of legislation touching affiliates, investments, open-market operations, group banking, chain banking, and branch banking. The public does not understand these technical discussions, but from one end of this land to the other the people understand what we mean by guaranty of bank deposits; and they demand of you and me that we provide a banking system worthy of this great Nation and banks in which citizens may place the fruits of their toil and know that a deposit slip in return for their hard earnings will be as safe as a Government bond. [Applause.]

They know that banks cannot serve the public until confidence is restored, until the public is willing to take money now in hiding and return it to the banks as a basis for the expansion of bank credit. This is indispensable to the support of business and the successful financing of the Treasury. It will bring increased earnings, higher incomes, and make it possible to balance the Government's Budget without resort to vicious and vexatious methods of taxation. We must have this great reform, the sooner the better. Now is the time of all times to bring to pass this great achievement. The sooner it comes the quicker we shall begin to move along the way that leads from darkness and despair into the gladsome light of prosperity and happiness. [Applause.]

DIVISION OF TIME

Mr. PATMAN. Mr. Chairman, I thought we would have a little more time for the opposition than 10 minutes each. Three or four of us would like to speak in opposition to certain provisions of the bill. We fortified ourselves to the extent that I appeared before the Committee on Rules asking for a liberal time. The Rules Committee extended the time of general debate to 4 hours. I thought it was with the understanding that we would have a liberal division of that time. Of course the gentleman from Alabama is in charge of the time, and he has necessarily had to take quite a considerable portion of it to explain the bill. Yet we would like to have more time than 10 minutes apiece, I will say to the gentleman. I am particularly anxious that the gentleman from Michigan [Mr. WEIDEMAN] and the gentleman from Illinois [Mr. KELLER] be allowed time in opposition to certain portions of the bill.

6,000 NATIONAL AND 12,000 STATE BANKS

In regard to the guaranty feature of the bill, we have 6,000 national banks in the United States and 12,000 State

banks, twice as many State banks as we have national banks.

This bill proposes to insure deposits of national banks only, and 858 State banks that are members of the Federal Reserve System. If this bill becomes law, those banking institutions, regardless of their solvency or insolvency, automatically become a part of this deposit-guaranty system. All State banks will necessarily not only have to get a certificate of solvency from the banking supervisor of the respective State, but application must be made to this deposit-guaranty committee, an investigation will have to be made as to solvency, and then the board that is appointed by the President will have to pass upon the question as to whether or not the State bank in question will be permitted to come within the terms of this law and have its deposits protected.

STATE BANKS AT DISADVANTAGE

I venture to say that not one third of the State banks of the United States can make the showing that will be necessary to come within the terms of this law. If that be true, instead of helping the depositors of this Nation you are going to cause the closing of four, five, six, or seven thousand State banks in this country. That would be more injurious than it would be helpful.

Mr. SNELL. Will the gentleman yield for a short question?

Mr. PATMAN. Just for a question.

Mr. SNELL. How do the deposits in the 12,000 State banks compare with the deposits in the national banks?

Mr. PATMAN. I do not know how they compare, but the depositor who only has \$100, if that is all the money he has, loses his all in a bank failure just the same as the man who has \$10,000 on deposit.

Mr. SNELL. I am wondering as to the amount of banking business as between the two kinds of institutions.

Mr. PATMAN. I do not know, but I should like permission to insert in the Record the number and deposits of State banks in each State and the number and deposits of national banks in each State.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

NATIONAL BANKS¹ IN THE UNITED STATES

[Amounts in thousands of dollars]

State	Deposits, exclusive of interbank deposits, December 1932	Number of reporting banks, December 1932
New England:		
Maine.....	103,848	43
New Hampshire.....	52,455	53
Vermont.....	47,904	45
Massachusetts.....	971,336	141
Rhode Island.....	34,578	10
Connecticut.....	200,732	58
Middle Atlantic:		
New York.....	3,228,087	496
New Jersey.....	638,935	269
Pennsylvania.....	1,802,537	747
East North Central:		
Ohio.....	512,021	266
Indiana.....	230,404	152
Illinois.....	1,293,626	337
Michigan.....	721,955	102
Wisconsin.....	300,610	127
West North Central:		
Minnesota.....	407,032	229
Iowa.....	138,019	163
Missouri.....	332,416	97
North Dakota.....	46,440	77
South Dakota.....	39,467	72
Nebraska.....	132,229	156
Kansas.....	139,149	219
South Atlantic:		
Delaware.....	14,841	16
Maryland.....	155,791	68
District of Columbia.....	131,673	12
Virginia.....	219,928	139
West Virginia.....	104,184	84
North Carolina.....	42,171	43
South Carolina.....	37,084	21
Georgia.....	150,720	57
Florida.....	126,044	49
East South Central:		
Kentucky.....	138,384	108
Tennessee.....	163,297	81
Alabama.....	112,459	77
Mississippi.....	40,066	25

¹ Member banks only, i.e., exclusive of national banks in Alaska and Hawaii.

STATE BANKS IN THE UNITED STATES—continued

[Amounts in thousands of dollars]

State	Deposits, exclusive of interbank deposits, December 1932	Number of reporting banks, December 1932
West South Central:		
Arkansas.....	43,448	52
Louisiana.....	72,280	29
Oklahoma.....	220,352	233
Texas.....	550,278	483
Mountain:		
Montana.....	54,880	52
Idaho.....	17,541	28
Wyoming.....	24,973	25
Colorado.....	166,963	98
New Mexico.....	20,895	26
Arizona.....	18,621	10
Utah.....	34,980	15
Nevada.....	9,650	7
Pacific:		
Washington.....	180,763	83
Oregon.....	138,264	71
California.....	1,736,945	160
Total.....	16,101,264	6,011

STATE BANKS IN THE UNITED STATES

New England:		
Maine.....	244,571	72
New Hampshire.....	201,006	64
Vermont.....	146,182	55
Massachusetts.....	2,456,754	276
Rhode Island.....	414,253	24
Connecticut.....	879,382	147
Middle Atlantic:		
New York.....	10,349,994	486
New Jersey.....	1,175,989	206
Pennsylvania.....	1,897,135	485
East North Central:		
Ohio.....	1,198,987	536
Indiana.....	272,998	523
Illinois.....	755,415	742
Michigan.....	605,700	441
Wisconsin.....	295,738	654
West North Central:		
Minnesota.....	243,748	565
Iowa.....	240,650	632
Missouri.....	539,771	795
North Dakota.....	16,212	151
South Dakota.....	26,621	168
Nebraska.....	62,867	430
Kansas.....	120,256	625
South Atlantic:		
Delaware.....	115,647	34
Maryland.....	489,523	140
District of Columbia.....	105,239	22
Virginia.....	146,930	239
West Virginia.....	112,534	131
North Carolina.....	146,771	215
South Carolina.....	42,384	110
Georgia.....	71,476	232
Florida.....	44,395	128
East South Central:		
Kentucky.....	154,473	362
Tennessee.....	98,024	283
Alabama.....	44,518	158
Mississippi.....	72,459	202
West South Central:		
Arkansas.....	52,015	220
Louisiana.....	242,105	161
Oklahoma.....	42,762	253
Texas.....	140,906	540
Mountain:		
Montana.....	37,656	95
Idaho.....	30,653	75
Wyoming.....	14,809	46
Colorado.....	37,384	109
New Mexico.....	6,857	22
Arizona.....	25,824	14
Utah.....	54,882	59
Nevada.....	2,868	6
Pacific:		
Washington.....	123,713	170
Oregon.....	35,432	88
California.....	1,004,050	183
Total.....	25,541,418	12,379

Mr. WEIDEMAN. Will the gentleman yield for a question?

Mr. PATMAN. I yield.

Mr. WEIDEMAN. The amount of the deposits in the State banks and in the national banks would not necessarily reflect the hardship it would work upon the people, because probably the State-bank depositors, as a class, are much smaller than the depositors in the tremendous national banks.

Mr. PATMAN. That is what I was saying. The man who only has \$100 would not want to lose that any more than

the man who had \$100,000. State banks having deposits of \$25,000,000,000 will not necessarily be protected, but national banks with \$16,000,000,000 in deposits will be protected, with the people's money used as an insurance premium.

MUTUAL INSURANCE UNDERTAKING

The gentleman from Alabama [Mr. STEAGALL] said this is a mutual insurance undertaking. That is exactly what it is, and instead of the ones who are benefited paying the premium, the Government of the United States is going to pay two thirds of the premium. An endowment fund is being set up which is to be used for the purpose of raising sufficient money annually by speculation, investment, and otherwise from the general public to pay the premium necessary to pay off the depositors in the event a bank is closed by reason of insolvency.

The money is coming from three sources, namely, \$150,000,000 from the Treasury of the United States, \$150,000,000 from the surplus fund of the Federal Reserve banks, which, as a matter of right, should be in the Treasury of the United States today. That money does not belong to the Federal Reserve banks. It belongs to the United States Treasury. It never has belonged to those banks. It never was intended that those banks should get that money. Therefore, of the \$450,000,000 appropriated, \$300,000,000 of it represents the people's money, coming from the Treasury of the United States. The other one third will come from the depositors, one half of 1 percent being assessed against the deposits of the banks.

SURPLUS FUND OF FEDERAL RESERVE BANKS

Now, let me tell you about this surplus fund of the Federal Reserve banks. When those banks were organized, they were not intended as profit-making institutions. It was stated they were going to use the credit of this Nation, and for the purpose of compensating the people for the use of that credit, when they paid their operating expenses and 6-percent dividends on the amount of capital invested by the member banks the remainder would go into the Treasury as a franchise tax. As conclusive evidence, if a member bank should fail or should withdraw from this System, that member bank would only get its capital stock back. It does not get back a part of that surplus, because that surplus does not belong to the member bank. It belongs to the Treasury of the United States.

EVIDENCE OF INTENT

The law provides that in the event a Federal Reserve bank becomes insolvent and it is necessary to liquidate that bank after the expenses of the bank are paid, the surplus goes into the Treasury of the United States. If the theory of the gentleman from Alabama [Mr. STEAGALL] is correct, that surplus should go back to the member banks that subscribed to the capital stock in that particular Federal Reserve bank. It is written into the law from beginning to end, that as to those banks using the credit of our Nation in the manner they are, the excess profits they make shall be paid into the Treasury of the United States. Now you come along in section 3 of this bill and attempt to change the entire policy of our Government in that regard. You attempt to divert from the Treasury of the United States back to the Federal Reserve banks that surplus, when there was written into the law, language that said it should go into the Treasury of the United States. Now you come here and claim you are going to use that money as an insurance premium to insure bank deposits for private banks, and that it is necessary to do it in the interest of the general welfare. Yes; I say it is all right to do it in the interest of the general welfare, but do not restrict it to just 6,000 banks. Give all banks an opportunity to come in, and when this bill is subject to amendment under the 5-minute rule, I expect to offer two amendments in particular.

One is to strike out section 3 which changes the policy of this Government in regard to the excess earnings of the Federal Reserve banks. The next amendment I expect to offer will be an attempt to strike out the language that would permit this board of five members, two of whom are mem-

bers of the Federal Reserve banking system, if you please, to have the right to deny a State bank to come into this System if the supervising authority in the State will make a certificate to the effect that the bank in question, that is making application, is in a solvent condition.

Now, I challenge this committee, if you really want to do something in the interest of the general welfare, and in the interest of all the people, inasmuch as two thirds of the premium is being paid for by the people's money, the act should apply to State banks as well as to national banks.

I wish to read a comparison between the number of State banks and the number of national banks that will benefit. I see the distinguished chairman of the steering committee [Mr. CROSSER] back here. I will name his State. There are 266 national banks and 536 State banks in Ohio.

[Here the gavel fell.]

Mr. STEAGALL. I yield the gentleman from Texas 2 additional minutes.

Mr. PATMAN. In the State of Indiana there are 152 national banks which will be protected under this bill, but 523 State banks will be left out in the cold.

Will they be able to come in? We do not know whether they will or not. They do not have assets that are worth the money they were worth a couple of years ago. Very few banks can make the showing that would be necessary for them to make. If they could not make it they would automatically have to close their doors. So I want to insist, Mr. Chairman, that when this bill comes under the 5-minute rule that we strike out section 3. This section has no relation to any other section of this bill in any way, shape, form, or fashion, but is just a sop to a few big bankers and amounts to a billion-dollar franchise to these few powerful bankers.

Further, I ask that you strike out the provision that would permit this board of five to deny a solvent State bank the right and the opportunity to come within the terms of this insurance law where the people of the United States are paying two thirds of the premium. [Applause.]

[Here the gavel fell.]

Mr. LUCE. Mr. Chairman, it is almost 5 o'clock. Manifestly there is not a quorum present. May I suggest to the Chairman that the Committee rise?

Mr. STEAGALL. That is agreeable to me.

Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the Chair, Mr. CANNON of Missouri, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill H.R. 5661, had come to no resolution thereon.

UNITED STATES NAVAL ACADEMY

Mr. VINSON of Georgia submitted the following conference report on the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval Academy.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mrs. NORTON, for 4 days, on account of important business.

To Mr. LESINSKI, for 4 days, on account of important business.

ADJOURNMENT

Mr. BYRNS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 57 minutes p.m.), in accordance with its previous order, the House adjourned until Monday, May 22, 1933, at 11 o'clock a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

76. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army,

dated May 13, 1933, submitting a report, together with accompanying papers, on a preliminary examination and survey of Corte Madera Creek, Marin County, Calif., authorized by the River and Harbor Act approved July 3, 1930; to the Committee on Rivers and Harbors.

77. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated May 15, 1933, submitting a report, together with accompanying papers, on a preliminary examination and survey of North River, Carteret County, N.C., authorized by the River and Harbor Act approved March 3, 1925; to the Committee on Rivers and Harbors.

78. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated May 15, 1933, submitting a report, together with accompanying papers, on a preliminary examination of channel from North River, via Back Sound, to Lighthouse Bay, N.C., authorized by the River and Harbor Act approved January 21, 1927; to the Committee on Rivers and Harbors.

79. A letter from the Secretary of War, transmitting a draft of a bill entitled "A bill to prevent the loss of the title of the United States to lands in the Territories of Territorial possessions through adverse possession of prescriptions"; to the Committee on the Judiciary.

80. A letter from the Acting Secretary of Commerce, transmitting draft of a bill for the relief of Ward J. Lawton, special disbursing agent, Lighthouse Service, Department of Commerce; to the Committee on Claims.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. McKEOWN: A bill (H.R. 5713) to amend Public Law No. 15, Seventy-third Congress, an act to provide for co-operation by the Federal Government with the several States and Territories and the District of Columbia in relieving the hardships and suffering caused by unemployment, and for other purposes, approved May 12, 1933; to the Committee on Banking and Currency.

By Mr. KRAMER: A bill (H.R. 5714) providing for loans or advances by the Reconstruction Finance Corporation, through its proper agency, to public-school districts in southern California for the purpose of rebuilding public buildings, schools, or other municipal buildings which were wholly or partially destroyed as a result of the earthquakes of March 1933, and for other purposes; to the Committee on Banking and Currency.

By Mr. HOWARD (by departmental request): A bill (H.R. 5715) to authorize the change of homestead designations on allotted Indian lands; to the Committee on Indian Affairs.

Also, a bill (H.R. 5716) authorizing the Secretary of the Interior, in behalf of Indians, to use tribal funds in the purchase of allotments of deceased Indians, and for other purposes; to the Committee on Indian Affairs.

By Mr. WHITE (by request): A bill (H.R. 5717) to provide a more stable monetary system by substituting multi-metallism in lieu of monometallism or the single gold standard; to the Committee on Coinage, Weights, and Measures.

By Mr. LEA of California: A bill (H.R. 5718) to authorize the modification of the contract for the construction of the post-office building at Long Beach, Calif.; to the Committee on Public Buildings and Grounds.

By Mr. CANNON of Wisconsin: A bill (H.R. 5719) to extend the National Motor Vehicle Theft Act to all stolen articles transported in interstate commerce; to the Committee on the Judiciary.

By Mr. MARLAND: A bill (H.R. 5720) to preserve and protect the correlative rights of the oil-producing States; to assist them in the proper enforcement of their oil conservation laws; to assure the conservation of crude petroleum and natural gas and to preserve the same as national resources, and to regulate the transportation and sale in interstate and foreign commerce of natural gas, crude petroleum, and the products thereof; to prevent waste in the production, marketing, and use of such natural gas and petroleum;

to invest the Secretary of the Interior with power to carry out this act, and for other purposes; to the Committee on Ways and Means.

By Mr. WOLCOTT: A bill (H.R. 5721) to extend the times for commencing and completing the construction of a bridge across the St. Clair River at or near Port Huron, Mich.; to the Committee on Interstate and Foreign Commerce.

By Mr. DICKINSON: A bill (H.R. 5722) to increase the tax on distilled spirits for nonbeverage purposes; to the Committee on Ways and Means.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Maryland, memorializing Congress to commemorate the one hundred and fiftieth anniversary of the naturalization of Brig. Gen. Thaddeus Kosciuszko; to the Committee on the Post Office and Post Roads.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BEAM: A bill (H.R. 5723) for the relief of James S. Kelly; to the Committee on Claims.

Also, a bill (H.R. 5724) for the relief of John Toner; to the Committee on Military Affairs.

Also, a bill (H.R. 5725) for the relief of Robert McGee; to the Committee on Military Affairs.

Also, a bill (H.R. 5726) for the relief of James W. Blair; to the Committee on Claims.

By Mr. BUCKBEE: A bill (H.R. 5727) for the relief of Robert B. Marshall; to the Committee on the Post Office and Post Roads.

By Mr. DINGELL: A bill (H.R. 5728) for the relief of Michael P. Lucas; to the Committee on Military Affairs.

By Mr. GREENWOOD: A bill (H.R. 5729) granting a pension to Orval Hunter; to the Committee on Invalid Pensions.

By Mr. IMHOFF: A bill (H.R. 5730) granting a pension to Viannie M. Walters; to the Committee on Invalid Pensions.

By Mr. KLEBERG: A bill (H.R. 5731) for the relief of Lota Tidwell; to the Committee on Claims.

By Mr. KLOEB: A bill (H.R. 5732) granting a pension to Sarah Anna Jones; to the Committee on Invalid Pensions.

By Mr. LUDLOW: A bill (H.R. 5733) granting a pension to Albert Porteus; to the Committee on Pensions.

By Mr. CHURCH: A bill (H.R. 5734) for the relief of W. T. Patterson; to the Committee on Claims.

By Mrs. ROGERS of Massachusetts: A bill (H.R. 5735) for the relief of James P. Whalen; to the Committee on Claims.

By Mr. SANDLIN: A bill (H.R. 5736) for the relief of Shelby J. Beene, Mrs. Shelby J. Beene, Leroy T. Waller, and Mrs. Leroy T. Waller; to the Committee on Claims.

By Mr. SNYDER: A bill (H.R. 5737) granting a pension to Milton Warner; to the Committee on Invalid Pensions.

Also, a bill (H.R. 5738) granting an increase of pension to Harriet Neiderhiser; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1124. By Mr. COLDEN: Petition of 192 citizens of the city of Los Angeles, Calif., and vicinity, asking that regulations of the Economy Act pertaining to veterans be revised so as to restore to all veterans who were actually disabled in the military or naval service their former benefits, rights, privileges, ratings, schedules, compensation, presumptions, and pensions heretofore enjoyed by them and existent prior to the enactment of said Economy Act; to the Committee on Economy.

1125. By Mr. JOHNSON of Texas: Telegram from Michael S. Hunt, of Waco, Tex., favoring immediate guar-

antee of small depositors in banks of Federal Reserve System; to the Committee on Banking and Currency.

1126. Also, telegram from J. K. Hughes, president Nevrsuch Oil Co., and E. L. Smith, president E. L. Smith Oil Co., of Mexia, Tex., favoring Federal legislation to curb oil production; to the Committee on Interstate and Foreign Commerce.

1127. Also, petition of Henderson, Kidd & Henderson, of Cameron, Tex., opposing provision of Senate bill 1094 denying loans to corporations paying salaries in excess of \$17,500; to the Committee on Banking and Currency.

1128. Also, resolution adopted by the Senate of the State of Texas, favoring expenditure of relief funds upon highways in the State of Texas; to the Committee on Roads.

1129. By Mr. LINDSAY: Petition of Warehousemen's Association of the Port of New York, Inc., New York City, opposing the passage of Senate bill 158; to the Committee on Labor.

1130. Also, petition of Independent Petroleum Association of America, Washington, D.C., favoring the adoption of the oil-control measure presented by Congressman MARLAND; to the Committee on Interstate and Foreign Commerce.

1131. By Mr. LUDLOW: Petition of the Jewish Educational Association of Indianapolis, Ind., requesting the United States to make official protest of the treatment given the Jewish citizens of Germany; to the Committee on Foreign Affairs.

1132. Also, petition of the Beth-El-Zedeck Sisterhood of Indianapolis, Ind., asking the United States Government to make official protest of treatment given Jewish citizens of Germany; to the Committee on Foreign Affairs.

1133. By Mr. McFADDEN: Petition of the Order of Railroad Telegraphers, opposing the Emergency Railroad Transportation Act of 1933 unless amendments proposed by organized railway labor are incorporated therein; to the Committee on Interstate and Foreign Commerce.

1134. Also, three resolutions of the Strawn-Turner Post, No. 1627, Veterans of Foreign Wars of the United States, Seat Pleasant, Md., (1) on silver—the money of the masses, (2) on banking, (3) support of and cooperation with farmers; to the Committee on Banking and Currency.

1135. Also, petition of Edward T. Lee, a citizen of Chicago, Ill., for the abolition of railroad grade crossings; to the Committee on Interstate and Foreign Commerce.

1136. By Mrs. ROGERS of Massachusetts: Petition of Boston City Council of Boston, Mass., favoring a study of the entire matter of veterans' legislation in the hope that such study will bring about a favorable adjustment, to the end that no veteran suffering from a disability incurred in line of duty while in the active military and naval service of the United States shall be called upon to bear a greater sacrifice than other classes of the American public, bearing in mind the hardships and tribulations that they endured during the period of war; to the Committee on World War Veterans' Legislation.

1137. Also, petition of the Boston City Council of Boston, Mass., opposing the transfer of tradesmen from the Philadelphia Navy Yard to the Boston Navy Yard to work on the new destroyer which is now in process of construction; to the Committee on Naval Affairs.

1138. By Mr. RUDD: Petition of Warehousemen's Association of the Port of New York, Inc., New York, opposing the passage of the Black bill, S. 158, and the enactment of any law under which a definite limit of hours of any working day shall be placed; to the Committee on Labor.

1139. By Mr. WIGGLESWORTH: Petition of the mayor and City Council of Quincy, Mass., with reference to a study of the entire matter of veterans' legislation, in the hope that such study will bring about a favorable adjustment, to the end that no veteran suffering from a disability incurred in line of duty while in the active military and naval service of the United States shall be called upon to bear a greater sacrifice than other classes of the American public; to the Committee on World War Veterans' Legislation.

SENATE

MONDAY, MAY 22, 1933

(Legislative day of Monday, May 15, 1933)

The Senate sitting as a court for the trial of articles of impeachment against Harold Louderback, judge of the United States District Court for the Northern District of California, met at 12 o'clock meridian, on the expiration of the recess.

The managers on the part of the House of Representatives appeared in the seats provided for them.

The respondent, Harold Louderback, with his counsel, Walter H. Linforth, Esq., and James M. Hanley, Esq., appeared in the seats assigned to them.

PROCLAMATION

The VICE PRESIDENT. The Sergeant at Arms will proclaim the Senate sitting as a Court of Impeachment in session.

The Sergeant at Arms made the usual proclamation.

THE JOURNAL

The Chief Clerk proceeded to read the proceedings of the Senate sitting as a Court of Impeachment for the calendar day of Saturday, May 20, when, on motion of Mr. ASHURST, and by unanimous consent, the further reading was dispensed with, and the Journal was approved.

ARREST OF WITNESS LEAKE

The VICE PRESIDENT. The Chair lays before the Senate a report from the Sergeant at Arms, which will be read. The Chief Clerk read as follows:

SENATE OF THE UNITED STATES,
OFFICE OF THE SERGEANT AT ARMS,
Washington, D.C., May 20, 1933.

HON. JOHN N. GARNER,

Vice President and President of the Senate,

Washington, D.C.

MY DEAR MR. VICE PRESIDENT: In pursuance of the order of the Senate dated May 17, 1933, commanding me to forthwith arrest and take into custody and bring to the bar of the Senate W. S. Leake, of San Francisco, Calif., I did, acting through my deputy, W. A. Rorer, on May 17, 1933, arrest and take Mr. Leake into custody.

The said W. S. Leake is now in my custody, and I await the further order of the Senate.

The original warrant issued in the case is attached hereto.

Respectfully yours,

CHESLEY W. JURNERY,
Sergeant at Arms.

EXAMINATION OF W. S. LEAKE

Mr. LINFORTH. Mr. W. S. Leake is here, in obedience to the mandate of this honorable body sitting as a Court of Impeachment, and I should like at this time to call him, out of order, as a witness on behalf of the respondent; and we desire merely to supplement the testimony given by him in San Francisco that has already been read into the Record by the other side of this proceedings.

The VICE PRESIDENT. The witness will be called.

W. S. Leake, having been duly sworn, was examined and testified as follows:

Mr. LINFORTH. Shall I proceed, Mr. President?

The VICE PRESIDENT. Counsel will proceed.

By Mr. LINFORTH:

Q. Mr. Leake, where do you reside?—A. San Francisco, Calif.

Q. How long have you resided in San Francisco?—A. Off and on, ever since I was 8 years of age, mostly in San Francisco.

Q. And whereabouts in San Francisco do you live and how long have you lived there?—A. At the Fairmont Hotel ever since it was rebuilt.

Q. In about what year?—A. It was remodeled right after the fire in 1906.

Q. And is that one of the leading family hotels in San Francisco?—A. It is.

Q. Did you continue to live there with your wife until her death?—A. Yes.

Q. Have you lived there ever since?—A. Yes.

Q. And when did your wife die?—A. November 15, 1931.

Q. Did you have anything whatever to do with Judge Louderback's registering as a voter in Contra Costa County?—A. I did not.

Q. Did you at any time enter into any arrangement or any conspiracy with Judge Louderback with reference to that registration?—A. I did not.

Q. Did you know at or prior to the time of that registration that he had any intention of registering in that county?—A. I did not.

Q. Would you state, in your own way, and as briefly as you can, how it happened that the bills of Judge Louderback in that hotel have been made out in your name?—A. Well, I had an extra room to rent and take a nap in away from my own room on account of the illness of my wife—

Mr. Manager PERKINS. The Managers on the part of the House object to that on account of its being merely a repetition of what is already in the record.

The VICE PRESIDENT. The Senate sitting as a court admitted that record with the idea that when the witness came here he could explain the case entirely to the Senate. The counsel will proceed.

By Mr. LINFORTH:

Q. Will you please proceed with your answer, Mr. Leake?—A. May I have the question read?

The Official Reporter read the question, as follows:

Q. Would you state, in your own way, and as briefly as you can, how it happened that the bills of Judge Louderback in that hotel have been made out in your name?

The WITNESS. He told me he wanted to have a room in the Fairmont Hotel. I was given to understand that upon some little misunderstanding in his own home he preferred not to create any publicity about it. I told him he could have the room that I had used to sleep in and he occupied the room and the room continued in my name.

Q. Did you explain to the management of the hotel the fact that Judge Louderback was to occupy that room?—A. Yes, sir.

Q. And was that arrangement agreeable to them?

Mr. Manager PERKINS. We object on account of the leading form of the question.

Mr. LINFORTH. I am leading him only on account of the condition of the witness. I want to make the examination as brief as possible.

The VICE PRESIDENT. The Chair is in sympathy with the witness, but cannot counsel conduct the examination in the ordinary way?

Mr. LINFORTH. Very well. I ask that the question be read.

The Official Reporter read as follows:

Q. And was that arrangement agreeable to them?

By Mr. LINFORTH:

Q. I will put it in this way: When you took the matter up with the hotel people and explained the situation to them, what did they say?—A. Perfectly satisfactory.

Q. From that time on have you received from Judge Louderback monthly the full amount charged for that room?—A. Every single month.

Q. And did you pay the amount that you received from Judge Louderback for that purpose to the hotel?—A. I did.

Q. Were the payments made to you by Judge Louderback in cash or by check?—A. Mostly in checks. If at any time checks were not presented it was probably when he was away on vacation or away on court in some other locality and in those cases—how frequent I cannot recall—I paid the cash and upon his return invariably I was reimbursed.

Q. The checks that you so received from Judge Louderback—did you endorse those very checks and give them to the hotel?—A. I did.

Q. Do you know Mr. and Mrs. Hathaway?—A. I do.

Q. How long have you known them?—A. Mr. Hathaway and I were boys in Sacramento. Mrs. Hathaway I have

known for a long time, but I have known Mr. Hathaway much longer.

Q. Did they reside at the Fairmont Hotel during the entire period that you resided there?—A. Not the entire period that I resided there. I was there a long time before they came.

Q. What were the relations, briefly, between Mrs. Hathaway and your wife?—A. They were very devoted.

Q. And how long was your wife ill before she passed away?—A. More than 2 years.

Q. Did you at any time, directly or indirectly, receive any money from John Douglas Short?—A. Not one cent.

Q. Did you at any time make a loan from your friend, Mr. Hathaway?—A. Make a loan! I borrowed money; I did not make anything.

Q. When was it that you borrowed money from Mr. Hathaway?—A. My recollection is in March—I think it was the 25th of March—1931. It was the year that my wife passed away.

Q. At that time how much did you borrow from Hathaway?—A. \$1,000.

Q. Did you give him a note for that sum?—A. I did.

Q. Upon receiving that money what did you do with it?—A. I paid the bill, either to a doctor or a nurse, of \$200, and put \$800 in the hotel—gave it to the cashier to be credited to my account.

Q. At the time of the making of that loan from your friend, Mr. Hathaway, were you in arrears in your hotel bill?—A. I was.

Q. Do you remember how much or to what extent?—A. About \$400.

Q. What was the condition of the health of your wife at that time?—A. Very precarious.

Q. Did you at any time thereafter receive any money from Mr. Hathaway?—A. Yes, sir.

Q. Will you please state when, how much, and under what conditions?—A. I cannot give you the date, but I can give the circumstances and you can perhaps fix it.

Mr. Hathaway was getting ready to go to his property in the country. He came to me and told me that he was going away for a month and he did not feel justified because he knew that I was in financial straits and he insisted and he insisted that I take \$250. I told him I thought maybe I could get along until he returned, but to be safe about it I had better take it, and I did, and I am glad that I did.

Q. Were those the only moneys that were ever received as a loan from Mr. Hathaway?—A. That is the only time—those are the only times.

Q. Do you know Mr. Hunter who was appointed receiver in the Russell-Colvin case?—A. I do.

Q. Was he also a resident of this same hotel?—A. He was.

Q. Did you have any talk with him in regard to his acting as receiver in that matter?—A. I did.

Q. Will you state briefly in your own way what talk you had with him on that subject?—A. I am not able to remember the date nor the month nor the day. One afternoon—I would judge about between 5 and 6 o'clock, because I had returned to the hotel from my office—Judge Louderback came in and told me of some controversy that he had had with some gentleman by the name of Strong in reference to a receivership. He asked me if I knew of anyone who was an expert accountant and was familiar with banking and stocks and bonds. I told him that I could not recall anybody at the present time and asked him how long a time would I have to think it over and investigate. He said, "By tomorrow morning will do." I said, "I want to have time enough, because I know that you need a good man and I do not want to suggest anyone that is not."

During the conversation Mr. Hunter, whom I knew very slightly, merely to pass the time of day, walked through the lobby. I said to Judge Louderback, "There is a man you ought to have if you can get him." He asked me what he was doing, and I told him that he had just been appointed to some important position with the firm of Cavalier & Co.

and that he had been in the bank—I forget the name of it—the bank that was headed by Mr. John Drum.

He asked me if that was the same Hunter that had handled some estate or something in Alameda County. I told him I had heard something about it, but I was not sure about it. He said, "If that is the man, I know he is a good man." He asked me if I would see Mr. Hunter and see whether he was available or not. I went over and saw Mr. Hunter and told him briefly the circumstances, and he said he was not sure that he was available because he had just been appointed, and he would have to see his boss. I asked him who his boss was, and he said Mr. Cavalier, and that Mr. Cavalier either lived or had gone to Oakland, and he would not be able to see him until the next morning, and he would let me know.

Q. Did you hear from Mr. Hunter the next day?—A. I think by telephone. That is my recollection.

Q. What did he say to you?—A. That he would accept it; that he had got permission from his firm and would accept it.

Q. Did you communicate that fact then to Judge Louderback?—A. I did.

Q. What, if anything, did Judge Louderback say?—A. He asked me to have Mr. Hunter report at the Post Office Building where his court was.

Q. Did you say anything at that time as to whether or not he had removed Mr. Strong?—A. Yes, sir.

Q. What did he say in that respect?—A. I do not recall any particular conversation except that he had removed Mr. Strong and ordered Mr. Hunter to report there.

Q. When he made the suggestion to have Mr. Hunter report, was anything said about bonds or sureties?—A. Oh, yes; to be prepared to give bond in whatever the proceeding was.

Q. Was that talk with Judge Louderback over the telephone?—A. It was.

Q. After having that talk with Judge Louderback over the telephone did you communicate with Mr. Hunter?—A. I did.

Q. What did you tell him?—A. I told him just what Judge Louderback told me; for him to report there and to be prepared to give a bond.

Q. Was that talk over the telephone?—A. It was.

Q. On the evening of the day that Mr. Hunter was appointed receiver, which for your information was March 13, did you see Mr. Hunter in your room?—A. He came to my room in the evening.

Q. What talk did you have that evening with Mr. Hunter in your room on the question of his appointment as receiver, if any?—A. There was very little talk about it. He told me that he had accepted it and given a bond, and he was going to appoint an attorney by the name of Short and Erskine & Erskine. I told him I did not know who Erskine & Erskine was. He said he knew them well, and he must have known them because he spoke of them, calling them by their first names to me.

Q. Did he in your presence and from your room telephone to Mr. Short at his residence at Woodside?—A. I do not know where it was, but he asked if he could telephone—oh, I think he did, because he asked for the telephone book. He asked me if he could use my phone and I told him he certainly could, and he did use it.

Q. Did you hear his telephone talk with Mr. Short?—A. Yes, sir.

Q. In a few words, briefly, what was it?—A. He asked him if he would accept the attorneyship for the receiver, and I think he told him what the receivership was. I did not pay any particular attention because it was no affair of mine. What Mr. Short said I could not tell except that Mr. Hunter gave me to understand that he would accept it.

Q. Mr. Leake, was that the full extent of everything and anything that you did in regard to the appointment of Mr. Hunter as receiver?—A. Absolutely the last thing I had to do with it.

Q. Did you receive 1 cent of any compensation that Mr. Hunter received as receiver in that matter?—A. Not 1 cent.

Q. Did you receive as much as 1 cent of any fees paid to Messrs. Short and Keyes & Erskine in that matter?—A. Not 1 cent. As just stated, I do not know the two Mr. Erskines. I do not think I would know them if I would see them.

Q. Do you know G. H. Gilbert?—A. I do.

Q. Do you know his wife?—A. I do.

Q. What has been the length of your acquaintanceship with them?—A. With Mr. Gilbert, in our line of business, we knew each other before we met, in the telegraph business. I have known him personally for a number of years; I do not know just how long.

Q. How long have you known his wife—about, not to be exact?—A. About the same time that I have known him.

Q. Have they both been patients of yours?—A. They have and are yet.

Q. How long, without being exact, how many years back has each been a patient of yours?—A. Mrs. Gilbert a number of years; Mr. Gilbert not so long.

Q. Do you know either member of the firm of Dinkelspiel & Dinkelspiel? I do not mean the father, who has passed away, but the two sons.—A. I have never seen either one of them to know it.

Q. Do you know Marshall Woodworth?—A. I do.

Q. How long have you known him?—A. I knew of him when he was a messenger boy in Judge Hoffman's court. I have known him very well for a number of years, particularly since the time he was United States district attorney.

Q. That is, for the Northern District of California?—A. Yes, sir.

Q. The same position to which Mr. McPike has just been appointed?—A. Yes, sir.

Q. Do you know Samuel M. Shortridge, Jr.?—A. Yes, sir.

Q. How long have you known that gentleman?—A. I saw him, I think, 1 or 2 days after he was born. He was born in the Palace Hotel, where I lived.

Q. Has he at times been a patient of yours?—A. Yes, sir.

Q. Having in mind all the gentlemen that I have mentioned, did you ever receive as much as a single cent from any one of them out of any fees received by any of them, either as receivers or attorneys for receivers?—A. Not 1 cent, sir.

Q. During the 5 years that Judge Louderback has been Federal judge, have you ever made any suggestion to him in regard to the appointment of any receiver except in the case of Mr. Hunter?—A. Not one.

Q. It is in evidence here that in some 6 or 7 matters, while Judge Louderback was a judge of the superior court, he appointed you receiver in certain cases. Do you recall that?—A. Yes, sir; I recall it. They were very small cases.

Q. Do you recall generally, without going into details, the character of the cases in which you were appointed?—A. Well, they were small things pertaining to apartment houses.

Q. What was the outside figure, the aggregate figure, that you received as receiver in all of those cases?—A. There were some cases in which I did not receive anything; but, all told, it would not exceed a thousand dollars. I do not think it would come very close to it.

Q. Were you appointed by Judge Louderback as one of the appraisers in the Brickell estate, so called?—A. It was some estate of that name. I am not positive about the name.

Q. Do you recall what the inventory value of that estate was, in round numbers?—A. I could not at this time, because it has been sometime ago, and it was a matter that I did not register it enough, did not think enough about it, to.

Q. With whom, if anyone, did you confer in regard to that appraisement?—A. A Mr. Hogan—Mogan; Mogan.

Q. Was he the State appraisement officer?—A. As I understood.

Q. When you signed that inventory did you have any talk with him about it?—A. Yes, sir.

Q. Go on in your own way, but as briefly as possible, and state what he said to you on that subject.—A. My recollection is that I had 2 or 3 conferences with him, and we

went over his valuations and figures. I questioned him about the accuracy of them—not the accuracy of them but the judgment of things—and got what information I thought was necessary to justify me in signing the papers.

Q. What, if anything, did he say to you on the subject as to whether or not he had examined into and appraised each item of that estate?—A. He did. He was very particular about that and was perfectly willing to go over them, or take me to them, and let me examine them for myself.

Q. Did you make any suggestion to him as to the amount that you should receive as one of the appraisers in that estate?—A. I did not.

Q. Who was it that fixed the amount that should be allowed to the appraisers, if you know? A. I understood—

Mr. LONG. Mr. President, I just want to find out what case they are talking about.

Mr. LINFORTH. The estate of Brickell.

Mr. LONG. In the United States court?

Mr. LINFORTH. No; a State matter.

Mr. LONG. Mr. President, what has a State matter to do with this case? I want to make an objection, if it is in order to make one. I object to going into the State practice in this case.

Mr. LINFORTH. Mr. President, in view of the suggestion from the Senator, we will not go further into that subject.

Mr. Manager SUMNERS. Mr. President, we want to suggest, if we may, that the attorney for respondent should not be deterred from going into the case by reason of the suggestion, because we propose to go into it.

The VICE PRESIDENT. The Chair thinks that it is better practice. However, the counsel can pursue his own method.

Mr. LONG. Mr. President, my attention has been called to the fact—

The VICE PRESIDENT. The Chair will overrule the objection of the Senator from Louisiana if the counsel desires to go on with the case.

Mr. LINFORTH. Then, Mr. Leake, I will ask you but a couple of questions on that subject.

By Mr. LINFORTH:

Q. Did you fix or suggest the amount that you should receive as appraiser in that matter?—A. I did not.

Q. How much did you receive?—A. My recollection is that I received \$500.

Q. I hand you a photostatic certified copy of the inventory and appraisal in the matter of the estate of Howard Brickell, and I call your attention to the signature "W. S. Leake", and ask you if that is your signature?—A. Yes, sir.

Q. I call your attention to the page of the inventory where the item reads:

To services in appraising foregoing, — days at \$5 per day each, services and costs, \$1,750.

Did you fix or determine that amount?—A. I did not.

Q. Did you have anything to do with fixing or determining that amount?—A. None whatever.

Q. I call your attention to the page of the inventory where the total estate is appraised at \$1,020,804.38, and ask you if that refreshes your memory as to the value of that estate?—A. It does.

Mr. LINFORTH. At this time we offer in evidence, as part of the testimony of the witness, the inventory just referred to.

Mr. Manager PERKINS. Mr. President, it is all printed in the record here now, at page 296, under exhibit no. 7.

Mr. LINFORTH. That may be understood. I do not care to ask that it be printed in the RECORD. I offer it, and it can be referred to at the place in the record to which the honorable manager has referred.

The VICE PRESIDENT. The Chair understands that counsel offers it to be submitted without being printed.

Mr. LINFORTH. Yes, Mr. President.

The VICE PRESIDENT. Very well.

(The inventory was marked "U.S.S. Exhibit G.")

By Mr. LINFORTH:

Q. One further question, Mr. Leake: Did you at any time telephone to Mr. Short at his residence at Woodside?—A. I did.

Q. Can you fix the time that you telephoned to him?—

A. It was, I think, about 1 year before Mrs. Leake's death.

Q. And what was the object of that telephone message?—A. My wife was calling for Mrs. Hathaway, and I was trying to locate her.

Q. At that time was she desperately ill?—A. She was.

Mr. LINFORTH. You may take the witness.

Cross-examination by Mr. Manager PERKINS:

Q. Mr. Leake, how long since you have been engaged in any business?—A. I sold out the business that I was conducting some time after the close of the war.

Q. So that since the close of the war you have not been engaged in any business whatever?—A. Not a business; no, sir.

Q. When did you first occupy room 26, Fairmont Hotel?—A. I do not recall. I occupied the adjoining room for a while.

Q. Please confine your answers to the questions.—A. I will try, sir.

Q. Was it before the month of September 1929?—A. I could not say.

Q. How many years have you known Mr. Gilbert?—A. Well, as I have stated, I felt that I knew him before we met; but I have known him a number of years. We became quite friendly.

Q. How many years has he been in the habit of contributing to you money?—A. Only since he became a patient of mine.

Q. Did he contribute money to you in 1928?—A. I do not recall the date he commenced coming to me.

Q. Can you fix for us the date when he became a patient of yours?—A. I cannot.

Q. Was it more than 4 years ago?—A. I guess his wife was a patient at that time, but I do not recall just when he—(the witness did not finish).

Q. Was Mr. Gilbert a patient of yours in 1929?—A. I think so.

Q. And after 1929 did he contribute money to you?—A. I do not remember the dates. The only money he contributed to me was \$150. His wife paid me as she went along.

Q. How often did Mrs. Gilbert contribute money to you?—A. Well, just as she felt like it. I do not know how long.

Q. Many times?—A. Well, frequently, yes, small amounts always.

Q. Beginning as early as the year 1929?—A. I would say yes, to the best of my memory.

Q. Since the year 1929 Mrs. Gilbert has frequently contributed money to you?—A. I would not say very frequently.

Q. I did not say very frequently, but you said frequently.—A. Well—

Q. Is that correct?—A. She contributed whenever she felt the disposition. I had no charge against her.

Q. Did you not call up John Douglas Short from your room on the evening of March 11, 1930?—A. I have no recollection of calling Mr. Short from my room at any time, except—

Q. Was anyone—

Mr. LINFORTH. One minute. Let the witness answer. The WITNESS (continuing). Except the time when I called inquiring for Mrs. Hathaway, and I do not know the date of that.

By Mr. Manager PERKINS:

Q. You remember when Mr. Hunter called Mr. Short from your apartment, do you not?—A. I do not remember the date.

Q. If I should say that it was March 13, the date of his appointment, would that refresh your memory?—A. Well, if that was the time, he came to me the evening he was appointed, and he telephoned from the room at that time.

Q. He was appointed on March 13, and he came to your room on that date, and from your room telephoned to Mr. Short. Is that correct?—A. Yes, sir.

Q. And that was an out-of-town call, was it not?—A. Yes.

Q. Did you not call from your room 2 days before, and call Mr. Short on the long-distance telephone?—A. I have no recollection of it, sir.

Q. Was anyone else in your room on the 11th of March, 2 days previous to Mr. Hunter being appointed?—A. It would be impossible for me to tell. I have a great deal of company.

Q. Do you know who called Mr. Short from your room on the day or evening of March 11, 2 days before Mr. Hunter called?—A. No.

Q. How long have you been intimately acquainted with Mr. Hathaway?—A. We were boys together in Sacramento.

Q. How frequently has Mr. Hathaway contributed to you since 1929?—A. I do not know just how often. Are you referring to money that I borrowed?

Q. I am referring particularly to the \$250 which he says he gave to you.—A. Yes, sir.

Q. Do you remember that gift?—A. Yes, sir.

Q. Did Mr. Hathaway contribute other moneys to you?—A. I do not recall of any. If he did, it was very small amounts.

Q. Have you had a bank account in the last 5 years?—A. No, sir.

Q. You have done your banking in cash in the Fairmont Hotel, have you not?—A. Yes, sir.

Q. When Mr. Hathaway loaned you \$1,000, did he lend it to you by check or in cash?—A. My recollection is he gave it to me in cash.

Q. In fact, all of your deposits in the Hotel Fairmont have been made by you by cash, have they not?—A. No, sir.

Do you know of any checks you have deposited in the Fairmont Hotel in the last 4 years?—A. Yes, sir.

Q. What checks?—A. Any specific check? I can give you the names of people who have contributed to me by check, but the dates I could not tell you.

Q. Have you any recollection of any checks which you deposited with the Fairmont Hotel in the last 4 years?—A. I could not name any specific check, but I know that I have.

Q. Mr. Hathaway gave you \$1,000 in cash, or loaned it to you, did he not?—A. Yes, sir.

Q. Have you ever repaid it?—A. I paid 1 year's interest; I have not been able to pay the principal yet.

Q. The \$250 about which you have spoken was a contribution to you without intention of repayment, was it not?—A. Yes, sir.

Q. How frequently has Mr. Samuel Shortridge, Jr., visited your office in the last 4 years?—A. Quite often when he was a patient of mine.

Q. And he has contributed money to you, has he not?—A. He contributed personally \$1,000.

Q. And his wife contributed money to you also?—A. He has no wife that I know of.

Q. You know Mr. Woodworth, do you not?—A. I do.

Q. He was a frequent visitor to your office, was he not?—A. I would not say frequent. He came whenever he felt like it.

Q. You maintained an office there in San Francisco, did you not?—A. I did.

Q. And Mr. Woodworth contributed money to you at your office in San Francisco, did he not?—A. Mr. Woodworth never contributed any money to me.

Q. Was he not a patient of yours?—A. No, sir.

Q. How frequently did Samuel Shortridge, Jr., contribute money to you in the last 4 years?—A. Only one time, and that was on account of what I had done for his mother.

Mr. Manager PERKINS. I object. I have not asked any question. The witness is volunteering.

Mr. LINFORTH. Just a moment. I submit the answer of the witness was proper, and it was in explanation.

The VICE PRESIDENT. The answer of the witness may go in the record.

By Mr. Manager PERKINS:

Q. How long have you been an intimate friend of Judge Louderback?

Mr. LONG. Mr. President, I did not hear the explanation the witness gave.

The VICE PRESIDENT. Does the Senator desire to have the witness repeat his answer?

Mr. LONG. I should like to know what it was.

The VICE PRESIDENT. The Official Reporter will repeat the answer.

The Official Reporter read as follows:

Q. How frequently did Samuel Shortridge, Jr., contribute money to you in the last 4 years?—A. Only one time, and that was on account of what I had done for his mother.

Mr. Manager PERKINS. I will ask the reporter to read the last question.

The Official Reporter read as follows:

Q. How long have you been an intimate friend of Judge Louderback?

The WITNESS. My real acquaintanceship with Judge Louderback—while I knew him slightly—my real acquaintance dates from after the war, when he returned from the war.

By Mr. Manager PERKINS:

Q. Will you not please tell us how long you have been an intimate friend of Judge Louderback?—A. An intimate friend? I can only by relating instances; but as to giving dates, I cannot do that.

Q. Have you been an intimate friend of his for the last 6 years?—A. Yes, sir. I do not know what you mean by "intimate." We have been very friendly.

Q. "Intimate" means very close relationship.—A. Yes, sir.

Q. Is that right?—A. I have been intimate enough with him to trust him, and he seemed—

Mr. Manager PERKINS. I object, because I have not asked for the witness' explanation of the word "intimate", and I ask that that be stricken from the record.

By Mr. Manager PERKINS:

Q. Do you recall, Mr. Leake, your employing a detective named Mr. Ramigie to shadow Mrs. Louderback, wife of the respondent?

Mr. LINFORTH. We object to that as being utterly immaterial to any issue here and not cross-examination.

The VICE PRESIDENT. The Chair is of the opinion that this jury will consider the evidence, and that what the opinion of the witness may be will not have very much influence on this jury. The witness may go ahead and answer the question.

The Official Reporter read the last question, as follows:

Q. Do you recall, Mr. Leake, your employing a detective named Mr. Ramigie to shadow Mrs. Louderback, wife of the respondent?

The WITNESS. No, sir.

By Mr. Manager PERKINS:

Q. Did you not ever pay Mr. Ramigie money for work of that character?—A. Not for the watching of Mrs. Louderback.

Mr. LINFORTH. Mr. President, may I have the answer read? I did not hear it.

The VICE PRESIDENT. The reporter will read the answer.

The Official Reporter read the last answer.

By Mr. Manager PERKINS:

Q. Did you, at the request of the respondent, employ a detective named Ramigie?—A. I did not.

Q. Did you do it on your own volition?—A. Whatever transaction I had with him was personal.

Q. Did you employ him in connection with any affair of the respondent?—A. I was trying to ascertain who was following him, or if there was anybody.

Mr. Manager PERKINS. Mr. President, I did not understand the answer. May I have it repeated?

The VICE PRESIDENT. Will the witness repeat the answer, please?

The WITNESS. Give me the question again.

The Official Reporter read as follows:

Q. Did you employ him in connection with any affair of the respondent?

The WITNESS. Any affair of his? I did it on my own responsibility.

By Mr. Manager PERKINS:

Q. What you say is that you employed this detective to find out who was shadowing Judge Louderback?—A. I had heard that such a thing was being done, and I wanted to know who was doing it, if anybody.

Mr. Manager PERKINS. Mr. President, that is all of the cross-examination.

Mr. LINFORTH. Just a question or two.

Redirect examination by Mr. LINFORTH:

Q. How long had the mother of Samuel M. Shortridge, Jr., been a patient of yours before her son made the statement to you to which you have referred?—A. A great many years.

Q. In carrying on the work you do, do you make any charges at all?—A. None whatever.

Q. Is your remuneration whatever the patient sees fit to donate to you?—A. Just whatever they give, and no more.

Mr. LINFORTH. Mr. President, there is one matter which I overlooked in the direct examination.

By Mr. LINFORTH:

Q. Since the death of your wife, have you received moneys on life-insurance policies?—A. Yes; since and before.

Q. Did the moneys you received on life-insurance policies go from time to time into this Fairmont Hotel account?

Mr. Manager PERKINS. I object to the form of the question. It indicates the answer required.

The VICE PRESIDENT. It is not necessary to lead the witness.

Mr. LINFORTH. I am leading on purpose, on account of the condition of the witness, and in order to make the matter as brief as possible. If the objection is made, I will reform the question.

By Mr. LINFORTH:

Q. In the making of deposits to your account in the Fairmont Hotel in the last 3 years, from what sources have you obtained the moneys you have deposited there?—A. Money contributed by friends, sale of my books, money that I borrowed, and money borrowed on my life insurance; and finally, on the passing of Mrs. Leake, I collected the full amount, whatever was due.

Mr. LINFORTH. No further questions, Mr. President.

Mr. CONNALLY. Mr. President, I desire to ask a question.

The VICE PRESIDENT. The Senator from Texas propounds a question, which the Clerk will read.

The Chief Clerk read as follows:

Q. Did you testify that you had employed a detective to ascertain who, if anyone, was following Judge Louderback?

The WITNESS. I did.

Q. If you have so testified, what was the name of the detective?

The WITNESS. "Louie" is about the only name I ever knew of him; "Louie" something—Ramager.

Recross-examination by Mr. Manager PERKINS:

Q. From what company did you borrow money on your life-insurance policy?—A. I think it is called the "New York Equitable".

Q. When did you borrow that?—A. I borrowed \$1,500 some time ago.

Q. How long ago?—A. Quite a few years ago.

Q. Mr. Leake, do you designate yourself a metaphysical student?—A. A metaphysical student and practitioner.

Q. You are not connected with any organization, are you?—A. No, sir.

Mr. Manager PERKINS. I think that is all.

Mr. CONNALLY. Mr. President, I desire to ask another question.

Mr. LINFORTH. Mr. President, may I ask one further question?

By Mr. LINFORTH:

Q. After the death of your wife did you borrow any further amount on that life-insurance policy?—A. I borrowed all that was due.

Q. How much was that, in round numbers?—A. About \$3,800.

The VICE PRESIDENT. The Senator from Texas propounds a question, which the clerk will read.

The Chief Clerk read as follows:

Q. At whose instance did you employ such detective?

The WITNESS. My own volition.

Q. How much was he paid, and who paid him?

The WITNESS. I do not know just what amount. Whatever amount it was, I paid it.

By Mr. LINFORTH:

Q. Mr. Leake, when you borrowed money from the Equitable Life Assurance Society it was one transaction and one borrowing, was it not?—A. Let me see what you mean. I borrowed first on my life insurance when my wife was alive. When she passed away I then drew the balance that was due on that, which was \$3,800.

Q. Since the death of your wife you have only borrowed once, and that was after you borrowed the total cash-surrender value of the policy? Is that right?—A. On the insurance?

Q. Yes.—A. That is all I could borrow.

Q. Have you any other sources of income than those you have mentioned?—A. No.

Mr. LINFORTH. That is all.

Mr. KING. I desire to submit a question.

The VICE PRESIDENT. The Senator from Utah submits a question, which will be read.

The Chief Clerk read as follows:

Q. Were these persons who made contributions, referred to by the managers, your patients?

The WITNESS. Yes.

Mr. ROBINSON of Arkansas. Mr. President, I submit a question.

The VICE PRESIDENT. The Senator from Arkansas submits a question, which the clerk will propound.

The Chief Clerk read as follows:

Q. Did you have any special reason for keeping your funds at the hotel and not in a bank?

The WITNESS. No; it was handier for me; what I got came in such small amounts. I had a safe in my office, and when I accumulated a sufficient amount, I deposited it in the hotel.

The VICE PRESIDENT. Are there any further questions of the witness?

Mr. POPE. I desire to ask a question.

The VICE PRESIDENT. The Senator from Idaho propounds a question, which will be read by the clerk.

The Chief Clerk read as follows:

Q. Why did you employ the detective?

The WITNESS. I had my doubts about anybody following; but, if anyone was, I wanted to know what the object was. I did it as a friendly act.

The VICE PRESIDENT. Are there any further questions?

Mr. ASHURST. I wish to ask the honorable managers on the part of the House and the honorable attorneys for the respondent if they have any further questions to ask Mr. Leake. We wish to know now, because of his desire to go home.

Mr. Manager PERKINS. The managers on the part of the House have no further questions unless they are induced by questions of counsel for the respondent.

The VICE PRESIDENT. Are there any further questions?

Mr. ASHURST. I will ask that they be propounded now if there are any further questions to be asked.

Mr. LINFORTH. The respondent is through with the examination of the witness.

The VICE PRESIDENT. Then the witness may depart for his home so far as the court and Chair are concerned.

Mr. Manager PERKINS. May I ask for one moment's delay?

Mr. ASHURST. I do not know whether or not an order is necessary, but, if necessary, I ask for an order releasing the witness, so that he may return to his home when he pleases.

The VICE PRESIDENT. The Chair thinks that if the announcement is made in the presence of the court, that the witness may depart for home; there is no necessity for any further proceeding.

Mr. ASHURST. I join in that opinion.

Mr. LINFORTH. May I add, so that there will be no misunderstanding, that I was advised that the witness was in a train wreck on the way over and that he desires to rest in bed a day or two in Washington before leaving. I apprehend there is no objection to him doing so.

Mr. ASHURST. None whatever.

Mr. Manager PERKINS. On the part of the managers, there is no objection; but we want it distinctly understood that he is not going to be again recalled.

The VICE PRESIDENT. That is understood, the Chair thinks. Is that correct?

Mr. LINFORTH. We are through with the examination of this witness.

The VICE PRESIDENT. The witness may remain in the city or elsewhere so long as he pleases. The witness will retire.

(The witness thereupon retired.)

PRESIDING OFFICER FOR THE DAY

The VICE PRESIDENT. The Chair appoints the Senator from Indiana [Mr. ROBINSON] to preside for the day.

(Thereupon Mr. ROBINSON of Indiana took the chair as Presiding Officer for the day.)

REDIRECT EXAMINATION OF G. H. GILBERT

Mr. LINFORTH. Mr. President, when we took our recess last Saturday the witness Gilbert was under cross-examination. I ask now if his cross-examination was concluded. If so, we have a few questions on redirect.

Mr. Manager PERKINS. Mr. President, at the time Mr. Gilbert left the stand it was indicated that his cross-examination had not been concluded. Mr. Manager SUMNERS was conducting the cross-examination. At the present moment he is in the Supreme Court chamber.

The PRESIDING OFFICER. Is the Chair to understand that counsel for the respondent desire now to examine this witness further?

Mr. LINFORTH. The witness is right here, and we have a very few questions to ask, and should like to examine him if that is agreeable.

The PRESIDING OFFICER. Is there objection to that?

Mr. Manager PERKINS. We think the cross-examination should be concluded before there is redirect examination.

The PRESIDING OFFICER. Why should we not save time, may the Chair suggest to the managers on the part of the House, by letting counsel for the respondent go ahead and examine the witness?

Mr. Manager PERKINS. We will consent to that.

Mr. Manager BROWNING. With the understanding that we will have the right to recall him when Mr. Manager SUMNERS returns for additional recross-examination.

The PRESIDING OFFICER. The Chair thinks there is no objection to that. Let the witness be summoned.

G. H. Gilbert, having been previously sworn, was examined further and testified as follows:

By Mr. LINFORTH:

Q. Mr. Gilbert, just a question or two: Did you fix the amount of your fee as appraiser in the Brickell estate?—A. No, sir; I did not.

Q. Who did?—A. That was fixed by Mr. Mogan, the State inheritance-tax appraiser.

Q. Did you make any suggestion to him whatever as to the amount which you should receive as appraiser?—A. No, sir; I did not.

Q. When you signed the inventory, did you know what the fee was going to be?—A. No, sir; I did not.

Mr. LINFORTH. That is all of the witness.

ADDITIONAL CROSS-EXAMINATION

The PRESIDING OFFICER. Do the managers on the part of the House desire to cross-examine the witness?

Mr. Manager PERKINS. I will cross-examine on the particular questions and will then reserve the witness for Mr. Manager SUMNERS.

By Mr. Manager PERKINS:

Q. You knew that you were putting in a bill for \$5 a day, did you not?—A. No, sir; I did not know that at the time.

Q. Did you not make affidavit in connection with your bill?—A. I signed the appraiser's oath.

Q. Please answer the question responsively.

Mr. LINFORTH. Just a moment. I submit the witness has answered the question.

The PRESIDING OFFICER. Let the question be repeated. The Official Reporter read as follows:

Q. Did you not make affidavit in connection with your bill?—A. I signed the appraiser's oath.

Mr. Manager PERKINS. I said in connection with the bill, not in connection with the oath of appraiser.

Mr. LINFORTH. One moment. We object to the question upon the ground that it is without foundation, and it does not appear that the witness ever presented any bill.

The PRESIDING OFFICER. The Chair thinks the question is competent, although, strictly speaking, perhaps it is not.

Mr. Manager PERKINS. The bill appears in evidence as exhibit 7.

The PRESIDING OFFICER (to the witness). Answer the question if you can.

The WITNESS. Not before a notary.

Q. Before whom did you swear to it?—A. I signed it in the presence of Mr. Mogan, the State inheritance-tax appraiser.

Q. You knew that bill was for \$5 a day, did you not?—A. I do not know that I really knew that. I may have.

Q. Did you read the bill before you signed it?—A. I probably did.

Q. Does it not say?—

Estate of Howard Brickell, deceased, to R. F. Mogan (inheritance-tax appraiser), W. S. Leake, and G. H. Gilbert. To services in appraising foregoing, ——— days at \$5 per day each, services and costs, \$1,750.

And you signed that, did you not?—A. I signed that, but there was no amount fixed at the time.

Q. You mean to say that \$5 was put in afterward?—A. No; I may have read the stipulation of \$5.

Q. You knew that you were entitled to \$5 per day for services as appraiser, did you not?—A. I may have; yes, sir.

Q. Did you not sign the paper?—A. I probably did.

Q. Well, say so if it is true. You did, did you not?

Mr. LINFORTH. Just a moment. We want to object to the form of the question as improper.

The PRESIDING OFFICER. Objection is sustained.

By Mr. Manager PERKINS:

Q. You knew that you received money for 100 days' services, did you not?—A. I did not know what I was to be paid.

Q. I object to the answer; it is not responsive. I said you knew when you received the money that you received it for 100 days' services, did you not?—A. I probably did.

Q. And you knew that you rendered no services, did you not?—A. Yes, sir.

Mr. Manager PERKINS. That is all.

Mr. LINFORTH. We have no further questions.

The PRESIDING OFFICER. The witness will stand aside. Is the Chair to understand that it is the desire to have the witness cross-examined further later?

Mr. Manager PERKINS. Yes; there was a reservation that this witness would return.

The PRESIDING OFFICER. The witness will stand aside. Who is the next witness?

EXAMINATION OF JOHN DOUGLAS SHORT

Mr. LINFORTH. Please call John Douglas Short.

John Douglas Short, having been duly sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. Would you please state your name, age, occupation, and residence?—A. My name is John Douglas Short, I am an attorney at law, and my residence is Woodside, San Francisco.

Q. How long have you been an attorney at law?—A. I was admitted to practice in 1916.

Q. When did you become associated with Keyes & Erskine?—A. In the year 1928.

Q. Prior to that had you been following the practice of your profession from the time of your admission?—A. Yes. I first was associated with Mr. C. Irving Wright. We formed a partnership soon after I was admitted to practice. We then formed an association, a group of us, with Andros & Hinkler. My partner, Mr. Wright, shortly afterward had to retire from business due to his health and I remained on in that association for several years. Mr. Walter Hepman was also a member of that association, and he and I later formed a joint office arrangement and practiced until I joined Keyes & Erskine in 1928.

Q. Did you state your age?—A. I am 38 years old.

Q. Are you a man of family?—A. I am married and have four children.

Q. Do you know the witness, W. S. Leake?—A. I do.

Q. How long have you known him?—A. I met him some time in 1927 or 1928.

Q. Would you state as briefly as possible the extent of your relations and associations with him?—A. I do not remember the occasion of meeting him, but it was sometime in the lobby of the Fairmont Hotel when myself or my family with me had gone to visit my wife's family who lived there.

Q. Are you a son-in-law of Mr. Hathaway who has been referred to here?—A. I am.

Q. Was it during a visit to your wife's family that you became acquainted with Mr. Leake?—A. Yes; my acquaintance with Mr. Leake has been wholly casual. I have only met him in the hotel on a few occasions, probably not over six to a dozen times since I first met him.

Q. Are you acquainted with Mr. Hunter who was appointed receiver in the Russell-Colvin case?—A. Yes.

Q. Would you state the extent of your acquaintanceship with him?—A. I first met Mr. Hunter in 1920 at the residence of my former partner, Mr. Wright, down at Pebble Beach. I have known him ever since. We have always been good friends. I met him professionally when he was receiver for the Security Bond & Finance Co. A client of the firm of Keyes & Erskine was one of the stockholders of that concern and we defended them in a stockholders' liability suit. Mr. Hunter as receiver was in court on a number of occasions then. Later, when he was associated with the bank for which the firm Keyes & Erskine were attorneys, I met him occasionally then. We lived near one another when I lived across from the Fairmont Hotel and we met socially occasionally. We were not intimate, but we were good friends.

Q. Did you meet him during his connections with the firm of Cavalier & Co., for whom Keyes & Erskine were attorneys?—A. Yes; I met him during that period on several occasions also.

Q. How long have you known Judge Louderback?—A. I met him merely as an attorney in his court on a few occasions.

Q. How long have you known him?—A. I think I first met him in 1928. I handled a matter for Keyes & Erskine in his court, a case of patent litigation.

Q. Have you ever had any relations of any kind with Judge Louderback except the usual relations of attorney and judge?—A. None whatever.

Q. Have you ever been a political friend of his?—A. No.

Q. How many appointments did you receive as attorney for receivers appointed by Judge Louderback during the 5 years that he acted as Federal judge?—A. We were ap-

pointed as attorneys in the Stempel-Cooley matter, a real-estate bankruptcy matter. Mr. Gilbert was appointed receiver. We acted in the matter for 2 or 3 months, and a trustee was appointed and we were out of the case.

Q. Are that and the Russell-Colvin matter the only matters in which you have been appointed as attorneys for receivers appointed by Judge Louderback during the entire time he has been on the Federal bench?—A. Yes.

Q. Were you ever appointed by him in any capacity during the 8 years he was on the State bench?—A. No. I was never in his court.

Q. Are you acquainted with Mr. Gilbert, who has been a witness here?—A. Yes. We represented him as attorney for the receiver in the Stempel-Cooley matter.

Q. Was that your first acquaintance with him?—A. Yes.

Q. Have you at any time since represented him in any matter?—A. No.

Q. What was the fee allowed in the Stempel-Cooley matter?—A. The fee was allowed by Judge Sheridan, to whom the matter was assigned. He was the referee in bankruptcy. He conducted the few hearings had and fixed the fees. I think it was \$500 for the receiver and for the attorney.

Q. What is the business of your father-in-law, Mr. Hathaway?—A. He is manager of the Mutual Life Insurance Co. of New York for northern California, Nevada, and the Hawaiian Islands.

Q. Did you ever give or loan any money to W. S. Leake?—A. Never; no.

Q. When did you first learn that your father-in-law had loaned him a thousand dollars?—A. At the time of the committee hearings in San Francisco in September of last year.

Q. On the 27th of March 1931 did you owe your father-in-law any money?—A. I did.

Q. How much did you owe him?—A. I owed him \$2,435 for moneys he had advanced me during the period of approximately a year prior to the time I repaid it.

Q. Were those advances made to you by check?—A. They were.

Q. On what bank?—A. On the Crocker First National Bank.

Q. Have you those checks here with you?—A. Yes.

Mr. LINFORTH. We tender them to counsel on the other side if they wish them.

By Mr. LINFORTH:

Q. On the 27th of March, 1931, did you owe your father-in-law any other money?—A. I did.

Q. How much?—A. I owed him \$3,651, I think is the amount—yes; it is—on a transaction connected with his deeding to us a property at Woodside, on which we agreed that we would build a home and pay him the balance then due on the property he was purchasing. He prepared a memorandum and gave it to me at that time, and I agreed to take care of it when I could.

Q. Do you remember the date of the deed to that property by the father of your wife?—A. It was the first part of 1927, the first of the year, I think.

Q. Have you that deed here with you?—A. Yes.

Mr. LINFORTH. We tender it to opposing counsel if they desire it.

By Mr. LINFORTH:

Q. When did you receive your fee in the Russell-Colvin matter?—A. Within a day or two of the date I paid Mr. Hathaway the \$5,000, between the 20th and the 27th.

Q. Upon receiving your fee did you pay back to your father-in-law the money he had loaned to you?

Mr. Manager PERKINS. I object. That is a leading question. I object to the form of the question.

Mr. LINFORTH. I withdraw the question. I was merely trying to hasten matters.

Mr. Manager PERKINS. While haste is desirable, indicating to the witness the answer desirable is not desirable.

Mr. LINFORTH. There was no such intention on my part.

The PRESIDING OFFICER. Proceed, gentlemen. The question has been withdrawn.

By Mr. LINFORTH:

Q. Did you accompany the checks to your father-in-law with a letter?—A. I did.

Mr. LINFORTH. May I ask of the learned managers if they have with them a copy of the printed exhibits?

Mr. Manager BROWNING. Which exhibit?

Mr. LINFORTH. The printed volume of exhibits which you had printed and to which you referred the other day. Never mind; a copy of it is now in my possession.

We offer at this time the letter referred to by the witness, which is printed in the RECORD volume of exhibits at page 887, and we ask permission to read it for the benefit of the court.

Mr. Manager PERKINS. We think the original letter should be produced for examination by the managers on the part of the House.

The PRESIDING OFFICER. Do managers on the part of the House deny the existence of the letter?

The WITNESS. Mr. SUMNERS has the original letter.

The PRESIDING OFFICER. In the interest of progress, the Presiding Officer would think if this is an exact copy of the letter that the copy itself might be used. Of course, the best evidence is the letter itself.

Mr. LINFORTH. Mr. President, may I add that the original letter was given to the investigators on behalf of the House when they were in California in September and they have the original letter and we have their receipt.

The PRESIDING OFFICER. If that be true, then the letter cannot be in the custody of counsel for the respondent.

Mr. Manager PERKINS. Then we have no objection to the copy. I did not know that was the fact.

The PRESIDING OFFICER. Let the letter be read.

Mr. LINFORTH. For that reason we offered the printed copy. The letter is as follows:

LAW OFFICES OF KEYES & ERSKINE,
March 27, 1931.

Mr. W. L. HATHAWAY,
San Francisco, Calif.

DEAR MR. HATHAWAY: We have finally received our compensation to date in the Russell-Colvin & Co. matter, and I can now take up at least a part of my obligations to you. The record in my two check books shows the following advances made me by you:

October 1929 (Crocker Bank).....	\$200
December 1929 (Crocker Bank).....	100
February 1930 (Crocker Bank).....	100
June 1930 (Crocker Bank).....	60
October 1930 (Bank of Italy).....	100
December 1930 (Bank of Italy).....	100
January 1931 (Crocker Bank).....	1,500
Do.....	75
	2,235

I also have a note in my bill file stating that I owe you "\$500 for advances in 1929", which indicates that there is \$200 due in addition to the first two items above. If your records do not show this, we can correct it later.

Mr. Manager LEWIS. May I interrupt? The idea is to save time. This is all in the printed record, under Exhibit 32, at page 511 of the record of this trial.

Mr. LINFORTH. It is very brief, and I want it to lay a foundation for what follows.

The PRESIDING OFFICER. The Chair thinks it would be just as well to let it be read.

Mr. LINFORTH (reading).

In addition to these advances there is our understanding in respect to the 12½ acres you deed us at Woodside, that I should reimburse you for the balance remaining due on that portion of your purchase from the Spring Valley Water Co. in accordance with the memorandum you prepared at the time we arranged to build our house. The balance arrived at was \$3,651.61.

I am inclosing my check for \$5,000 of which \$2,435 is in repayment of your advances as above, and the rest is on account of the Woodside property, which leaves a balance on this account of \$1,086.61.

Sincerely yours,

DOUGLAS.

By Mr. LINFORTH:

Q. Did you personally deliver that letter to your father-in-law?—A. I did.

Q. I hand you a bunch of canceled checks. Are these the checks showing the advance to you of \$2,435 referred to in that letter?—A. Yes; these are the checks.

Mr. LINFORTH. We offer the checks, and state that they need not be printed in the record unless it is so desired.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The checks were marked "U.S.S. Exhibit H.")

The WITNESS. I might explain, in connection with that, that at the time I delivered the check of \$500 with this letter to Mr. Hathaway he stated, "You do not owe me this amount." I said, "Well, I insist on paying you the amount of the balance due on the Woodside property." He stated to me at the time that at the time that he had deeded the adjoining property to his other daughter it had been free and clear, and he wanted to treat the two girls alike. Therefore, he said, "You do not owe me this, and I will not accept it; but I will take it as a loan and return it to you, as I need it, because I am going to use this money immediately on my ranch properties down here, which I am improving and building on."

By Mr. LINFORTH:

Q. And did he subsequently return to you the difference between the twenty-four hundred and odd dollars and the \$5,000?—A. He did; all of it.

Q. You referred in that letter to a statement in which he had figured the balance due on the Woodside property at \$3,657.61. Is the paper I show you that statement?—A. Yes. This is the memorandum Mr. Hathaway prepared and gave me at the time, before he delivered us the deed.

Q. Are those figures in the handwriting of your father-in-law?—A. They are.

Mr. LINFORTH. We offer that paper, and we do not care about it being printed in the RECORD.

(The paper was marked "U.S.S. Exhibit I.")

By Mr. LINFORTH:

Q. I hand you a deed from Caro L. Hathaway and W. L. Hathaway to Marie Hathaway Short, of date the 10th of January 1927. Is the grantee in that deed your wife?—A. Yes.

Q. The daughter of Mr. Hathaway?—A. Yes.

Q. Is this the deed by which the 11 acres that you have referred to were deeded to you?—A. It is.

Mr. LINFORTH. We offer the deed, and do not care about its being printed in the RECORD.

(The deed was marked "U.S.S. Exhibit J.")

By Mr. LINFORTH:

Q. When did you first hear of your appointment in the Russell-Colvin case?—A. I first heard of the matter of our acting as attorneys from Mr. Hunter, who phoned my residence the night of March 13, said he had been appointed as receiver of the Russell-Colvin Co., and said he wanted us to act as his attorneys. He said at the time that it was necessary to take charge the following morning, and he would like that I should meet him early, as early as 8:30, if possible; so I told him that I felt we should be very glad to represent him, and I phoned that I would speak to Herbert Erskine and Morse Erskine in the morning and try to keep an engagement with him at that hour.

I called Mr. Herbert Erskine, told him about it, and arranged to meet in the morning; and he and Morse Erskine and myself discussed it, and said we would give Mr. Hunter every possible service, and be very glad to undertake the work.

I went to Mr. Hunter's office at Cavalier & Co., had a brief discussion with him, and then we went over to the Russell-Colvin office and met Morse Erskine there and took charge of the estate.

Q. Did you have any talk of any kind at any time with Mr. Leake about your appointment as attorneys in that matter?—A. I did not.

Q. Or with Judge Louderback?—A. No.

Q. You are familiar with the statement of services which has been offered in evidence in this matter—the statement of services of the attorneys?—A. Yes.

Q. Without going over the matter, is the statement, insofar as it details the services rendered by you, correct?—A. There are two statements. They are both correct; yes.

There may be omissions from them, but whatever is in those is correct.

Q. The statement in evidence is the statement relating to the first application for fees. Did you subsequently file another statement on application for fees?—A. Yes; about 8 or 9 months after that we filed a second application.

Q. There was an application made separately for compensation on behalf of counsel, was there not?—A. In each instance there was an application made for the receiver's compensation and the attorneys' compensation; the first one at the end of approximately a year, and the second one about 9 months after that.

Q. I will put that second statement in evidence a little later; but I will ask you, Mr. Short, in the interest of brevity, whether the services outlined and designated in that second statement are correct of your own knowledge?—A. Yes.

Q. Will you tell the Presiding Officer and the Members of the Senate in your own way, but very briefly, how much time you and the firm of Keyes & Erskine devoted to the matters of this receivership?—A. Well, the work involved all of my—practically, I should say—all of my time for a year and 6 or 8 months; in other words, until the entire distribution was completed. It involved, for the first 3 or 4 months, practically all of the time of Morse Erskine; and thereafter, I should say, it took from one third to one half of his time for the period I have stated in regard to myself, a year and a half or more.

Q. Did you give to Judge Louderback, or did he receive, to your knowledge, one cent of what was awarded you as fees?—A. No.

Q. Or any other amount?—A. No.

Q. Did Mr. Leake receive any part or portion of your fees in that matter?—A. He did not.

Q. Did anyone except yourself and the firm of Erskine & Erskine receive any part of those fees?—A. No one else.

Q. How long have you lived at Woodside?—A. Since we built our home there in 1927.

Q. That is about 30 miles from San Francisco?—A. Yes.

Q. Do you recall ever receiving a telephone call or message from Mr. W. S. Leake?—A. I recall a telephone message from Mr. Leake on one occasion only.

Q. About what?—A. He was inquiring to reach the Hathaways. He wanted Mrs. Hathaway particularly. Mrs. Leake was asking for her, he said, and wanted to locate her. They were not in the hotel.

Q. Were the Hathaways at your home at that time?—A. They were not. I told him I did not know where they were, but if I could reach them, I would give them his message.

Q. Are you able to fix the time of that telephone call?—A. No; I do not remember the time of it. I merely remember the fact that that was the only time he ever phoned me.

Mr. LINFORTH. You may take the witness.

Mr. KING. Mr. President, I have an interrogatory.

The PRESIDING OFFICER. The interrogatory submitted by the Senator from Utah will be read.

The Chief Clerk read as follows:

Q. What services did Morse Erskine, your legal associate, render in the Russell-Colvin case?

The WITNESS. He was particularly active in the beginning in handling matters concerning the general estate. The thing that we had on hand that required immediate attention was the contract with Mr. Blumberg for the purchase of the Consolidated Box controlling stock; and Mr. Morse Erskine—who was a director of the United Paper Box Co., and the firm were attorneys for that concern, a competitive concern with the Consolidated—was able to interest Mr. Spiegelman, the president of that concern; and through his interest we were able to get an offer that eventually resulted in a satisfactory sale not only of the controlling stock but of a large block of the debentures and the machinery, which would otherwise have been almost a total loss.

He was, as I say, engaged in that work especially for those three very active months, and cooperated with me in research and investigation of the law of stock-brokerage liquidations, and assisted to a certain extent in devising the means and methods for handling the reclamation proceeding, resulting in the return to customers of their securities or proceeds and the eventual disposition of the estate. He was consulted by me constantly, and assisted in every phase of the work.

Mr. KING. I have another interrogatory.

The PRESIDING OFFICER. The interrogatory will be read.

The Chief Clerk read as follows:

Q. As I understand, the record shows that you conferred very often with the receiver. Why were so many conferences necessary?

The WITNESS. Well, that was largely due to the fact that there were so many—such a multiplicity of interests in the concern. There were several subsidiary companies. Each one had to be studied and analyzed and reported on. Then the reclamation proceedings were necessary to be handled.

In a stock-brokerage liquidation, unlike any other ordinary merchandising concern, a very complicated situation exists in which claims must first be had and filed; they must all be analyzed, compared with the books, and any discrepancies or arguments between the customers and the firm must be disposed of, either by litigation or by agreement. Once those claims are in comes the question of tracing securities, which is a very involved and difficult process, requiring legal advice at every turn and every phase of it.

We prepared a questionnaire in the beginning. We first studied the situation to a sufficient extent and analyzed the decisions in stock-brokerage liquidations until we were convinced of the proper method of procedure.

One of three methods could be followed:

We could simply have called for claims, had the court appoint a special master, had the court appoint certified public accountants to assist the special master to report on claims, and forced each claimant in an adversary proceeding to prove his claim and have the special master finally report it.

Or, as the defendants and others had originally hoped, it might be possible to sell the concern as a going concern and effect some sort of compromise, if necessary, with the customers.

The third program was the one we finally adopted, because of our discovery that in practically all stock-brokerage liquidations where they go through the formal procedure of an omnibus proceeding, in which a special master and accountants determine the claim, it would take us from 3 to 4 years to dispose of it. Mr. Hunter was anxious to get back to his employment; and we took the task with the understanding with him that we thought we could dispose of it within 6 months to a year. We fortunately were able to dispose of it in something over a year and half—a record in those proceedings.

The Wilson case was referred to here the other day when I was in the balcony—

Mr. Manager PERKINS. Mr. President, I do not know whether this is in response to an interrogation or not, but it seems to be quite a long speech.

The PRESIDING OFFICER. Is the Senator from Utah satisfied with the response to his question?

Mr. KING. I am satisfied, Mr. President.

The PRESIDING OFFICER. Very well. Then let the managers on the part of the House proceed with their questioning. Was there a further question on the part of the Senator from Utah? If so, the clerk will read it.

The Chief Clerk read as follows:

Q. What was the nature of your services?

Mr. KING. I think he has answered that sufficiently.

Cross-examination by Mr. Manager PERKINS:

Q. Mr. Short, at the time of your appointment as the attorney for the receiver of the Russell-Colvin Co. you were employed by Keyes & Erskine, were you not?—A. Yes.

Q. And you were receiving \$200 a month for your services, were you not?—A. That was part of our arrangement; yes.

Q. That was all they paid you for your services, was it not?—A. They supplied me with an office, and all of the overhead expenses were paid. I was permitted to conduct any personal business I had.

Q. Did you conduct personal business?—A. Yes.

Q. How much did you charge, either by day or by hour, to your clients for your services?—A. I do not recall.

Q. Do you not have a rate of charge against your clients for services rendered for them?—A. A rate per hour?

Q. Per hour or per day?—A. No; I do not think so.

Q. So that you never charged your clients either per day or per hour for services?—A. No.

Q. You have testified that you spent practically all of your time on this thing for the first year, have you not?—A. Yes; I think that is right.

Q. When you say all of your time, you mean how many hours a day?—A. I could not say. I think there were some days when I probably spent not more than 4 or 5 hours, and some days when I spent 12 to 14 hours.

Q. You count Saturdays and Sundays in that, when you say all of your time?—A. I would not count Sundays, although we worked Sundays on occasion, sometimes Sunday nights.

Q. So that the total of your services, so far as time was concerned, was set out in the bill you presented to the court?—A. That would be the bulk of it. There were certain things which were omitted from that.

Q. Do you know how many hours you spent on this matter from March 14, the time of employment, to March 31?—A. You mean the year following?

Q. I mean the time of appointment, March 14, to the 31st of the same March.—A. That is, in the first month?

Q. Yes.—A. No; I do not know. I have never added up the hours.

Q. Do you know that your bill as set out shows you spent 66 hours in those 17 days?—A. I do not know. I have never checked it up.

Q. Do you know how many hours you spent in the month of April 1930 on this matter?—A. I do not.

Q. Do you know that your bill shows that you spent 141 hours?—A. I do not know, as I say.

Q. Do you know how many hours you spent in the month of May 1930?—A. I do not know the hours of any month.

Q. Do you know that your bill shows that in the month of May you spent 61 hours, May 1930?—A. I do not know.

Q. I have had a tabulation made showing the total of hours in each month for 1930, the date of your appointment in March, for 1 year, and it shows that the total amount of your time spent was 1,407 hours. Did you know that that was the amount of time spent?—A. In a year's time, 1,407 hours?

Q. Yes.—A. As I say, I never added it up.

Q. You say that Mr. Erskine spent practically all of his time for the first 3 months, do you not?—A. That would be my recollection; yes.

Q. Do you know that in the first 3 months he spent, from March 14 to March 31, 66 hours; in April, 82 hours; and in May, 53 hours?—A. As I say, I have never checked up the hours.

Q. Do you know that in June he spent only 21 hours; in July, 2 hours; in August, 16 hours; in September, 23 hours; and in October, 2 hours?—A. No. As I say, I have never checked it up.

Q. Which does not accord with your idea that he spent practically all of his time, does it?—A. I said he spent practically all of his time for 3 months.

Q. Do you know that in the whole year Mr. Erskine spent only 329 hours, according to the bill, on this matter?—A. I would be surprised if that were true. I would say he spent more time than that. He would be as accurate in keeping track of the hours as I was.

Q. What you were paid for was what was set out in the bill?—A. We were paid for the results obtained, I think.

Q. Why did you show the hours in the bill?—A. The hours we put in, the size of the estate, and the satisfaction of creditors who were at the hearing in court.

Q. What was the allowance made to you and Erskine & Erskine at the end of 1 year in this Russell-Colvin matter?—A. \$46,250.

Q. Do you know that you and Erskine & Erskine were allowed \$46,250 for a total of 1,741 hours?

Mr. McCARRAN. Mr. President, may the question be repeated?

The PRESIDING OFFICER. The reporter will read the question.

The Official Reporter read the last question.

The WITNESS. I should say that was probably—you have checked it up, and it must be about right.

By Mr. Manager PERKINS:

Q. I have checked it up, and had it certified by an expert accountant. A. You are doubtless right about the hours.

Q. Do you know that they allowed you and Erskine & Erskine at the rate of \$26.60 per hour for that total time?—A. Is that what it amounts to?

Q. It does.—A. I take your word for it.

Q. What is the largest fee you ever personally received before this receivership?

Mr. LINFORTH. I object to that as being foreign to this inquiry. The question is as to the value of these services.

The PRESIDING OFFICER. What was the question?

The Official Reporter read as follows:

Q. What is the largest fee you ever personally received before this receivership?

The PRESIDING OFFICER. I suppose that, strictly speaking, it would not be competent, but the Chair overrules the objection. Let the witness answer.

The WITNESS. I have never received any very large fees. I think the largest fee I can recall receiving was \$3,000 for some work in connection with handling the 401 Orchard & Land Co.

By Mr. Manager PERKINS:

Q. During the several years before this you had been borrowing considerable from your father-in-law, had you not?—A. No. For a period of practically a year prior to that I had been having trouble with my other properties, and I had considerable real estate, and it was in difficulties; I had lost tenants.

Mr. Manager PERKINS. I move that that be stricken out.

The PRESIDING OFFICER. The question and answer will be read.

The Official Reporter read the last question and answer.

By Mr. Manager PERKINS:

Q. For several years previous to your appointment as receiver you had been borrowing money constantly from your father-in-law, Mr. Hathaway?—A. No; that is not so. The first money I ever borrowed from him was approximately a year before this, and if you want the reason for it—

Q. I will ask for an explanation when I want it. On the 27th of March 1931, out of moneys received by you as attorney for the receiver of the Russell-Colvin Co., you sent Mr. Hathaway \$5,000, did you not?—A. Yes.

Q. And 2 days before that he either loaned or gave to Mr. Leake a thousand dollars, did he not?—A. According to the record, and all I know of it, he loaned him a thousand dollars.

Q. And of that \$5,000 your father-in-law said that you did not owe him a thousand dollars, did he not?—A. He refused to admit that I did owe him, and I insisted, and said it was too great a sacrifice for him to have made, and he returned it.

Q. He paid it back to you?—A. Yes; every cent of it.

Q. So the net result was that you did not pay the whole \$5,000 to your father-in-law?—A. The net result was that I really paid him an advance and he refused to accept the balance I had fixed as the amount I owed him on the Woodside property, and said it was a gift to us. That is correct. I have the canceled checks for it if you wish them.

Mr. McCARRAN. Mr. President, I have sent an interrogatory to the desk which I desire to have propounded.

The PRESIDING OFFICER. The clerk will read.

The legislative clerk read as follows:

Q. What was the average of your annual income from legal services apart from the \$200 monthly paid you by Erskine & Erskine?

The WITNESS. I should say not to exceed a thousand dollars a year. I had an independent income of about \$5,000 a year at that time.

By Mr. Manager PERKINS:

Q. Was the independent income included in income from services?—A. No.

Mr. Manager PERKINS. Then I move that that be stricken out as not responsive and not competent. A man's private income from investments has nothing to do with this case.

The PRESIDING OFFICER. I think it may remain in the record. I do not see that it does any good or any particular harm.

By Mr. Manager PERKINS:

Q. Do you know the Matson Navigation Co.?—A. Oh, yes.

Q. Did you not apply for a position from them a short time before this appointment?

Mr. LINFORTH. Mr. President, we object to that as being utterly immaterial to any issue here involved, the only question being as to the value of these services, and whether or not the respondent allowed excessive fees.

The PRESIDING OFFICER. What is the theory on which the question is asked?

Mr. Manager PERKINS. We are endeavoring to show that this gentleman had practically no business and no income, that he was living on borrowed money, and that this fee was entirely excessive—out of line with anything he had ever done in his life before.

The PRESIDING OFFICER. The witness may answer.

The WITNESS. Some 2 or 3 years before this, I think, I had a talk with Mr. Bailey, a friend of mine, who was one of the officers of the Matson Co. and discussed the possibility of my going with them.

By Mr. Manager PERKINS:

Q. Getting out of the law business and going into the litigation company?—A. Yes.

Q. What did you say?—A. That was before I joined Keyes & Erskine.

Q. What did you say was the total of your income the year previous to your appointment as attorney for the receiver in this matter?—A. My total income?

Q. From the law business.—A. As I said—I answered that inquiry by saying it was probably \$1,000, in addition to the moneys I received from Keyes & Erskine.

Q. So that your total income for the year previous to the time you were acting as attorney for the receiver was about \$3,400. Is that right?—A. Probably. It might have exceeded that. I recall several years when I had better fees than that. I have no record handy.

Q. Substantially all of the services rendered to the receiver were rendered by Mr. Short, were they not?—A. A great deal of the work was done by me. I do not think the most important work was done by me.

Q. Of the total of 1,741 hours for which this fee of \$42,500 was rendered, you performed 1,407 hours, Mr. Erskine 329, and 5 were rendered by some unidentified person. Is not that correct?—A. Have you added up both the applications or just the first application?

Q. I am dealing merely with the allowance of \$42,500.—A. Whatever you say on that I will admit, Mr. PERKINS, because I have never checked it. My principal services were in connection with handling the reclamation proceedings and preparing the report on claims, which you have published in your record. I think it was the first time that work was ever done in the West.

Q. Can you tell us the day you actually got the \$46,500?—A. I could not tell you the day; no.

Q. It was just a few days previous to the 27th of March 1931, was it not?—A. Yes; because I know I wanted to pay

Mr. Hathaway as soon as I could after getting the check. I secured a check from Mrs. Clarkson, Mr. Hunter's secretary, gave it to our bookkeeper—

Mr. Manager PERKINS. I object. I have not asked any question. The witness is volunteering, and we will get through more quickly if he will not volunteer answers.

The PRESIDING OFFICER. Just answer the questions.

Mr. Manager PERKINS. That is all.

The PRESIDING OFFICER. Has counsel for the respondent any further questions?

Mr. LINFORTH. No further questions.

Mr. TYDINGS. I have a question to propound.

The PRESIDING OFFICER. The Senator from Maryland propounds an inquiry, which the clerk will read.

The legislative clerk read as follows:

Q. How long did the attorneys who recommended your fee keep the papers, the petitions filed for the purpose of fixing the fee?

The WITNESS. Each of the attorneys who testified at that proceeding had the reports and the application for compensation, and I think at least 2 of the 3 who testified visited the receiver's office and went over the general lay-out of the work that was done in connection with the reclamation proceedings, in other words, investigated the work of tracing the securities, the work of apportioning the securities into the forty-six-odd pools, the work of drawing back all the customers' claims, and finally, summing up, said papers were in their hands for a period of 5 or 6 days.

Mr. TYDINGS. Mr. President, may I ask the Presiding Officer whether or not the record of the number of lawsuits in connection with this receivership has been put in the record?

The PRESIDING OFFICER. The Chair is not certain on that score.

Mr. TYDINGS. Were a number of separate pieces of litigation instituted?

The PRESIDING OFFICER. Will counsel for the respondent or the managers on the part of the House answer the question of the Senator from Maryland?

Mr. Manager PERKINS. We understand there were practically no lawsuits?

The WITNESS. That is correct. There were a few. I do not know when he took charge of the estate. I think there were five filed prior to the proceedings in pursuit of what we call "desperate" accounts, bad accounts; two of those were tried, and the others were settled. There was very little litigation.

Mr. TYDINGS. May I ask—I do not want to repeat the question if it has already been answered—if the character of the services rendered has been projected in extenso at any time in his testimony?

The PRESIDING OFFICER. If the Chair were stating the opinion of the present occupant of the chair, it would be to the effect that that has been gone into with this witness.

The WITNESS. I would be very glad to take the time of the court to say—

Mr. LINFORTH. It was also gone into by a witness who preceded him—Mr. Erskine.

The PRESIDING OFFICER. The Chair did not understand the statement of counsel.

Mr. LINFORTH. I say it was gone into also by the testimony of a preceding witness, a member of the firm—Mr. Erskine.

The PRESIDING OFFICER. Are there any further questions in the examination of this witness? If not, the witness is excused. The next witness will be summoned.

STIPULATED TESTIMONY OF W. L. HATHAWAY

Mr. LINFORTH. Mr. President, at this time, pursuant to the stipulation entered into by the respective parties, due to the illness of the witness, we read his testimony given at the preliminary examination held in San Francisco in September 1932, and we read the testimony of the witness W. L. Hathaway.

The PRESIDING OFFICER. Is there stipulation to that effect, the Chair will inquire of the managers on the part of the House?

Mr. Manager BROWNING. Yes; there is.

The PRESIDING OFFICER. Very well. Counsel will proceed.

Mr. HANLEY read the testimony given by W. L. Hathaway at the hearing before the special committee of the House of Representatives at San Francisco, Calif., September 6 to September 12, 1932, as follows:

W. L. Hathaway, being duly sworn by the chairman, testified as follows:

Direct examination by Mr. LaGuardia:

Q. Mr. Hathaway, where do you reside?—A. Fairmont Hotel.

Q. How long have you lived there?—A. About 12 years.

Q. What is your business, Mr. Hathaway?—A. I am manager for a life insurance company.

Q. Are you related to Mr. Short?—A. He is my son-in-law, married to my oldest daughter.

Q. That is John Douglas Short?—A. Yes.

Q. Do you know Mr. Sam Leake?—A. Very well.

Q. How long have you known him?—A. Oh, I have known Sam since somewhere in the eighties.

Q. Did you ever personally consult him for treatments?—A. I have talked over his system with him, I took his books and read them, and tried, generally, as I do most things I come in contact with, to know something about it. I never considered myself a patient until I read it the other day. I think Sam thought he was treating me, and maybe he was doing me a lot of good, more than I know.

Q. But you did not consult him for treatments?—A. I did not ask him to treat me; no.

Q. Now during the months of 1931 did you give Mr. Leake any money?—A. What month?

Q. During the year 1931?—A. I gave him \$250; yes.

Q. I show you a check drawn by you dated April 17, 1931, and ask you if you can identify that.—A. This is a check I drew. I was leaving the next morning for my vacation in the Canadian Rockies and the Yellowstone, and I drew this check for my traveling expenses, and bidding Sam good-bye he told me the terrible condition he was in. His wife was expecting to die, and he did not know how he was going to eat or how he was going to pay his doctors, and he was very hard-up, and I gave him half of this amount, as I recall it, of this \$250; that is my recollection. I told him, I said, "Sam, if this will help you, here, take it."

Q. This was in May?

Mr. HANLEY. It is the fifth month on the check. That would be May.

A. Yes; if that is the date on the check, that must be so.

(Check dated San Francisco 5-17-1931, no. 2121, on Crocker First National Bank, of San Francisco, pay to the order of cash, \$500, signed by W. L. Hathaway, indorsed by Fairmont Hotel Co., and paid through American Trust Co., marked in evidence as Exhibit No. 29.)

Q. During the month of March 1931 did you give Mr. Leake any money?—A. Yes.

Q. How much?—A. I loaned him \$1,000.

Q. Have you the check for this \$1,000 that you gave Mr. Leake?—A. No.

Q. How did you give it to him?—A. Cash.

Q. Did he make any request that he preferred cash?—A. Yes.

Q. And also the \$250, did he request cash at that time?—A. He did not request that of me at all. I did that voluntarily. He did not ask me for money. He just told me his terrible condition, and as I had helped him a short time before and was perhaps his oldest friend, and as I was going away for a 6 months' vacation, I felt a little gully to go away and spend a lot of money on vacations and maybe he would be hungry.

Q. Did you take a note from Mr. Leake?—A. For the \$1,000.

Q. Did you take it at that time?—A. Yes; I took it at that time.

Q. Is this the note?—A. Yes; that is the note. That is my handwriting. I wrote the note.

Mr. LaGuardia. May that be considered as marked, Mr. Chairman?

Mr. SUMNERS. That is the note itself of the witness?

Mr. LaGuardia. Yes.

Mr. SUMNERS. Suppose you just state the substance of the note to the reporter.

At this point appears the note. We now offer in evidence the photostatic copy of the note, which reads as follows:

U.S.S. EXHIBIT K

\$1,000. SAN FRANCISCO, March 25, 1931.

On demand after date (without grace) I promise to pay to the order of W. L. Hathaway one thousand dollars for value received with interest at 6 percent per annum from date—until paid, both principal and interest payable only in United States gold coin.

No. — Payable —

W. S. LEAKE.

(Endorsed on back of note:)

Interest of sixty dollars (\$60.00) paid April 1, 1932.

We ask that it be considered the next numbered exhibit in evidence.

The PRESIDING OFFICER. Without objection, that order will be made.

Mr. HANLEY continued reading from the testimony of W. L. Hathaway, as follows:

The WITNESS. Mr. LaGuardia, Mr. Leake wrote that interest payment on the back. That is his handwriting. He asked me if I had the note. I thought he was going to pay it. I said, "Will you bring it up to my room?" and went to get the note. It was in my hotel. I had never taken it to the office. He took it and went over to his desk and come back and gave me \$60 in currency with the note back again, and he had written this interest payment on the back.

Q. Are you sure it was in April of 1932?—A. Well, I assume he wrote the right date on there.

Q. As a matter of fact, wasn't it later than the month of April 1932?—A. No; I have no reason to think it was.

Q. You are sure it was April, are you?—A. Well, I don't know just why he wrote the date—do you mean it is something of recent date? No; it was not.

Q. This mark "April 1932"?—A. Yes.

Q. You are not sure whether it was May or June, are you, or July?—A. I think if there was any discrepancy in that date I would have noticed it.

Q. But you are not sure—positive—

Mr. SUMNERS. The witness has answered.

A. I would say that it was the date, without question; but to recall it to memory as the date there was nothing in the transaction that would. If the thought is in your mind that he wrote a later date there and that I knew it—no; there was nothing of that sort.

Q. Or he might have written an earlier date?—A. I think not, because he said, "That note is past due"; and I said, "Just about"; and when I looked at it I realized it was just about a year, and I said, "Sam, this was not a year note—this was a demand note"; and he said, "I thought it was to run for a year"; so it was just somewhere in the neighborhood of a year.

Q. Now, as a matter of fact, Mr. Hathaway, when this loan was made had you expectations that it would ever be paid?—A. Well, according to his interpretation of the letter, it was six thousand and some odd dollars.

Mr. HANLEY. Show it to me, please.

Mr. LaGuardia. I will certainly show it to you before I put it in evidence.

Q. According to the letter, there were cash advances of \$2,235?—A. Cash advances; that is correct.

Q. And he gave you a check for \$5,000?—A. That is right. He also offered to pay me and wanted to pay me an amount of money in connection with a property I had turned over to him that would still leave a balance of a thousand and something.

Q. That was not a loan, though. That was property that you had turned over to your daughter.—A. That we had turned over to them jointly. I proposed, however, when that was turned over, Mr. LaGuardia, to make this thing clear. They wanted a piece of property to build on at Woodside, a subdivision of an acreage I had bought from the Spring Valley Water Co., and which I had been paying on so much a year in installments. They took out one corner, 11½ by 12 acres, and said they would like it, and I finally said, "I will tell you what I will do; if you will pay the remaining money due the Spring Valley on that portion of the property, I will turn it over to you." The property had become very valuable compared with what it previously was, and that was a gift, anyway, because the price I was asking on it was small compared to its value.

The circumstance is this: I named a small amount. I am a man with a steady income but with a scheme of living that I have to live up to all the time, so this extra acreage was quite important to me. I took his formal memorandum. We had no written agreement outside of this memorandum that he gave me.

They went on and took the property that I gave to them, and when they came to build they did not have money enough to carry out the building scheme if they had to return me this money, and so I mortgaged a piece of property here in this city and paid off the Spring Valley so I could give them a deed to these 12 acres. Up to this time it was the intention that he should pay me back that amount.

A short time afterward my other daughter and her husband felt they would like to build on a like acreage jointly—oh, a year or so afterward—and they selected eleven and some hundredths acres. Well, they were not in very good financial condition and they could not pay me, so I gave them outright the deed to their property.

In order to adjust the thing as a family matter I proposed this: I said, "To keep what the two girls were getting equal, I will make you a present of that part also."

Q. That is, to Mr. Short?—A. Yes; that is to Mr. Short. Mr. Short was always sensitive on such matters. He felt he did not want to be taking too much from me, and while it was generally understood that I had given the two girls these two pieces of property, Short showed that the first time he had some money he wanted to repay it, and insisted—wrote this note you have there and brought it to me, and when he brought it to me I said, "Douglas, that thing stands." "Well", he said, "it has been embarrassing. Everybody has heard that 'father gave the girls property.' Now, take at least that part of it." I said, "I won't accept it that way, but I have got to borrow money. I have a

building program going on at my ranch that is going to require about \$5,000 more money than my income would look out for in a few months, and it requires it." I said, "If you can give me \$5,000 over and above what you owe me—loan me \$5,000 over and above what you owe me"—which he could not, because we had figured it out. So I got from him about \$2,500, as you will see—twenty-five hundred and some odd dollars, and the other twenty-five hundred, if you will look in my bank account.

I went and borrowed from the Crocker Bank, because you know it took that \$5,000 to look out for my building program and pay up the bills, so that was the way that statement came from Mr. Short.

Q. So that the overpayment was after you had offered to give him the property the same as you did the other daughter?—A. Yes. He said, "I won't accept it that way." I said to him, "I won't accept the money. Now, I will take it as a loan, and if you need money again—" Well, it run on, and when he got to that period that seems to come to my young people ever so often—I don't know how it is, but they come to father. I did not urge him to pay it back, but when a few months went by he came in and he needed some money, and gradually I have paid it all back. I have more than paid that off, and he owes me several hundred again. It is one of these family matters that is not run exactly like a bank would.

Mr. HANLEY. I think this letter ought to go in evidence.

Mr. SUMNERS. All right, let it go in.

Mr. HANLEY. I think it is a very nice letter from the son-in-law to the dad. No objection to it going in? I am offering it.

(Letter admitted and marked "Exhibit 30.")

Mr. LA GUARDIA. Anything you offer will go in.

Mr. HANLEY. It is dated March 27, 1931, and addressed to Mr. W. L. Hathaway, Hunter-Dulin Building, San Francisco, Calif.

Mr. SUMNERS (interrupting). Just put it in the record.

Mr. HANLEY. Some letters got lost. I want it in the record. [Reading:]

MARCH 27, 1931.

Mr. W. L. HATHAWAY,

Hunter-Dulin Building, San Francisco, Calif.

DEAR MR. HATHAWAY: We have finally received our compensation to date in the Russell-Colvin & Co. matter, and I can now take up at least a part of my obligations to you. The record in my two check books shows the following advances made me by you:

October 1929 (Crocker Bank).....	\$200
December 1929 (Crocker Bank).....	100
February 1930 (Crocker Bank).....	100
June 1930 (Crocker Bank).....	60
October 1930 (Bank of Italy).....	100
December 1930 (Bank of Italy).....	100
January 1931 (Crocker Bank).....	1,500
January 1931 (Crocker Bank).....	75
	<hr/> 2,235

I also have a note in my bill file stating that I owe you "\$500 for advances in 1929", which indicates that there is \$200 due in addition to the first two items above. If your records do not show this, we can correct it later.

In addition to these advances there is our understanding in respect to the 12½ acres you deeded us at Woodside, that I should reimburse you for the balance remaining due on that portion of your purchase from the Spring Valley Water Co. in accordance with the memorandum you prepared at the time we arranged to build our house. The balance arrived at was \$3,651.61.

I am enclosing my check for \$5,000, of which \$2,435 is in repayment of your advances as above and the rest is on account of the Woodside property, which leaves a balance on this account of \$1,086.61.

Sincerely yours,

DOUGLAS.

By Mr. LA GUARDIA:

Q. Subsequent to that letter, this conversation about giving the property and accepting the surplus as a loan took place?—A. Subsequently.

Q. It was after this letter from Douglas?—A. He brought that letter over to the office.

Q. And then you had the conversation?—A. And then we had the conversation. He said he wanted to pay me. I told him I would accept the difference as a loan. That was on that date, I imagine, or the day after. I don't know what the exact date is.

Mr. LA GUARDIA. May I have the committee's permission to return this note, or may I have it at this time entered in evidence?

Mr. SUMNERS. It is sufficiently in the record. It is sufficiently identified.

Mr. LA GUARDIA. I return it to you, Mr. Hathaway. (Note returned to Mr. Hathaway.)

Thus ends the stipulated testimony.

Mr. Manager SUMNERS. Mr. President, may I ask counsel for the respondent a question in order to get a matter clear?

The PRESIDING OFFICER. There is no objection to the question being asked, if counsel is willing to answer it.

Mr. Manager SUMNERS. The question I want to ask is, without going into detail, what is the difference indicated

that Mr. Hathaway said he would receive as a loan? Have you figured that out?

Mr. HANLEY. It is a question of arithmetic. I have not figured it out yet.

STIPULATED TESTIMONY OF MRS. CARO L. HATHAWAY

Mr. LINFORTH. Mr. President, at this time we offer an agreed statement as to what Mrs. Hathaway would testify to if present, opposing counsel having stipulated that such course might be followed. It is very brief and I read it as follows, it being contained in the statement marked "U.S.S. Exhibit L":

My name is Caro L. Hathaway. I am, and for many years past have been, the wife of William L. Hathaway. For more than 14 years past we have lived at the Fairmont Hotel, San Francisco. Mr. and Mrs. W. S. Leake were living there at the time we commenced to reside there, and Mrs. Leake continued to live there down to the time of her death, November 15, 1931, and Mr. Leake has continued to live there until the present time. Almost immediately upon beginning to live at the hotel I became acquainted with Mrs. Leake and a very warm and intimate friendship grew up and existed between us. In March 1931 Mrs. Leake was desperately ill and bedridden. She had been ill continuously for more than a year prior thereto and this desperate illness of hers continued down to the time of her death. In March 1931 she had day and night nurses in attendance and several doctors. During this time and for some time prior and subsequent I saw her nearly every day, and shortly prior to March 25, 1931, she confided in me the inability of her husband to meet these doctors' and nurses' bill and other expenses incident to her illness. Mr. Leake also advised me of their desperate financial condition and immediate need for help.

My husband had a policy of insurance on his life in the Mutual Life Insurance Co. of New York. I was the beneficiary in this policy. On or about March 25, 1931, I joined with my husband in an application to that company for a loan of \$1,000. This was granted. On March 25, 1931, my husband brought me a check or draft issued by the Mutual Life Insurance Co. for \$1,000, being check or draft no. 53636, payable to my husband and myself. My husband endorsed the check and I also endorsed it, telling him to get the money and deliver it to Mr. Leake. All of this was done so we could make a loan of \$1,000 to Mr. Leake, and was done by me due to my affection for Mrs. Leake and on account of their then embarrassed financial condition, and for no other reason.

On the making of this loan to Mr. Leake, he gave to my husband his promissory note for \$1,000. This note has not been paid and neither has the amount we borrowed from the life-insurance company. The reason that this sum was borrowed upon the insurance policy was because at that time neither my husband nor myself had sufficient money on hand to comply with the request of Mr. Leake for the loan of \$1,000.

STIPULATION AS TO TESTIMONY OF GERALD W. MURRAY

Mr. LINFORTH. We now offer, Mr. President, the stipulation entered into by counsel representing the other side while in San Francisco relating to the testimony of the witness, Gerald W. Murray. That stipulation is entitled in this matter, and is as follows, omitting the reading of the title:

U.S.S. EXHIBIT M

In order to avoid the necessity of Gerald W. Murray, cashier, San Francisco branch of the Mutual Life Insurance Co. of New York, appearing in person as a witness upon the trial of the above-entitled matter, it is stipulated as follows:

That if present at the trial of said proceeding before the Senate of the United States sitting as a court of impeachment, the said Gerald W. Murray would testify as follows:

1. That on or prior to March 25, 1931, William L. Hathaway and his wife, Caro L. Hathaway, made application to the Mutual Life Insurance Co. of New York for a loan of \$1,000 on policy 2129807, theretofore issued and then in force on the life of William L. Hathaway.

2. That such loan was granted, and on March 25, 1931, the Mutual Life Insurance Co. of New York issued its check or draft therefor, no. 53636, for \$1,000, payable to the order of William L. Hathaway-Caro L. Hathaway, a photostat of said check, marked "1", being hereto annexed.

3. That the photostat hereto annexed, marked "2", is the loan statement to which the said check was attached.

4. That the said Murray, at the request of William L. Hathaway, cashed said check at the Crocker Bank, being the bank where the Mutual Life Insurance Co. of New York has its account in San Francisco, and thereupon delivered to the said William L. Hathaway the said \$1,000 he had obtained upon the cashing of said check.

5. That no part of said loan has been repaid, as shown by the records of said insurance company.

That the said subpoena already served upon the said Gerald W. Murray may be withdrawn.

Attached to the stipulation is a photostat of the check, showing that it is made payable to the order of William L.

Hathaway and Caro L. Hathaway, and endorsed "William L. Hathaway", "Caro L. Hathaway", and by the witness, Gerald W. Murray. Annexed to it also is a photostat of the loan agreement made at the time.

We offer the stipulation and ask that it be marked as the next exhibit in order.

EXAMINATION OF WILLIAM L. GLASHEEN

Mr. LINFORTH. If Mr. Edwards is here, we will call him; if not, the witness Mr. Glasheen.

William L. Glasheen, having been duly sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. Will you please state your name, residence, and occupation?—A. William L. Glasheen; San Francisco; division traffic superintendent of the Western Union Telegraph Co.

Q. How long have you occupied that position with the Western Union Telegraph Co.?—A. Since 1921.

Q. Do you know the witness, G. H. Gilbert, who has been appointed receiver in some of these matters?—A. Yes, sir; I do.

Q. How long have you known him?—A. Since 1897, I believe—about 25 or 26 years.

Q. At the time you first met him was he connected with the Western Union Telegraph Co.?—A. Yes, sir; he was.

Q. During your acquaintanceship with him how long did he continue in the employment of that company?—A. His service was continuous.

Q. Continuously?—A. Yes, sir.

Q. Down to what time?—A. I think his furlough expired in August 1932.

Q. When did he obtain the furlough that you have referred to?—A. I believe it was February 17 or 18, 1932.

Q. So that continuously from that time you became connected with that company down to February 1932 he was connected with it?—A. Correct.

Q. During the last 10 years of his service there, what was his official position?—A. He was night traffic manager.

Q. And, as night traffic manager, what were his hours?—A. From 4 p.m. until midnight.

Q. And what were his duties?—A. Well, he had charge of the entire operating department—general supervisor, you might say. He had entire charge of all of the different departments in the operating room.

Q. In that capacity, did he have any employees under him?—A. Yes; he did.

Q. How many?—A. Approximately 150; sometimes a little less, and sometimes more.

Q. You were his immediate superior officer, were you?—A. No, sir; I was not.

Q. Were you a superior officer of his?—A. Yes, sir.

Q. How did he discharge his duties in the capacity in which he was at the time that he took the furlough you have referred to?—A. His work was very satisfactory.

Q. Did you find him efficient?—A. Yes, sir.

Mr. LINFORTH. We have no further questions.

Cross-examination by Mr. Manager SUMNERS:

Q. What was the business of Mr. Gilbert when you first knew him?—A. He was a telegraph operator.

Q. When did he become traffic manager?—A. He was appointed night traffic manager I believe in 1918.

Q. And continued in that capacity until he was relieved from duty by the furlough?—A. Correct.

Q. Is his furlough still extended?—A. I beg your pardon?

Q. Is his furlough still in operation?—A. No, sir; it is not.

Q. What happened to that?—A. At the expiration of his furlough he failed to return to duty, and he was written off.

Q. Do you know why he failed to return?—A. No, sir; I do not.

Q. Who was his immediate superior?—A. Traffic Manager Mifka.

Q. He was general traffic manager?—A. He was the traffic manager of the San Francisco office. He was in full charge of it for 24 hours a day.

Q. And he had under him a day manager and also Mr. Gilbert, the night manager?—A. Well, in the daytime he had a number of assistants, but he was the only one that

held the title of traffic manager during the day tour. There were 3 traffic managers—1 day, 1 night, and 1 late night.

Q. What were Mr. Gilbert's duties?—A. Well, they are rather difficult for me to describe.

Q. I do not mean to go into detail.—A. He had an assistant, the chief operator, for example, in charge of the automatic department, and likewise a man with a similar title in charge of the Morse department, and another one, a lady, with that title in charge of the telephone department, and another in charge of the service department; and he had a wire chief and a repeater chief under him.

Q. He had to do mainly with the mechanical operation of your branch, did he not?—A. No; it would not be "mainly." It would be more a general supervision, to see that the traffic moved promptly.

Q. I think you must have misunderstood my question. He had to do with the traffic operations, did he not?—A. Yes, sir; he did.

Q. That is to say, when a message came in at night he had responsibility to see that the message got out promptly to the party to whom it was consigned?—A. Well, let us put it this way: He was in charge of the entire office, and he had about 150 people working under him.

Q. You put it that way once before; but I am trying to find out what the 150 did.

Mr. LINFORTH. Just a moment, Mr. President. We protest against counsel interrupting the witness in the middle of an answer when the answer is responsive.

Mr. Manager SUMNERS. Yes; I will not interrupt, either, when the answer is responsive.

The PRESIDING OFFICER. Some latitude must be allowed on cross-examination.

By Mr. Manager SUMNERS:

Q. What did he do with these people?—A. What did Mr. Gilbert do?

Q. Yes; that is what I asked you. What did he do?—A. Well, he did not do anything. He was in charge of the office. The organization was such that all of these men knew where to report in their respective departments. They reported to their department head.

Q. What I am trying to find out is, what did he direct these people to do?—A. I do not know just exactly what question you are asking me. I do not know how to answer that. I can tell you what his duties were.

Q. All right; tell me those. Tell me what his duties were.—A. He went around to the different departments, if he did his job correctly, and talked to his assistant chief operator, and observed generally to see that all of the employees were attending to their work, and naturally he must have frequently scrutinized the pile of telegrams to see that they were moving promptly; and, if they were not, to go to the assistants to see why they were not.

Q. The question I asked you a moment ago was if he did not have to do with keeping the messages properly moving to the parties to whom they were respectively directed?—A. Yes; he was in charge of that, to see that all—

Q. I am asking you a specific question. That was part of his duties, was it not?—A. Yes.

Q. What were his other duties?—A. That was practically all.

Mr. Manager SUMNERS. That is all.

Mr. McKELLAR. Mr. President, I send a question to the desk.

The PRESIDING OFFICER. The Senator from Tennessee propounds an interrogatory, which the clerk will read.

The Chief Clerk read as follows:

Q. What salary did Mr. Gilbert receive from the telegraph company?

The WITNESS. \$255 a month.

The PRESIDING OFFICER. Are there any further questions? If not, the witness will be excused. Summon the next witness.

EXAMINATION OF GEORGE N. EDWARDS

Mr. LINFORTH. Please call Mr. Edwards.

George N. Edwards, having been duly sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. Mr. Edwards, you also have been confined in the hospital since you reached Washington?—A. I have.

Q. Can you hear me distinctly? I ask you that because I understood your operation in the hospital was on the ear.—A. Yes; I can.

Q. If you do not hear me distinctly, do not hesitate to say so. What is your occupation and where is your residence?—A. Where is my what?

Q. Residence.—A. My occupation is fruit and vegetable canner. My residence is Berkeley, Calif.

Q. Were you the receiver in the Golden State Asparagus case, so called?—A. I was.

Q. How did you become receiver in that matter? Will you briefly state?—A. I was selected by the committee—creditors' committee—to take charge of the Golden State affairs, and after I had been there about 3 or 4 days some complications arose regarding the bank that held collateral, warehousemen's receipts secured by a certain amount of collateral, also a second mortgage covering the balance of the property.

Q. Mr. Edwards, may I be pardoned for interrupting? I just want at this time to ask by whom were you selected as receiver?—A. By Judge Louderback.

Q. At whose recommendation were you selected?—A. The American Can Co.

Q. The American Can Co., the plaintiff in the case?—A. Yes, sir.

Q. Represented by what firm?—A. Lawyers?

Q. Yes.—A. Chickering & Gregory.

Q. Before you were appointed, did the American Can Co. and its representatives make any arrangement with you as to what your compensation should be?—A. They did.

Q. What, per month, was that arrangement?—A. \$1,000.

Q. And you were their appointee as receiver?—A. Yes, sir.

Q. And at their request Judge Louderback appointed you; is that right?—A. Yes, sir; I understand so.

Q. Did you talk with Judge Louderback as to who you should have as your attorney?—A. No.

Q. Let me repeat my question, Mr. Edwards, in case you did not get it. What talk, if any, did you have with Judge Louderback as to who should be the attorney for you as receiver?—A. Well, I will have to go back in order to explain it a little bit.

Q. Will you do it, but do it briefly?—A. Well, when they applied out there for a receivership, the judge said that we could have either the attorney or the receivership, and we decided—the attorneys decided—on the receivership. Then the judge said that he would appoint an attorney, that he would not appoint any particular one, but he would give us a list of attorneys, would give me a list of attorneys, and I could choose one from them. So the next day I went out there to see the judge in his chambers, and he asked me, I believe, if I had any particular preference, and I said no, and he gave me the name of Dinkelspiel & Dinkelspiel. I might qualify that by saying that I did not know that I would have to take the matter up with Mr. Fox as to who would be a competent attorney to handle the matter, so he gave me the name of Dinkelspiel & Dinkelspiel and told me if they were not satisfactory to come back and he would give me another one. So I took that name down to Mr. Fox, of Chickering & Gregory, and he told me that he did not think we could have any better firm acting.

Mr. LINFORTH. Mr. President, may I have the latter part of the answer read?

The PRESIDING OFFICER. The reporter will read.
The Official Reporter read as follows:

So the next day I went out there to see the judge in his chambers, and he asked me, I believe, if I had any particular preference, and I said no, and he gave me the name of Dinkelspiel & Dinkelspiel. I might qualify that by saying that I did not know that I would have to take the matter up with Mr. Fox as to who would be a competent attorney to handle the matter, so he gave me the name of Dinkelspiel & Dinkelspiel, and told me if they were not satisfactory to come back and he would give me another one. So I took that name down to Mr. Fox, of Chickering & Gregory, and he told me that he did not think we could have any better firm acting.

By Mr. LINFORTH:

Q. Did you then go to Dinkelspiel & Dinkelspiel, after getting that opinion from your own lawyer?—A. I did.

Q. Did you employ them as your counsel?—A. I did.

Q. Were they your counsel during the entire receivership?—A. Yes, sir.

Q. State in a few words what assistance or cooperation you got from them, and whether it was satisfactory.—

A. Well, I could not state in a very few words the assistance I got from them. I got their whole-hearted cooperation. For the first 6 or 8 months I was in communication with them every day, I would say. From my point of view I considered them a very efficient and competent firm.

Q. When it came to the question of an application for fees for yourself and for the attorneys, was that taken up by you gentlemen with Chickering & Gregory, the attorneys for the American Can Co., the plaintiff in the suit?—A. It was.

Q. Did they make any objection to the amount of the fees to either one of you?—A. No.

Mr. LINFORTH. Take the witness.

Cross-examination by Mr. BROWNING:

Q. Mr. Edwards, if I understand you correctly, when you were appointed receiver, Judge Louderback told you at that time he would give you a list of attorneys from which you could choose one. Is that correct?—A. Well, I would not say "give me a list." I think there were two attorneys and myself there; and I just understood that it was not just going to be any individual attorney that he would pick out; it would be a number of ones we could choose from. Whether he actually told me he would give me a list or not I do not know.

Q. In other words, you thought you were going to have a number of legal firms submitted to you to choose from?—A. Yes, sir.

Q. When you actually came back to get the designation of your attorney, how many did he give you?—A. One.

Q. Who was that?—A. Dinkelspiel & Dinkelspiel.

Q. And you went back to Mr. Fox and asked him whether they would do?—A. Yes, sir.

Q. And at that time Mr. Fox told you that was about as good as you could do, did he not?—A. Yes, sir.

Q. In other words, he said to you at that time that that was as good as the judge would give you?—A. No; he did not say it in that way. He said that he did not know a better firm of attorneys in San Francisco—I think those were his exact words—to handle a case of this character.

Q. When did you pay Dinkelspiel & Dinkelspiel their fee in this case?—A. I have never paid them the entire amount.

Q. How much have you paid them?—A. Up to date?

Q. Yes.—A. \$5,000.

Q. When did you pay that?—A. Oh, at different times. I do not think I paid them over \$500 at any one time. As I had surplus funds on hand, I would give them a check for \$500.

Q. Do you know the dates of those checks?—A. I do not.

Q. Have you any way of finding out what it is?—A. Yes, sir.

Q. Could you do it today?—A. No, sir.

Q. Why have you not paid all of the fee in that case?—A. I have not had the funds available for that purpose.

Q. Did you have any money in the estate at all at the time this fee was allowed?—A. Yes, sir.

Q. Why was it not paid at that time?—A. Well, we had quite a few obligations outstanding which I created, and I did not want to take that out until after we had taken care of these other outstanding obligations.

Q. Has the receivership run at a profit or at a loss?—A. Up to date?

Q. Yes.—A. I would say it broke about even.

Q. Have the creditors gotten anything?—A. The secured creditors have.

Q. Have the general creditors gotten anything?—A. You mean the unsecured creditors?

Q. Yes.—A. The unsecured creditors have not.

Q. How much obligation do you owe to these unsecured creditors?—A. About \$300,000.

Q. Did the secured creditors get their money out of the sale of property on which they had the security?—A. Some of them did and some of them did not.

Q. How much of them did not, but were paid from the funds of the operation?—A. Offhand, I would say about \$50,000.

Q. Can you approximate the date on which these fees were paid to Dinkelspiel & Dinkelspiel?—A. One of the first payments was made shortly after the court allowed it. The last one I made was just before I left for the East.

Q. How much was the last one you paid?—A. \$500.

Q. How much was the first one you paid?—A. I am not sure, but I think it was \$500. It may have been a thousand.

Mr. Manager BROWNING. That is all.

Mr. DILL. Mr. President, I desire to submit a question.

The PRESIDING OFFICER. The Senator from Washington propounds an interrogatory, which the clerk will read.

The Chief Clerk read as follows:

Q. What salary or income did you receive per month previous to your appointment as receiver?

The WITNESS. \$750 a month.

Mr. DILL. I submit another question.

The PRESIDING OFFICER. The clerk will read the question.

The Chief Clerk read as follows:

Q. How much money were you paid?

The WITNESS. By whom?

Mr. DILL. By the receiver, of course.

By Mr. Manager BROWNING:

Q. I think the member of the court means as receiver, out of the estate in which you have served.—A. I have been paid \$750 a month since I have been acting.

Q. How many months have you served?—A. Since September 1930.

Mr. DILL. Mr. President, I understood the witness to say that he would receive a thousand dollars a month as receiver. My question was how much he was receiving in his own private business previous to his appointment. I do not know that he understood my question.

The PRESIDING OFFICER. With that explanation of the interrogatory, let the witness answer, if he can.

The WITNESS. I was employed by the Hunt Bros. Packing Co. I had been running my own business from 1916 to 1926. I sold out my business to the Hunt Bros. Packing Co. in 1926. They wanted me to stay with them, and I was simply spending my spare time around there. I did not have any particular job, and they paid me \$750 per month as a sort of retainer. In addition to that, I had my own income of probably \$15,000 a year.

The PRESIDING OFFICER. Are there any further questions to be asked the witness?

Redirect examination by Mr. LINFORTH:

Q. You said that during the receivership you paid off the secured creditors. How much did you pay them off, in round numbers?—A. About \$300,000.

Q. I understood you to say that your attorneys told you that you could not get a better firm than Dinkelspiel & Dinkelspiel for this particular work. Was that the reason why you did not go back to the judge to get any other name?—A. It was.

Mr. Manager BROWNING. I do not think his reason that he would want to give for his action at that time would be competent.

The PRESIDING OFFICER. The Chair does not think it does any harm. Let it stand in the record.

By Mr. LINFORTH:

Q. One further question: Did you give to Judge Louderback, or to anyone else, any part or portion of the fees that you have received as receiver in this matter?—A. I did not.

Mr. LINFORTH. I have no further questions.

The PRESIDING OFFICER. If there be no further questions on the part of the managers of the House, the witness will be excused. Let the next witness be summoned.

STIPULATED TESTIMONY OF MAX THELEN

Mr. LINFORTH. Mr. President, under stipulation entered into by opposing counsel, we now read the testimony of the witness Max Thelen, given at the preliminary hearings in San Francisco in September 1932.

The PRESIDING OFFICER. Do the managers upon the part of the House agree to this stipulation?

Mr. Manager BROWNING. Yes, sir.

The PRESIDING OFFICER. Very well; then the testimony will be read.

Mr. HANLEY read the testimony given by Max Thelen at the hearing before the special committee of the House of Representatives at San Francisco, Calif., September 6 to September 12, 1932, as follows:

Max Thelen, being first duly sworn by the Chair, testified as follows:

Direct examination by Mr. LA GUARDIA:

Q. Your name?—A. Max Thelen.

Q. You are an attorney and counselor at law?—A. Yes.

Q. Practicing in the State of California?—A. Yes.

Q. Where is your office, Mr. Thelen?—A. It is in the Balfour Building on California Street, corner of California and Sansome.

Q. Where is your residence?—A. Berkeley.

Q. You are familiar with certain facts of the Russell-Colvin Co. matter?—A. I am only familiar with certain facts. My firm was the attorney for the plaintiff, and my partner, Mr. Marrin, did most of the detail work, but I am familiar with certain facts of what took place.

Q. In the early stages of these proceedings did you have occasion to confer with Judge Louderback?—A. Yes.

Q. Did you make memorandums of these conferences?—A. Yes; I did.

Q. Do you require your memorandums to refresh your memory?—A. Yes; because this is very sudden. I did not realize until just an hour or two ago that I was to be called, and I thought it wise to bring this memoranda along so that my recollection might be refreshed.

Q. When were these memorandums made?—A. On the same day on which these various transactions took place.

Q. Immediately thereafter?—A. Well, there might be an hour or two intervening; just a short time.

Q. And these memorandums contained what you at that time set down as your recollection of what transpired?—A. That is correct.

Q. May I ask you to look at those memorandums to refresh your memory?

[Witness complies.]

A. I have them here.

Q. Now, by refreshing your memory, will you be good enough to relate in your own way just what transpired between you and others in the matter of the application for a receivership in equity for the firm of Russell-Colvin & Co. with Judge Louderback around the 11th of March 1930, and thereabouts?—A. The complaint in this case was filed on March 11, 1930, by my firm. We then went to the room of Judge Louderback's secretary, and arrangements were made for a conference with him at 11 o'clock. At that time—

Mr. HANLEY (interrupting). Mr. Thelen, so that the chairman will get it, the records on file show it was the 10th.

A. There were several complaints filed, Mr. Hanley.

Mr. HANLEY. All right, let's get no. 1 file.

A. We went to Judge Louderback's office at 11 o'clock. At that time there went into his office Mr. Marrin, my partner; Mr. Francis Brown; Mr. Guy Colvin; Mr. Berlinger; and Mr. Strong, of Hood & Strong; and Mr. Lloyd Dinkelspiel.

We requested—that is, the attorneys for the plaintiff—requested the appointment of Mr. Addison G. Strong as receiver, and that request was concurred in by the other counsel who were present. Mr. Strong had been particularly familiar with the affairs of the stock exchange, and had been familiar with the affairs of this particular concern, and we thought that he was well qualified to act as receiver.

Judge Louderback agreed to appoint Mr. Strong as receiver on his filing of bond in the sum of \$50,000, and also the plaintiff's filing of the bond in the sum of \$50,000 to protect any creditors who might be injured by the appointment of a receiver. My memorandum of March 11 then contained these remarks:

"Judge Louderback emphasizes the proposition that Mr. Strong will be an officer of the court and that he must confer with the judge in the matter of the appointment of his attorney. The judge asked Mr. Strong whether he had selected any attorney, and particularly whether he had selected any of the attorneys who were there present in the room. Mr. Strong said no, that he had not. Judge Louderback also insisted on the dismissal of case no. 2594, which had preceded case no. 2595, before the receiver should be appointed in the latter case. After leaving Judge Louderback's courtroom, the attorneys conferred, and it seemed

that it would be impossible to raise a bond of \$50,000 for the plaintiff, so the attorneys returned to Judge Louderback's chambers and he thereupon consented to reduce the amount of the plaintiff's bond to \$10,000."

And by this time it was 12:30. The next memorandum I have is dated March 13. It recites that about 9:20, Miss Berger, who was Judge Louderback's secretary, phoned that the judge would agree to see either Mr. Marrin or myself at 12 o'clock, and it developed later that a similar message had been sent to Mr. Frank Brown, so the three of us called on the judge at 12 o'clock and he told us—and I am referring constantly to my memorandum because I think that would be far more satisfactory. I think you understand now that I haven't the recollection of what took place several years ago. My memorandum states:

"The judge told us that he was dissatisfied with the attitude of Mr. Strong, and that he had failed to keep an engagement to return to see him the afternoon before, and that instead of that, a member of the Heller firm had called upon the judge, and then said that he regarded Mr. Strong's signature to a petition to have the Heller firm appointed as his attorney as an attempt to force the judge's hand, and thereupon the judge said that he had suggested to the receiver the possible appointment of other counsel besides the firm of Pillsbury, Madison & Sutro, or the firm of Sullivan, Sullivan & Theodore J. Roche, but that the receiver did not regard either of those suggestions favorably."

My memorandum says:

"The judge did not say anything of having mentioned to the receiver the name of Douglas Short or of Keyes & Erskine. The judge said that he had decided that he would not go along with Mr. Strong as receiver, but he had asked him to come back at 12:45, at which time he would permit him to sign a resignation which the judge had already prepared. The judge said that if Mr. Strong did not sign that, he would then immediately make an order removing Strong as receiver, and that he would serve a certified copy thereof on the receiver. The judge further said that he had given careful consideration to the selection of some other man as receiver whose ability and standing would be above reproach, and that there had occurred to him the name of H. B. Hunter, who was connected with the firm of William Cavalier & Co. The judge said that Mr. Hunter was a juror in his court and also that he had been recommended to him by Mr. Sidney L. Schwartz, who was the former president of the San Francisco Stock Exchange. The judge asked us whether we knew anything against Mr. Hunter. He gave us until 4 o'clock to make inquiries and advise him, if we so desired, concerning Mr. Hunter. We all three took the position that if any error had been committed, that it was not an error on Mr. Strong's part."

And I am again quoting from my memorandum:

"Mr. Brown pleaded for a reconsideration of the judge's decision as to Mr. Strong, but the judge would not change his mind. He said that if Mr. Strong was retained and the judge did not permit the Heller firm to be his attorneys, it would put the judge in an embarrassing position, and he said that the only way to handle the matter is to cut the Gordian knot by getting rid of Strong as receiver. The judge further said that it would be entirely agreeable to him or this firm (meaning my firm, Thelen & Marrin) to dismiss the pending proceeding, thereby getting rid of the entire matter, but our firm of course could not consent to such action for the reason that we knew that in the interest of the creditors and the partnership a receiver was necessary, and so we could not dismiss the proceeding. Judge Louderback further said that a number of names had been suggested to him for receiver and that two parties who had consulted him in the corridor had suggested the appointment of William A. Sherman, former master of the Masonic lodge in San Francisco, but the judge added he could not think of appointing Mr. Sherman for the reason that his attorneys are Joseph McEnerney and Samuel Shortridge, Jr. The judge further said that he would ask Mr. Hunter, if he decided to invite him to serve, whether any attorney had spoken to him about the matter, and that he would then let him go his own way. He further said that if Mr. Strong resigned, he would withhold notice of the action until 4 o'clock. At that time he might announce the appointment of H. B. Hunter, but that if Mr. Strong refused to resign and the judge made an order removing him, he would file such order promptly."

At 12:45 we three—that is, my partner, Mr. Marrin, Mr. Brown, and myself—left the judge with the understanding that we might communicate to him anything which we desired to say concerning Mr. Hunter prior to 4 o'clock, but as we went out we noted Mr. Strong in the anteroom, apparently awaiting his turn.

My next memorandum is likewise dated March 13, 1930, and states:

"About 1:40 that afternoon Miss Berger, Judge Louderback's secretary, phoned while I was out of the office asking that we call her about 3 o'clock, and shortly after 3 o'clock I came into the office and Miss Berger put me on Judge Louderback's phone. The judge said that he wanted me to know that Mr. Strong had first attempted to straighten out the situation and had admitted that he had done wrong, but (this is the judge's language to me) after that he did not intend to resign, and had been told by his attorneys not to resign. The judge said that Mr. Strong had stated that he considers that he owes allegiance to his attorneys and not to the court."

This action is what the judge told me. My memorandum continues—of course this is hearsay—

"The judge thereupon made and filled his order discharging him."

This is a matter that is not within my personal knowledge. Now Mr. LaGuardia, those are my only memorandums that brought on the initiation of this matter. After that, my partner, Mr. Marrin, did practically all the work that was done by our firm. But I do want to make one comment that bears on the angle of the fees of the receiver and of counsel for the receiver. I heard testimony here this afternoon that all the attorneys had agreed to those fees, and I want to make it perfectly clear that the firm of Thelen & Marrin never did agree to any fees that were requested by the receiver or his counsel or to the fees that were finally allowed by the judge. I want the record to be perfectly clear that this firm made no such agreement. I know other facts in connection with the fixing of the fees, but I don't know whether you are interested, so I have not mentioned them.

Q. You state that you did not consent to the fees asked?—A. We did not consent to any fees asked for by the receiver or by his counsel, and I can expand on that if you desire.

Q. Well now, Mr. Thelen, have you made careful inquiry as to the amount of work that was required to liquidate this partnership?—A. Well, I am sorry that I have not. My partner was very much more familiar with the affairs of the entire liquidation, and he would probably know about it, but as I say, I was in on the beginning, then he did the rest, and I just came in later toward the end.

Q. Just what is it you would like to add concerning these fees?—A. What I would like to add is this, in exemplification of the comment I made, that we had never agreed to those fees. Shortly before the matter of the fees came before the court, our firm was, of course, advised as to the demands which would be made or the requests which would be made by the receiver and by his counsel, and my partner came into the room to discuss what position our firm should take in connection with that matter. Mr. Marrin expressed the opinion that the fees that were being asked were extremely high, and he was bothered to know as to whether this firm owed an obligation to contest those fees. We analyzed the situation and came to this conclusion, as far as one of our clients, the plaintiff Olmstead, is concerned, that he was to get practically everything for which he had asked. His securities were going to be returned to him, so that he had practically no interest in the question of the amount of the fees.

We had another client who was in a different position and who did have an interest. He had a large claim. I think it was at least partly not secured, and we decided that the right thing to do was to ask that client as to what position we should take in connection with the fees that were being asked for the receiver and his counsel, and we did so and pointed out to him—that is, my partner did this—that in case we should be overruled by the court and it should be necessary finally to appeal to the next higher court considerable expense would be involved, and finally our client told us that it would not be necessary for us to take any position in opposition to those fees.

Now, furthermore, later on, when the question of fees came before the court, there were many conferences in the corridor, about which I heard some reference this afternoon, and I want to make it perfectly clear that I never agreed, either in the conferences or in this court room, to the fees that were finally fixed for the receiver and his counsel.

I have no legal interest in the matter, but I make that statement here because I considered it extremely high. I want the record to be perfectly clear on that subject.

Q. When Judge Louderback suggested to you to dismiss the petition, a previous petition had already been dismissed in this matter, had it not, Mr. Thelen?—A. Yes. There had been a former complaint, which I think had been then dismissed. In any event, before our receiver was finally appointed and qualified I believe that prior complaint was dismissed.

Q. So that the only matter before the court was the application then pending in which Mr. Strong had been appointed receiver and was officially receiver at that time?—A. That is correct.

Q. The partnership had already been suspended from the San Francisco Stock Exchange?—A. Yes; that had been done before our complaint was filed.

Q. That was common knowledge?—A. Yes; the newspapers were full of it.

Q. So that a compliance with the request of Judge Louderback to dismiss your petition, the only petition then pending, in order to eliminate an unpleasant situation, would have caused a great deal of confusion and loss to some of the creditors, would it not?—A. I did not mean to say that Judge Louderback had requested that we dismiss the complaint, but he suggested that if we dismiss the complaint the entire matter would be solvable. I don't believe he made the direct request that we dismiss it.

Q. You were in the judge's chambers, were you not?—A. That is correct.

Q. And there were several attorneys before the judge of the court?—A. That is correct.

Q. With due deference to the judge in chambers, the same as on the bench. Attorneys always so conduct themselves, do they not?—A. Yes.

Q. So that the hint was thrown out by the judge that if the complaint were dismissed it would solve all of this trouble concerning the receiver?—A. My memorandum says:

"The judge said it would be entirely agreeable to him if this firm should dismiss the pending proceeding, thereby getting rid of the entire matter."

Q. And leaving the creditors, and leaving the situation at the mercy of the partners or some of the creditors, with the firm

suspended from the stock exchange, and this information already having gone out?

Mr. HANLEY. That is argumentative. He has stated what was said.

Mr. LA GUARDIA. I think you are right.

Cross-examination by Mr. HANLEY:

Q. Mr. Thelen, on the desk of the chairman is the original petition. It shows the filing date as of the 10th day of March.—A. There may be an error of a day there, Mr. Hanley.

Q. Were you present when the papers were both filed?—A. Yes.

Q. Were they filed—the number of this case is 2595-L—"L" meaning Judge Louderback—and the former case that was dismissed was 2594-S—"S" meaning Judge St. Sure. They were filed simultaneously, were they?—A. I think that is correct.

Mr. HANLEY. I think that is all.

RECESS

The PRESIDING OFFICER. May the Chair suggest to the Senator from New Mexico [Mr. BRATTON] in the absence of the Senator from Arizona [Mr. ASHURST] that it might be well to move a 10-minute recess.

Mr. BRATTON. Mr. President, I move that the Senate take a recess for 10 minutes.

The motion was agreed to; and (at 3 o'clock and 25 minutes) the Senate, sitting as a Court of Impeachment, took a recess for 10 minutes. At the conclusion of the recess the Senate, sitting as a court, reassembled.

EXAMINATION OF SAMUEL M. SHORTRIDGE, JR.

Mr. LINFORTH. Please call Mr. Shortridge.

Samuel M. Shortridge, Jr., having been duly sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. Will you please state your name, occupation, and residence?—A. Samuel M. Shortridge, Jr., attorney at law, Menlo Park, Calif.

Q. Are you a son of the former Senator of the same name from California?—A. I am; yes, sir.

Q. Do you know the respondent, Judge Louderback?—A. I do.

Q. How long have you known him?—A. About 10 years.

Q. And what has been the extent of your acquaintance with him?—A. Very casual.

Q. During the time that he was judge of the State court during a term of 8 years, were you appointed to any office by him?—A. I was not.

Q. During the time he has been Federal judge, covering a period of 5 years, did you receive any appointments from him?—A. Yes, sir; two.

Q. Do two appointments cover your entire appointments during the 5 years that he has been Federal judge?—A. Yes, sir.

Q. What were those two cases?—A. H. G. Lane & Co. and the Lumbermen's Reciprocal Association.

Q. In either one, did he fix the amount of your compensation?—A. He did not in the Lane case, but he did in the Lumbermen's case.

Q. Did he receive any part or portion of any compensation awarded to you in either one of those cases?—A. He did not.

Mr. LINFORTH. You may take the witness.

Cross-examination by Mr. Manager BROWNING:

Q. What other receivership matters, Mr. Shortridge, have you had in the Federal court?

Mr. LINFORTH. One minute. We object to the question as not cross-examination and utterly immaterial to this inquiry.

The PRESIDING OFFICER. The Chair thinks that is correct. The objection is sustained.

Mr. Manager BROWNING. Mr. President, do I understand that I will not be permitted to go into anything except these two cases with this man to show his relationship with the Federal court?

The PRESIDING OFFICER. The present occupant of the chair would be bound to hold that it would not be proper cross-examination in connection with the evidence that has already been brought out by the counsel for the respondent.

Mr. Manager BROWNING. When he is presented as a witness, I understand that we have a right to test his relationship to the Federal court when that is the question involved.

The PRESIDING OFFICER. Precisely; but—

Mr. LINFORTH. May I add a word?

The PRESIDING OFFICER. Just a second. The Chair believes that the ruling is correct.

Mr. Manager BROWNING. Very well, sir.

By Mr. Manager BROWNING:

Q. What was your fee in the H. G. Lane case?—A. \$10,000.

Q. When did you get that fee—what date?—A. Along in the spring of 1929.

Q. Do you know what month?—A. It was either May or June, I believe. I am not positive.

Q. Did this fee go into your firm?—A. No, sir.

Q. Where did you put it?—A. In the bank.

Q. Have you a safe-deposit box?—A. I have; yes.

Q. Did any of it go into that?—A. No, sir.

Q. In the Lumbermen's Reciprocal Association case there was an appeal taken to the circuit court on your appointment as receiver, was there not?—A. Yes, sir.

Q. The circuit court reversed the respondent in his holding that you were rightful receiver, and sent the case back to be turned over to the State commissioner, did it not?—A. Yes, sir.

Q. And an order was made by the respondent to turn the estate back to the Commissioner of Insurance for the State of California?—A. It was.

Q. Do you recall the provision in that matter—

Mr. LINFORTH. Just one moment, may it please the Presiding Officer. We submit that this is not cross-examination in any sense of the word.

The PRESIDING OFFICER. The Chair would suggest that this may have to do with testing the credibility of the witness; and counsel can go into that matter in any fiduciary relationship the witness has had, except that it must be connected with this respondent, as the Chair understands the law.

As the questions were asked by counsel for respondent, and as the Chair understands the law to be, the managers for the House may go into any question connected with this witness's relation with the respondent in connection with these receiverships; but so far as receiverships are concerned with which this respondent has nothing to do, and clear outside of the record, the Chair has ruled on that question. Therefore the objection will be overruled.

Mr. LINFORTH. Mr. President, my main thought in making the objection was in the interest of time, as I am trying to conclude today, if possible.

The PRESIDING OFFICER. The Chair is interested in that suggestion also, and the Chair is satisfied that counsel for the respondent will do the best possible to save time.

Mr. Manager BROWNING. Mr. President, the suggestion comes rather late from counsel.

By Mr. Manager BROWNING:

Q. You recall the provision in the order that it will be turned over only on condition that there would be no appeal taken from the fees awarded counsel?—A. I never saw the order.

Q. But you do know that is in the order, do you not?—A. I have been so advised since then.

Q. Appeal was taken from the allowance of fees, was it not?—A. It was.

Q. How much in fees did Judge Louderback allow to you in the Lumbermen's Reciprocal case?—A. Six thousand dollars.

Q. How much to your counsel?—A. Six thousand dollars.

Q. That was paid by you as receiver out of the assets of this concern?—A. It was.

Q. Since that time an order has been made on you, because of the partial reversal of that allowance on the second appeal, to pay a portion of the fee back, has it not?—A. I have seen something about it in the newspapers, but I have had no formal order served on me.

Q. Have you been made acquainted with the opinion that was rendered last September reversing, partially at least, the order of respondent in allowing fees?—A. I read it in the advance reports.

Q. It does what?—A. I read the opinion in the advance reports.

Q. You know that it requires a portion to be paid back?—A. So I understand.

Q. You have not returned that fee, have you?—A. I have not been called upon to do so. When I am called upon I will do so, naturally.

Q. Do you mean to say the mandate has not come down from the circuit court?—A. The last I heard of it was about 2 months ago, when I was home very ill, and I read something about it in one of the newspapers, that Mr. Guereña, the attorney for the insurance commissioner, was getting out some writ in the State supreme court.

Q. Do you not know that, at the solicitation of your counsel in that case, the respondent has made an order, since that mandate came down from the court of appeals, calling for that to be paid within 30 days from that order which he made, and that 30 days has long since expired, has it not?—A. It has; yes.

Q. What part of your fee were you asked to refund?—A. One half.

Q. And how much of your expenses?—A. You mean in percentage?

Q. In amount.—A. I think it amounted to around \$2,000, I believe it was.

Q. How long have you known W. S. Leake?—A. He once told me that he first saw me when I was 2 days old.

Q. In fact, you have known him practically all your life?—A. Yes.

Q. You have been a patient of his?—A. In a way.

Q. What do you mean by "in a way"?—A. My mother has been a semi-invalid for 25 years. Mr. Leake has treated her for about 10 or 12 years. She has been in a very nervous condition, nervous prostration, and I would go to see Mr. Leake, consulting him about my mother's health, and—I guess this is off the record—but she used to ask him to have me treated, to try to have me stop smoking cigarettes.

Q. Is that the only trouble you have ever been treated for?—A. By him; yes.

Q. Did you pay him for that?—A. Yes; but he was not successful.

Q. How much money have you paid Mr. Leake for that?—A. For that?

Q. Yes.—A. Nothing.

Q. How much money have you given him over this course of years that he has been treating either you or your mother?—A. Oh, maybe \$1,500.

Q. Did you pay him in cash or by check?—A. Once or twice by check, and then my mother would give me envelopes to give to him; it may have been cash in them, or it may have been a check—one of my mother's checks.

Q. But you knew it was compensation to him?—A. It was; yes.

Mr. Manager BROWNING. I believe that is all.

Mr. LINFORTH. Just one question, with your permission, Mr. President.

Redirect examination by Mr. LINFORTH:

Q. When the fee for \$10,000 was allowed to you in the Lane case, what judge allowed it?—A. Referee in Bankruptcy T. J. Sheridan, sitting as a special master in equity, fixed the fee.

Mr. LINFORTH. No further question.

Recross-examination by Mr. BROWNING:

Q. That was under an appointment, though, made by Judge Louderback?—A. It was.

Mr. Manager BROWNING. That is all.

The PRESIDING OFFICER. The witness will be excused. The witness retired from the stand.

EXAMINATION OF HARRY L. FOUTS (RECALLED)

Mr. LINFORTH. Call Harry L. Fouts.

Harry L. Fouts, heretofore sworn as a witness, was recalled and testified as follows:

By Mr. LINFORTH:

Q. Mr. Fouts, you have already testified that you are one of the deputy clerks in the ninth circuit, northern district of California?—A. That is correct.

Q. Have you examined the records to ascertain, during the 5 years that Judge Louderback has been a judge of that department, in how many cases he has appointed receivers?—A. In 10 equity cases, 16 bankruptcy cases.

Q. Have you examined the records for the purpose of ascertaining whether or not, prior to the filing in the Russell-Colvin case, there was ever a double filing made before?—A. I have.

Q. How far back did you examine the records?—A. I went back to the beginning of the equity dockets. That was about 1912.

Q. Did you find any such situation except in this one case?—A. This is the only instance it has ever been done.

Mr. LINFORTH. Take the witness.

Cross-examination by Mr. Manager SUMNERS:

Q. Have you found any double filing in bankruptcy cases?—A. No; I have not.

Q. You do not find any of the number of gentlemen who are referred to in connection with receivership or attorneyship in any but the five cases with which you are familiar, the ones to which the inquiries are being directed?—A. No; I do not believe they are connected with any of the other cases.

Q. What is the largest amount, either as a fee for attorney or as a fee for receiver, you found in the other equity cases?

Mr. LINFORTH. We object to that as not being cross-examination in any sense of the word.

The PRESIDING OFFICER. The objection will be overruled. Answer the question.

The WITNESS. The largest amount I know of for any receiver amounted to \$70,000.

By Mr. Manager SUMNERS:

Q. What case was that?—A. That was in the receivership of the Western Pacific Railroad Co.

Q. Was that a case in which Judge Louderback appointed the receiver?—A. No; that was back in 1915 or 1916.

Q. That was with reference to a Pacific railroad company, was it not?—A. With reference to what?

Q. A receivership with reference to a Pacific railway company?—A. Western Pacific Railway Co.; yes.

Q. Have you a list of the 10 cases as to which you have examined the record concerning which Judge Louderback appointed receivers or attorneys?—A. I can produce a list of those cases. I have not it with me.

Q. Perhaps this would refresh your memory: Pioneer Fruit case, Fageol Motors case, Lumbermen's case, Asparagus case, Sempel-Cooley case, the Prudential case, the Russell-Colvin case, and the Sonora case. Do you remember the other cases?—A. I think three of those cases you mentioned are bankruptcy cases, and not equity.

Q. They were all instituted in equity cases, were they not?—A. No; that is not true. The Sonora case and the Sempel-Cooley case were both bankruptcy in the original filing. I think one other.

Q. Will you get a list of the cases to which you refer?—A. Yes; I can produce that.

Mr. Manager SUMNERS. That is all.

The PRESIDING OFFICER. Are there any further questions? If not, the witness will be excused.

The witness retired from the stand.

The PRESIDING OFFICER. Are counsel prepared to proceed further?

Mr. LINFORTH. I desire to ask the witness a question or two in redirect examination.

The PRESIDING OFFICER. Let the witness be recalled.

EXAMINATION OF HARRY L. FOUTS (RECALLED)

Harry L. Fouts, having been heretofore duly sworn, was recalled and testified as follows:

By Mr. LINFORTH:

Q. Mr. Fouts, opposing counsel asked you with reference to amounts allowed in receivership cases. Are you familiar with the case of the First National Bank of Medford against the Stewart Fruit Co.?—A. Yes; I am.

Q. Did you examine the record in that case?—A. I did.

Q. In that case, how much were the assets?—A. I think it is a little over a million dollars.

Q. A million ninety-four thousand; is that right?—A. That is about it.

Q. Who were the receivers in that case; do you recall?—A. E. G. Potter.

Q. How much was allowed as receiver's fees in that case?—A. If I remember right, it is about \$48,000.

Q. Who were the attorneys for the receiver in that case, if you recall?—A. I think it is Pillsbury, Madison & Sutro.

Q. Merely to refresh your memory, was it Knight, Boland & Christen?—A. Yes; Knight, Boland & Christen.

Q. How much were the fees allowed to them in that case, which concerned approximately a million ninety-four thousand dollars?—A. I do not recall the exact amount now.

Q. In round numbers?—A. I think it is around forty to forty-five thousand dollars, and besides that, they were allowed \$75 for every day in court, plus 10 percent of all collections made.

Q. Does it refresh your memory if I call your attention to a record where the aggregate fees were \$48,606?—A. I know that it is very nearly that.

Q. That matter was not before Judge Louderback, was it?—A. No; those fees were allowed by both Judge St. Sure and Judge Kerrigan.

Mr. LINFORTH. No further questions.

Mr. Manager SUMNERS. Mr. President, it is understood that this witness is excused, with the privilege on our part of calling him tomorrow when he shall have gotten data.

The PRESIDING OFFICER. Very well. The witness will be excused, subject to being recalled tomorrow.

WITNESS MALING—SERVICE OF SUBPENA

The PRESIDING OFFICER laid before the Senate, sitting as a court, a communication from the Sergeant at Arms, which was read, as follows:

[Chesley W. Jurney, Sergeant at Arms; J. Mark Trice, Deputy Sergeant at Arms and Storekeeper]

SENATE OF THE UNITED STATES,
OFFICE OF THE SERGEANT AT ARMS,
May 20, 1933.

Hon. JOHN N. GARNER,
Vice President and President of the Senate,
Washington, D.C.

MY DEAR MR. VICE PRESIDENT: There is attached hereto a subpoena for Walter G. Malting, of San Francisco, Calif., which was ordered by the Senate on May 18, 1933. The subpoena has been duly served and return made according to law.

Respectfully,

(Signed) CHESLEY W. JUNEY,
Sergeant at Arms.

EXAMINATION OF WALTER G. MALING

Mr. LINFORTH. Mr. President, we should like to call Mr. Walter G. Malting.

Walter Malting, having been duly sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. Would you please state your name, your residence, and your occupation?—A. Walter G. Malting, Mill Valley, Calif.; clerk of the United States District Court for the Northern District of California.

Q. How long, Mr. Malting, have you been clerk of that court?—A. Since 1912.

Q. Continuously?—A. Continuously.

Q. Have you examined the records to determine when, if at all, before the filing of the two complaints in the Russell-Colvin case such a condition ever existed before—that is, of two filings being made?—A. I have examined the records.

Q. And did you find any?—A. I did not find one; I found no such thing.

Q. How far back did you examine?—A. I went back carefully about 4 or 5 years; and then I discussed this with my assistants, who had been there for a long time, and a number of us looked through the various dockets quite quickly, but we found no such case; and we were all satisfied, from our knowledge of the business there, that no such situation had existed before.

Q. Do you know Mr. Marrin, the attorney of the firm of Thelen & Marrin?—A. I do

Q. Did you know him at the time of the filing of the two complaints or the one complaint, the first one in the Russell-Colvin matter?—A. Well, I knew him slightly. I did not know him as well as I do some of the other counsel.

Q. Upon the filing of the first complaint in that matter, which the record here shows went to Judge St. Sure's department, did you then or at any other time tell him that no judge present would act for Judge St. Sure in such a matter during his absence?—A. I have no recollection of it, and I am satisfied that he is mistaken if he thinks I said that. He must have misunderstood me, because I never would have made such a statement to any counsel to that question or answer it in that way. I have never undertaken to say what any judge would do in the matter of making an order.

Q. According to your best recollection, no such conversation took place?—A. I am satisfied that if we had a conversation, he misunderstood my statement, because I never would have said that.

Mr. LINFORTH. Take the witness.

Cross-examination by Mr. Manager BROWNING:

Q. In checking over these equity cases, did you make a note of any of them where one judge acted for another in his absence?—A. Yes; I did note that. I noted that from the time that Judge Louderback was appointed down to the Russell-Colvin case. In those cases I looked particularly to see to whom the case was assigned and who had made the order appointing the receiver.

Q. Well, is it not a fact that each one was appointed receiver by the one to whom it was assigned?—A. From the date that Judge Louderback went on the bench up to the time that the Russell-Colvin case was filed we had only about a dozen or 15 equity receivership cases, and in all those cases the appointment of the receiver was made by the judge to whom the case was assigned. I am speaking about equity receiverships.

Q. How many did they have—how many equity receiverships?—A. I cannot tell you the exact number, but it was about a dozen or 15, I should say. I could check up on that possibly by some data that I have here.

Mr. Manager BROWNING. That is all.

The PRESIDING OFFICER. Are there any other questions? If not, the witness will be excused.

(The witness thereupon retired from the stand.)

DEPOSITION OF LLOYD ACKERMAN

Mr. LINFORTH. We now read the deposition of Lloyd Ackerman taken by consent in San Francisco.

Mr. HANLEY read the direct examination as appearing in the deposition, as follows:

U.S.S. EXHIBIT N

Lloyd Ackerman, called on behalf of Harold Louderback; sworn. By Mr. LINFORTH:

Q. Mr. Ackerman, what is your profession, please?—A. I am an attorney at law.

Q. And you have been following that profession for a good many years?—A. Yes; I have.

Q. In San Francisco and elsewhere?—A. Yes.

Q. Are you acquainted with Addison G. Strong?—A. Yes; I am.

Q. Did you know him in the month of March 1930?—A. I did.

Q. And prior to that time?—A. I did.

Q. About the 9th of March 1930 did you have a conversation with him about your acting as his attorney in the event that he should be appointed receiver in the Russell-Colvin case, so-called?—A. I did.

Q. Where did you have that conversation?—A. It was at my home.

Q. Where was that, Mr. Ackerman?—A. I live at 3080 Pacific Avenue, San Francisco.

Q. Can you state when that conversation took place with reference to the time the order was made appointing him a receiver in that matter?—A. I am under the impression it took place the night prior to his application for appointment as receiver.

Q. And by use of the expression that you have just made that you are under the impression, is that your best recollection?—A. Yes.

Q. Will you please state what the conversation was you had with him at that time and place on that subject?—A. Mr. Strong stated that he had been selected by the San Francisco Stock Exchange to act as receiver of Russell-Colvin & Co., and that he anticipated being appointed receiver, I think it was the following day; it may have been possibly the day succeeding the following day; he said he had given the matter some thought with respect to his legal counsel, and was desirous of knowing whether I would be willing to act as his counsel.

Q. What did you say in reply, if anything?—A. I replied that I should like to give the matter some thought; that if he would give me his telephone number, I would call him on the phone that evening—I think it was Tuesday night—and let him know what my decision was. I called him back later and informed him that I would accept the appointment.

Q. Did you subsequently hear from him again on that same subject?—A. I heard from him on the following day.

Q. Was that after his appointment?—A. I think it was prior to his appointment.

Q. So that both of your conversations with him were prior to his appointment?—A. Yes.

Q. Where was the second conversation that you had with him?—A. I think it was on the telephone while I was at my office; he called me up on the telephone.

Q. And what did he say to you, if anything, on the subject of your acting as his attorney in the event of his receiving the appointment?—A. He said that he was in a situation of some embarrassment; that he learned after consultation with the attorneys for the San Francisco Stock Exchange in the morning of the day that he spoke to me—that was subsequent to my conversation with him on the preceding evening—he learned that the counsel for the San Francisco Stock Exchange expected to act as his counsel as receiver, and he felt under obligation to me in the matter, and that it was an awkward situation for him; and I replied that he need not consider me in the matter at all, that I was entirely willing to eliminate myself, and that he should make whatever selection his interests dictated without consideration of any obligation that he might have to me.

Q. Did he say who the attorneys were for the San Francisco Stock Exchange?—A. Heller, Ehrmann, White & McAuliffe.

Q. Did he say in that talk with you whether or not he had already been in communication with those lawyers?—A. Yes; he stated he had been in communication with those attorneys prior to his telephone conversation with me. That, of course, was the origin of his information that he was in an awkward position in the matter.

Mr. LINFORTH. You may take the witness.

Mr. Manager PERKINS read the cross-examination as appearing in the deposition as follows:

Cross-examination by Mr. PERKINS:

Q. How long had you known Mr. Strong?—A. I should say for 2 years.

Q. Had you ever acted as his attorney?—A. I never did.

Q. Do you know why he first spoke to you about acting as his attorney?—A. I know what he told me, Mr. Perkins; he said that he wished to select counsel who had had experience in stock brokerage law. He selected me because of the fact that he was under the impression that I was expert in that field of the law.

Q. Was he correct in his thought about that?—A. I will leave that to my critics.

Q. Well, you had had a good deal of experience in stock brokerage law, had you?—A. Yes. I have been closely connected with the brokerage business for a period of more than 10 years. A great deal of my practice is in that field.

Q. Are you certain as to whether the second conversation was before or after his appointment as receiver?—A. I am quite certain it was before his appointment.

Q. That was a conversation over the telephone?—A. Yes. I am not sure, Mr. Perkins, I am rather of the recollection now that it was a personal interview. He came to my office. I am quite sure he did.

Q. What was the date of the month of the second conversation?—A. It was either the same day or the day preceding his appearance before Judge Louderback for qualification as receiver.

Q. Can you fix the date in the month?—A. Can you tell me the date of his appointment?

Mr. Manager PERKINS. Mr. President, certain colloquy then appears. Shall I read that, or merely the testimony itself?

The PRESIDING OFFICER. The Chair will suggest that the manager may do as he chooses about that. If he reads the record, that is the important thing for the Senate sitting as a court.

Mr. Manager PERKINS. I will read it all.

The PRESIDING OFFICER. If the Chair may interrupt the manager, if it is agreeable to the managers on the part of the House and to the counsel for the respondent, let the colloquy go in and be printed without being read. That will be entirely agreeable to the Chair, and it is to be assumed it will be agreeable to the Senate sitting as a court.

Mr. Manager PERKINS. Very well.

The matter ordered to be printed in the RECORD from the deposition of Lloyd Ackerman is as follows:

Mr. LINFORTH. I have the date here, Judge, if you would like to know it.

Mr. PERKINS. The date of his appointment was the 11th of March 1930?

Mr. LINFORTH. Yes; it was the 11th of March 1930.

A. And what day of the week was that, Mr. Linforth?

Mr. LINFORTH. I think it was Tuesday, Mr. Ackerman; I am not sure as to that.

Mr. BROWNING. It was.

Mr. Manager PERKINS (continuing the reading):

A. I should say the last conversation to which I have testified took place on the 10th of March, either the 10th or the 11th.

Mr. HANLEY. May I draw the attention of the managers to the fact that Mr. Linforth put the question and the answer was then given by witness? The question appears on the fifth line of the page.

Mr. Manager PERKINS. Mr. Linforth made this statement:

Yes; it was the 11th of March 1930.

A. And what day of the week was that, Mr. Linforth?

Then:

Mr. LINFORTH. I think it was Tuesday, Mr. Ackerman; I am not sure as to that.

Mr. BROWNING. It was.

Then the witness continued his answer, as follows:

A. I should say that the last conversation to which I have testified took place on the 10th of March, either the 10th or the 11th.

Mr. PERKINS. Were there any other conversations?

A. Well, there was a conversation subsequent to his appointment in which he told me what had transpired when he appeared before Judge Louderback to qualify as receiver.

Q. What did he say?

Mr. LINFORTH. We object to that as not cross-examination in any sense of the word, and hearsay.

Mr. LINFORTH. I submit that that objection was well taken. What the witness said to somebody else not in our presence is not binding on us.

The PRESIDING OFFICER. Was this objection made at the time the deposition was taken?

Mr. LINFORTH. It was made at the time the deposition was taken.

The PRESIDING OFFICER. The Chair will have to see the question.

(The deposition was handed to the Presiding Officer, who examined it.)

The PRESIDING OFFICER. The Chair is of the opinion that the question may be answered as in the deposition. It is not particularly vital.

Mr. Manager PERKINS (reading):

A. He said that he had offered the name of Heller, Ehrmann, White & McAuliffe as his counsel, and that that firm was not satisfactory to Judge Louderback; that he thereupon offered my name, and my name was not satisfactory either; and that thereupon Judge Louderback had, I think he said, revoked his appointment, or declined to confirm it.

Mr. PERKINS. That is all.

EXAMINATION OF LLOYD A. LUNDSTROM

Mr. LINFORTH. Mr. President, we will call Lloyd A. Lundstrom as our next witness.

Lloyd A. Lundstrom, having been first duly sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. Will you please state your residence and your occupation?—A. I live in Oakland, Calif., and am manager for the Fageol Motor Co.

Mr. ROBINSON of Arkansas. Mr. President, we cannot hear either counsel or the witness.

The PRESIDING OFFICER. Let the Senate be in order, and this admonition applies to occupants of the galleries as well. Counsel and the witness will both speak louder.

By Mr. LINFORTH:

Q. May I repeat the question? Please state your name and occupation.—A. Lloyd A. Lundstrom, manager for the Fageol Motor Co., Oakland, Calif., and I live there.

Q. Do you know Mr. G. H. Gilbert?—A. I do.

Q. When did you first make his acquaintance?—A. On February 19, 1932.

Q. At that time where did you make his acquaintance?—

A. In the office of John A. Dinkelspiel, of San Francisco, the attorney.

Q. Did he at that time employ you in the Fageol Motor Co. case receivership?—A. No, sir.

Q. How soon after that did he employ you?—A. On March 11, 1932.

Q. Before his employment of you did you furnish him references?—A. I had a conference with him and he asked me for people and my experience, and I gave him some names.

Q. Subsequently you were employed by him, were you not?—A. Yes, sir.

Q. In what capacity?—A. To manage the sales part of the business, the affairs of the Fageol Motor Co. then being in equity receivership.

Q. During that time were you in daily touch with him after that?—A. I was in constant touch with him.

Q. During the entire receivership, from the time you were so employed?—A. Yes, sir.

Q. What were his hours at the office of the Fageol Motor Co.?—A. From 8 in the morning until 5:30 in the evening.

Q. Do you know what he did in the way of reducing the current expenses of that concern?—A. In dollars and cents, I could not answer.

Q. Can you state generally what changes, if any, he made in the personnel of the company or the employees?—A. He let the president and general manager go, and the sales manager and secretary of the company.

Mr. Manager BROWNING. The receivership let those people go, and we hardly see how it would be competent for this witness to testify that Mr. Gilbert did.

Mr. LINFORTH. The charge made is that this was an incompetent man to be receiver of this particular business.

Mr. Manager BROWNING. Absolutely.

Mr. LINFORTH. And that as receiver he merely took instructions from the president of the company. It is the intention of counsel by these questions to show what matters the receiver did of his own initiative.

The PRESIDING OFFICER. There is no objection to the witness' stating what he knows of his own knowledge.

Mr. LINFORTH. That is all I am asking, and I hope he will confine it to what he knows of his own knowledge.

The WITNESS. I know the president and general manager were let go during the equity receivership.

By Mr. LINFORTH:

Q. Do you know what the salary of the president was prior to his removal?—A. Yes, sir.

Q. What was it?—A. \$600 a month.

Q. Was anybody put in his place?—A. No; I was employed for that purpose.

Q. And your salary at that time was what?—A. \$200 when Mr. Gilbert hired me.

Q. And subsequently increased to what?—A. \$400.

Q. At whose suggestion were you employed?—A. I was sent to Mr. Dinkelspiel, Mr. Gilbert's attorney, by Mr. Wainwright, one of the creditors.

Q. Mr. Wainwright was the representative of the bank that was the largest unsecured creditor? Is that right?—A. Yes, sir.

Q. From the time of your appointment, did you, the receiver, and Mr. Wainwright consult on various matters of policy and action that was taken in the matter of the receivership?—A. Mr. Gilbert and Mr. Wainwright and myself were present at all creditors' meetings.

Q. Was there any matter in which you were drawn in where you did not receive cooperation from Mr. Gilbert?—A. No, sir.

Mr. LINFORTH. Take the witness.

Cross-examination by Mr. Manager PERKINS:

Q. You were employed at the suggestion of the creditors' committee, were you not?—A. Yes, sir.

Q. You never knew Mr. Gilbert before the creditors' committee suggested your employment, did you?—A. No, sir.

Q. You are the man who supplanted the management there, are you not?—A. Yes, sir.

Q. You were the practical managing head of that business?—A. Yes, sir.

Q. Mr. Gilbert knew nothing about running the automotive industry, did he?—A. No, sir.

Q. The reason you had to be employed was that he did not know anything about it, was it not?—A. Yes, sir.

Mr. Manager PERKINS. That is all.

The PRESIDING OFFICER. The witness may be excused. (The witness retired from the stand.)

DEPOSITION OF JOSEPH H. STEPHENS, JR.

Mr. HANLEY. Mr. President, we now offer depositions taken in San Francisco at the same time the deposition of the witness Lloyd Ackerman was taken. I will not read the deposition of Althea Thomas, found on page 6 of those depositions. I do not believe there is any necessity for reading that deposition. Instead we will read the deposition of Joseph H. Stephens, Jr., found on page 16 of the depositions.

The PRESIDING OFFICER. Very well; proceed.

Mr. HANLEY thereupon read the direct examination in the deposition of Joseph H. Stephens, Jr., as follows:

U.S.S. EXHIBIT O

Joseph H. Stephens, Jr., called on behalf of Harold Louderback; sworn.

By Mr. LINFORTH:

Q. Mr. Stephens, where do you reside?—A. Sacramento.

Q. Whereabouts in Sacramento?—A. Twenty-sixth and H.

Q. What is your business at the present time?—A. Contractors Adjustment Bureau.

Q. And in the month of August 1931 did you know of a concern commonly called the Prudential Co.?—A. Yes.

Q. What was the correct name of that company, the full name of it?—A. The Prudential Holding Co.

Q. Were you an officer and director in that company at that time?

Mr. PERKINS. Just don't lead him. Just ask him what he was. Wouldn't that be better?

Mr. LINFORTH. I think the question is perfectly proper; it is not leading.

Q. Were you an officer in that company at that time?—A. I was.

Q. What officer were you in that company at that time?—A. Vice president.

Q. At the time of the filing of a complaint in the office of the Clerk of the United States District Court on the 15th day of August 1931 in a suit entitled *Character Finance Co., of Santa Monica v. Prudential Holding Co.*, were you present in the clerk's office when that complaint was filed?—A. I was.

Q. Who else was present at the time?—A. Mr. Kearsley and Judge Louderback.

Q. I am asking you about when the complaint was filed in the clerk's office.—A. I don't know; there were clerks in there, but I didn't know any of them.

Q. Let me put it in this way: After the complaint was filed you saw Judge Louderback, did you?

Mr. PERKINS. Now you are leading him.

Mr. LINFORTH. I will put it in another form to accommodate you, judge.

Q. Did you see Judge Louderback after the complaint in that case was filed?—A. We did.

Q. Where did you see Judge Louderback?—A. In his chambers.

Q. Was that the first time that you had seen Judge Louderback?—A. Correct.

Q. Who was with you when you went to the chambers of Judge Louderback?—A. Mr. Kearsley.

Q. Who was Mr. Kearsley, what was his occupation, if you know?—A. He is an attorney.

Q. Were you introduced to Judge Louderback?—A. I was.

Q. By whom?—A. Mr. Kearsley.

Q. How were you introduced to Judge Louderback?—A. Just the ordinary introduction, that I was Mr. Stephens, of the Prudential Holding Co. That is all there was to it.

Q. Did Judge Louderback ask you anything about in what capacity you were representing the Prudential Holding Co.?

Mr. PERKINS. I object to that. It does not appear that he was representing it, and it does not appear that Judge Louderback had any conversation with him.

Mr. LINFORTH. Let me withdraw the question, judge, and I think I will meet your objection and get at it in another way.

Q. State in your own way the conversation that was had in Judge Louderback's presence by the three of you.—A. Mr. Kearsley had this petition and said that he was representing the stockholders of the Character Finance Co., and that they wanted to conserve the assets of the Prudential Holding Co., and asked that a receiver be appointed. That is all there was to it.

Q. When Mr. Kearsley said that what, if anything, did you or the judge say?—A. Well, the judge asked me what I thought about it, and I told him that I thought something should be done.

Q. In what respect, if anything?—A. For the appointment of a receiver.

Q. Was the petition presented to Judge Louderback at that time by Mr. Kearsley?—A. Yes.

Q. Was it examined or read by the judge?—A. It was.
 Q. After the judge read it and examined it, did he ask you any questions in regard to it?—A. He asked me if I had read it.
 Q. And what did you tell him?—A. That I had.
 Q. What else, if anything, did the judge ask you in regard to that paper?—A. As I remember it, he asked me what I thought about the petition, and I told him that something should be done.
 Q. Did you tell Judge Louderback at that time what your office in the company was?—A. I believe during the conversation Mr. Kearsley told him.
 Q. What did he tell him?—A. That I was vice president.
 Q. Of the company?—A. Of the company.
 Mr. LINFORTH. You may take the witness.

Mr. Manager PERKINS read the cross-examination in the deposition of John H. Stephens, Jr., as follows:

Cross-examination by Mr. PERKINS:

Q. Mr. Stephens, have you ever seen or spoken to Mr. Kearsley since that date?—A. I have not.
 Q. Did you ever see or speak to him before that date?—A. Before what date?
 Q. Aren't you telling us about a time and didn't you identify a date?—A. Oh, in August, there; yes. I saw Mr. Kearsley before that; yes, once.
 Q. Where?—A. In San Francisco.
 Q. On what date did you see him?—A. I am sure I don't remember.
 Q. How many days before the presentation of the petition?—A. It was probably the day prior.
 Q. When was the petition presented?—A. You mean in the judge's office here in the building?
 Q. Have we talked or have you testified about any other time or about any other petition than the one just asked about?—A. No.
 Q. That is what I mean.—A. All right, what is the question, again?
 Q. The question is, When was the petition presented to the judge?—A. On August 15.
 Q. Do you remember that right out of a clear sky?—A. No; I have been told that right here.
 Q. So you adopted the date rather than remembered it?—A. It was in the month of August, sometime or other.
 Q. Please answer my question. You adopted the date rather than remembered it?—A. Yes.
 Q. Have you told us all that transpired at the time of the filing of the petition by Kearsley?—A. As I remember it; yes.
 Q. No attorney was present representing the Prudential Holding Co., was there?—A. No.
 Q. Who was the attorney of the Prudential Holding Co. then?—A. I think Mr. Hawkins was.
 Q. Did you notify him that you were going to appear?—A. No; I did not.
 Q. Did you advise anybody connected with the company that you were going to appear with Kearsley before Judge Louderback?—A. I did not.
 Q. Did anybody connected with the company, so far as you know, know that you were going to appear?—A. No, sir.
 Q. So far as you know, did the company have any notice whatever that the petition was about to be presented?—A. No.
 Q. What induced you to appear with the attorney of this adversary of your company before the judge?—A. There was no inducement at all. The—
 Q. No inducement at all?
 Mr. LINFORTH. Let him finish his answer, Judge. Please finish your answer.

Mr. PERKINS. No; I am controlling the examination now.
 Mr. LINFORTH. I submit that the witness has a right to finish his answer, and counsel should not interrupt him in the middle of his answer.

Mr. PERKINS. I submit he has answered the question.
 Mr. LINFORTH. I ask to have the record read. (Record read by the reporter.) The record shows he was still answering, Judge, when you interrupted him with another question.

Mr. PERKINS. How long a time had elapsed since you had been at the office of the Prudential Holding Co.?

Mr. LINFORTH. One moment. We object to the asking of that question, or any other question, until the witness is permitted to finish the answer which counsel interrupted.

The WITNESS. What do you mean by that question?

Mr. PERKINS. Previous to the 15th of August 1931.—A. How long a time had elapsed—I am sure I do not follow you at all.

Q. When were you at the office of the Prudential Holding Co. previous to August 15, 1931?—A. When? I was over there, I think, about a year.

Q. About a year before?—A. Yes; if that is what you want to know.

Mr. PERKINS. That is all.

Mr. LINFORTH (when the objection above set forth was reached). We waive the objection.

Mr. HANLEY thereupon read the redirect examination, as follows:

Redirect examination by Mr. LINFORTH:

Q. Where was the office of the Prudential Holding Co.?—A. In Oakland.

Q. Do you recall just where in Oakland?—A. Between Seventeenth and Eighteenth on Franklin; 1731, I think it was, to be exact.

Q. Will you state, as clearly and as nearly as you can, when you were last in the office of the Prudential Holding Co. at the place you have indicated before your visit with Mr. Kearsley to Judge Louderback's chambers?—A. It was not over 2 days.

Mr. LINFORTH. I thought he did not understand your question, Judge.

Mr. PERKINS. Then I will have to go on with my cross-examination further.

Mr. LINFORTH. Go ahead, Judge, and I will suspend until you complete it.

Mr. Manager PERKINS thereupon read the further cross-examination, as follows:

Mr. PERKINS:

Q. You say that about 2 days before your appearance before Judge Louderback with Mr. Kearsley you had been at the office of the Prudential Holding Co.?—A. Yes.

Q. When Judge Louderback was introduced to you, or you were introduced to the judge, what did you state your relationship or connection with the Prudential Holding Co. was?—A. During the conversation Mr. Kearsley said I was the vice president; that is as I remember it.

Q. Did Judge Louderback ask you if the Prudential Holding Co. was represented by an attorney?—A. I don't remember that angle.

Q. Did Judge Louderback ask if there was any lawyer representing the Prudential Holding Co. in the matter of the filing of the petition?—A. I don't remember that, either.

Q. You are not a lawyer?—A. I am not.

Q. And you did not represent yourself to the judge to be a lawyer, did you?—A. No.

Q. Did you ask the judge for time until you could get a lawyer there?—A. No. This fellow—Mr. Kearsley—was an attorney.

Q. Yes; but he was an attorney opposing your company, was he not?—A. He was representing the stockholders.

Q. Of what company?—A. The Character Finance and the Prudential Holding Co. Here is the situation: The Prudential Holding Co. had taken over the Character Finance Co. of Santa Monica and they had taken stock of the Character Finance Co., as I remember the deal.

Q. So your idea now is that Kearsley was representing the Prudential Holding Co. before the judge?

Mr. LINFORTH. Just a moment. I object to that as contrary to his testimony. He said he was representing stockholders.

Mr. PERKINS:

Q. Did you look at the papers to see whether they said that Kearsley was representing any stockholders of the Prudential Holding Co.?—A. I don't remember the exact words of the petition now.

Q. So you now think that Mr. Kearsley was acting for the stockholders of the Character Finance Co., as well as of the Prudential Co., do you?—A. Yes; I do.

Q. And did he so state to Judge Louderback?—A. He did.

Q. He told Judge Louderback that he, Kearsley, was representing stockholders of the Prudential Holding Co.?—A. And the Character Finance Co.

Q. Are you sure about this, that he said he was representing stockholders of the Prudential Holding Co.?—A. I am pretty sure about it.

Q. Did Judge Louderback say anything about whether there were any other stockholders represented by any other lawyer present?—A. I don't remember that, either.

Q. Did he ask anything about whether a lawyer was present representing the Prudential Holding Co.?—A. I don't remember that.

Q. Did he say anything about giving notice to the Prudential Holding Co. of the application for a receiver?—A. I don't remember those questions at all.

Q. So far as you recollect, did Judge Louderback say anything whatever about giving notice to the Prudential Holding Co. or any stockholder of the Prudential Holding Co. of the intended appointment of a receiver?—A. I don't remember.

Q. How long after your appearance with Mr. Kearsley did you go back to the office of the Prudential Holding Co.?—A. Well, it was not very long.

Q. That means nothing to me. How long?—A. Less than a day.

Q. Who was the president of the Prudential Holding Co. then?—A. Mr. Beck.

Q. Did you tell Mr. Beck that you were going to go before Judge Louderback?—A. I did not.

Q. Did you notify anybody connected with the Prudential Holding Co. that you were going to go before Judge Louderback?—A. Mr. Beck was not here; he was out of the State.

Q. Did you notify anybody connected with the Prudential Holding Co., its lawyer, or any of its officers that you were going to go before Judge Louderback?—A. I did not.

Q. Did Judge Louderback ask you whether any other officer of the Prudential Holding Co. knew that you were there in the matter of the application for a receiver?—A. I don't remember that question at all.

Q. Do you remember any other conversation on the part of Judge Louderback at the time that has been mentioned, when the petition for receiver was presented, other than you have already spoken of?—A. No; I can't remember.

Q. Do you remember anything else he said there other than you have already described?—A. No. It was all new to me.

Q. Please answer my question. Did Judge Louderback say anything other than you have already put into the record here?—A. No; I don't think so.

Mr. PERKINS. That is all.

Mr. LINFORTH. That is all.

EXAMINATION OF J. G. REISNER

Mr. LINFORTH. May we call J. G. Reisner?

J. G. Reisner, having been duly sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. Mr. Reisner, will you please state your name, your residence, and your occupation?—A. J. G. Reisner, San Francisco, attorney.

Q. You have been a lawyer practicing in California for how long?—A. Twenty-three years.

Q. Were you one of the attorneys in the case of Helen Lay against the Lumbermen's Reciprocal Association?—A. Yes.

Q. Whom did you represent?—A. I represented the plaintiff, Helen Lay.

Q. And who represented the defendant?—A. Bronson, Bronson & Slaven.

Q. Did you, accompanied by Mr. Slaven, present to Judge Louderback the application for the appointment of the receiver?—A. I did.

Q. Who suggested the appointment of Samuel M. Shortridge, Jr., as receiver?—A. Mr. Slaven.

Q. Did you agree to it?—A. I did.

Q. Did the judge have you both put it in writing before he made the appointment?—A. I believe Mr. Slaven had the papers himself; and the one that I signed was left blank, and I filled in the name of Shortridge at that time. We both signed a request.

Q. When Mr. Slaven suggested the name of Samuel M. Shortridge, Jr., as receiver, what did you say?—A. Well, I told him that there was another man that wanted the appointment, but that I did not feel like recommending the other man and that I would be satisfied with Shortridge, as I thought he was qualified.

Q. Were you present when the complaint or the petition was filed?—A. I was.

Q. Did you see anybody hand to Mr. Slaven a slip with any names on it from which a receiver could be selected?—A. I did not.

Q. Did you see any such message?—A. I did not.

Q. Did Mr. Slaven speak to you about any such message?—A. He did not.

Mr. LINFORTH. You may take the witness.

Mr. Manager SUMNERS. No cross-examination.

The PRESIDING OFFICER. The witness will be excused. Call the next witness.

Mr. LINFORTH. Mr. President, I understand there is one witness whose cross-examination was not completed. If counsel is ready to complete that cross-examination, the witness is here—Mr. Gilbert.

Mr. Manager SUMNERS. We do not care to proceed with cross-examination at this moment. We will undertake to cross-examine that witness when we come to the point where we have the privilege of offering rebuttal testimony.

EXAMINATION OF GEORGE D. LOUDERBACK

Mr. LINFORTH. May we call George D. Louderback?

George D. Louderback, having been duly sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. Will you please state your name, your occupation, and your residence?—A. George Davis Louderback; geologist; 107 Ardmore Road, Kensington, Contra Costa County, Calif.

Q. Are you a professor engaged at the University of the State of California?—A. I am.

Q. What is your title at that university?—A. Professor of geology, chairman of the department of geological sciences, and dean of the college of letters and sciences.

Q. Are you a brother of the respondent Harold Louderback?—A. I am.

Q. Where do you live, please; what exact place?—A. I gave that; 107 Ardmore Road, Kensington, Contra Costa County, Calif.

Q. With reference to the Alameda line, in which Berkeley is situated, where is that?—A. Kensington is immediately over the Berkeley and Alameda County line, which are coincident.

Q. A few feet over the line. About how far, in distance, is it from San Francisco?—A. In time, it is about 40 or 45 minutes.

Q. In 1930, and prior thereto, of whom did your family consist?—A. Myself and my wife.

Q. I call your attention to the 6th of April 1930. Did you on that date at your home have any talk with the respondent upon the subject of his making his home and residence with you?—A. I did.

Q. How do you recall the date?—A. I recall that because it was my birthday, and my brother came over to celebrate that day with me.

Q. Will you please state, for the information of the Presiding Officer and the Senators, what conversation you had with him in the presence and hearing of your wife on that occasion?—A. I was delayed at the university, and my brother had arrived before I got home. When I came in, after greetings concerning my birthday, and after presenting me with a gift for that occasion, my wife said that they had been talking about his coming over to make his home with us again. I said that I was highly delighted, and the conversation then was concerning where he should be located and the satisfactory character of his room, and we went into the place suggested by my wife, the room, to see whether it was satisfactory and what arrangements we should make to be suitable for him.

Q. Was a room at that time agreed upon and set apart for him in your home?—A. It was.

Q. Had he prior to that, at sometime prior, made his home with you and your wife?—A. Yes; for 3 years in Reno, Nev.

Q. Do you recall whether or not, following this conversation on the 6th of April 1930, any of his belongings were sent to your home?—A. Yes; in a day or two he had sent over a couple of trunks, and then a few days later he brought over, I think, another trunk and some hand baggage and various other things, and had these installed in his quarters.

Q. Has he had that room ever since?—A. He has.

Q. Was he furnished with a key to the room at the time you speak of—I mean to the house; not to the room?—A. Yes; a key to the house; no key to the room.

Q. Do you know whether or not on each election day following that time the respondent has voted in that county?—A. Yes; he has always come over, and the whole family has gone out to the polls together.

Q. Have you gone with him on those occasions?—A. I have.

Q. On how many occasions since that time do you know that he has voted in that county?—A. Five times.

Q. When was the last?—A. The last general election in November.

Q. How soon after this arrangement was made on the 6th of April 1930 did the respondent come over to your home to stay?—A. A week or so after; about the middle of April.

Q. How many evenings did he remain there overnight?—A. I believe two evenings.

Q. What happened those two evenings, so far as your own knowledge goes?—A. On the second evening he was taken with a rather severe attack of asthma.

Q. Was he subject to attacks of asthma prior to that?—A. Yes; since he was a small boy 5 or 6 years old.

Q. Upon the second evening, after being subjected to that attack of asthma, when did he next return to your home?—A. He thought he had better wait until this cleared up, and he came over in about 2 weeks, I think. The next time was the 2d of May.

Q. On that occasion did he remain overnight in this room that had been set apart to him?—A. He did.

Q. What, if anything, happened with reference to his condition that evening?—A. He had another attack of asthma, and was unable to eat breakfast the next morning.

Q. The following night did he also return?—A. I think not.
Q. How soon after that did he return again?—A. About the middle of May, about 2 weeks later.

Q. What happened on the third visit with reference to his condition?—A. He suffered again from an attack of asthma, which came on early, and he was unable to eat more than the very start of his dinner, and that caused him a very great deal of trouble during the night.

Q. Have you plants and flowers in your house and around the house?—A. We have.

Q. Have you any animal in the house also?—A. We have a pet cat.

Q. Do you know of your own knowledge that just prior to leaving California for Washington the respondent went to your home in order to get his belongings to come here?

Mr. Manager PERKINS. I object to the form of the question.

Mr. LINFORTH. I withdraw it if there is any objection to it. I am trying to save time if I can.

The PRESIDING OFFICER. The question is withdrawn. By Mr. LINFORTH:

Q. When was the last time you saw the respondent at your home?—A. The day that he left for Washington this last trip.

Q. You mean on this trip?—A. Yes.

Mr. LINFORTH. You may take the witness.

Cross-examination by Mr. Manager PERKINS:

Q. Doctor, you have told the Senate all of the occasions when your brother spent time at your house, have you not?—A. I think those are all the occasions when he slept there at night.

Q. That is, he slept there three nights?—A. I think I testified to four.

Q. Four nights since when?—A. I did not get the question.

Q. Four nights since when?—A. Since the middle of April 1930.

Q. That is to say, in 3 years and 1 month he has slept at your house four nights. Is that right?—A. Four nights.

Q. As a matter of fact, you and your wife are away over week-ends, are you not, as a rule?—A. No; not as a rule.

Q. So that he did not spend any week-ends with you, did he?—A. Yes; he very frequently spent week-ends.

Q. Overnights?—A. Not overnights; no.

Q. He came over and made a visit upon his brother. Is that right?—A. I suppose he did.

Q. Did he pay you any money during that time?—A. He did not.

Q. He did not pay any room rent?—A. He did not.

Q. He did not pay any board?—A. He did not.

Q. The four occasions he came over, four of those times, he voted, did he not?—A. He did not.

Q. He did not vote then?—A. Not those four times.

Q. You said he voted five times there.—A. He did vote five times, but those are not the times I testified to that he slept there overnight.

Q. That is to say, in 3 years and 1 month he has slept at your house four times, and he has voted from your house five times. Is that right?—A. He has.

Q. You have told the Senate all you know about the residence of your brother at your house, have you not?—A. I have not.

Q. When was the last time that your brother slept at your house?—A. The last time was, I think, in July 1931.

Q. So that for 2 years, less 2 months, he has not even slept there, has he?—A. That is correct.

Q. And for the other 1 year and 3 months he has been there four times overnight?—A. Yes.

Q. And he always has suffered attacks of asthma when he comes, has he not?—A. When he tries to stop overnight.

Q. Do you keep the cat in the house overnight?—A. We generally do.

Q. You know that asthma is due to breathing effluvia of some kind, is it not?—A. I am not sure about the cause.

Q. As a matter of fact, it was impossible for him to stay at your house overnight without having asthma, was it not?—A. That appeared to be the case.

Q. He never paid a dollar for board or a dollar for room, did he?—A. He did not. I did not expect him to.

Q. What did you use that room for previously?—A. That room was used previously as what my wife called the spare room, where guests came in.

Q. How many guest rooms have you in the house?—A. We now have one.

Q. You have one guest room?—A. Yes.

Q. Is that the room you assigned to your brother?—A. No.

Q. You mean one in addition?—A. One in addition.

Q. How do you know he voted five times in your municipality?—A. Because I went with him to the polls.

Q. And he also registered his motor car there, did he not?—A. Yes.

Q. He told you that he had trouble with his wife, and he wanted to come over and live in your home, did he not?—A. He did not.

Mr. LINFORTH. One moment. We object to that as not cross-examination in any sense of the word.

The PRESIDING OFFICER. The objection is sustained.

Mr. Manager PERKINS. May I submit that the conversation that took place is supposed to have been related by the witness, and I might have a right to cross-examine.

The PRESIDING OFFICER. The Chair is under the impression that the relations of the respondent with his wife are not particularly in issue.

Mr. Manager PERKINS. No; but the purpose of establishing this pretended residence is very important.

The PRESIDING OFFICER. The Chair will stand on the ruling which has been made.

Mr. Manager PERKINS. The managers bow to the ruling of the Chair. That is all.

Mr. LINFORTH. May I ask one further question, Mr. President?

Redirect examination by Mr. LINFORTH:

Q. Professor, not to be exact, but approximately, how often has the respondent been to your house per week, on an average, since 1931, April of that year?

Mr. Manager PERKINS. We object to that because it is not redirect examination and is not based on the cross-examination, and it assumes things not in evidence.

The PRESIDING OFFICER. It would seem to the Chair that that very question was gone into in cross-examination, and now on redirect examination the counsel for the respondent would have a right to refer to the question. The objection is overruled.

The WITNESS. Except for the times when he is out of town, he comes almost every week.

Mr. LINFORTH. No further questions.

Recross-examination by Mr. Manager PERKINS:

Q. You mean he makes a visit there sometime during the afternoon in a week?—A. He stays there frequently throughout the afternoon and evening.

Q. As a matter of fact, you know that he has resided continuously at room 26 in the Fairmont Hotel during this period, do you not?

Mr. LINFORTH. One moment. We object to that as calling for the opinion or conclusion of the witness on a legal proposition.

The PRESIDING OFFICER. If he has knowledge of the subject, he can answer. Answer the question. The objection is overruled.

Mr. LINFORTH. May I add, Mr. President, with your permission, that the point of my objection is that the question is, "He has resided"? A question of residence is a legal question, and that is the point of the objection.

The PRESIDING OFFICER. The Chair understood counsel to suggest that the chief reason was that he called for a conclusion, and the Chair simply suggested to the witness that he state what he knows of his own knowledge.

Mr. LINFORTH. I adopt that reasoning.

The PRESIDING OFFICER. The witness will answer the question.

The WITNESS. May the question be read?

The Official Reporter read as follows:

Q. As a matter of fact, you know that he has resided continuously at room 26 in the Fairmont Hotel during this period, do you not?

The WITNESS. I am not sure what that question means. By Mr. Manager PERKINS:

Q. Well, he has continually had a room in the Fairmont Hotel which he has occupied there every night during the 3 years and 1 month mentioned?

Q. I know that he has had the use of a room in the Fairmont Hotel, but I would hardly say that he has practically occupied it every night for the last 3 years.

Q. Have you visited him at the Fairmont Hotel?—A. I have a couple of times.

Q. And you visited him in his room, did you not?—A. I think once or twice.

Q. And you know from your visitation there that he has occupied room No. 26 in the Fairmont Hotel?—A. He has; yes.

Q. That is all.

The PRESIDING OFFICER. The witness will be excused, if there are no further questions.

Mr. LINFORTH. There are no further questions.

The PRESIDING OFFICER. Very well.

EXAMINATION OF MARSHALL B. WOODWORTH

Mr. LINFORTH. May we call Marshall B. Woodworth? Marshall B. Woodworth, having been duly sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. Would you please state your name, residence, and your occupation?—A. Marshall B. Woodworth; residence, San Francisco; attorney at law.

Q. And are you the Marshall B. Woodworth spoken of this afternoon or today as being United States attorney at San Francisco at one time?—A. Yes, sir.

Q. Were you appointed as the attorney for the receiver in the Helen Lay case, the so-called Lumbermen's Reciprocal Association case?—A. I was.

Q. And do you recall who spoke to you about acting in that capacity?—A. Mr. Samuel M. Shortridge, Jr., spoke to me about the matter. He telephoned to my office some 2 or 3 days, as I recall it, previous to his appointment and asked me whether I would act as his attorney in that case.

Q. How long did you act in that receivership matter, Mr. Woodworth? I don't mean to be exact, but just approximately.—A. One year and six months, from the 29th day of July 1930, and until the 9th day of January 1932.

Q. Are you familiar with the orders signed by the respondent on the 15th day of December 1931 settling the final accounts of the receiver?—A. I am very familiar with the order, having myself prepared it.

Q. And did you attend upon the court proceedings at the settlement of the final account of the receiver?—A. What is the question?

The PRESIDING OFFICER. The reporter will read the question.

The Official Reporter read as follows:

Q. And did you attend upon the court proceedings at the settlement of the final account of the receiver?

The WITNESS. I did.

Q. Did the court, upon the submission of that matter, declare that the account was settled and the receiver ordered to turn the property over to the State insurance commissioner?—A. The court did.

Q. Who, then, afterward prepared the written order?—A. I did.

Q. You are familiar with the proviso provision, so called, in that order?—A. Perfectly.

Q. Who inserted that provision in the order as originally drafted?—A. I did myself.

Q. What was your purpose in inserting that provision in that order?—A. On the first appeal the circuit court of ap-

peals had directed the lower court to settle the account of the receiver and then to turn over the property to the State insurance commissioner. In pursuance of that order, the account was settled, and the order made directing the Federal receiver to turn over this property to the State insurance commissioner. Thereafter the attorney for the State commissioner indicated that he would take an appeal from the order of the district judge settling the account. In view of that fact, I took the position that, pending the appeal, the property should remain with the trial court, or should be turned over upon giving a proper bond. I took the position that if an appeal were taken from the order settling the account the account was not settled at all, for the reason that we did not know what action the circuit court of appeals might take with reference to the account; and I explained to the judge that the attorney for the State insurance commissioner—

Q. Pardon me a moment before you reach the point of taking the order to the judge. Did you, after drafting the order, first submit it to Mr. Guereña, the attorney for the insurance commissioner?—A. I did, and I had a number of conferences with Mr. Guereña with reference to that particular portion of the order and also with reference to his furnishing a bond in case the property was turned over by the Federal receiver to the State insurance commissioner.

Q. Now, Mr. Woodworth, we are all tired, and would you please make it as short as you can. What talk did you have with Mr. Guereña, the attorney for the State insurance commissioner, with reference to that proviso provision, so called, in that order?—A. I talked with him about that particular provision in the final decree, and Mr. Guereña's principal objection to it was not the proviso itself but the amount of bond that he should furnish. I contended that the bond should be the equivalent of the property to be turned over, to wit, some thirty or forty thousand dollars, about \$25,000 in money, notes totaling some ten or fifteen thousand dollars, and other property. He claimed that the State insurance commissioner, being a public official, the amount of the bond should be nominal or should be in the sum of \$5,000. That seemed to be his principal objection.

Q. Now, was it for those reasons and those reasons only—

Mr. Manager SUMNERS. Mr. President, we respectfully make the suggestion that counsel is going too far in the discussion and detailing of conversation between the witness and Mr. Guereña. This is an instance where it is charged that the judge put a condition to the mandate of the circuit court of appeals, and really the reason that may have prompted this witness, or Mr. Guereña will not bear directly upon the motive which prompted the respondent in attaching that condition to the mandate of the circuit court of appeals.

Mr. LINFORTH. May I add just a word in reply, Mr. President? In this article of impeachment the respondent is charged with improperly and oppressively inserting that clause in that order. Surely we have a right, in defense of that charge, to show the circumstances under which the order was made so as to show that it was not oppressively done in any sense of the word.

Mr. Manager SUMNERS. We concede that there should be considerable latitude, but our suggestion is that the witness is going too far afield in making the explanation.

The PRESIDING OFFICER. The Chair is ready to rule. What took place, or substantially took place, the Chair thinks is admissible.

Mr. LINFORTH. That is all I am asking for.

The PRESIDING OFFICER. The Chair would suggest to counsel for the respondent and to the managers on the part of the House, and to the witness as well, to be as brief as possible, and suggests that the witness give the Senate the substantial facts as to what took place.

Mr. LINFORTH. That is my hope. I have stepped along as fast as possible today.

By Mr. LINFORTH:

Q. Mr. Woodworth, was there any other reason why you put that proviso provision in the order?—A. No, sir.

Q. When you presented that letter to Judge Louderback did you give him any explanation of the reason for that provision?—A. When I presented the order to the judge he expressed his disapproval of that particular provision, and I explained to him that the purpose of it was, in view of the fact of a second appeal having been taken from the order settling the account that, in my judgment, the whole matter was held in abeyance until the court of appeals should pass upon the second appeal. The accounts were not really settled; there was no telling what the circuit court of appeals was going to do. It might ratify the action of the district judge or it might enlarge upon the disallowances; there was no telling what would be done; and for that reason the proviso was put in for the purpose of getting a bond. That was the sole purpose.

Q. After that order was filed did you ever see the judge, the respondent, in regard to it?—A. Some 2 weeks subsequent to that I did.

Q. What did he then say to you with regard to that order?—A. He stated that he observed that the second appeal had been taken in the case; that he had reconsidered his decision with reference to the one particular provision in the final decree settling the account, and that he thought, under all the circumstances, that that proviso should be emasculated from the decree and the property turned over. I told him if that was his view that I would naturally submit to it.

Q. Did he at that time tell you that he was satisfied the provision was erroneous and wrong?—A. He did; and over my objection the order was changed, and I was directed to—

Q. What did he direct you then to do?—A. He directed me to obtain a stipulation from all the parties, the party plaintiff, the party defendant, and also the attorney for the State insurance commissioner, stipulating that, in spite of the pending appeal, the property be turned over and the matter terminated.

Q. In other words, that the order be amended by striking out that clause?—A. Yes, sir.

Q. And you obtained that stipulation?—A. I did.

Q. And he then made an order accordingly?—A. The order was made and the property turned over.

Q. In how many matters had you been appointed attorney for receiverships in the 5 years that Judge Louderback had been on the Federal bench?—A. In just two cases.

Q. Which two?—A. The case which I have mentioned and another one, entitled "the Pioneer Fruit Co. case."

Q. Did you give to Judge Louderback or anyone else any part or portion of any fees that were allowed you in either matter?—A. No, sir; absolutely not.

Q. During the 8 years that the judge was upon the State bench did you receive any appointment of any kind from him?—A. I did not. I hardly knew the judge at that time. It was only after he became Federal judge that I became acquainted with him.

Mr. LINFORTH. You may take the witness.

Cross-examination by Mr. Manager BROWNING:

Q. Mr. Woodworth, I believe you testified that some 3 days before the petition was filed Samuel Shortridge, Jr., approached you to know if you would act as his counsel?—A. Yes, sir.

Q. Then, before the petition was filed, you also contacted the respondent?—A. I did. I was requested to call upon the judge and ascertain whether my appointment would be agreeable to him, and I did so.

Q. What day were you appointed with regard to the day the receiver was appointed?—A. I think it must have been on the 30th day of July or the 1st of August 1930.

Q. Was it not in fact the same day the receiver was appointed?—A. I doubt that very much. He was first appointed and thereafter requested my appointment.

Q. You spoke of the Pioneer Fruit Co. case. In what capacity did you act in that?—A. As attorney for the receiver.

Q. Your fee first allowed in that case was how much?—A. The fee allowed by the referee was \$500.

Q. You appealed from that?—A. I did appeal from that; yes.

Q. To the respondent?—A. I did; yes, sir.

Q. How much did he allow?—A. He increased the allowance \$1,500. He allowed \$2,000.

Q. When was that fee paid to you?—A. The fee was paid some time, I think, in the month—I really do not recollect just when, but some time, I think, in the month of March. I was appointed in January and acted for 2 months. It was probably paid in the month of March or April 1932 or 1931; I am not sure as to that.

Q. What fee did you get in the Lumbermen's Reciprocal Association case?—A. I was allowed \$3,000 on two successive occasions.

Q. Do you remember the date exactly that you collected?—A. The first \$3,000 was allowed in the month of December 1930, and the second \$3,000 was allowed in the month of March 1931.

Q. Was there any hearing on the allowance of those fees?—A. All parties plaintiff and defendant, all the parties in interest, agreed that the compensation was fair and reasonable, and upon a stipulation of all parties the judge made the order.

Q. Do you mean that the commissioner of insurance stipulated to those fees?—A. He did not, because we did not consider that he was a party to the case at all.

Q. Who do you mean by the parties in interest?—A. The plaintiff, who brought the suit, and the defendant, whose property was involved.

Q. You did not have any creditor's consent about that, did you?—A. The only creditor here was the defendant himself.

Q. The allowance of fees was reversed on the second appeal?—A. The allowance was to a certain extent reversed; yes, sir.

Q. Has there been any restitution made in the amount that the circuit court ordered to be paid back to the estate?—A. I think that is in process of being done, yes, sir, upon the order of the respondent the receiver was directed to return those moneys, which included two or three thousand dollars' worth of costs on appeal taken by the State insurance commissioner. Those were also taxed against the receiver personally. Upon his failure to return the moneys within a period of 30 days, then a writ of scire facias issued, and that is pending in the circuit court. That was issued to the bonding company and also against Mr. Samuel M. Shortridge, Jr., the principal on the bonds. That has been issued and is now pending.

Q. What authority did you have for the order of the respondent permitting 30 more days before this writ could issue on the mandate of the circuit court?—A. It is usual in all court proceedings to give what is deemed to be reasonable notice.

Q. That is the only authority you know of?—A. I thought that was sufficient authority.

Q. On the order which you state now the judge objected to at the time, I will ask you if you trapped the respondent into making that order?—A. I did not trap him or any other judge. That is ridiculous.

Mr. LINFORTH. Mr. President, may we have the question read?

The PRESIDING OFFICER. The question will be read. The Official Reporter read as follows:

Q. On the order which you state now the judge objected to at the time, I will ask you if you trapped the respondent into making that order?

Mr. LINFORTH. There is no objection to the question. By Mr. Manager BROWNING:

Q. I would like to read to you, Mr. Woodworth, the statement of the respondent before the committee in last January, and ask you if this is a correct statement of what took place—

Mr. LINFORTH. At what page?

Mr. Manager BROWNING. At page 363, as follows:

Mr. BROWNING. At the time that the first order of reversal came down to turn over the assets to the receiver in the State court, or

the State commission, you provided in the order that the property should be turned over if there was no appeal taken from the fees allowed?

Judge LOUDERBACK. I think that was a very erroneous order to make. That order was presented to me by Mr. Woodworth. I will concede to you that that was erroneous.

He pleaded with me this way: He said, "Can we tell what to hold out? Shall we hold out on all the 52 objections of Mr. Guereña?" He said, "Now, couldn't that order be made in that form?" And he told me that Mr. Guereña was not going to take the appeal, anyway, and then I signed it and later I told him I would not let that stand, that I had made a grave mistake in suggesting even that the money be held, and I will concede that I should not have done that. It was an error. I suppose every judge has been trapped into errors by attorneys. That was wrong, and I do not think that should have been done.

The WITNESS. That is substantially correct, but I did not purposely trap the judge.

By Mr. Manager BROWNING:

Q. Did you tell him that Mr. Guereña was not going to make the appeal?—A. I told him, on the contrary, that Guereña threatened to appeal, and it was for that very reason that this order was inserted. In other words, it was to protect the status quo of the estate in the hands of the Federal receiver pending the repeal, and the only objection Mr. Guereña had was to the amount of the bond.

Q. When the order was made you informed the respondent in that conversation that Mr. Guereña was threatening the appeal?—A. He certainly was. I think Mr. Guereña will so testify.

Q. You told the respondent at that time that he was threatening the appeal?—A. Yes; and that was the purpose of the proviso.

Q. Do you know Mr. W. S. Leake?—A. Yes; I know him very well.

Q. How long have you known him?—A. I have known him for quite a number of years; I should say 25 years. I knew him when he was editor of the San Francisco Call, a very influential paper in those days.

Q. That was operated by the Spreckels' interests at that time?—A. Yes.

Q. And the Spreckels' interests had him in control of it?—A. Yes; that is true.

Q. You knew him intimately, I believe?—A. I cannot say that I did. I knew him very well as a public man, but socially—intimately—I cannot say that.

Q. Since his retirement from active public life have you not been with him frequently?—A. No, sir; I have not.

Q. You know he has maintained an office in San Francisco?—A. Yes.

Q. You have been to that office?—A. I have been to the office; yes, sir.

Q. You gave him credit for having you appointed district attorney in the northern district of California, I believe?—A. I do not want to do the gentleman an injustice, but my appointment was due to the two Senators of the State. I must confess that Mr. Leake did all he could to help me, but with all due deference I did not owe him my appointment.

Q. You gave him credit for manipulating it for you, did you not?—A. To be charitable, I want to give him credit.

Mr. LINFORTH. Mr. President, I take exception to that question.

The PRESIDING OFFICER. The Chair does not think it is pertinent.

The WITNESS. I feel very grateful to him for what he did for me; I will say that—very grateful.

By Mr. Manager BROWNING:

Q. You did not have a safe-deposit box, did you?—A. No, sir; I am not so fortunate.

Mr. Manager BROWNING. That is all.

Mr. LINFORTH. No further questions of this witness.

The PRESIDING OFFICER. The witness may be excused. (The witness retired from the stand.)

Mr. LINFORTH. Mr. President, we would like to ask permission of the Presiding Officer for a moment to confer.

The PRESIDING OFFICER. Very well.

(A pause.)

EXAMINATION OF BRICE KEARSLEY, JR.

Mr. HANLEY. We should like to call Mr. Brice Kearsley, Jr.

Brice Kearsley, Jr., having been duly sworn, was examined and testified as follows:

By Mr. HANLEY:

Q. State your name in full, your business, and your residence?—A. My name is Brice Kearsley, Jr. I am an attorney at law, and I live at Los Angeles, Calif.

Q. Were you at one time connected with the firm of Gold, Quittner & Kearsley?—A. I was.

Q. In the year 1931 and about the 5th day of August of that year, did you present a petition or complaint to Judge Louderback on behalf of the Character Finance Co., of Santa Monica, for the appointment of an equity receiver?—A. I did; but it was on the 15th day of August 1931.

Q. With whom did you go to the chambers of Judge Louderback?—A. With Mr. Joseph Stephens, Jr.

Q. Who was he?—A. He was the vice president of the Prudential Holding Co.

Q. Did you present the complaint to the judge and request the appointment of a receiver?—A. I did.

Q. What did you say to Judge Louderback at that time and place, in the presence of Mr. Stephens?—A. I told Judge Louderback that I represented the Character Finance Co., of Santa Monica, who owned and controlled \$90,000 worth of the stock of the Prudential Holding Co.; that the Prudential Holding Co. had guaranteed certain obligations of the Character Finance Corporation and had failed to make good the guarantee; that we—that is to say, the corporation and myself—had endeavored to obtain some satisfaction out of them concerning these guaranties; that we had made an investigation of the Prudential Holding Co. and found out that their affairs were in a very precarious situation, and that something would have to be done in order to conserve the assets for the benefit of the Character Finance Corporation; that we thereupon had a meeting of the board of directors, and the board of directors voted to apply for a receiver in equity in order, if possible, to conserve what assets there were left; that I brought Mr. Stephens, who occupied a similar position to certain members of the Character Finance Corporation as the vice president of the Prudential Holding Co., to tell him what he knew about it; that Mr. Stephens was prepared to recommend an equity receivership; that, in our opinion, an equity receivership was absolutely necessary, and that we wished to have a receiver appointed. I also presented him with a petition which set out in full exactly the facts as we had discovered them in our investigation.

Q. Had you made a thorough investigation of what was the then condition of the Prudential Holding Co.?—A. We had; yes.

Q. Had you come to any conclusion from your investigation as to its condition?—A. Yes; we had.

Q. What condition did you find it to be in?—A. We found that the Prudential Holding Co. was absolutely insolvent, and that what assets were left were rapidly being depreciated and done away with; and that the officers of the corporation, in our opinion, were incapable of handling it, and were looting it in every possible way.

Q. Did you in absolute good faith, on behalf of your plaintiff, present these matters in the complaint that was had?

Mr. Manager BROWNING. I think that is going very far afield.

Mr. HANLEY. Oh, no; he is accused—

The PRESIDING OFFICER. Answer the question; but the Chair will suggest to counsel to conserve time as much as possible.

The WITNESS. We did; yes.

By Mr. HANLEY:

Q. Immediately upon the presenting, did you suggest any receiver to Judge Louderback?—A. I did not.

Q. Did you leave an order requesting the appointment of a receiver?—A. I did.

Q. Whom did he appoint?—A. Mr. G. H. Gilbert.

Q. Had you anything to do with the appointment of Mr. G. H. Gilbert?—A. I had not.

Q. Had you anything to do with the appointment of his attorney?—A. I had not.

Q. After the appointment of the receiver, did your office cease at that time?—A. Yes, sir. I never saw him again at any time until here in Washington.

Q. Thereafter a motion was made on behalf of the Prudential Co. set aside the receivership. Did you personally appear in that?—A. I did not; my associate did.

Q. What member of your firm appeared in it?—A. Mr. Francis Quittner.

Q. And he resisted the dismissal that was finally entered in that case?—A. He did.

Mr. HANLEY. You may examine.

Cross-examination by Mr. Manager BROWNING:

Q. Mr. Kearsley, you are not now a member of that firm?—A. I am not.

Q. Your connection with that firm was terminated because of the conduct of this case, was it not?—A. It was not.

Q. You alleged in the petition you filed that the assets of the concern were \$1,050,000, did you not?—A. I alleged that, yes; upon information and belief.

Q. And you swore to it yourself?—A. I did.

Q. On information and belief?—A. Correct.

Q. And that is the only verification you had of the petition?—A. That is correct.

Q. What did you allege in that petition were the liabilities of the concern?—A. I do not recall.

Q. How large a bond did you have the receiver put under?—A. I think it was \$100,000. I cannot remember exactly. It may have been \$50,000.

Q. Was it not \$50,000, and was not the bond running in favor of the Government itself?—A. The usual bond was put up.

Q. You did not have any indemnity to the defendant company, did you?—A. I did not.

Q. And you did not have any to the other creditors?—A. I did not.

Q. And nobody appeared for the company there that day in the way of counsel, did they?—A. They did not.

Q. They had no notice of it, did they?—A. They did not.

Q. You give it as your opinion now, do you not, Mr. Kearsley, that the court had no jurisdiction on the face of that petition?—A. I absolutely do not; and subsequent cases have shown the contrary.

Q. What was the termination of this case in that regard?—A. That was dismissed.

Q. And it was dismissed on the ground that there was no jurisdiction?—A. Exactly correct.

Q. Where are you practicing law now?—A. In Los Angeles.

Q. Do you have an office?—A. I do.

Q. Where is it located?—A. 414 Pacific National Building.

Q. Are you associated with any firm now?—A. Not now.

Q. When you went to San Francisco to file this petition, whom did you have associated with you in the preparation of it?—A. No one.

Q. Do you know Dinkelspiel & Dinkelspiel?—A. I do.

Q. How long have you known them?—A. I met them when I went to San Francisco.

Q. To file this petition?—A. Correct.

Q. Where did you meet them?—A. I met Mr. John Dinkelspiel the morning the petition was filed.

Q. Where?—A. I met him at the court room.

Q. What was he doing up there?—A. Well, I can only assume what he was doing. I understand he came to be counsel for Mr. Gilbert.

Q. But you had seen him before that time?—A. No; I had not seen him before that time; no.

Q. Had you seen his brother Martin?—A. No.

Q. You had been to his office?—A. Yes; I had been to his office.

Q. Whom did you see at his office?—A. Mr. Stephens.

Q. Did you not see either one of the Dinkelspiels at their office that day?—A. Yes; I did later on that day, after the petition was filed.

Q. I mean before the petition was filed.—A. No, sir.

Q. But you did meet Mr. Stephens at their office?—A. That is correct.

Q. How came he there? Why was he at their office?—A. Because I asked him to meet me there.

Q. Had you had any correspondence with them about it before you went up there?—A. No. I had talked to Mr. Stephens on the telephone and asked him to meet me at their office. I can explain that.

Q. How did you get hold of Mr. Stephens in the matter?—A. Called him on the telephone.

Q. Had you had any communication with him before that?—A. No. I was directed by the board of directors of the Character Finance Corporation to get in touch with Mr. Stephens concerning this matter.

Q. Why did you not call the president?—A. Mr. Beck?

Q. Yes.—A. Because they did not desire to call the president.

Q. Why did you not call Miss Lind, the secretary?—A. I never heard of her before.

Q. You did not know anything about this concern, did you?—A. I most certainly did.

Q. Did you get your information through Mr. Stephens alone?—A. No, sir.

Q. Had you ever met him before that day?—A. No, sir.

Q. Had you ever had any correspondence with him before that day?—A. I had not; no.

Q. Had your firm had any correspondence with him?—A. No; they had not that I know of.

Q. Why did you pick Dinkelspiel's office for him to meet you?—A. Because we—the firm that I was associated with, not myself—had used the office of Dinkelspiel & Dinkelspiel on other occasions as corresponding attorneys in San Francisco. I personally had never met either of them at any time or been in their office before.

Q. You say now that you did not meet them that morning when you were at their office?—A. I met them afterward. I met Martin Dinkelspiel.

Q. I mean that morning.—A. No, sir.

Q. Did you see them?—A. No. I met him in the anteroom. I was in a great hurry that morning to get over to court.

Q. In fact, it was quite a hurried-up proceeding, was it not?—A. It was not. It was deliberated for approximately a month before we took any steps.

Q. How long did you stay in the presence of the respondent when you filed the petition and asked for the receivership?—A. I should say approximately one half hour.

Q. That was the time when you told him about Mr. Stephens' attitude?—A. Yes; that is correct.

Q. Did Mr. Stephens make any statement about it?—A. He did.

Q. What was it?—A. He told Judge Louderback that, in his opinion, it was absolutely necessary that something be done, and that he thought that the appointment of a receiver would be a wise thing to do.

Q. You remember that language?—A. Not exactly. I remember it in effect.

Q. What was it? What did he say?—A. I do not recall his exact words.

Q. Stephens did not represent himself there that day as representing the firm, the Prudential Holding Co., did he?—A. He told Judge Louderback that he was the vice president of the Prudential Holding Co.

Q. That is not the question I asked you. I asked you if he represented to the respondent at that time that he was representing the firm, the Prudential Holding Co.?—A. Not strictly in the sense of representing it; no.

Q. Did he claim that he was authorized to represent them?—A. He did not.

Mr. Manager BROWNING. That is all.

The witness retired from the stand.

EXAMINATION OF DAVID K. BYERS

Mr. LINFORTH. Please call David K. Byers.

David K. Byers, having been duly sworn, was examined and testified as follows:

By Mr. HANLEY:

Q. Let us have your name, your business, and your residence.—A. David K. Byers; San Francisco, Calif.; secretary and accountant, Western Coast Engineering Co.

Mr. Manager SUMNERS. Please speak louder.

By Mr. HANLEY:

Q. Were you employed at any time as an auditor for the Prudential Holding Co.?—A. I was.

Q. Who employed you?—A. Mr. Beck, the president.

Q. Where is Mr. Beck?—A. To my last knowledge, in Mexico City.

Q. Did he, at the time he employed you, hand you what purported to be a balance sheet of that company as of December 31, 1930?

Mr. Manager PERKINS. Mr. President, we object.

The WITNESS. He did.

Mr. Manager PERKINS. It is wholly immaterial in this proceeding what Mr. Beck did with this employee of his company.

The PRESIDING OFFICER. What is the theory of counsel in offering this testimony?

Mr. HANLEY. The theory is this: We wish to show by this witness that the officers of the Prudential Holding Co., when they employed the auditor, and at the present time, had a stuffed condition of alleged assets, that a balance sheet would not be a balance sheet, that it would not tally; that it practically had no assets, that it was a bankrupt corporation right up to the hilt, and that all it had was a few hundred dollars in bank; that it had hypothecated one piece of property on top of another; that it had made one deed of trust and a second deed of trust; that the officers of the company had decamped with the money; and that Beck had taken the money, after the first officer had died; that this man worked for 2 years and ascertained each and all of those facts. We can go down the balance sheet from the beginning to the end.

The PRESIDING OFFICER. It would be quicker to have the witness answer the question than to have the explanation of counsel. Let the witness go ahead and answer.

Mr. HANLEY. I will ask the reporter to read the last question.

The Official Reporter read as follows:

Q. Did he, at the time he employed you, hand you what purported to be a balance sheet of that company as of December 31, 1930?—A. He did.

By Mr. HANLEY:

Q. What assets, if any, did you find in that company?

Mr. Manager PERKINS. We object. If this be admissible, we will have to go in and try the whole case of whether or not the Prudential Holding Co. was or was not in fact insolvent, and the only inquiry here is as to the conduct of the respondent with reference to the petition filed, and not with respect to the actual assets of the company.

The PRESIDING OFFICER. The Chair thinks it is in issue here, but that it is more or less unimportant. Might not the Chair suggest to counsel to confine himself to the issue as closely as possible, and go along with the evidence?

Mr. HANLEY. We are trying to do that and do it expeditiously. It is alleged that this was a million-dollar corporation. It is alleged that they did so-and-so and so-and-so. Now I am going to show the real condition of this alleged, mythical corporation of some millions of dollars.

The PRESIDING OFFICER. The objection is overruled.

By Mr. HANLEY:

Q. What did you find, if anything, with reference to its assets, as given to you by the president?—A. Owing to the condition of the accounts, it was impossible to determine any definite values to any of their assets. The accounts they showed me in most cases could not be supported by any evidence supporting any values whatsoever; and with regard to the depreciation of the properties which they entered on their books, they never had any authentic appraisal made.

The president of the company would simply add the values, depreciate the values, and have them entered on the books. Insofar as their operations since their inception, they always ran at a heavy loss, their operating expense was very heavy, their trades in real estate and stocks always showed a big loss to the corporation; and in later days, when I attempted to find deeds of trust or stock certificates supporting the assets as they appeared in their ledgers, they were not there, and I never was given a satisfactory explanation as to where they disappeared to.

Q. Was the property mortgaged and second mortgaged?—A. Yes, sir.

Q. Were you, during the 2 years you were connected with the company, ever able to get from anyone connected with the company an intelligent statement or set-up of the assets or the liabilities?—A. No, sir.

Mr. Manager SUMNERS. Mr. President, we object to that question as being leading. We object to the line of testimony because, insofar as we have undertaken to develop the evidence, and as far as we think it can be developed, the issues are these, that the respondent took jurisdiction of this matter when, as a matter of fact, he had no jurisdiction under the law. No hearing was given to the defendant, and then later on the matter went into the bankruptcy court, and this proceeding in equity was then dismissed, and the same parties were appointed receiver and attorney, respectively, in the bankruptcy court. Without regard to the condition of the business, the point is, in the first instance, a matter of jurisdiction.

The PRESIDING OFFICER. The managers on the part of the House insist that the court had no jurisdiction in the matter at all?

Mr. Manager SUMNERS. That is right.

The PRESIDING OFFICER. And regardless of the condition?

Mr. Manager SUMNERS. That is right. That issue was never touched by anybody. We are going to have to go over this case. We cannot afford to take the testimony of this auditor. We would have to have an opportunity to check up on that case, and see whether, with all respect to this witness, the witness' testimony is correct or not.

The PRESIDING OFFICER. The Chair will permit this question to be answered, but other questions along this line will be subject to objection by the managers on the part of the House.

The reporter repeated the pending question as follows:

Q. Were you, during the 2 years you were connected with the company, ever able to get from anyone connected with the company an intelligent statement or set-up of the assets of the liabilities?—A. No, sir.

Mr. Manager SUMNERS. Mr. President, in order to get the record straight, we respectfully request that the question and answer be stricken from the record.

The PRESIDING OFFICER. The motion is overruled.

By Mr. HANLEY:

Q. Were you ever paid for your services?—A. No, sir.

Mr. HANLEY. That is all. Cross-examine.

Cross-examination by Mr. Manager SUMNERS:

Q. Mr. Byers, you have no personal knowledge of the assets of this corporation, have you?—A. I have not actually seen the assets.

Q. You have no personal knowledge of what assets this corporation had, have you?—A. I have personal knowledge of the values.

Q. If you have never seen the assets, how can you tell anything about their values?—A. For the reason that as to all the operations reported on there was always heavy loss.

Q. All the railroads in the country would be valueless according to that system, would they not?

Mr. LINFORTH. Mr. President, I submit these questions are all argumentative. Counsel should not argue with the witness.

The PRESIDING OFFICER. On cross-examination, counsel has a good deal of latitude.

By Mr. Manager PERKINS:

Q. You were with the company 2 years, were you not?—A. I was not permanently with them. I was merely visiting.

Q. You only visited this company?—A. My arrangement with the president was that I was to come over and supervise and assist the bookkeeper.

Q. You were not the bookkeeper?—A. Oh, no.

Q. You supervised? How often did you get there?—A. Three and four times a week; sometimes less than that.

Q. And during all the time you were coming there, 3 or 4 times a week, it was a going concern, was it not?—A. The doors were open; yes, sir.

Q. I said, "It was a going concern."—A. Yes.

Mr. Manager PERKINS. That is all.

The PRESIDING OFFICER. Are there further questions? If not, the witness will be excused.

(The witness retired from the stand.)

Mr. LINFORTH. Mr. President, there are several witnesses whom we have in attendance whose testimony would be merely cumulative. Due to the stress under which the Senate is working, with emergency measures and the like, we have concluded not to call those witnesses, and I take it that there will be no reflection, so far as the honorable Senate is concerned, for our not doing so, having brought them this distance to testify. If that is correct, I am now prepared to announce that we have one short witness, who will not take longer than 10 minutes, if we conclude to call him, and then the respondent; and then we will be prepared to rest. Mr. President, with this statement, I would appreciate it very much if the honorable Senators could see their way clear at this time to take a recess until tomorrow morning.

RECESS

Mr. ASHURST. Mr. President, I move that the Senate, sitting as a Court of Impeachment, take a recess until 10 o'clock tomorrow morning.

The motion was agreed to; and (at 6 o'clock p.m.) the Senate, sitting as a Court of Impeachment, took a recess until tomorrow, Tuesday, May 23, 1933, at 10 o'clock a.m.

LEGISLATIVE SESSION

The Senate, pursuant to the order for the recess entered on Saturday, May 20, resumed legislative session.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 5480) to provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof, and for other purposes.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following resolution of the House of Representatives of the State of Illinois, which was referred to the Committee on Banking and Currency:

STATE OF ILLINOIS, OFFICE OF THE SECRETARY OF STATE.

To all to whom these presents shall come, greeting:

I, Edward J. Hughes, secretary of state of the State of Illinois, do hereby certify that the following and hereto attached is a true photostatic copy of House Resolution No. 55, the original of which is now on file and a matter of record in this office.

In testimony whereof I hereto set my hand and cause to be affixed the great seal of the State of Illinois. Done at the city of Springfield this 19th day of May A.D. 1933.

[SEAL]

EDWARD J. HUGHES,
Secretary of State.

House Resolution 55

Whereas hundreds of thousands of depositors in State and National banks throughout the State of Illinois, and millions of depositors in banks throughout the Nation, have their moneys tied up in closed banks; and

Whereas heretofore only a small percentage of such deposits has been paid by some of the closed banks to the depositors at great

cost and expense to the depositors on account of exorbitant fees paid to receivers and attorneys for receivers; and

Whereas in order to reestablish the confidence of the people at large in the State and Nation and to restore confidence in banks and bankers, as well as to stimulate business in this State and Nation, it is of vital importance that some Federal agency be created to take over all the assets and liabilities of closed banks in the State and Nation and pay all the depositors in said closed banks 100 cents on the dollar: Now, therefore, be it

Resolved by the House of Representatives of the Fifty-eighth General Assembly of the State of Illinois, That this body urgently request the Congress of the United States at its present session to enact such legislation and make such appropriations as may be necessary to put into effect the suggestions contained herein; and be it further

Resolved, That copies of this preamble and resolution be sent forthwith to the President of the United States, the President of the Senate, the Speaker of the House, and to each Senator and Congressman from Illinois.

I hereby certify the foregoing to be a true copy of a resolution adopted by the House of Representatives of the Fifty-eighth General Assembly of the State of Illinois on May 17, 1933.

CHAS. P. CUSEY,

Clerk of the House of Representatives.

The VICE PRESIDENT also laid before the Senate the following joint resolution of the Legislature of the State of Wisconsin, which was referred to the Committee on Finance:

STATE OF WISCONSIN.

Joint resolution memorializing Congress to enact laws providing for the use of ethyl alcohol in all motor fuels

Whereas at present low prices it is impossible for farmers to meet insurance, interest, and taxes, and a continuation of this condition will result not only in depriving the majority of farmers of their farms and life savings but in making impossible any substantial improvement in general economic conditions; and

Whereas the only real solution to this situation lies in an increased demand, market, and price for farm products; and

Whereas legislation providing that motor fuel must be blended with alcohol made from farm products grown in this country would increase the demand and price for farm products; and

Whereas the blending of gasoline with alcohol made from farm products has proved to be a more efficient motor fuel than that now in use, and would result in placing this country on an import rather than on an export basis and would greatly increase the price of farm products; and

Whereas 14 foreign countries have already passed legislation requiring such blending of motor fuels: Now, therefore, be it

Resolved by the senate (the assembly concurring), That the Legislature of Wisconsin hereby respectfully memorializes the Congress of the United States to pass a law providing that all petroleum products used as a fuel in internal-combustion engines shall be blended with ethyl alcohol made from agricultural products grown within the United States; be it further

Resolved, That properly attested copies of this resolution be sent to President Roosevelt, to both Houses of the Congress of the United States, and to each Representative and Senator from Wisconsin.

THOMAS J. O'MALLEY,
President of the Senate.

R. A. COBBAN,
Chief Clerk of the Senate.

C. T. YOUNG,
Speaker of the Assembly.

JOHN J. SLOCUM,
Chief Clerk of the Assembly

The VICE PRESIDENT also laid before the Senate a cablegram embodying a concurrent resolution adopted by the Legislature of the Territory of Hawaii, which was referred to the Committee on Territories and Insular Affairs, as follows:

HONOLULU, May 21, 1933.

HON. JOHN N. GARNER,

President Senate, Washington, D.C.:

We have the honor to transmit the following concurrent resolution unanimously adopted this day by the Legislature of the Territory of Hawaii:

"Whereas it has come to the attention of this legislature through items in the public press and otherwise that action is contemplated in Washington toward the amendment of the Hawaiian organic act removing the 3-year residence qualification for the Governor of Hawaii; and

"Whereas it is well known that there are among those who have resided in this Territory during the preceding 3 years numerous men of the Democratic Party who are fully and ably qualified for this high office; and

"Whereas it is also the firm conviction of this legislature that it would result most unfairly and unfortunately for the Territory should a nonresident of necessity unfamiliar with local conditions and problems be appointed to this office; and

"Whereas the threatened procedure would be absolutely contrary to all principles of American self-government, in the fulfill-

ment of which principles this Territory has heretofore given an excellent account of itself: Now, therefore, be it

"Resolved by the Senate of the Territory of Hawaii, seventeenth regular session (the house of representatives concurring), That on behalf of the people of this Territory this legislature earnestly protests against any action by the Congress of the United States of America toward the elimination of the 3-year residence qualification for the Governor of this Territory; and be it further

"Resolved, That certified copies of this resolution be forwarded to the President of the United States of America, to each of the two Houses of Congress, to the Secretary of the Interior, and to the Delegate to Congress from Hawaii."

GEO. P. COOKE,
President of the Senate.

HERBERT N. AHUNA,
Speaker House of Representatives.

The VICE PRESIDENT also laid before the Senate resolutions adopted by the Galveston Boosters' Club and the Kiwanis Club, both of Galveston; the Chambers of Commerce of Buffalo, Dalhart, and Hearne; the board of directors of the Lamar County Chamber of Commerce; and the Commissioners' Courts of the Counties of Galveston, McCulloch, and Wood, all in the State of Texas, endorsing the program of President Roosevelt and favoring the inauguration of a public-works program for unemployment relief providing highway construction in the State of Texas, which were referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by Hope Council, No. 1, Sons and Daughters of Liberty, of Washington, D.C., favoring the prompt passage of House bill 4114, the so-called "Dies bill", establishing a fixed quota pertaining to the immigration of aliens, which was referred to the Committee on Immigration.

He also laid before the Senate a resolution adopted by John A. Hadley Chapter, No. 3, Eighth Army Corps Association of the United States, Los Angeles, Calif., protesting against the curtailment or elimination of pensions of Spanish-American War veterans, which was referred to the Committee on Pensions.

VETERANS' LEGISLATION

Mr. WALSH. Mr. President, I present resolutions adopted by the mayor and City Council of Brockton, Mass., favoring the further study of veterans' legislation toward the end of a favorable adjustment, and ask that they be printed in full in the RECORD and appropriately referred.

There being no objection, the resolutions were referred to the Committee on Finance and ordered to be printed in the RECORD, as follows:

CITY OF BROCKTON,
COMMONWEALTH OF MASSACHUSETTS,
In Common Council, May 4, 1933.

Whereas it has come to the attention of the mayor and City Council of the City of Brockton that unwarranted misery and suffering will be caused disabled veterans of the Spanish-American and World Wars due to the operation of the act to curtail current expenses of benefits to war veterans recently enacted by the Federal Government, including many veterans who incurred their disabilities or disease in line of duty while in the active military service; and

Whereas the reduction in benefits from the Federal Government will compel many beneficiaries to apply to our local relief agencies to enable their families to obtain sufficient sustenance, thereby shifting the burden of providing for ex-soldiers from the National Government to the local government, thus departing from the established custom which has been in existence since the days of the Revolutionary War that men who served the Federal Government in time of stress should be cared for by the United States; and

Whereas this council believes that these unwarranted and drastic cuts in compensation now being paid to veterans does not meet with the approval of the American public in general, and believing that if the matter was brought to the personal attention of the President of the United States that immediate legislation would be enacted to bring about a more equitable and fair adjustment of veterans' benefits: Therefore be it

Resolved, That the mayor and City Council of the City of Brockton hereby goes on record in favor of a study of the entire matter of veterans' legislation in the hope that such study will bring about a favorable adjustment to the end that no veteran suffering from a disability incurred in line of duty while in the active military and naval service of the United States shall be called upon to bear a greater sacrifice than other classes of the American public, bearing in mind the hardships and tribulations that they endured during the period of war; and be it further

Resolved, That a copy of these resolutions be forwarded to the President of the United States, United States Senators from Massa-

chusetts, and the Member of the United States House of Representatives from this district.

In common council May 4, 1933, passed and sent up for concurrence.

HAROLD C. BYRAM, Clerk.

In board of aldermen May 8, 1933, passed in concurrence.

J. ALBERT SULLIVAN, Clerk.

Approved May 11, 1933.

HORACE C. BAKER, Mayor.

A true copy. Attest:

J. ALBERT SULLIVAN, City Clerk.

[SEAL]

THE FOREIGN DEBT

Mr. WALSH. Mr. President, I present and ask that there be printed in the CONGRESSIONAL RECORD and appropriately referred resolutions I have just received from the John Boyle O'Reilly Club, of West Newton, Mass., in opposition to cancellation or further reduction of foreign war debts due the American people.

There being no objection, the resolutions were referred to the Committee on Finance and ordered to be printed in the RECORD, as follows:

Hon. DAVID I. WALSH,

United States Senator, Washington, D.C.

DEAR SIR: The resolutions which follow were adopted by a unanimous vote at a meeting of the John Boyle O'Reilly Club, which was held at West Newton, Mass., on Wednesday evening, May 10.

We have been directed to forward the resolutions to you for your information and consideration. The members hope that you will take a firm stand against the further reduction or cancellation of foreign war debts.

Respectfully yours,

TIMOTHY O'CONNELL, Chairman.

PATRICK J. GLEASON, Secretary,

78 Walnut Street, Wellesley Hills, Mass.

Whereas Mr. Ramsay MacDonald, the British Premier, in public utterances while in this country expressed his desire for "international harmony", decried "economic retaliation", and professed the interest of himself and his Government in world peace and unity; and

Whereas the Government of which Mr. MacDonald is head has been and is carrying on a relentless economic war against the people of the Irish Free State; and

Whereas the British Government declines to submit to an independent tribunal Britain's claim to Irish land annuities and rejects with scorn Ireland's demand for restitution of overtaxation of more than £360,000,000, which, according to the finding of the Irish Financial Relations Committee, a body appointed by Britain, the Government in London has wrung from the taxpayers of Ireland since 1801: Therefore be it

Resolved, That we draw the attention of our National Government in Washington and of our fellow citizens generally to this striking difference between Mr. MacDonald's amicable statements and the belligerent attitude of his Government toward the people of the 26 counties of Ireland, known as the "Irish Free State"; and be it

Resolved, That we brand as insincere the statements of Mr. Ramsay MacDonald regarding "economic harmony" and "world peace", and that we declare his disapproval of "economic retaliation" is contradicted by the attempt of his Government to throttle the people of the Irish Free State by economic aggression; and be it also

Resolved, That as loyal citizens sincerely interested in the welfare of the United States, we request the Members of both Houses of Congress to oppose the cancellation or further reduction of foreign war debts due to the American people, because cancellation or downward revision of those debts would transfer Europe's burden to the shoulders of American taxpayers of the present time and of generations to come; and we exhort our fellow citizens generally to prevent any such ruinous development by vigilantly guarding their rights and vigorously asserting their claim to what belongs to them.

CAPITAL STRUCTURE OF THE RAILROADS

Mr. WALSH. Mr. President, I present and ask to have printed in full in the RECORD and appropriately referred a communication from Massachusetts Lodge, No. 229, of the Brotherhood of Railroad Clerks, urging that the capital structure of the railroads be revised.

There being no objection, the communication was referred to the Committee on Interstate Commerce and ordered to be printed in the RECORD, as follows:

BROTHERHOOD OF RAILWAY AND STEAMSHIP CLERKS,

FREIGHT HANDLERS, EXPRESS AND STATION EMPLOYEES,

COMMONWEALTH LODGE, No. 229,
Worcester, Mass., May 15, 1933.

Hon. DAVID I. WALSH,

Senator from Massachusetts, Washington, D.C.

DEAR SIR: I am writing you on behalf of the members of Commonwealth Lodge, No. 229, of Brotherhood of Railroad Clerks relative to the railroad legislation now pending before Congress.

We are given to understand that the main purpose of this legislation is to effect economy on the railroads. We are informed that the means to attain this end will be by dismissing thousands of employees who are now at work.

In view of the fact that the Government has been doing all within its power to provide jobs for some of the people who are now out of work, does it seem logical to now proceed to throw out those who now have work?

It is said that the financial structure of the railroads must be protected and made secure. With that we agree, but we ask in all sincerity if you think that labor should bear all the burden.

We are firmly of the opinion that the capital structure of the railroads should be revised and that this is one of the avenues through which economy should be made.

It is conceded by all that the main objective now is to increase the purchasing power of the masses and that now that the skies seem to be brightening it would seem too bad if this proposed law should have the effect of destroying the purchasing power of a large number of railroad employees.

Is it not reasonable to suppose that if the now apparent upturn in business should continue to increase that the added revenue that would flow to the railroads would make it unnecessary for a program so drastic as is now proposed? If this be true, might it not be the part of wisdom to proceed in a less drastic manner and thereby safeguard the jobs of thousands?

We are not unmindful of the superhuman efforts of our President to restore prosperity to the country and the loyal support given him by the Members of Congress. May we take this opportunity to extend to you our sincere appreciation of your assistance in these efforts?

In conclusion may we presume to suggest that you give this matter your careful consideration to the end that those who are now enjoying the blessing of peace and contentment derived from the fruits of their labor may be allowed to continue to do so?

Yours sincerely,

[SEAL]

J. A. McCUM, *President.*

NAVAL AND MARINE HOSPITALS AT CHELSEA, MASS.

Mr. WALSH. Mr. President, I present and ask that there be printed in full in the CONGRESSIONAL RECORD and appropriately referred resolutions I have just received from the secretary of the Commonwealth of Massachusetts, relative to the United States Naval Hospital and the United States Marine Hospital at Chelsea.

There being no objection, the resolutions were referred to the Committee on Naval Affairs and ordered to be printed in the RECORD, as follows:

Resolutions relative to the United States Naval Hospital and the United States Marine Hospital at Chelsea

Whereas the United States Naval Hospital and the United States Marine Hospital in the city of Chelsea have for many years rendered invaluable service in the care and treatment of veterans and employees of the Federal Government and are equipped with excellent medical and surgical facilities and apparatus and skilled personnel; and

Whereas said hospitals have established a notable record for efficient and humanitarian work in this section of the United States, and have made an indelible impression upon the citizens of our Commonwealth for the admirable service rendered during a long period of years: Therefore be it

Resolved, That the senate respectfully petitions the President of the United States, in the interests of the public health and convenience, to continue these hospitals as necessary institutions of our Federal Government in the performance of the efficient and humanitarian functions for which they are especially adapted and fitted, because of location, equipment, and personnel, as clearly demonstrated by their long record of public service; and be it further

Resolved, That copies of these resolutions be forwarded forthwith by the secretary of the Commonwealth to the President of the United States, to the presiding officers of both branches of Congress, and to the Members thereof representing this Commonwealth.

In senate, adopted, May 11, 1933.

A true copy. Attest:

IRVING N. HAYDEN, *Clerk.*

F. W. COOK,

Secretary of the Commonwealth.

REPORTS OF COMMITTEES

Mr. BYRNES, from the Committee to Audit and Control the Contingent Expenses of the Senate, to which was referred the resolution (S.Res. 82) authorizing a further expenditure in connection with the impeachment trial of Judge Harold Louderback, reported it without amendment.

Mr. DILL, from the Committee on Interstate Commerce, to which was referred the bill (S. 1580) to relieve the existing national emergency in relation to interstate railroad transportation, and to amend sections 5, 15a, and 19a of the Interstate Commerce Act, as amended, reported it with amendments and submitted a report (No. 87) thereon.

Mr. KING, from the Committee on the Judiciary, to which was referred the bill (S. 1581) to amend the act approved July 3, 1930 (46 Stat. 1005), authorizing commissioners or members of international tribunals to administer oaths, etc., reported it with amendments and submitted a report (No. 88) thereon.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. VANDENBERG:

A bill (S. 1740) to extend certain benefits of the Public Health Service to certain seamen, and for other purposes; to the Committee on Commerce.

By Mr. NYE:

A bill (S. 1741) to stop injury to the public grazing lands by preventing overgrazing and soil deterioration, to provide for their orderly use, improvement, and development, to stabilize the livestock industry dependent upon the public range, and for other purposes; to the Committee on Public Lands and Surveys.

By Mr. DILL:

A bill (S. 1742) granting consent of Congress to Ernest N. Hutchinson, Otto A. Case, and A. C. Martin to construct, maintain, and operate a bridge across Deception Pass between Whidby Island and Fidalgo Island in the State of Washington; to the Committee on Commerce.

A bill (S. 1743) authorizing the extension of time for the payment of governmental fees in the nature of purchase price payable to the United States Government under applications for commutations of homestead entries, the purchase of timber lands; and the purchase of coal lands of the United States; to the Committee on Public Lands and Surveys.

By Mr. TRAMMELL:

A bill (S. 1744) enabling certain farmers and fruit growers to receive the benefits of the Federal Farm Loan Act and amendments thereto and the Emergency Farm Mortgage Act of 1933; to the Committee on Banking and Currency.

By Mr. McNARY:

A bill (S. 1745) granting the consent of Congress to the State of Oregon to construct, maintain, and operate a toll bridge across the Umpqua River at or near Reedsport, Douglas County, Oreg.;

A bill (S. 1746) granting the consent of Congress to the State of Oregon to construct, maintain, and operate a toll bridge across Yaquina Bay at or near Newport, Lincoln County, Oreg.;

A bill (S. 1747) granting the consent of Congress to the State of Oregon to construct, maintain, and operate a toll bridge across Alsea Bay at or near Walport, Lincoln County, Oreg.;

A bill (S. 1748) granting the consent of Congress to the State of Oregon to construct, maintain, and operate a toll bridge across Coos Bay at or near North Bend, Coos County, Oreg.; and

A bill (S. 1749) granting the consent of Congress to the State of Oregon to construct, maintain, and operate a toll bridge across the Siuslaw River at or near Florence, Lane County, Oreg.; to the Committee on Commerce.

AMENDMENTS TO PUBLIC-WORKS BILL

Mr. BARBOUR submitted an amendment intended to be proposed by him to Senate bill 1712, the industrial control and public-works bill, which was ordered to lie on the table and to be printed.

Mr. WALSH and Mr. DIETERICH each submitted an amendment intended to be proposed by them, respectively, to Senate bill 1712, the industrial control and public-works bill, which were referred to the Committee on Finance and ordered to be printed.

REGULATION OF BANKING

Mr. VANDENBERG. Mr. President, the pending amendment to the banking bill is my proposal dealing with the immediate application of an insurance formula. The mutual savings banks have requested that the amendment be changed to permit them to qualify within the amendment.

The entire amendment has now been canvassed on both sides of the Senate by a number of Members of the Senate, and a final reprint, in conclusive form, is now available. I ask unanimous consent that this final print, identified as printed on May 15, 1933, be the pending amendment to the bill, and that it be printed in the RECORD.

The PRESIDING OFFICER (Mr. ROBINSON of Indiana in the chair). Is there objection? The Chair hears none, and it is so ordered.

The amendment is as follows:

Amendment proposed by Mr. VANDENBERG to the bill (S. 1631) to provide for the safer and more effective use of the assets of Federal Reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, viz:

On page 45, after line 3, insert the following new section:

"SEC. 12C. (a) There is hereby created a Temporary Federal Bank Deposit Insurance Fund (hereinafter referred to as the 'Fund'), which shall become operative on July 1, 1933, and whose duty it shall be to insure deposits as hereinafter provided until July 1, 1934.

"(b) Each member bank licensed before July 1, 1933, by the Secretary of the Treasury, pursuant to the authority vested in him by the proclamation of the President issued March 10, 1933, shall, on or before July 1, 1933, become a member of the Fund; each member bank so licensed after such date, and each State bank or trust company which becomes a member of the Federal Reserve System after such date, shall, upon being so licensed or so admitted to membership, become a member of the Fund; and any State bank or trust company and/or mutual savings bank which is not a member of the Federal Reserve System may, upon application therefor, become a member of the Fund on or before January 1, 1934, if such application is accompanied by a certificate of the State banking authority that such State bank or trust company or mutual savings bank is, on the date of such application, solvent with respect to its unrestricted deposits.

"(c) The Fund shall insure the amounts owed to each of the depositors of each of its members, but not to exceed \$2,500 in the case of any one depositor; but the provisions of this section shall not apply to any impounded deposit or any impounded portion thereof. Any restrictions heretofore or hereafter proclaimed by the Secretary of the Treasury shall not render a deposit ineligible for insurance.

"(d) Each member of the Fund which shall become a member on or before July 1, 1933, shall file with the Fund on or before such date, a certified statement under oath showing the number of its depositors and the total amount of its deposits as of June 15, 1933, which are eligible for insurance under this section, together with a certified check in an amount equal to one half of 1 percent of the total amount of the deposits so certified; and each member bank, State bank, and trust company which shall become a member of the Fund after July 1, 1933, shall at the time of its admission to membership file with the Fund such a statement showing the number of its depositors and the total amount of its deposits as of the 15th day of the month preceding the month in which it was so admitted, which are eligible for insurance under this section, together with a certified check in an amount equal to one half of 1 percent of the total amount of the deposits so certified. A similar statement shall be filed by each such member on January 1, 1934, showing the number of its depositors and the total amount of its deposits as of December 15, 1933, which are eligible for such insurance, together with a certified check in an amount equal to one half of 1 percent of the increase, if any, in the total amount of such deposits since the date covered by the statement filed upon its admission to membership in the Fund.

"(e) If at any time prior to July 1, 1934, the Fund requires additional funds with which to meet its obligations under this section, each member of the Fund shall be subject to one additional assessment only in an amount not exceeding the total amount theretofore paid to the Fund by such member.

"(f) During the period that deposits are insured under this section, no member of the Fund shall pay interest at a rate in excess of 2½ percent per annum on the amount of any of its deposits so insured.

"(g) Whenever any member of the Fund shall have been closed by the appropriate legal authorities, the Fund shall pay to the depositors of such member as soon as possible thereafter the amount of their deposits on the date of such closing which are insured under this section. After such payment the Fund shall be subrogated to all rights against the closed bank of the owners of such insured deposits and shall be entitled to receive the same dividends from the proceeds of the assets of such closed bank as would have been payable to each such depositor with respect to his insured deposit.

"(h) In the event that the Fund shall be unable to pay any of its obligations, when due, the Secretary of the Treasury shall pay the amount thereof, which is hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated. If any such advances are made by the Secretary of the Treasury, they shall be subsequently reimbursed to the Treasury by the Federal Bank Deposit Insurance Corporation by means of a special annual assessment on the members of the Fund of one fourth of 1 percent of the total insured deposits of such members on Janu-

ary 1, 1934, which the corporation is hereby authorized to collect until such time as such advances shall have been fully reimbursed, but no such assessment shall be made after the expiration of 10 years after July 1, 1934.

"(i) In the event that the Fund shall pay all of its obligations without recourse to the provisions of subsection (h) of this section, any balance remaining in the Fund on July 1, 1934, shall be transferred to the Federal Bank Deposit Insurance Corporation and credited to its deposit insurance account.

"(j) The Fund shall be a body corporate with power to adopt and use a corporate seal; to make contracts; to sue and be sued, complain and defend in any court of law or equity, State or Federal; to appoint by its board of directors, which shall consist of the members of the Federal Reserve Board, such officers and employees as may be necessary to carry out the powers granted to the Fund by this section, to define their duties, fix their compensation, require bonds of them and fix the penalty thereof, and to dismiss at pleasure such officers or employees; to prescribe by its board of directors bylaws, not inconsistent with law, regulating the manner in which its general business may be conducted and the privileges granted to it by law may be exercised and enjoyed; and to exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by this section and such incidental powers as shall be necessary to carry out the powers so granted. No member of the board of directors of the Fund shall receive any additional compensation for his services as such member.

"(k) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$10,000,000, which shall be made immediately available to the Fund for the purpose of paying any of its expenses or obligations.

"(l) All functions of the Fund shall cease on July 1, 1934; except that it may proceed to collect any liquidating dividends to which it may be entitled under subsection (g) of this section. The net proceeds of all such collections after July 1, 1934, shall be paid to the Federal Bank Deposit Insurance Corporation for credit to its deposit insurance account, unless there is a balance due the Treasury under subsection (h) of this section, in which event such collections shall first be paid into the Treasury to the extent of such balance."

On page 45, line 3, strike out the quotation marks.

MIGRATORY BIRD CONSERVATION COMMISSION

Mr. McNARY. Mr. President, in the temporary absence of the Senator from Arkansas [Mr. ROBINSON], I desire to propose the following order. It meets with his approval, and I should like to have it entered at this time.

The PRESIDING OFFICER. Let it be read for the information of the Senate.

The Chief Clerk read as follows:

The Chair appoints the Senator from Nevada [Mr. PITTMAN] as a member of the Migratory Bird Conservation Commission to fill the vacancy created by the resignation of the Senator from Missouri, Mr. Hawes.

The PRESIDING OFFICER. The question is on agreeing to the order.

Mr. NORRIS. Mr. President, I should like to have the order read again.

The PRESIDING OFFICER. The clerk will read, as requested.

The Chief Clerk read as follows:

The Chair appoints the Senator from Nevada [Mr. PITTMAN]—

Mr. NORRIS. That is far enough. That is not an order. The Chair has not appointed him. We cannot say what the Chair has done. As a matter of fact, the Chair has not done anything of the kind. It does not make it any stronger if we pass the resolution, if it might be called that.

Mr. McNARY. Mr. President, there is a vacancy on the Commission due to the retirement of former Senator Hawes, of Missouri. This is an order I want the Chair himself to make. It does not require a vote. It is simply an order to be made, and I have requested it in the absence of the Senator from Arkansas, at his request.

Mr. NORRIS. I am not objecting to the appointment of the Senator from Nevada to fill the vacancy. We are trying to vote an order through the Senate when the order says, "The Chair appoints the Senator from Nevada", and so forth. If it is desired to have the Senate do it, I have no objection.

Mr. McNARY. It is not necessary for the Senate to do it. It is an order prepared for the Chair to make himself in his own way. It does not require action of the Senate at all. I simply sent it to the Chair to have it entered as his order.

Mr. NORRIS. If the Chair wants to do that, I have no objection.

The PRESIDING OFFICER. The Chair appoints the Senator from Nevada [Mr. PITTMAN] as a member of the Migratory Bird Conservation Commission to fill the vacancy created by the resignation of the Senator from Missouri, Mr. Hawes.

Mr. NORRIS. I thank the Chair! [Laughter.]

Mr. WALCOTT. Mr. President, before we leave the subject, if I can have just a moment for the purpose, I should like to explain the order of the Chair and its significance at this time.

The executive Commission to enforce the Migratory Bird Treaty Act is an important body. A special meeting of the Commission has been called for tomorrow at 11:30. There is a vacancy on the Commission, created by the resignation from the Senate of Senator Hawes, and the powers that be are very anxious to have the Senator from Nevada [Mr. PITTMAN] fill that vacancy.

Probably there is no one in the Senate as well qualified to take that place as the Senator from Nevada. He is very much in earnest about the work of conservation and is very well qualified for it and can and will be present at the meeting tomorrow. That is why there was some haste in getting this appointment through—because during the last few days a very important program has been laid out by several conservationists in different parts of the country that will be seriously considered tomorrow by the Commission and, I hope, will be approved.

PROTECTION OF INVESTORS—CONFERENCE REPORT

Mr. FLETCHER. Mr. President, I present a conference report which was adopted in the House today. I should like to have it considered now. I do not think it will lead to any debate.

The report presented by Mr. FLETCHER is as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 5480) to provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"TITLE I

"SHORT TITLE

"SECTION 1. This title may be cited as the 'Securities Act of 1933.'

"DEFINITIONS

"SEC. 2. When used in this title, unless the context otherwise requires—

"(1) The term 'security' means any note, stock, Treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of interest in property, tangible or intangible, or, in general, any instrument commonly known as a security, or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing.

"(2) The term 'person' means an individual, a corporation, a partnership, an association, a joint-stock company, a trust, any unincorporated organization, or a government or political subdivision thereof. As used in this paragraph the term 'trust' shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

"(3) The term 'sale', 'sell', 'offer to sell', or 'offer for sale' shall include every contract of sale or disposition of, attempt or offer to dispose of, or solicitation of an offer to buy, a security or interest in a security, for value; except that such terms shall not include preliminary negotiations

or agreements between an issuer and any underwriter. Any security given or delivered with, or as a bonus on account of, any purchase of securities or any other thing, shall be conclusively presumed to constitute a part of the subject of such purchase and to have been sold for value. The issue or transfer of a right or privilege, when originally issued or transferred with a security, giving the holder of such security the right to convert such security into another security of the same issuer or of another person, or giving a right to subscribe to another security of the same issuer or of another person, which right cannot be exercised until some future date, shall not be deemed to be a sale of such other security; but the issue or transfer of such other security upon the exercise of such right of conversion or subscription shall be deemed a sale of such other security.

"(4) The term 'issuer' means every person who issues or proposes to issue any security or who guarantees a security either as to principal or income; except that with respect to certificates of deposit, voting-trust certificates, or collateral-trust certificates, or with respect to certificates of interest or shares in an unincorporated investment trust not having a board of directors (or persons performing similar functions) or of the fixed, restricted management, or unit type, the term 'issuer' means the person or persons performing the acts and assuming the duties of depositor or manager pursuant to the provisions of the trust or other agreement or instrument under which such securities are issued; and except that with respect to equipment-trust certificates or like securities, the term 'issuer' means the person by whom the equipment or property is or is to be used.

"(5) The term 'Commission' means the Federal Trade Commission.

"(6) The term 'Territory' means Alaska, Hawaii, Puerto Rico, the Philippine Islands, Canal Zone, the Virgin Islands, and the insular possessions of the United States.

"(7) The term 'interstate commerce' means trade or commerce in securities or any transportation or communication relating thereto among the several States or between the District of Columbia or any Territory of the United States and any State or other Territory, or between any foreign country and any State, Territory, or the District of Columbia, or within the District of Columbia.

"(8) The term 'registration statement' means the statement provided for in section 6, and includes any amendment thereto and any report, document, or memorandum accompanying such statement or incorporated therein by reference.

"(9) The term 'write' or 'written' shall include printed, lithographed, or any means of graphic communication.

"(10) The term 'prospectus' means any prospectus, notice, circular, advertisement, letter, or communication, written or by radio, which offers any security for sale; except that (a) a communication shall not be deemed a prospectus if it is proved that prior to such communication a written prospectus meeting the requirements of section 10 was received, by the person to whom the communication was made, from the person making such communication or his principal, and (b) a notice, circular, advertisement, letter, or communication in respect of a security shall not be deemed to be a prospectus if it states from whom a written prospectus meeting the requirements of section 10 may be obtained and, in addition, does no more than identify the security, state the price thereof, and state by whom orders will be executed.

"(11) The term 'underwriter' means any person who has purchased from an issuer with a view to, or sells for an issuer in connection with, the distribution of any security, or participates or has a direct or indirect participation in any such undertaking, or participates or has a participation in the direct or indirect underwriting of any such undertaking; but such term shall not include a person whose interest is limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission. As used in this paragraph the term 'issuer' shall include, in addition to an issuer, any person directly or indirectly controlling or controlled by the issuer, or any

person under direct or indirect common control with the issuer.

"(12) The term 'dealer' means any person who engages either for all or part of his time, directly or indirectly, as agent, broker, or principal, in the business of offering, buying, selling, or otherwise dealing or trading in securities issued by another person.

"EXEMPTED SECURITIES"

"Sec. 3. (a) Except as hereinafter expressly provided, the provisions of this title shall not apply to any of the following classes of securities:

"(1) Any security which, prior to or within 60 days after the enactment of this title, has been sold or disposed of by the issuer or bona fide offered to the public, but this exemption shall not apply to any new offering of any such security by an issuer or underwriter subsequent to such 60 days;

"(2) Any security issued or guaranteed by the United States or any Territory thereof, or by the District of Columbia, or by any State of the United States, or by any political subdivision of a State or Territory, or by any public instrumentality of one or more States or Territories exercising an essential governmental function, or by any corporation created and controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States, or by any national bank, or by any banking institution organized under the laws of any State or Territory, the business of which is substantially confined to banking and is supervised by the State or Territorial banking commission or similar official; or any security issued by or representing an interest in or a direct obligation of a Federal Reserve bank;

"(3) Any note, draft, bill of exchange, or banker's acceptance which arises out of a current transaction or the proceeds of which have been or are to be used for current transactions, and which has a maturity at the time of issuance of not exceeding 9 months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited;

"(4) Any security issued by a corporation organized and operated exclusively for religious, educational, benevolent, fraternal, charitable, or reformatory purposes and not for pecuniary profit, and no part of the net earnings of which inures to the benefit of any person, private stockholder, or individual;

"(5) Any security issued by a building and loan association, homestead association, savings and loan association, or similar institution, substantially all the business of which is confined to the making of loans to members (but the foregoing exemption shall not apply with respect to any such security where the issuer takes from the total amount paid or deposited by the purchaser, by way of any fee, cash value, or other device whatsoever, either upon termination of the investment at maturity or before maturity, an aggregate amount in excess of 3 percent of the face value of such security), or any security issued by a farmers' cooperative association as defined in paragraphs (12), (13), and (14) of section 103 of the Revenue Act of 1932;

"(6) Any security issued by a common carrier which is subject to the provisions of section 20a of the Interstate Commerce Act, as amended;

"(7) Certificates issued by a receiver or by a trustee in bankruptcy, with the approval of the court;

"(8) Any insurance or endowment policy or annuity contract or optional annuity contract, issued by a corporation subject to the supervision of the insurance commissioner, bank commissioner, or any agency or officer performing like functions, of any State or Territory of the United States or the District of Columbia.

"(b) The Commission may from time to time by its rules and regulations, and subject to such terms and conditions as may be prescribed therein, add any class of securities to the securities exempted as provided in this section, if it finds that the enforcement of this title with respect to such securities is not necessary in the public interest and for the protection of investors by reason of the small amount in-

involved or the limited character of the public offering; but no issue of securities shall be exempted under this subsection where the aggregate amount at which such issue is offered to the public exceeds \$100,000.

"EXEMPTED TRANSACTIONS"

"Sec. 4. The provisions of section 5 shall not apply to any of the following transactions:

"(1) Transactions by any person other than an issuer, underwriter, or dealer; transactions by an issuer not with or through an underwriter and not involving any public offering; or transactions by a dealer (including an underwriter no longer acting as an underwriter in respect of the security involved in such transaction), except transactions within 1 year after the last date upon which the security was bona fide offered to the public by the issuer or by or through an underwriter (excluding in the computation of such year any time during which a stop order issued under sec. 8 is in effect as to the security), and except transactions as to securities constituting the whole or a part of an unsold allotment to or subscription by such dealer as a participant in the distribution of such securities by the issuer or by or through an underwriter.

"(2) Brokers' transactions, executed upon customers' orders on any exchange or in the open or counter market, but not the solicitation of such orders.

"(3) The issuance of a security of a person exchanged by it with its existing security holders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with such exchange; or the issuance of securities to the existing security holders or other existing creditors of a corporation in the process of a bona-fide reorganization of such corporation under the supervision of any court, either in exchange for the securities of such security holders or claims of such creditors or partly for cash and partly in exchange for the securities or claims of such security holders or creditors.

"PROHIBITIONS RELATING TO INTERSTATE COMMERCE AND THE MAILS"

"Sec. 5. (a) Unless a registration statement is in effect as to a security, it shall be unlawful for any person, directly or indirectly—

"(1) to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell or offer to buy such security through the use or medium of any prospectus or otherwise; or

"(2) to carry or cause to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale.

"(b) It shall be unlawful for any person, directly or indirectly—

"(1) to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to carry or transmit any prospectus relating to any security registered under this title, unless such prospectus meets the requirements of section 10; or

"(2) to carry or to cause to be carried through the mails or in interstate commerce any such security for the purpose of sale or for delivery after sale, unless accompanied or preceded by a prospectus that meets the requirements of section 10.

"(c) The provisions of this section relating to the use of the mails shall not apply to the sale of any security where the issue of which it is a part is sold only to persons resident within a single State or Territory, where the issuer of such securities is a person resident and doing business within, or, if a corporation, incorporated by and doing business within, such State or Territory.

"REGISTRATION OF SECURITIES AND SIGNING OF REGISTRATION STATEMENT"

"Sec. 6. (a) Any security may be registered with the Commission under the terms and conditions hereinafter provided, by filing a registration statement in triplicate, at least one of which shall be signed by each issuer, its principal executive officer or officers, its principal financial officer, its comptroller or principal accounting officer, and the majority of its board of directors or persons performing similar functions (or, if there is no board of directors or

persons performing similar functions, by the majority of the persons or board having the power of management of the issuer), and in case the issuer is a foreign or territorial person by its duly authorized representative in the United States; except that when such registration statement relates to a security issued by a foreign government, or political subdivision thereof, it need be signed only by the underwriter of such security. Signatures of all such persons when written on the said registration statements shall be presumed to have been so written by authority of the person whose signature is so affixed and the burden of proof, in the event such authority shall be denied, shall be upon the party denying the same. The affixing of any signature without the authority of the purported signer shall constitute a violation of this title. A registration statement shall be deemed effective only as to the securities specified therein as proposed to be offered.

"(b) At the time of filing a registration statement the applicant shall pay to the Commission a fee of one one-hundredth of 1 percent of the maximum aggregate price at which such securities are proposed to be offered, but in no case shall such fee be less than \$25.

"(c) The filing with the Commission of a registration statement, or of an amendment to a registration statement, shall be deemed to have taken place upon the receipt thereof, but the filing of a registration statement shall not be deemed to have taken place unless it is accompanied by a United States postal money order or a certified bank check or cash for the amount of the fee required under subsection (b).

"(d) The information contained in or filed with any registration statement shall be made available to the public under such regulations as the Commission may prescribe, and copies thereof, photostatic or otherwise, shall be furnished to every applicant at such reasonable charge as the commission may prescribe.

"(e) No registration statement may be filed within the first 40 days following the enactment of this act.

"INFORMATION REQUIRED IN REGISTERED STATEMENT

"SEC. 7. The registration statement, when relating to a security other than a security issued by a foreign government, or political subdivision thereof, shall contain the information, and be accompanied by the documents, specified in schedule A, and when relating to a security issued by a foreign government, or political subdivision thereof, shall contain the information, and be accompanied by the documents, specified in schedule B; except that the Commission may by rules or regulations provide that any such information or document need not be included in respect of any class of issuers or securities if it finds that the requirement of such information or document is inapplicable to such class and that disclosure fully adequate for the protection of investors is otherwise required to be included within the registration statement. If any accountant, engineer, or appraiser, or any person whose profession gives authority to a statement made by him, is named as having prepared or certified any part of the registration statement, or is named as having prepared or certified a report or valuation for use in connection with the registration statement, the written consent of such person shall be filed with the registration statement. If any such person is named as having prepared or certified a report or valuation (other than a public official document or statement) which is used in connection with the registration statement, but is not named as having prepared or certified such report or valuation for use in connection with the registration statement, the written consent of such person shall be filed with the registration statement unless the Commission dispenses with such filing as impracticable or as involving undue hardship on the person filing the registration statement. Any such registration statement shall contain such other information, and be accompanied by such other documents, as the Commission may by rules or regulations require as being necessary or appropriate in the public interest or for the protection of investors.

"TAKING EFFECT OF REGISTRATION STATEMENTS AND AMENDMENTS THEREOF

"SEC. 8. (a) The effective date of a registration statement shall be the twentieth day after the filing thereof,

except as hereinafter provided, and except that in case of securities of any foreign public authority, which has continued the full service of its obligations in the United States, the proceeds of which are to be devoted to the refunding of obligations payable in the United States, the registration statement shall become effective 7 days after the filing thereof. If any amendment to any such statement is filed prior to the effective date of such statement, the registration statement shall be deemed to have been filed when such amendment was filed; except that an amendment filed with the consent of the Commission, prior to the effective date of the registration statement, or filed pursuant to an order of the Commission, shall be treated as a part of the registration statement.

"(b) If it appears to the Commission that a registration statement is on its face incomplete or inaccurate in any material respect, the Commission may, after notice by personal service or the sending of confirmed telegraphic notice not later than 10 days after the filing of the registration statement, and opportunity for hearing (at a time fixed by the Commission) within 10 days after such notice by personal service or the sending of such telegraphic notice, issue an order prior to the effective date of registration refusing to permit such statement to become effective until it has been amended in accordance with such order. When such statement has been amended in accordance with such order the Commission shall so declare and the registration shall become effective at the time provided in subsection (a) or upon the date of such declaration, whichever date is the later.

"(c) An amendment filed after the effective date of the registration statement, if such amendment, upon its face, appears to the Commission not to be incomplete or inaccurate in any material respect, shall become effective on such date as the Commission may determine, having due regard to the public interest and the protection of investors.

"(d) If it appears to the Commission at any time that the registration statement includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, the Commission may, after notice by personal service or the sending of confirmed telegraphic notice, and after opportunity for hearing (at a time fixed by the Commission) within 15 days after such notice by personal service or the sending of such telegraphic notice, issue a stop order suspending the effectiveness of the registration statement. When such statement has been amended in accordance with such stop order the Commission shall so declare and thereupon the stop order shall cease to be effective.

"(e) The Commission is hereby empowered to make an examination in any case in order to determine whether a stop order should issue under subsection (d). In making such examination the Commission or any officer or officers designated by it shall have access to and may demand the production of any books and papers of, and may administer oaths and affirmations to and examine, the issuer, underwriter, or any other person, in respect of any matter relevant to the examination, and may, in its discretion, require the production of a balance sheet exhibiting the assets and liabilities of the issuer, or its income statement, or both, to be certified to by a public or certified accountant approved by the Commission. If the issuer or underwriter shall fail to cooperate, or shall obstruct or refuse to permit the making of an examination, such conduct shall be proper ground for the issuance of a stop order.

"(f) Any notice required under this section shall be sent to or served on the issuer, or, in case of a foreign government or political subdivision thereof, to or on the underwriter, or, in the case of a foreign or Territorial person, to or on its duly authorized representative in the United States named in the registration statement, properly directed in each case of telegraphic notice to the address given in such statement.

"COURT REVIEW OF ORDERS

"SEC. 9. (a) Any person aggrieved by an order of the Commission may obtain a review of such order in the Circuit Court of Appeals of the United States, within any circuit wherein such person resides or has his principal place

of business, or in the Court of Appeals of the District of Columbia, by filing in such court within 60 days after the entry of such order, a written petition praying that the order of the Commission be modified or be set aside in whole or in part. A copy of such petition shall be forthwith served upon the Commission, and thereupon the Commission shall certify and file in the court a transcript of the record upon which the order complained of was entered. No objection to the order of the Commission shall be considered by the court unless such objection shall have been urged before the Commission. The finding of the Commission as to the facts, if supported by evidence, shall be conclusive. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the hearing before the Commission, the court may order such additional evidence to be taken before the Commission and to be adduced upon the hearing in such manner and upon such terms and conditions as to the court may seem proper. The Commission may modify its findings as to the facts, by reason of the additional evidence so taken, and it shall file such modified or new findings, which, if supported by evidence, shall be conclusive, and its recommendation, if any, for the modification or setting aside of the original order. The jurisdiction of the court shall be exclusive and its judgment and decree, affirming, modifying, or setting aside, in whole or in part, any order of the Commission, shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in sections 239 and 240 of the Judicial Code, as amended (U.S.C., title 28, secs. 346 and 347).

"(b) The commencement of proceedings under subsection (a) shall not, unless specifically ordered by the court, operate as a stay of the Commission's order.

INFORMATION REQUIRED IN PROSPECTUS

"Sec. 10. (a) A prospectus—

"(1) when relating to a security other than a security issued by a foreign government or political subdivision thereof, shall contain the same statements made in the registration statement, but it need not include the documents referred to in paragraphs (28) to (32) inclusive of schedule A;

"(2) When relating to a security issued by a foreign government or political subdivision thereof shall contain the same statements made in the registration statement, but it need not include the documents referred to in paragraphs (13) and (14) of schedule B.

"(b) Notwithstanding the provisions of subsection (a)—

"(1) When a prospectus is used more than 13 months after the effective date of the registration statement, the information in the statements contained therein shall be as of a date not more than 12 months prior to such use.

"(2) There may be omitted from any prospectus any of the statements required under such subsection (a) which the Commission may by rules or regulations designate as not being necessary or appropriate in the public interest or for the protection of investors.

"(3) Any prospectus shall contain such other information as the Commission may by rules or regulations require as being necessary or appropriate in the public interest or for the protection of investors.

"(4) In the exercise of its powers under paragraphs (2) and (3) of this subsection, the Commission shall have authority to classify prospectuses according to the nature and circumstances of their use, and, by rules and regulations and subject to such terms and conditions as it shall specify therein, to prescribe as to each class the form and contents which it may find appropriate to such use and consistent with the public interest and the protection of investors.

"(c) The statements or information required to be included in a prospectus by or under authority of subsection (a) or (b), when written, shall be placed in a conspicuous part of the prospectus in type as large as that used generally in the body of the prospectus.

"(d) In any case where a prospectus consists of a radio broadcast, copies thereof shall be filed with the Commission under such rules and regulations as it shall prescribe. The Commission may by rules and regulations require the filing with it of forms of prospectuses used in connection with the sale of securities registered under this title.

"CIVIL LIABILITIES ON ACCOUNT OF FALSE REGISTRATION STATEMENT

"Sec. 11. (a) In case any part of the registration statement, when such part became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring such security (unless it is proved that at the time of such acquisition he knew of such untruth or omission) may, either at law or in equity, in any court of competent jurisdiction, sue—

"(1) every person who signed the registration statement;

"(2) every person who was a director of (or person performing similar functions), or partner in, the issuer at the time of the filing of the part of the registration statement with respect to which his liability is asserted;

"(3) every person who, with his consent, is named in the registration statement as being or about to become a director, person performing similar functions, or partner;

"(4) every accountant, engineer, or appraiser, or any person whose profession gives authority to a statement made by him, who has with his consent been named as having prepared or certified any part of the registration statement, or as having prepared or certified any report or valuation which is used in connection with the registration statement, with respect to the statement in such registration statement, report, or valuation, which purports to have been prepared or certified by him;

"(5) every underwriter with respect to such security.

"(b) Notwithstanding the provisions of subsection (a) no person, other than the issuer, shall be liable as provided therein who shall sustain the burden of proof—

"(1) that before the effective date of the part of the registration statement with respect to which his liability is asserted (A) he had resigned from or had taken such steps as are permitted by law to resign from, or ceased or refused to act in, every office, capacity, or relationship in which he was described in the registration statement as acting or agreeing to act, and (B) he had advised the Commission and the issuer in writing that he had taken such action and that he would not be responsible for such part of the registration statement; or

"(2) that if such part of the registration statement became effective without his knowledge, upon becoming aware of such fact, he forthwith acted and advised the Commission, in accordance with paragraph (1), and, in addition, gave reasonable public notice that such part of the registration statement had become effective without his knowledge; or

"(3) that (A) as regards any part of the registration statement not purporting to be made on the authority of an expert, and not purporting to be a copy of or extract from a report or valuation of an expert, and not purporting to be made on the authority of a public official document or statement, he had, after reasonable investigation, reasonable ground to believe, and did believe, at the time such part of the registration statement became effective, that the statements therein were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and (B) as regards any part of the registration statement purporting to be made upon his authority as an expert or purporting to be a copy of or extract from a report or valuation of himself as an expert, (i) he had, after reasonable investigation, reasonable ground to believe, and did believe, at the time such part of the registration statement became effective, that the statements therein were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements

therein not misleading, or (ii) such part of the registration statement did not fairly represent his statement as an expert or was not a fair copy of or extract from his report or valuation as an expert; and (C) as regards any part of the registration statement purporting to be made on the authority of an expert (other than himself) or purporting to be a copy of or extract from a report or valuation of an expert (other than himself), he had reasonable ground to believe, and did believe, at the time such part of the registration statement became effective, that the statements therein were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and that such part of the registration statement fairly represented the statement of the expert or was a fair copy of or extract from the report or valuation of the expert; and (D) as regards any part of the registration statement purporting to be a statement made by an official person or purporting to be a copy of or extract from a public official document, he had reasonable ground to believe, and did believe, at the time such part of the registration statement became effective, that the statements therein were true, and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and that such part of the registration statement fairly represented the statement made by the official person or was a fair copy of or extract from the public official document."

"(c) In determining, for the purpose of paragraph (3) of subsection (b) of this section, what constitutes reasonable investigation and reasonable ground for belief, the standard of reasonableness shall be that required of a person occupying a fiduciary relationship.

"(d) If any person becomes an underwriter with respect to the security after the part of the registration statement with respect to which his liability is asserted has become effective, then for the purposes of paragraph (3) of subsection (b) of this section such part of the registration statement shall be considered as having become effective with respect to such person as of the time when he became an underwriter.

"(e) The suit authorized under subsection (a) may be either (1) to recover the consideration paid for such security with interest thereon, less the amount of any income received thereon, upon the tender of such security, or (2) for damages if the person suing no longer owns the security.

"(f) All or any one or more of the persons specified in subsection (a) shall be jointly and severally liable, and every person who becomes liable to make any payment under this section may recover contribution as in cases of contract from any person who, if sued separately, would have been liable to make the same payment, unless the person who has become liable was, and the other was not, guilty of fraudulent misrepresentation.

"(g) In no case shall the amount recoverable under this section exceed the price at which the security was offered to the public.

"CIVIL LIABILITIES ARISING IN CONNECTION WITH PROSPECTUSES AND COMMUNICATIONS

"SEC. 12. Any person who—

"(1) sells a security in violation of section 5, or

"(2) sells a security (whether or not exempted by the provisions of section 3, other than paragraph (2) of subsection (a) thereof), by the use of any means or instruments of transportation or communication in interstate commerce or of the mails, by means of a prospectus or oral communication, which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading (the purchaser not knowing of such untruth or omission), and who shall not sustain the burden of proof that he did not know, and in the exercise of reasonable care could not have known, of such untruth or omission—

"shall be liable to the person purchasing such security from him, who may sue either at law or in equity in any court of

competent jurisdiction, to recover the consideration paid for such security with interest thereon, less the amount of any income received thereon, upon the tender of such security, or for damages if he no longer owns the security.

"LIMITATION OF ACTIONS

"SEC. 13. No action shall be maintained to enforce any liability created under section 11 or section 12 (2) unless brought within 2 years after the discovery of the untrue statement or the omission, or after such discovery should have been made by the exercise of reasonable diligence, or, if the action is to enforce a liability created under section 12 (1), unless brought within 2 years after the violation upon which it is based. In no event shall any such action be brought to enforce a liability created under section 11 or section 12 (1) more than 10 years after the security was bona fide offered to the public.

"CONTRARY STIPULATIONS VOID

"SEC. 14. Any condition, stipulation, or provision binding any person acquiring any security to waive compliance with any provision of this title or of the rules and regulations of the Commission shall be void.

"LIABILITY OF CONTROLLING PERSONS

"SEC. 15. Every person who, by or through stock ownership, agency, or otherwise, or who, pursuant to or in connection with an agreement or understanding with one or more other persons by or through stock ownership, agency, or otherwise, controls any person liable under section 11 or 12, shall also be liable jointly and severally with and to the same extent as such controlled person to any person to whom such controlled person is liable.

"ADDITIONAL REMEDIES

"SEC. 16. The rights and remedies provided by this title shall be in addition to any and all other rights and remedies that may exist at law or in equity.

"FRAUDULENT INTERSTATE TRANSACTIONS

"SEC. 17. (a) It shall be unlawful for any person in the sale of any securities by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly—

"(1) to employ any device, scheme, or artifice to defraud, or

"(2) to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or

"(3) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

"(b) It shall be unlawful for any person, by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, to publish, give publicity to, or circulate any notice, circular, advertisement, newspaper, article, letter, investment service, or communication which, though not purporting to offer a security for sale, describes such security for a consideration received or to be received, directly or indirectly, from an issuer, underwriter, or dealer, without fully disclosing the receipt, whether past or prospective, of such consideration and the amount thereof.

"(c) The exemptions provided in section 3 shall not apply to the provisions of this section.

"STATE CONTROL OF SECURITIES

"SEC. 18. Nothing in this title shall affect the jurisdiction of the Securities Commission (or any agency or office performing like functions) of any State or Territory of the United States, or the District of Columbia, over any security or any person.

"SPECIAL POWERS OF COMMISSION

"SEC. 19. (a) The Commission shall have authority from time to time to make, amend, and rescind such rules and regulations as may be necessary to carry out the provisions of this title, including rules and regulations governing registration statements and prospectuses for various classes of

securities and issues, and defining accounting and trade terms used in this title. Among other things, the Commission shall have authority, for the purposes of this title, to prescribe the form or forms in which required information shall be set forth, the items or details to be shown in the balance sheet and earning statement, and the methods to be followed in the preparation of accounts, in the appraisal or valuation of assets and liabilities, in the determination of depreciation and depletion, in the differentiation of recurring and nonrecurring income, in the differentiation of investment and operating income, and in the preparation, where the Commission deems it necessary or desirable, of consolidated balance sheets or income accounts of any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer; but insofar as they relate to any common carrier subject to the provisions of section 20 of the Interstate Commerce Act, as amended, the rules and regulations of the Commission with respect to accounts shall not be inconsistent with the requirements imposed by the Interstate Commerce Commission under authority of such section 20. The rules and regulations of the Commission shall be effective upon publication in the manner which the Commission shall prescribe.

"(b) For the purpose of all investigations which, in the opinion of the Commission, are necessary and proper for the enforcement of this title, any member of the Commission or any officer or officers designated by it are empowered to administer oaths and affirmations, subpoena witnesses, take evidence, and require the production of any books, papers, or other documents which the Commission deems relevant or material to the inquiry. Such attendance of witnesses and the production of such documentary evidence may be required from any place in the United States or any Territory at any designated place of hearing.

"INJUNCTION AND PROSECUTION OF OFFENSES

"SEC. 20. (a) Whenever it shall appear to the Commission, either upon complaint or otherwise, that the provisions of this title, or of any rule or regulation prescribed under authority thereof, have been or are about to be violated, it may, in its discretion, either require or permit such person to file with it a statement in writing, under oath, or otherwise, as to all the facts and circumstances concerning the subject matter which it believes to be in the public interest to investigate, and may investigate such facts.

"(b) Whenever it shall appear to the Commission that any person is engaged or about to engage in any acts or practices which constitute or will constitute a violation of the provisions of this title, or of any rule or regulation prescribed under authority thereof, it may in its discretion, bring an action in any district court of the United States, United States court of any Territory, or the Supreme Court of the District of Columbia to enjoin such acts or practices, and upon a proper showing a permanent or temporary injunction or restraining order shall be granted without bond. The Commission may transmit such evidence as may be available concerning such acts or practices to the Attorney General who may, in his discretion, institute the necessary criminal proceedings under this title. Any such criminal proceeding may be brought either in the district wherein the transmittal of the prospectus or security complained of begins, or in the district wherein such prospectus or security is received.

"(c) Upon application of the Commission the district courts of the United States, the United States courts of any Territory, and the Supreme Court of the District of Columbia, shall also have jurisdiction to issue writs of mandamus commanding any person to comply with the provisions of this title or any order of the Commission made in pursuance thereof.

"HEARINGS BY COMMISSION

"SEC. 21. All hearings shall be public and may be held before the Commission or an officer or officers of the Commission designated by it, and appropriate records thereof shall be kept.

"JURISDICTION OF OFFENSES AND SUITS

"SEC. 22. (a) The district courts of the United States, the United States courts of any Territory, and the Supreme Court of the District of Columbia shall have jurisdiction of offenses and violations under this title and under the rules and regulations promulgated by the Commission in respect thereto, and, concurrent with State and Territorial courts, of all suits in equity and actions at law brought to enforce any liability or duty created by this title. Any such suit or action may be brought in the district wherein the defendant is found or is an inhabitant or transacts business, or in the district where the sale took place, if the defendant participated therein, and process in such cases may be served in any other district of which the defendant is an inhabitant or wherever the defendant may be found. Judgments and decrees so rendered shall be subject to review as provided in sections 128 and 240 of the Judicial Code, as amended (U.S.C., title 28, secs. 225 and 347). No case arising under this title and brought in any State court of competent jurisdiction shall be removed to any court of the United States. No costs shall be assessed for or against the Commission in any proceeding under this title brought by or against it in the Supreme Court or such other courts.

"(b) In case of contumacy or refusal to obey a subpoena issued to any person, any of the said United States courts, within the jurisdiction of which said person guilty of contumacy or refusal to obey is found or resides, upon application by the Commission may issue to such person an order requiring such person to appear before the Commission, or one of its examiners designated by it, there to produce documentary evidence if so ordered, or there to give evidence touching the matter in question; and any failure to obey such order of the court may be punished by said court as a contempt thereof.

"(c) No person shall be excused from attending and testifying or from producing books, papers, contracts, agreements, and other documents before the Commission, or in obedience to the subpoena of the Commission or any member thereof or any officer designated by it, or in any cause or proceeding instituted by the Commission, on the ground that the testimony or evidence, documentary or otherwise, required of him, may tend to incriminate him or subject him to a penalty or forfeiture; but no individual shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, documentary or otherwise, except that such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

"UNLAWFUL REPRESENTATION

"SEC. 23. Neither the fact that the registration statement for a security has been filed or is in effect nor the fact that a stop order is not in effect with respect thereto shall be deemed a finding by the Commission that the registration statement is true and accurate on its face or that it does not contain an untrue statement of fact or omit to state a material fact, or be held to mean that the Commission has in any way passed upon the merits of, or given approval to, such security. It shall be unlawful to make, or cause to be made, to any prospective purchaser any representation contrary to the foregoing provisions of this section.

"PENALTIES

"SEC. 24. Any person who willfully violates any of the provisions of this title, or the rules and regulations promulgated by the Commission under authority thereof, or any person who willfully, in a registration statement filed under this title, makes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, shall upon conviction be fined not more than \$5,000 or imprisoned not more than 5 years, or both.

"JURISDICTION OF OTHER GOVERNMENT AGENCIES OVER SECURITIES

"SEC. 25. Nothing in this title shall relieve any person from submitting to the respective supervisory units of the

Government of the United States information, reports, or other documents that are now or may hereafter be required by any provision of law.

"SEPARABILITY OF PROVISIONS

"SEC. 26. If any provision of this act, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this act, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

"SCHEDULE A

"(1) The name under which the issuer is doing or intends to do business;

"(2) the name of the State or other sovereign power under which the issuer is organized;

"(3) the location of the issuer's principal business office, and if the issuer is a foreign or Territorial person, the name and address of its agent in the United States authorized to receive notice;

"(4) the names and addresses of the directors or persons performing similar functions, and the chief executive, financial and accounting officers, chosen or to be chosen if the issuer be a corporation, association, trust, or other entity; of all partners, if the issuer be a partnership; and of the issuer, if the issuer be an individual; and of the promoters in the case of a business to be formed, or formed within 2 years prior to the filing of the registration statement;

"(5) the names and addresses of the underwriters;

"(6) the names and addresses of all persons, if any, owning of record or beneficially, if known, more than 10 percent of any class of stock of the issuer, or more than 10 percent in the aggregate of the outstanding stock of the issuer as of a date within 20 days prior to the filing of the registration statement;

"(7) the amount of securities of the issuer held by any person specified in paragraphs (4), (5), and (6) of this schedule, as of a date within 20 days prior to the filing of the registration statement, and, if possible, as of 1 year prior thereto, and the amount of the securities, for which the registration statement is filed, to which such persons have indicated their intention to subscribe;

"(8) the general character of the business actually transacted or to be transacted by the issuer;

"(9) a statement of the capitalization of the issuer, including the authorized and outstanding amounts of its capital stock and the proportion thereof paid up, the number and classes of shares in which such capital stock is divided, par value thereof, or if it has no par value, the stated or assigned value thereof, a description of the respective voting rights, preferences, conversion and exchange rights, rights to dividends, profits, or capital of each class, with respect to each other class, including the retirement and liquidation rights or values thereof;

"(10) a statement of the securities, if any, covered by options outstanding or to be created in connection with the security to be offered, together with the names and addresses of all persons, if any, to be allotted more than 10 percent in the aggregate of such options;

"(11) the amount of capital stock of each class issued or included in the shares of stock to be offered;

"(12) the amount of the funded debt outstanding and to be created by the security to be offered, with a brief description of the date, maturity, and character of such debt, rate of interest, character of amortization provisions, and the security, if any, therefor. If substitution of any security is permissible, a summarized statement of the conditions under which such substitution is permitted. If substitution is permissible without notice, a specific statement to that effect;

"(13) the specific purposes in detail and the approximate amounts to be devoted to such purposes, so far as determinable, for which the security to be offered is to supply funds, and if the funds are to be raised in part from other sources, the amounts thereof and the sources thereof shall be stated;

"(14) the remuneration, paid or estimated to be paid, by the issuer or its predecessor, directly or indirectly, during the past year and ensuing year to (a) the directors or persons

performing similar functions, and (b) its officers and other persons, naming them wherever such remuneration exceeded \$25,000 during any such year;

"(15) the estimated net proceeds to be derived from the security to be offered;

"(16) the price at which it is proposed that the security shall be offered to the public or the method by which such price is computed and any variation therefrom at which any portion of such security is proposed to be offered to any persons or classes of persons, other than the underwriters, naming them or specifying the class. A variation in price may be proposed prior to the date of the public offering of the security, but the Commission shall immediately be notified of such variation;

"(17) all commissions or discounts paid or to be paid, directly or indirectly, by the issuer to the underwriters in respect of the sale of the security to be offered. Commissions shall include all cash, securities, contracts, or anything else of value, paid, to be set aside, disposed of, or understandings with or for the benefit of any other persons in which any underwriter is interested, made, in connection with the sale of such security. A commission paid or to be paid in connection with the sale of such security by a person in which the issuer has an interest or which is controlled or directed by, or under common control with, the issuer shall be deemed to have been paid by the issuer. Where any such commission is paid, the amount of such commission paid to each underwriter shall be stated;

"(18) the amount or estimated amounts, itemized in reasonable detail, of expenses, other than commissions specified in paragraph (17) of this schedule, incurred or borne by or for the account of the issuer in connection with the sale of the security to be offered or properly chargeable thereto, including legal, engineering, certification, authentication, and other charges;

"(19) the net proceeds derived from any security sold by the issuer during the 2 years preceding the filing of the registration statement, the price at which such security was offered to the public, and the names of the principal underwriters of such security;

"(20) any amount paid within 2 years preceding the filing of the registration statement or intended to be paid to any promoter and the consideration for any such payment;

"(21) the names and addresses of the vendors and the purchase price of any property, or goodwill, acquired or to be acquired, not in the ordinary course of business, which is to be defrayed in whole or in part from the proceeds of the security to be offered, the amount of any commission payable to any person in connection with such acquisition, and the name or names of such person or persons, together with any expense incurred or to be incurred in connection with such acquisition, including the cost of borrowing money to finance such acquisition;

"(22) full particulars of the nature and extent of the interest, if any, of every director, principal executive officer, and of every stockholder holding more than 10 percent of any class of stock or more than 10 percent in the aggregate of the stock of the issuer, in any property acquired, not in the ordinary course of business of the issuer, within 2 years preceding the filing of the registration statement or proposed to be acquired at such date;

"(23) the names and addresses of counsel who have passed on the legality of the issue;

"(24) dates of and parties to, and the general effect concisely stated of every material contract made, not in the ordinary course of business, which contract is to be executed in whole or in part at or after the filing of the registration statement or which contract has been made not more than 2 years before such filing. Any management contract or contract providing for special bonuses or profit-sharing arrangements, and every material patent or contract for a material patent right, and every contract by or with a public-utility company or an affiliate thereof, providing for the giving or receiving of technical or financial advice or service (if such contract may involve a charge to any party thereto

at a rate in excess of \$2,500 per year in cash or securities or anything else of value), shall be deemed a material contract;

"(25) a balance sheet as of a date not more than 90 days prior to the date of the filing of the registration statement showing all of the assets of the issuer, the nature and cost thereof, whenever determinable, in such detail and in such form as the Commission shall prescribe (with intangible items segregated), including any loan in excess of \$20,000 to any officer, director, stockholder or person directly or indirectly controlling or controlled by the issuer, or person under direct or indirect common control with the issuer. All the liabilities of the issuer in such detail and such form as the Commission shall prescribe, including surplus of the issuer showing how and from what sources such surplus was created, all as of a date not more than 90 days prior to the filing of the registration statement. If such statement be not certified by an independent public or certified accountant, in addition to the balance sheet required to be submitted under this schedule, a similar detailed balance sheet of the assets and liabilities of the issuer, certified by an independent public or certified accountant, of a date not more than 1 year prior to the filing of the registration statement, shall be submitted;

"(26) a profit and loss statement of the issuer showing earnings and income, the nature and source thereof, and the expenses and fixed charges in such detail and such form as the Commission shall prescribe for the latest fiscal year for which such statement is available and for the 2 preceding fiscal years, year by year, or, if such issuer has been in actual business for less than 3 years, then for such time as the issuer has been in actual business, year by year. If the date of the filing of the registration statement is more than 6 months after the close of the last fiscal year, a statement from such closing date to the latest practicable date. Such statement shall show what the practice of the issuer has been during the 3 years or lesser period as to the character of the charges, dividends, or other distributions made against its various surplus accounts, and as to depreciation, depletion, and maintenance charges, in such detail and form as the Commission shall prescribe, and if stock dividends or avails from the sale of rights have been credited to income, they shall be shown separately with a statement of the basis upon which the credit is computed. Such statement shall also differentiate between any recurring and nonrecurring income and between any investment and operating income. Such statement shall be certified by an independent public or certified accountant;

"(27) if the proceeds, or any part of the proceeds, of the security to be issued is to be applied directly or indirectly to the purchase of any business, a profit and loss statement of such business certified by an independent public or certified accountant, meeting the requirements of paragraph (26) of this schedule, for the 3 preceding fiscal years, together with a balance sheet, similarly certified, of such business, meeting the requirements of paragraph (25) of this schedule of a date not more than 90 days prior to the filing of the registration statement or at the date such business was acquired by the issuer if the business was acquired by the issuer more than 90 days prior to the filing of the registration statement;

"(28) a copy of any agreement or agreements (or if identical agreements are used, the forms thereof) made with any underwriter, including all contracts and agreements referred to in paragraph (17) of this schedule;

"(29) a copy of the opinion or opinions of counsel in respect to the legality of the issue, with a translation of such opinion, when necessary, into the English language;

"(30) a copy of all material contracts referred to in paragraph (24) of this schedule, but no disclosure shall be required of any portion of any such contract if the Commission determines that disclosure of such portion would impair the value of the contract and would not be necessary for the protection of investors;

"(31) unless previously filed and registered under the provisions of this title, and brought up-to-date, (a) a copy of its articles of incorporation, with all amendments thereof

and of its existing bylaws or instruments corresponding thereto, whatever the name, if the issuer be a corporation; (b) copy of all instruments by which the trust is created or declared, if the issuer is a trust; (c) a copy of its articles of partnership or association and all other papers pertaining to its organization, if the issuer is a partnership, unincorporated association, joint-stock company, or any other form of organization; and

"(32) a copy of the underlying agreements or indentures affecting any stock, bonds, or debentures offered or to be offered.

"In case of certificates of deposit, voting trust certificates, collateral trust certificates, certificates of interest or shares in unincorporated investment trusts, equipment trust certificates, interim or other receipts for certificates, and like securities, the Commission shall establish rules and regulations requiring the submission of information of a like character applicable to such cases, together with such other information as it may deem appropriate and necessary regarding the character, financial or otherwise, of the actual issuer of the securities and/or the person performing the acts and assuming the duties of depositor or manager.

" SCHEDULE B

"(1) Name of borrowing government or subdivision thereof;

"(2) specific purposes in detail and the approximate amounts to be devoted to such purposes, so far as determinable, for which the security to be offered is to supply funds, and if the funds are to be raised in part from other sources, the amounts thereof and the sources thereof, shall be stated;

"(3) the amount of the funded debt and the estimated amount of the floating debt outstanding and to be created by the security to be offered, excluding intergovernmental debt, and a brief description of the date, maturity, character of such debt, rate of interest, character of amortization provisions, and the security, if any, therefor. If substitution of any security is permissible, a statement of the conditions under which such substitution is permitted. If substitution is permissible without notice, a specific statement to that effect;

"(4) whether or not the issuer or its predecessor has, within a period of 20 years prior to the filing of the registration statement, defaulted on the principal or interest of any external security, excluding intergovernmental debt, and, if so, the date, amount, and circumstances of such default, and the terms of the succeeding arrangement, if any;

"(5) the receipts, classified by source, and the expenditures, classified by purpose, in such detail and form as the Commission shall prescribe for the latest fiscal year for which such information is available and the 2 preceding fiscal years, year by year;

"(6) the names and addresses of the underwriters;

"(7) the name and address of its authorized agent, if any, in the United States;

"(8) the estimated net proceeds to be derived from the sale in the United States of the security to be offered;

"(9) the price at which it is proposed that the security shall be offered in the United States to the public or the method by which such price is computed. A variation in price may be proposed prior to the date of the public offering of the security, but the Commission shall immediately be notified of such variation;

"(10) all commissions paid or to be paid, directly or indirectly, by the issuer to the underwriters in respect of the sale of the security to be offered. Commissions shall include all cash, securities, contracts, or anything else of value, paid, to be set aside, disposed of, or understandings with or for the benefit of any other persons in which the underwriter is interested, made, in connection with the sale of such security. Where any such commission is paid, the amount of such commission paid to each underwriter shall be stated;

"(11) the amount or estimated amounts, itemized in reasonable detail, of expenses, other than the commissions specified in paragraph (10) of this schedule, incurred or

borne by or for the account of the issuer in connection with the sale of the security to be offered or properly chargeable thereto, including legal, engineering, certification, and other charges;

"(12) the names and addresses of counsel who have passed upon the legality of the issue;

"(13) a copy of any agreement or agreements made with any underwriter governing the sale of the security within the United States; and

"(14) an agreement of the issuer to furnish a copy of the opinion or opinions of counsel in respect to the legality of the issue, with a translation, where necessary, into the English language. Such opinion shall set out in full all laws, decrees, ordinances, or other acts of Government under which the issue of such security has been authorized.

"TITLE II

"SEC. 201. For the purpose of protecting, conserving, and advancing the interests of the holders of foreign securities in default, there is hereby created a body corporate with the name 'Corporation of Foreign Security Holders' (herein called the 'Corporation'). The principal office of the Corporation shall be located in the District of Columbia, but there may be established agencies or branch offices in any city or cities of the United States under rules and regulations prescribed by the board of directors.

"SEC. 202. The control and management of the Corporation shall be vested in a board of 6 directors, who shall be appointed and hold office in the following manner: As soon as practicable after the date this act takes effect the Federal Trade Commission (hereinafter in this title called 'Commission') shall appoint six directors, and shall designate a chairman and a vice chairman from among their number. After the directors designated as chairman and vice chairman cease to be directors, their successors as chairman and vice chairman shall be elected by the board of directors itself. Of the directors first appointed, two shall continue in office for a term of 2 years, two for a term of 4 years, and two for a term of 6 years, from the date this act takes effect, the term of each to be designated by the Commission at the time of appointment. Their successors shall be appointed by the Commission, each for a term of 6 years from the date of the expiration of the term for which his predecessor was appointed, except that any person appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed only for the unexpired term of such predecessor. No person shall be eligible to serve as a director who within 5 years preceding has had any interest, direct or indirect, in any corporation, company, partnership, bank, or association which has sold, or offered for sale, any foreign securities. The office of a director shall be vacated if the board of directors shall at a meeting specially convened for that purpose by resolution passed by a majority of at least two thirds of the board of directors, remove such member from office, provided that the member whom it is proposed to remove shall have 7 days' notice sent to him of such meeting and that he may be heard.

"SEC. 203. The Corporation shall have power to adopt, alter, and use a corporate seal; to make contracts; to lease such real estate as may be necessary for the transaction of its business; to sue and be sued, to complain and to defend, in any court of competent jurisdiction, State or Federal; to require from trustees, financial agents, or dealers in foreign securities information relative to the original or present holders of foreign securities and such other information as may be required and to issue subpoenas therefor; to take over the functions of any fiscal and paying agents of any foreign securities in default; to borrow money for the purposes of this title, and to pledge as collateral for such loans any securities deposited with the corporation pursuant to this title; by and with the consent and approval of the Commission to select, employ, and fix the compensation of officers, directors, members of committees, employees, attorneys, and agents of the Corporation, without regard to the provisions of other laws applicable to the employment and compensation of officers or

employees of the United States; to define their authority and duties, require bonds of them and fix the penalties thereof, and to dismiss at pleasure such officers, employees, attorneys, and agents; and to prescribe, amend, and repeal, by its board of directors, bylaws, rules, and regulations governing the manner in which its general business may be conducted and the powers granted to it by law may be exercised and enjoyed, together with provisions for such committees and the functions thereof as the board of directors may deem necessary for facilitating its business under this title. The board of directors of the Corporation shall determine and prescribe the manner in which its obligations shall be incurred and its expenses allowed and paid.

"SEC. 204. The board of directors may—

"(1) Convene meetings of holders of foreign securities.

"(2) Invite the deposit and undertake the custody of foreign securities which have defaulted in the payment either of principal or interest, and issue receipts or certificates in the place of securities so deposited.

"(3) Appoint committees from the directors of the Corporation and/or all other persons to represent holders of any class or classes of foreign securities which have defaulted in the payment either of principal or interest and determine and regulate the functions of such committees. The chairman and vice chairman of the board of directors shall be ex officio chairman and vice chairman of each committee.

"(4) Negotiate and carry out, or assist in negotiating and carrying out, arrangements for the resumption of payments due or in arrears in respect of any foreign securities in default or for rearranging the terms on which such securities may in future be held or for converting and exchanging the same for new securities or for any other object in relation thereto; and under this paragraph any plan or agreement made with respect to such securities shall be binding upon depositors, providing that the consent of holders resident in the United States of 60 percent of the securities deposited with the Corporation shall be obtained.

"(5) Undertake, superintend, or take part in the collection and application of funds derived from foreign securities which come into the possession of or under the control or management of the Corporation.

"(6) Collect, preserve, publish, circulate, and render available in readily accessible form, when deemed essential or necessary, documents, statistics, reports, and information of all kinds in respect of foreign securities, including particularly records of foreign external securities in default and records of the progress made toward the payment of past-due obligations.

"(7) Take such steps as it may deem expedient with the view of securing the adoption of clear and simple forms of foreign securities and just and sound principles in the conditions and terms thereof.

"(8) Generally, act in the name and on behalf of the holders of foreign securities the care or representation of whose interests may be entrusted to the Corporation; conserve and protect the rights and interests of holders of foreign securities issued, sold, or owned in the United States; adopt measures for the protection, vindication, and preservation or reservation of the rights and interests of holders of foreign securities either on any default in or on breach or contemplated breach of the conditions on which such foreign securities may have been issued, or otherwise; obtain for such holders such legal and other assistance and advice as the board of directors may deem expedient; and do all such other things as are incident or conducive to the attainment of the above objects.

"SEC. 205. The board of directors shall cause accounts to be kept of all matters relating to or connected with the transactions and business of the Corporation, and cause a general account and balance sheet of the Corporation to be made out in each year, and cause all accounts to be audited by one or more auditors who shall examine the same and report thereon to the board of directors.

"SEC. 206. The Corporation shall make, print, and make public an annual report of its operations during each year,

send a copy thereof, together with a copy of the account and balance sheet and auditor's report, to the Commission and to both Houses of Congress, and provide one copy of such report but not more than one on the application of any person and on receipt of a sum not exceeding \$1: *Provided*, That the board of directors in its discretion may distribute copies gratuitously.

"SEC. 207. The Corporation may in its discretion levy charges, assessed on a pro-rata basis, on the holders of foreign securities deposited with it: *Provided*, That any charge levied at the time of depositing securities with the Corporation shall not exceed one fifth of 1 percent of the face value of such securities: *Provided further*, That any additional charges shall bear a close relationship to the cost of operations and negotiations including those enumerated in sections 203 and 204 and shall not exceed 1 percent of the face value of such securities.

"SEC. 208. The Corporation may receive subscriptions from any person, foundation with a public purpose, or agency of the United States Government, and such subscriptions may, in the discretion of the board of directors, be treated as loans repayable when and as the board of directors shall determine.

"SEC. 209. The Reconstruction Finance Corporation is hereby authorized to loan out of its funds not to exceed \$75,000 for the use of the Corporation.

"SEC. 210. Notwithstanding the foregoing provisions of this title, it shall be unlawful for, and nothing in this title shall be taken or construed as permitting or authorizing, the Corporation in this title created, or any committee of said Corporation, or any person or persons acting for or representing or purporting to represent it—

"(a) to claim or assert or pretend to be acting for or to represent the Department of State or the United States Government;

"(b) to make any statements or representations of any kind to any foreign government or its officials or the officials of any political subdivision of any foreign government that said Corporation or any committee thereof or any individual or individuals connected therewith were speaking or acting for the said Department of State or the United States Government; or

"(c) to do any act directly or indirectly which would interfere with or obstruct or hinder or which might be calculated to obstruct, hinder, or interfere with the policy or policies of the said Department of State or the Government of the United States or any pending or contemplated diplomatic negotiations, arrangements, business or exchanges between the Government of the United States or said Department of State and any foreign government or any political subdivision thereof.

"SEC. 211. This title shall not take effect until the President finds that its taking effect is in the public interest and by proclamation so declares.

"SEC. 212. This title may be cited as the 'Corporation of Foreign Bondholders Act, 1933.'"

And the Senate agree to the same.

DUNCAN U. FLETCHER,
CARTER GLASS,
ROBERT F. WAGNER,

Managers on the part of the Senate.

SAM RAYBURN,
GEO. HUDDLESTON,
CLARENCE LEA,
JAMES S. PARKER,
CARL E. MAPES,

Managers on the part of the House.

Mr. McNARY. Mr. President, it has become the fixed practice of the Senate in matters of this kind, when they have not been printed, that they go over for the day, so that the Members of the Senate may read them. I ask the Senator to have this report printed and bring it up the first thing tomorrow.

Mr. FLETCHER. There is no rule requiring that; but—
Mr. McNARY. I say, that is the uniform practice of the Senate, and I desire to adhere to that practice.

The PRESIDING OFFICER. The report will lie on the table and go over until tomorrow, then.

MISSOURI RIVER BRIDGE, MISSOURI-KANSAS

Mr. MCGILL. Mr. President, on the last day when the calendar was under consideration, the Senate passed a bill granting the consent of Congress to a compact or agreement between the States of Kansas and Missouri authorizing the acceptance, on behalf of said States, of title to a certain bridge across the Missouri River for which the Reconstruction Finance Corporation has made a loan to the company constructing the bridge. This is to be a toll bridge. That measure was passed by unanimous consent on the part of the Senate, and a similar measure was passed by the House with the exception of one or two slight amendments which do not alter the effect or meaning of the bill.

On the House measure—which is House Joint Resolution 159, Order of Business 89 of the Senate—we have a unanimous report by the Committee on Commerce favorable to the passage of the measure. I ask unanimous consent at this time that the House joint resolution be considered and passed by the Senate, which will merely have the effect of allowing the Senate bill to lapse.

Mr. BLACK. Mr. President, I desire to ask the Senator a question. Is this toll bridge to be owned by the States or by the company?

Mr. MCGILL. It will be owned and managed by the States of Missouri and Kansas, as I understand.

The PRESIDING OFFICER. Is there objection to the present consideration of the joint resolution?

There being no objection, the Senate proceeded to consider the joint resolution (H.J.Res. 159) granting the consent of Congress to a compact or agreement between the State of Kansas and the State of Missouri authorizing the acceptance for and on behalf of the States of Kansas and Missouri of title to a toll bridge across the Missouri River from a point in Platte County, Mo., to a point at or near Kansas City, in Wyandotte County, Kans., and specifying the conditions thereof, which was read, as follows:

Whereas by an act of Congress approved May 22, 1928, a franchise was granted to the Interstate Bridge Co. for the construction of a toll bridge across the Missouri River at or near Kansas City, Kans., which has been extended by the acts of March 2, 1929, and June 30, 1930, and which is now owned by the Regional Bridge Co., a corporation organized and existing under the laws of the State of Delaware, as assignee of the Interstate Bridge Co.; and

Whereas authority has been granted the State Highway Commission of Kansas by an act of the Legislature of the State of Kansas, approved March 24, 1933, and published in the official State paper on March 27, 1933, and to the State Highway Commission of Missouri by an identical act, mutatis mutandis, of the General Assembly of the State of Missouri, approved April 17, 1933, to include in the highway systems of the respective States of Kansas and Missouri any toll bridge across any river forming a common boundary between the two States; to join in entering into contracts with the owner of any such toll bridge and with the holders of any bonds issued in connection with the construction of such bridge, by the terms of which the State Highway Commissions of Kansas and Missouri shall maintain, operate, and insure such bridge, and fix and collect and apply tolls thereon, and shall construct, maintain, and operate as free State highways, approaches thereto, and shall make and treat as part of the highway system of their respective States such entire bridge and any part of such approaches lying within their respective States; and to accept conveyance of title to and ownership of any such bridge or part thereof situated within their respective States, subject to any encumbrance against any such bridge and pledge of its tolls previously executed; and

Whereas Regional Bridge Co. has obtained an agreement from the Reconstruction Finance Corporation of the United States to aid in financing the construction of a bridge under the franchise granted by the act of May 22, 1928, and extensions thereof, under authority of the act of Congress known as the "Emergency Relief and Construction Act of 1932", by purchasing at par the bonds of Regional Bridge Co., secured by mortgage on such bridge, in the amount of \$600,000, upon condition that certain requirements be met and agreed to by the States of Kansas and Missouri; and

Whereas the Legislature of the State of Kansas and the General Assembly of the State of Missouri, to make effective the acts of their respective legislative bodies herein cited and to meet the requirements imposed by the Reconstruction Finance Corporation, have each adopted the following resolution:

"Whereas Regional Bridge Co., a corporation organized and existing under the laws of the State of Delaware, is the owner and holder of a franchise granted by the Congress of the United States to construct (according to plans approved by the War Department of the United States), maintain, and operate a toll bridge across the Missouri River from a point at or near Kansas City in Wyandotte County, Kans., to a point in Platte County, Mo.; and

"Whereas Regional Bridge Co. desires to commence the construction of such bridge as soon as the same is fully financed; and

"Whereas Reconstruction Finance Corporation of the United States has agreed with Regional Bridge Co. to aid in financing the construction of such bridge, under authority of the act of Congress known as the 'Emergency Relief and Construction Act of 1932', by purchasing at par the bonds of Regional Bridge Co., secured by mortgage on such bridge, in the amount of \$600,000; but

"Whereas Reconstruction Finance Corporation has imposed certain requirements, to be met and agreed to by the States of Missouri and Kansas, as conditions precedent to its purchase of such bonds; and

"Whereas inasmuch as such bridge will form an important link in and improvement to the highway systems of the States of Missouri and Kansas, and will be of benefit and advantage to the citizens of both and the public, and inasmuch as Regional Bridge Co., by resolution duly passed by the unanimous vote of its stockholders, has agreed to transfer and convey such bridge, free of costs, to the State Highway Commissions of Missouri and of Kansas, on behalf of such States of Missouri and Kansas jointly, such conveyance to be made as soon as such mortgage shall have been properly recorded in both Missouri and Kansas, subject to the right of and duty upon Regional Bridge Co. fully to complete the construction of such bridge, it is to the interest and benefit of the States of Missouri and Kansas, and the citizens of both, that the States of Missouri and Kansas meet and agree to the requirements of the Reconstruction Finance Corporation as conditions precedent to the purchase of such bonds: Now therefore

"In consideration of the benefits and advantage accruing to the States of Missouri and Kansas and the citizens of both, and in consideration of the adoption of this resolution by both the States of Missouri and Kansas, the States of Missouri and Kansas hereby enter into the following compact and agreement:

"Be it resolved by the Senate of the State of Kansas (the House of Representatives agreeing thereto):

"SECTION 1. Regional Bridge Co., its successors and assigns, shall be, and it is hereby, authorized to construct, maintain, and operate such bridge across the Missouri River from a point at or near Kansas City, in Wyandotte County, Kans., to a point in Platte County, Mo., according to plans approved by the War Department of the United States; and the said States hereby authorize Regional Bridge Co. to enter upon and use for the purpose of constructing, maintaining, and operating such bridge all necessary lands under water belonging to said States, and the fee to any lands so used shall upon such use be vested in such Regional Bridge Co.

"SEC. 2. The State Highway Commission of Missouri and the State Highway Commission of Kansas shall be, and they are hereby, authorized and directed to accept, when tendered by Regional Bridge Co., conveyance of such bridge and franchise therefor to such state highway commission jointly, on behalf of the States of Missouri and Kansas. Such conveyance shall not be in assumption of such mortgage, but shall expressly be subject to such mortgage, and to the right and duty upon Regional Bridge Co. fully to complete the construction of such bridge.

"SEC. 3. The State Highway Commission of Missouri and the State Highway Commission of Kansas shall be, and they, and each of them, hereby are, authorized to maintain, operate, and insure such bridge and to fix and collect tolls thereon and apply such tolls, and to enter into any and all contracts with said Reconstruction Finance Corporation, or any other party or parties considered by said highway commissions, or either of them, to be necessary or expedient for or in connection with the proper maintenance, operation, and insurance of such bridge and such fixing, collection, and application of tolls thereon, and to incur joint and several obligations under such contracts; and to construct and maintain, and to enter into any contracts severally with said Reconstruction Finance Corporation, or any other party or parties, considered by said highway commissions, or either of them, to be necessary or expedient, for or in connection with the construction and maintenance of approaches to such bridge and roadways leading thereto lying within their respective States. And said highway commissions, and each of them, are further authorized to make and treat as a part of the State highway system of their respective States the entire such bridge and that portion of the approaches thereto lying within their respective States, and to enter into contracts with the Reconstruction Finance Corporation or any other party or parties in respect thereto.

"SEC. 4. Neither the State of Kansas nor the State of Missouri, nor any department or political subdivision thereof, shall construct or cause to be constructed, or grant any right, privilege, or franchise for the construction of, any bridge, ferry, tunnel, or other competing facility across or under the Missouri River within a distance of 5 miles from said bridge, measured along the meanderings of the thread of the stream of the Missouri

River, until the construction costs of said bridge, with interest thereon, shall have been fully paid.

"SEC. 5. To the faithful observance of this compact and agreement the States of Missouri and Kansas, by the adoption of this resolution, each pledges its good faith.

"SEC. 6. This compact and agreement shall be in force and take effect from and after its adoption by the General Assembly of the State of Missouri, and approval by the Governor of Missouri, and its adoption by the Legislature of the State of Kansas, and approval by the Governor of Kansas, and publication in the official State paper of the State of Kansas, and upon its receiving the consent and approval of the Congress of the United States." Therefore be it

Resolved, etc., That the consent of Congress is hereby given to the aforesaid compact or agreement and to each and every term and provision thereof, and to all agreements to be made pursuant thereto by and between the said States or any agencies, commissions, or public or municipal bodies thereof: *Provided*, That nothing herein contained shall be construed to affect, impair, or diminish any right, power, or jurisdiction of the United States or of any court, department, board, bureau, officer, or official of the United States, over or in regard to any navigable waters, or any commerce between the States or with foreign countries, or any bridge, railroad highway, pier, wharf, or other facility or improvement, or any other person, matter, or thing, forming the subject matter of the aforesaid compact or agreement or otherwise affected by the terms thereof: *And provided further*, That the right to alter, amend, or repeal this resolution or any part thereof is hereby expressly reserved.

The joint resolution was ordered to a third reading, read the third time, and passed.

The preamble was agreed to.

SELECTION OF A GOVERNOR OF HAWAII (H.DOC. NO. 42)

The PRESIDING OFFICER laid before the Senate a communication from the President of the United States, which was read, as follows:

To the Congress:

It is particularly necessary to select for the post of Governor of Hawaii a man of experience and vision, who will be regarded by all citizens of the islands as one who will be absolutely impartial in his decisions on matters as to which there may be a difference of local opinion. In making my choice I should like to be free to pick either from the islands themselves or from the entire United States the best man for this post. I request, therefore, suitable legislation temporarily suspending that part of the law which requires the Governor of Hawaii to be an actual resident of the islands.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, May 22, 1933.

The PRESIDING OFFICER. The communication will be printed and referred to the Committee on Territories and Insular Affairs.

PROTECTION OF GOVERNMENT RECORDS

Mr. ROBINSON of Arkansas. I ask the Chair to lay before the Senate a message from the House of Representatives relating to House bill 4220, which is on the Vice President's desk.

The VICE PRESIDENT laid before the Senate the action of the House of Representatives disagreeing to the amendment of the Senate to the bill (H.R. 4220) for the protection of Government records, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. ROBINSON of Arkansas. I move that the Senate agree to the conference asked by the House, and that the conferees on the part of the Senate be appointed by the Chair.

The motion was agreed to; and the Vice President appointed Mr. PITTMAN, Mr. ROBINSON of Arkansas, and Mr. BORAH conferees on the part of the Senate.

OFFICIAL REPORTERS OF DEBATES

Mr. HAYDEN. By direction of the Committee on Printing I report a Senate resolution and ask unanimous consent for its immediate consideration.

The VICE PRESIDENT. The resolution will be read.

The legislative clerk read the resolution (S.Res. 84) as follows:

Resolved, That James W. Murphy and Percy E. Budlong are hereby appointed Official Reporters for reporting the proceedings

and debates of the Senate until further order of the Senate, subject to all the duties and obligations of the contract made with D. F. Murphy, deceased, late reporter of the Senate, and to the supervision and control of the Committee on Printing on behalf of the Senate in all respects therein provided, and to receive payment for such services according to law: *Provided*, That the contract heretofore made with the late Theodore F. Shuey and said James W. Murphy be considered as terminated by the death of the former on May 18, 1933, and that said James W. Murphy and said Percy E. Budlong be paid for services rendered in reporting the debates and proceedings of the Senate at the rate allowable by law for such services from May 19, 1933, to the date upon which this resolution is agreed to by the Senate, both dates inclusive: *Provided further*, That in the event of the death of either said James W. Murphy or said Percy E. Budlong during any recess or adjourned period of the Senate, the survivor of them shall discharge all the duties and obligations and be entitled to all the rights and benefits of said contract made with said D. F. Murphy, deceased, and shall receive payment for such services according to law, until further order of the Senate.

The VICE PRESIDENT. Is there objection to the present consideration of the resolution?

Mr. HEBERT. Mr. President, in the absence of the Senator from Oregon [Mr. McNARY] I ask if that Senator is informed concerning this resolution and what his desire is.

Mr. ROBINSON of Arkansas. I will say that the resolution is satisfactory to the Senator from Oregon.

Mr. HEBERT. With that assurance, I have no objection.

The VICE PRESIDENT. Without objection, the resolution is agreed to.

INSTRUCTION AT MILITARY ACADEMY OF POSHENG YEN

Mr. SHEPPARD. I ask unanimous consent for the immediate consideration of Calendar No. 76, Senate Joint Resolution 48, admitting a Chinese student to West Point. The joint resolution is in the usual form and is similar to other measures considered in cases of this kind.

The VICE PRESIDENT. Is there objection to the request of the Senator from Texas for the present consideration of the joint resolution?

There being no objection, the joint resolution (S.J.Res. 48) authorizing the Secretary of War to receive for instruction at the United States Military Academy at West Point Posheng Yen, a citizen of China, was read, considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Resolved, etc., That the Secretary of War be, and he is hereby, authorized to permit Posheng Yen to receive instruction at the United States Military Academy at West Point: *Provided*, That no expense shall be caused to the United States thereby, and that Posheng Yen shall agree to comply with all regulations for the police and discipline of the academy, to be studious, and to give his utmost efforts to accomplish the courses in the various departments of instruction, and that said Posheng Yen shall not be admitted to the academy until he shall have passed the mental and physical examinations prescribed for candidates from the United States, and that he shall be immediately withdrawn if deficient in studies or in conduct and so recommended by the academic board: *Provided further*, That in the case of said Posheng Yen the provisions of sections 1320 and 1321 of the Revised Statutes shall be suspended.

EXECUTIVE SESSION

Mr. ROBINSON of Arkansas. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The VICE PRESIDENT laid before the Senate messages from the President of the United States submitting nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

REPORTS OF COMMITTEES

The VICE PRESIDENT. Reports of committees are in order.

Mr. VAN NUYS, from the Committee on the Judiciary, reported the nomination of Al W. Hosinski, of Indiana, to be United States marshal for the Northern District of Indiana, which was ordered to be placed on the calendar.

He, also, from the same committee, reported favorably the nomination of Norman D. Godbold, of Hawaii, to be

first judge, Circuit Court, First Circuit of Hawaii, which was ordered to be placed on the calendar.

Mr. McCARRAN, from the Committee on the Judiciary, reported favorably the nomination of T. Hoyt Davis, of Georgia, to be United States attorney, middle district of Georgia.

The VICE PRESIDENT. The nomination will be placed on the calendar.

UNITED STATES MARSHAL, MIDDLE DISTRICT OF GEORGIA

Mr. BRATTON. From the Committee on the Judiciary I report favorably the nomination of Edward B. Doyle, of Georgia, to be United States marshal, middle district of Georgia.

Mr. GEORGE. Mr. President, I ask unanimous consent for the immediate consideration of the nomination.

The VICE PRESIDENT. Is there objection?

Mr. HEBERT. Mr. President, the Senator from Oregon [Mr. McNARY] wished me to say to the Senate that he had no objection to the consideration of this nomination, but he did object to a further proceeding which would involve notification to the President. I assume that is the understanding he had with the Senator from Georgia.

Mr. GEORGE. That is correct.

The VICE PRESIDENT. Is there objection to confirming the nomination?

There being no objection, the nomination was confirmed.

UNITED STATES ASSISTANT ATTORNEY GENERAL

Mr. KING. From the Committee on the Judiciary I report favorably the nomination of Pat Malloy, of Oklahoma, to be Assistant Attorney General. May I inquire of the Senator from Rhode Island, who is here, representing, as I understand, the leader on the other side, whether there will be any objection to the confirmation of this nomination?

Mr. HEBERT. I am not informed whether the Senator from Oregon would want that nomination to go over, but I take it, from what he said to me, that he would prefer that course to be adopted.

Mr. KING. Very well. I will ask that the nomination go to the calendar.

The VICE PRESIDENT. The nomination will be placed on the calendar.

THE CALENDAR—THE ADJUTANT GENERAL

The VICE PRESIDENT. The calendar is in order.

The Chief Clerk read the nomination of James Fuller McKinley to be The Adjutant General.

Mr. ROBINSON of Arkansas. Mr. President, it is recalled that the Senator from Maryland [Mr. TYDINGS] stated that he wished to discuss this nomination before final action was taken upon it. He appears not to be present this afternoon, and I ask that the nomination may go over for the day.

The VICE PRESIDENT. Without objection, the nomination will be passed over. That completes the calendar.

RECESS

Mr. ROBINSON of Arkansas. As in legislative session, I move that the Senate take a recess until immediately following the conclusion of the proceedings of the Senate sitting as a Court of Impeachment on tomorrow.

The motion was agreed to; and (at 6 o'clock and 6 minutes p.m.) the Senate, as in legislative session, took a recess until the conclusion of the proceedings of the Senate sitting as a Court of Impeachment on Tuesday, May 23, 1933, the hour of meeting of the Senate sitting as a Court of Impeachment being 10 o'clock a.m.

NOMINATIONS

Executive nominations received by the Senate May 22 (legislative day of May 15), 1933

MEMBER OF THE BOARD OF DIRECTORS OF THE TENNESSEE VALLEY AUTHORITY

Arthur E. Morgan, of Ohio, to be a member of the board of directors of the Tennessee Valley Authority for the term expiring 9 years after May 18, 1933.

COLLECTOR OF CUSTOMS

Clement L. West, of Omaha, Nebr., to be collector of customs for customs collection district no. 46, with headquarters at Omaha, Nebr., to fill an existing vacancy.

CONFIRMATION

Executive nomination confirmed by the Senate May 22 (legislative day of May 15), 1933

UNITED STATES MARSHAL

Edward B. Doyle to be United States marshal, middle district of Georgia.

HOUSE OF REPRESENTATIVES

MONDAY, MAY 22, 1933

The House met at 11 o'clock a.m.

The Rev. Thomas Logan Justice, pastor of the First Baptist Church, Kings Mountain, N.C., offered the following prayer:

Omnipotent, omniscient, and omnipresent God, we bow before Thee this morning amidst all of the variegated circumstances of life, realizing the inability of human strength to discharge many of the duties and responsibilities which devolve upon us; and we beseech that Thou wilt take us close to Thyself as we enter into the opening session of this Congress and let all that is done here today redound to Thy glory and result in the stabilization of all of the departments of life with which men have to do. Bless our President and grant that throughout all this Nation he may be one of the objects of prayer, and all who are associated with him here and in the Senate and everywhere in official authority in this Republic may uphold him and cooperate with him and bring about a glorious realization of optimism and recovery in the various walks in which we find ourselves. Now we pray Thee to cleanse us from all sin, and may the great God of all the earth lead us and have His way and have His will until the day when every knee shall bow and every tongue shall confess to the glory of Him who is the Father of our Lord Jesus Christ. We ask it in His name. Amen.

The Journal of the proceedings of Saturday, May 20, 1933, was read and approved.

CORRECTION

Mr. CLARKE of New York. Mr. Speaker, there is evidently an omission in the RECORD of Saturday. Something has gone wrong somewhere with it. I propounded a parliamentary inquiry of the Speaker regarding whether a motion to adjourn was a preferential motion, and then made the request that if it were a preferential motion that it be preferred. There is an entire omission in the RECORD about this.

The SPEAKER. Without objection, the RECORD will be corrected in that particular.

Mr. CLARKE of New York. One minute, Mr. Speaker. Let us not move quite as fast as that. More than that, the RECORD should show that the Speaker's ruling was against that motion being a preferential one.

The SPEAKER. The Chair did not make any ruling at all.

Mr. BLANTON. Mr. Speaker, the gentleman's motion was made after a roll call had been ordered.

Mr. CLARKE of New York. Yes; but not a name had been called. That is the point.

Mr. BLANTON. Mr. Speaker, if what the distinguished gentleman from New York [Mr. CLARKE] says is correct, that Members had not yet begun to respond to their names on such roll call, his motion to adjourn would have been in order; for a motion to adjourn may be made after the yeas and nays are ordered, provided it is made before the roll call has begun (V. Hinds' Precedents 5363). My remembrance was that the roll call had begun and the Clerk had called several names.

Mr. CLARKE of New York. If there had not been a name called, I had the right to offer that motion.

Mr. BLANTON. Certainly; the gentleman is correct, and I might add that he is usually correct; and I deem it an honor that I find myself voting with him many times, except on partisan party questions.

Mr. CLARKE of New York. There had not been a name called.

Mr. BLANTON. There are precedents which hold that where the yeas and nays have been ordered, but no Member has yet responded to his name on roll call, that it is deemed that the roll call has not yet begun, and a motion to adjourn would be in order. Our distinguished Speaker is so uniformly correct in his rulings that if he ruled against the gentleman's contention he must have been of the opinion that the roll call had begun.

Mr. CLARKE of New York. The roll call had been ordered, but no names had been called.

The SPEAKER. The Chair thinks several names were called, but there had been no response.

SECURITIES REGULATION BILL

Mr. RAYBURN. Mr. Speaker, I call up the conference report on the bill (H.R. 5480) to provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof, and for other purposes, and ask unanimous consent that the statement may be read in lieu of the report.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the statement.

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 5480) to provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"TITLE I

"SHORT TITLE

"SECTION 1. This title may be cited as the 'Securities Act of 1933.'

"DEFINITIONS

"SEC. 2. When used in this title, unless the context otherwise requires—

"(1) The term 'security' means any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment, contract, voting-trust certificate, certificate of interest in property, tangible or intangible or, in general, any instrument commonly known as a 'security', or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing.

"(2) The term 'person' means an individual, a corporation, a partnership, an association, a joint-stock company, a trust, any unincorporated organization, or a government or political subdivision thereof. As used in this paragraph the term 'trust' shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

"(3) The term 'sale', 'sell', 'offer to sell', or 'offer for sale' shall include every contract of sale or disposition of, attempt or offer to dispose of, or solicitation of an offer to buy, a security or interest in a security, for value; except that such terms shall not include preliminary negotiations or

agreements between an issuer and any underwriter. Any security given or delivered with, or as a bonus on account of, any purchase of securities or any other thing, shall be conclusively presumed to constitute a part of the subject of such purchase and to have been sold for value. The issue or transfer of a right or privilege, when originally issued or transferred with a security, giving the holder of such security the right to convert such security into another security of the same issuer or of another person, or giving a right to subscribe to another security of the same issuer or of another person, which right cannot be exercised until some future date, shall not be deemed to be a sale of such other security; but the issue or transfer of such other security upon the exercise of such right of conversion or subscription shall be deemed a sale of such other security.

"(4) The term 'issuer' means every person who issues or proposes to issue any security or who guarantees a security either as to principal or income; except that with respect to certificates of deposit, voting-trust certificates, or collateral-trust certificates, or with respect to certificates of interest or shares in an unincorporated investment trust not having a board of directors (or persons performing similar functions) or of the fixed, restricted management, or unit type, the term 'issuer' means the person or persons performing the acts and assuming the duties of depositor or manager pursuant to the provisions of the trust or other agreement or instrument under which such securities are issued; and except that with respect to equipment-trust certificates or like securities, the term 'issuer' means the person by whom the equipment or property is or is to be used.

"(5) The term 'Commission' means the Federal Trade Commission.

"(6) The term 'Territory' means Alaska, Hawaii, Puerto Rico, the Philippine Islands, Canal Zone, the Virgin Islands, and the insular possessions of the United States.

"(7) The term 'interstate commerce' means trade or commerce in securities or any transportation or communication relating thereto among the several States or between the District of Columbia or any Territory of the United States and any State or other Territory, or between any foreign country and any State, Territory, or the District of Columbia, or within the District of Columbia.

"(8) The term 'registration statement' means the statement provided for in section 6, and includes any amendment thereto and any report, document, or memorandum accompanying such statement or incorporated therein by reference.

"(9) The term 'write' or 'written' shall include printed, lithographed, or any means of graphic communication.

"(10) The term 'prospectus' means any prospectus, notice, circular, advertisement, letter, or communication, written or by radio, which offers any security for sale; except that (a) a communication shall not be deemed a prospectus if it is proved that prior to such communication a written prospectus meeting the requirements of section 10 was received, by the person to whom the communication was made, from the person making such communication or his principal, and (b) a notice, circular, advertisement, letter, or communication in respect of a security shall not be deemed to be a prospectus if it states from whom a written prospectus meeting the requirements of section 10 may be obtained and, in addition, does no more than identify the security, state the price thereof, and state by whom orders will be executed.

"(11) The term 'underwriter' means any person who has purchased from an issuer with a view to, or sells for an issuer in connection with, the distribution of any security, or participates or has a direct or indirect participation in any such undertaking, or participates or has a participation in the direct or indirect underwriting of any such undertaking; but such term shall not include a person whose interest is limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission. As used in this paragraph the term 'issuer' shall include, in addition to an issuer, any person directly or indirectly controlling or controlled by the issuer, or any

person under direct or indirect common control with the issuer.

"(12) The term 'dealer' means any person who engages either for all or part of his time, directly or indirectly, as agent, broker, or principal, in the business of offering, buying, selling, or otherwise dealing or trading in securities issued by another person.

"EXEMPTED SECURITIES"

"Sec. 3. (a) Except as hereinafter expressly provided, the provisions of this title shall not apply to any of the following classes of securities:

"(1) Any security which, prior to or within 60 days after the enactment of this title, has been sold or disposed of by the issuer or bona fide offered to the public, but this exemption shall not apply to any new offering of any such security by an issuer or underwriter subsequent to such 60 days;

"(2) Any security issued or guaranteed by the United States or any Territory thereof, or by the District of Columbia, or by any State of the United States, or by any political subdivision of a State or Territory, or by any public instrumentality of one or more States or Territories exercising an essential governmental function, or by any corporation created and controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States, or by any national bank, or by any banking institution organized under the laws of any State or Territory, the business of which is substantially confined to banking and is supervised by the State or territorial banking commission or similar official, or any security issued by or representing an interest in or a direct obligation of a Federal Reserve bank;

"(3) Any note, draft, bill of exchange, or banker's acceptance which arises out of a current transaction or the proceeds of which have been or are to be used for current transactions, and which has a maturity at the time of issuance of not exceeding 9 months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited;

"(4) Any security issued by a corporation organized and operated exclusively for religious, educational, benevolent, fraternal, charitable, or reformatory purposes and not for pecuniary profit, and no part of the net earnings of which inures to the benefit of any person, private stockholder, or individual;

"(5) Any security issued by a building and loan association, homestead association, savings and loan association, or similar institution, substantially all the business of which is confined to the making of loans to members (but the foregoing exemption shall not apply with respect to any such security where the issuer takes from the total amount paid or deposited by the purchaser, by way of any fee, cash value, or other device whatsoever, either upon termination of the investment at maturity or before maturity, an aggregate amount in excess of 3 percent of the face value of such security), or any security issued by a farmers' cooperative association as defined in paragraphs (12), (13), and (14) of section 103 of the Revenue Act of 1932;

"(6) Any security issued by a common carrier which is subject to the provisions of section 20a of the Interstate Commerce Act, as amended;

"(7) Certificates issued by a receiver or by a trustee in bankruptcy, with the approval of the court;

"(8) Any insurance or endowment policy or annuity contract or optional annuity contract, issued by a corporation subject to the supervision of the insurance commissioner, bank commissioner, or any agency or officer performing like functions, of any State or Territory of the United States or the District of Columbia.

"(b) The Commission may from time to time by its rules and regulations, and subject to such terms and conditions as may be prescribed therein, add any class of securities to the securities exempted as provided in this section, if it finds that the enforcement of this title with respect to such securities is not necessary in the public interest and for the protection of investors by reason of the small amount in-

involved or the limited character of the public offering; but no issue of securities shall be exempted under this subsection where the aggregate amount at which such issue is offered to the public exceeds \$100,000.

"EXEMPTED TRANSACTIONS

"SEC. 4. The provisions of section 5 shall not apply to any of the following transactions:

"(1) Transactions by any person other than an issuer, underwriter, or dealer; transactions by an issuer not with or through an underwriter and not involving any public offering; or transactions by a dealer (including an underwriter no longer acting as an underwriter in respect of the security involved in such transaction), except transactions within 1 year after the last date upon which the security was bona fide offered to the public by the issuer or by or through an underwriter (excluding in the computation of such year any time during which a stop order issued under section 8 is in effect as to the security), and except transactions as to securities constituting the whole or a part of an unsold allotment to or subscription by such dealer as a participant in the distribution of such securities by the issuer or by or through an underwriter.

"(2) Brokers' transactions, executed upon customers' orders on any exchange or in the open or counter market, but not the solicitation of such orders.

"(3) The issuance of a security of a person exchanged by it with its existing security holders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with such exchange; or the issuance of securities to the existing security holders or other existing creditors of a corporation in the process of a bona fide reorganization of such corporation under the supervision of any court, either in exchange for the securities of such security holders or claims of such creditors or partly for cash and partly in exchange for the securities or claims of such security holders or creditors.

"PROHIBITIONS RELATING TO INTERSTATE COMMERCE AND THE MAILS

"SEC. 5. (a) Unless a registration statement is in effect as to a security, it shall be unlawful for any person, directly or indirectly—

"(1) to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to sell or offer to buy such security through the use or medium of any prospectus or otherwise; or

"(2) to carry or cause to be carried through the mails or in interstate commerce, by any means or instruments of transportation, any such security for the purpose of sale or for delivery after sale.

"(b) It shall be unlawful for any person, directly or indirectly—

"(1) to make use of any means or instruments of transportation or communication in interstate commerce or of the mails to carry or transmit any prospectus relating to any security registered under this title, unless such prospectus meets the requirements of section 10; or

"(2) to carry or to cause to be carried through the mails or in interstate commerce any such security for the purpose of sale or for delivery after sale, unless accompanied or preceded by a prospectus that meets the requirements of section 10.

"(c) The provisions of this section relating to the use of the mails shall not apply to the sale of any security where the issue of which it is a part is sold only to persons resident within a single State or Territory, where the issuer of such securities is a person resident and doing business within, or, if a corporation, incorporated by and doing business within, such State or Territory.

"REGISTRATION OF SECURITIES AND SIGNING OF REGISTRATION STATEMENT

"SEC. 6. (a) Any security may be registered with the Commission under the terms and conditions hereinafter provided, by filing a registration statement in triplicate, at least one of which shall be signed by each issuer, its principal executive officer or officers, its principal financial officer, its comptroller or principal accounting officer, and the majority of its board of directors or persons performing

similar functions (or, if there is no board of directors or persons performing similar functions, by the majority of the persons or board having the power of management of the issuer), and in case the issuer is a foreign or Territorial person by its duly authorized representative in the United States; except that when such registration statement relates to a security issued by a foreign government, or political subdivision thereof, it need be signed only by the underwriter of such security. Signatures of all such persons when written on the said registration statements shall be presumed to have been so written by authority of the person whose signature is so affixed and the burden of proof, in the event such authority shall be denied, shall be upon the party denying the same. The affixing of any signature without the authority of the purported signer shall constitute a violation of this title. A registration statement shall be deemed effective only as to the securities specified therein as proposed to be offered.

"(b) At the time of filing a registration statement the applicant shall pay to the Commission a fee of one one-hundredth of 1 percent of the maximum aggregate price at which such securities are proposed to be offered, but in no case shall such fee be less than \$25.

"(c) The filing with the Commission of a registration statement, or of an amendment to a registration statement, shall be deemed to have taken place upon the receipt thereof, but the filing of a registration statement shall not be deemed to have taken place unless it is accompanied by a United States postal money order or a certified bank check or cash for the amount of the fee required under subsection (b).

"(d) The information contained in or filed with any registration statement shall be made available to the public under such regulations as the Commission may prescribe, and copies thereof, photostatic or otherwise, shall be furnished to every applicant at such reasonable charge as the Commission may prescribe.

"(e) No registration statement may be filed within the first 40 days following the enactment of this act.

"INFORMATION REQUIRED IN REGISTERED STATEMENT

"SEC. 7. The registration statement, when relating to a security other than a security issued by a foreign government, or political subdivision thereof, shall contain the information and be accompanied by the documents specified in schedule A, and when relating to a security issued by a foreign government, or political subdivision thereof, shall contain the information and be accompanied by the documents specified in schedule B; except that the Commission may by rules or regulations provide that any such information or document need not be included in respect of any class of issuers or securities if it finds that the requirement of such information or document is inapplicable to such class and that disclosure fully adequate for the protection of investors is otherwise required to be included within the registration statement. If any accountant, engineer, or appraiser, or any person whose profession gives authority to a statement made by him is named as having prepared or certified any part of the registration statement, or is named as having prepared or certified a report or valuation for use in connection with the registration statement, the written consent of such person shall be filed with the registration statement. If any such person is named as having prepared or certified a report or valuation (other than a public official document or statement) which is used in connection with the registration statement, but is not named as having prepared or certified such report or valuation for use in connection with the registration statement, the written consent of such person shall be filed with the registration statement unless the Commission dispenses with such filing as impracticable or as involving undue hardship on the person filing the registration statement. Any such registration statement shall contain such other information, and be accompanied by such other documents, as the Commission may by rules or regulations require as being necessary or appropriate in the public interest or for the protection of investors.

"TAKING EFFECT OF REGISTRATION STATEMENTS AND AMENDMENTS
THERE TO

"SEC. 8. (a) The effective date of a registration statement shall be the twentieth day after the filing thereof, except as hereinafter provided, and except that in case of securities of any foreign public authority, which has continued the full service of its obligations in the United States, the proceeds of which are to be devoted to the refunding of obligations payable in the United States, the registration statement shall become effective 7 days after the filing thereof. If any amendment to any such statement is filed prior to the effective date of such statement, the registration statement shall be deemed to have been filed when such amendment was filed; except that an amendment filed with the consent of the Commission, prior to the effective date of the registration statement, or filed pursuant to an order of the Commission, shall be treated as a part of the registration statement.

"(b) If it appears to the Commission that a registration statement is on its face incomplete or inaccurate in any material respect, the Commission may, after notice by personal service or the sending of confirmed telegraphic notice not later than 10 days after the filing of the registration statement, and opportunity for hearing (at a time fixed by the Commission) within 10 days after such notice by personal service or the sending of such telegraphic notice, issue an order prior to the effective date of registration refusing to permit such statement to become effective until it has been amended in accordance with such order. When such statement has been amended in accordance with such order the Commission shall so declare and the registration shall become effective at the time provided in subsection (a) or upon the date of such declaration, whichever date is the later.

"(c) An amendment filed after the effective date of the registration statement, if such amendment, upon its face, appears to the Commission not to be incomplete or inaccurate in any material respect, shall become effective on such date as the Commission may determine, having due regard to the public interest and the protection of investors.

"(d) If it appears to the Commission at any time that the registration statement includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, the Commission may, after notice by personal service or the sending of confirmed telegraphic notice, and after opportunity for hearing (at a time fixed by the Commission) within 15 days after such notice by personal service or the sending of such telegraphic notice, issue a stop order suspending the effectiveness of the registration statement. When such statement has been amended in accordance with such stop order the Commission shall so declare and thereupon the stop order shall cease to be effective.

"(e) The Commission is hereby empowered to make an examination in any case in order to determine whether a stop order should issue under subsection (d). In making such examination the Commission or any officer or officers designated by it shall have access to and may demand the production of any books and papers of, and may administer oaths and affirmations to and examine, the issuer, underwriter, or any other person, in respect of any matter relevant to the examination, and may, in its discretion, require the production of a balance sheet exhibiting the assets and liabilities of the issuer, or its income statement, or both, to be certified to by a public or certified accountant approved by the Commission. If the issuer or underwriter shall fail to cooperate, or shall obstruct or refuse to permit the making of an examination, such conduct shall be proper ground for the issuance of a stop order.

"(f) Any notice required under this section shall be sent to or served on the issuer, or, in case of a foreign government or political subdivision thereof, to or on the underwriter, or, in the case of a foreign or Territorial person, to or on its duly authorized representative in the United States

named in the registration statement, properly directed in each case of telegraphic notice to the address given in such statement.

"COURT REVIEW OF ORDERS

"SEC. 9. (a) Any person aggrieved by an order of the Commission may obtain a review of such order in the Circuit Court of Appeals of the United States, within any circuit wherein such person resides or has his principal place of business, or in the Court of Appeals of the District of Columbia, by filing in such court, within 60 days after the entry of such order, a written petition praying that the order of the Commission be modified or be set aside in whole or in part. A copy of such petition shall be forthwith served upon the Commission, and thereupon the Commission shall certify and file in the court a transcript of the record upon which the order complained of was entered. No objection to the order of the Commission shall be considered by the court unless such objection shall have been urged before the Commission. The finding of the Commission as to the facts, if supported by evidence, shall be conclusive. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the hearing before the Commission, the court may order such additional evidence to be taken before the Commission and to be adduced upon the hearing in such manner and upon such terms and conditions as to the court may seem proper. The Commission may modify its findings as to the facts, by reason of the additional evidence so taken, and it shall file such modified or new findings, which, if supported by evidence, shall be conclusive, and its recommendation, if any, for the modification or setting aside of the original order. The jurisdiction of the court shall be exclusive and its judgment and decree, affirming, modifying, or setting aside, in whole or in part, any order of the Commission, shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in sections 239 and 240 of the Judicial Code, as amended (U.S.C., title 28, secs. 346 and 347).

"(b) The commencement of proceedings under subsection (a) shall not, unless specifically ordered by the court, operate as a stay of the Commission's order.

"INFORMATION REQUIRED IN PROSPECTUS

"SEC. 10. (a) A prospectus—

"(1) when relating to a security other than a security issued by a foreign government or political subdivision thereof, shall contain the same statements made in the registration statement, but it need not include the documents referred to in paragraphs (28) to (32), inclusive, of schedule A;

"(2) when relating to a security issued for a foreign government or political subdivision thereof shall contain the same statements made in the registration statement, but it need not include the documents referred to in paragraphs (13) and (14) of schedule B.

"(b) Notwithstanding the provisions of subsection (a)—

"(1) when a prospectus is used more than 13 months after the effective date of the registration statement, the information in the statements contained therein shall be as of a date not more than 12 months prior to such use.

"(2) there may be omitted from any prospectus any of the statements required under such subsection (a) which the Commission may by rules or regulations designate as not being necessary or appropriate in the public interest or for the protection of investors.

"(3) any prospectus shall contain such other information as the Commission may by rules or regulations require as being necessary or appropriate in the public interest or for the protection of investors.

"(4) in the exercise of its powers under paragraphs (2) and (3) of this subsection, the Commission shall have authority to classify prospectuses according to the nature and circumstances of their use, and, by rules and regulations and subject to such terms and conditions as it shall specify

therein, to prescribe as to each class the form and contents which it may find appropriate to such use and consistent with the public interest and the protection of investors.

"(c) The statements or information required to be included in a prospectus by or under authority of subsection (a) or (b), when written, shall be placed in a conspicuous part of the prospectus in type as large as that used generally in the body of the prospectus.

"(d) In any case where a prospectus consists of a radio-broadcast, copies thereof shall be filed with the Commission under such rules and regulations as it shall prescribe. The Commission may by rules and regulations require the filing with it of forms of prospectuses used in connection with the sale of securities registered under this title.

"CIVIL LIABILITIES ON ACCOUNT OF FALSE REGISTRATION STATEMENT

"SEC. 11. (a) In case any part of the registration statement, when such part became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring such security (unless it is proved that at the time of such acquisition he knew of such untruth or omission) may, either at law or in equity, in any court of competent jurisdiction, sue—

"(1) every person who signed the registration statement;

"(2) every person who was a director of (or person performing similar functions), or partner in, the issuer at the time of the filing of the part of the registration statement with respect to which his liability is asserted;

"(3) every person who, with his consent, is named in the registration statement as being or about to become a director, person performing similar functions, or partner;

"(4) every accountant, engineer, or appraiser, or any person whose profession gives authority to a statement made by him, who has with his consent been named as having prepared or certified any part of the registration statement, or as having prepared or certified any report or valuation which is used in connection with the registration statement, with respect to the statement in such registration statement, report, or valuation which purports to have been prepared or certified by him;

"(5) every underwriter with respect to such security.

"(b) Notwithstanding the provisions of subsection (a) no person, other than the issuer, shall be liable as provided therein who shall sustain the burden of proof—

"(1) that before the effective date of the part of the registration statement with respect to which his liability is asserted (A) he had resigned from or had taken such steps as are permitted by law to resign from, or ceased or refused to act in, every office, capacity, or relationship in which he was described in the registration statement as acting or agreeing to act, and (B) he had advised the Commission and the issuer in writing that he had taken such action and that he would not be responsible for such part of the registration statement; or

"(2) that if such part of the registration statement became effective without his knowledge, upon becoming aware of such fact he forthwith acted and advised the Commission, in accordance with paragraph (1), and, in addition, gave reasonable public notice that such part of the registration statement had become effective without his knowledge; or

"(3) that (A) as regards any part of the registration statement not purporting to be made on the authority of an expert, and not purporting to be a copy of or extract from a report or valuation of an expert, and not purporting to be made on the authority of a public official document or statement, he had, after reasonable investigation, reasonable ground to believe and did believe, at the time such part of the registration statement became effective, that the statements therein were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and (B) as regards any part of the registration statement purporting to be made upon his authority as an expert or purporting to be a copy of or extract from a report or valuation of himself as an expert, (i) he had, after reasonable

investigation, reasonable ground to believe and did believe, at the time such part of the registration statement became effective, that the statements therein were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) such part of the registration statement did not fairly represent his statement as an expert or was not a fair copy of or extract from his report or valuation as an expert; and (C) as regards any part of the registration statement purporting to be made on the authority of an expert (other than himself) or purporting to be a copy of or extract from a report or valuation of an expert (other than himself), he had reasonable ground to believe and did believe, at the time such part of the registration statement became effective, that the statements therein were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and that such part of the registration statement fairly represented the statement of the expert or was a fair copy of or extract from the report or valuation of the expert; and (D) as regards any part of the registration statement purporting to be a statement made by an official person or purporting to be a copy of or extract from a public official document, he had reasonable ground to believe and did believe, at the time such part of the registration statement became effective, that the statements therein were true, and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and that such part of the registration statement fairly represented the statement made by the official person or was a fair copy of or extract from the public official document.

"(c) In determining, for the purpose of paragraph (3) of subsection (b) of this section, what constitutes reasonable investigation and reasonable ground for belief, the standard of reasonableness shall be that required of a person occupying a fiduciary relationship.

"(d) If any person becomes an underwriter with respect to the security after the part of the registration statement with respect to which his liability is asserted has become effective, then for the purposes of paragraph (3) of subsection (b) of this section such part of the registration statement shall be considered as having become effective with respect to such person as of the time when he became an underwriter.

"(e) The suit authorized under subsection (a) may be either (1) to recover the consideration paid for such security with interest thereon, less the amount of any income received thereon, upon the tender of such security, or (2) for damages if the person suing no longer owns the security.

"(f) All or any one or more of the persons specified in subsection (a) shall be jointly and severally liable, and every person who becomes liable to make any payment under this section may recover contribution as in cases of contract from any person who, if sued separately, would have been liable to make the same payment, unless the person who has become liable was, and the other was not, guilty of fraudulent misrepresentation.

"(g) In no case shall the amount recoverable under this section exceed the price at which the security was offered to the public.

"CIVIL LIABILITIES ARISING IN CONNECTION WITH PROSPECTUSES AND COMMUNICATIONS

"SEC. 12. Any person who—

"(1) sells a security in violation of section 5, or

"(2) sells a security (whether or not exempted by the provisions of section 3, other than paragraph (2) of subsection (a) thereof), by the use of any means or instruments of transportation or communication in interstate commerce or of the mails, by means of a prospectus or oral communication, which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading (the purchaser not knowing of such untruth or omission), and who shall not sustain the burden of proof that he did not know, and in the

exercise of reasonable care could not have known, of such untruth or omissions,

"shall be liable to the person purchasing such security from him, who may sue either at law or in equity in any court of competent jurisdiction, to recover the consideration paid for such security with interest thereon, less the amount of any income received thereon, upon the tender of such security, or for damages if he no longer owns the security.

"LIMITATION OF ACTIONS

"SEC. 13. No action shall be maintained to enforce any liability created under section 11 or section 12 (2) unless brought within 2 years after the discovery of the untrue statement or the omission, or after such discovery should have been made by the exercise of reasonable diligence, or, if the action is to enforce a liability created under section 12 (1), unless brought within 2 years after the violation upon which it is based. In no event shall any such action be brought to enforce a liability created under section 11 or section 12 (1) more than 10 years after the security was bona fide offered to the public.

"CONTRARY STIPULATIONS VOID

"SEC. 14. Any condition, stipulation, or provision binding any person acquiring any security to waive compliance with any provision of this title or of the rules and regulations of the Commission shall be void.

"LIABILITY OF CONTROLLING PERSONS

"SEC. 15. Every person who, by or through stock ownership, agency, or otherwise, or who, pursuant to or in connection with an agreement or understanding with one or more other persons by or through stock ownership, agency, or otherwise, controls any person liable under section 11 or 12, shall also be liable jointly and severally with and to the same extent as such controlled person to any person to whom such controlled person is liable.

"ADDITIONAL REMEDIES

"SEC. 16. The rights and remedies provided by this title shall be in addition to any and all other rights and remedies that may exist at law or in equity.

"FRAUDULENT INTERSTATE TRANSACTIONS

"SEC. 17. (a) It shall be unlawful for any person in the sale of any securities by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly—

"(1) to employ any device, scheme, or artifice to defraud, or

"(2) to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or

"(3) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

"(b) It shall be unlawful for any person, by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, to publish, give publicity to, or circulate any notice, circular, advertisement, newspaper, article, letter, investment service, or communication which, though not purporting to offer a security for sale, describes such security for a consideration received or to be received, directly or indirectly, from an issuer, underwriter, or dealer, without fully disclosing the receipt, whether past or prospective, of such consideration and the amount thereof.

"(c) The exemptions provided in section 3 shall not apply to the provisions of this section.

"STATE CONTROL OF SECURITIES

"SEC. 18. Nothing in this title shall affect the jurisdiction of the securities commission (or any agency or office performing like functions) of any State or Territory of the United States, or the District of Columbia, over any security or any person.

"SPECIAL POWERS OF COMMISSION

"SEC. 19. (a) The Commission shall have authority from time to time to make, amend, and rescind such rules and

regulations as may be necessary to carry out the provisions of this title, including rules and regulations governing registration statements and prospectuses for various classes of securities and issuers, and defining accounting and trade terms used in this title. Among other things, the Commission shall have authority, for the purposes of this title, to prescribe the form or forms in which required information shall be set forth, the items or details to be shown in the balance sheet and earning statement, and the methods to be followed in the preparation of accounts, in the appraisal or valuation of assets and liabilities, in the determination of depreciation and depletion, in the differentiation of recurring and non-recurring income, in the differentiation of investment and operating income, and in the preparation, where the Commission deems it necessary or desirable, of consolidated balance sheets or income accounts of any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer; but insofar as they relate to any common carrier subject to the provisions of section 20 of the Interstate Commerce Act, as amended, the rules and regulations of the Commission with respect to accounts shall not be inconsistent with the requirements imposed by the Interstate Commerce Commission under authority of such section 20. The rules and regulations of the Commission shall be effective upon publication in the manner which the Commission shall prescribe.

"(b) For the purpose of all investigations which, in the opinion of the Commission, are necessary and proper for the enforcement of this title, any member of the Commission or any officer or officers designated by it are empowered to administer oaths and affirmations, subpoena witnesses, take evidence, and require the production of any books, papers, or other documents which the Commission deems relevant or material to the inquiry. Such attendance of witnesses and the production of such documentary evidence may be required from any place in the United States or any Territory at any designated place of hearing.

"INJUNCTIONS AND PROSECUTION OF OFFENSES

"SEC. 20. (a) Whenever it shall appear to the Commission, either upon complaint or otherwise, that the provisions of this title, or of any rule or regulation prescribed under authority thereof, have been or are about to be violated, it may, in its discretion, either require or permit such person to file with it a statement in writing, under oath, or otherwise, as to all the facts and circumstances concerning the subject matter which it believes to be in the public interest to investigate, and may investigate such facts.

"(b) Whenever it shall appear to the Commission that any person is engaged or about to engage in any acts or practices which constitute or will constitute a violation of the provisions of this title, or of any rule or regulation prescribed under authority thereof, it may in its discretion, bring an action in any district court of the United States, United States court of any Territory, or the Supreme Court of the District of Columbia to enjoin such acts or practices, and upon a proper showing a permanent or temporary injunction or restraining order shall be granted without bond. The Commission may transmit such evidence as may be available concerning such acts or practices to the Attorney General who may, in his discretion, institute the necessary criminal proceedings under this title. Any such criminal proceeding may be brought either in the district wherein the transmittal of the prospectus or security complained of begins, or in the district wherein such prospectus or security is received.

"(c) Upon application of the Commission the district courts of the United States, the United States courts of any Territory, and the Supreme Court of the District of Columbia, shall also have jurisdiction to issue writs of mandamus commanding any person to comply with the provisions of this title or any order of the Commission made in pursuance thereof.

"HEARINGS BY COMMISSION

"SEC. 21. All hearings shall be public and may be held before the Commission or an officer or officers of the Com-

mission designated by it, and appropriate records thereof shall be kept.

" JURISDICTION OF OFFENSES AND SUITS

"SEC. 22. (a) The district courts of the United States, the United States courts of any Territory, and the Supreme Court of the District of Columbia shall have jurisdiction of offenses and violations under this title and under the rules and regulations promulgated by the Commission in respect thereto, and, concurrent with State and Territorial courts, of all suits in equity and actions at law brought to enforce any liability or duty created by this title. Any such suit or action may be brought in the district wherein the defendant is found or is an inhabitant or transacts business, or in the district where the sale took place, if the defendant participated therein, and process in such cases may be served in any other district of which the defendant is an inhabitant or wherever the defendant may be found. Judgments and decrees so rendered shall be subject to review as provided in sections 128 and 240 of the Judicial Code, as amended (U.S.C., title 28, secs. 225 and 347). No case arising under this title and brought in any State court of competent jurisdiction shall be removed to any court of the United States. No costs shall be assessed for or against the Commission in any proceeding under this title brought by or against it in the Supreme Court or such other courts.

"(b) In case of contumacy or refusal to obey a subpoena issued to any person, any of the said United States courts, within the jurisdiction of which said person guilty of contumacy or refusal to obey is found or resides, upon application by the Commission may issue to such person an order requiring such person to appear before the Commission, or one of its examiners designated by it, there to produce documentary evidence if so ordered, or there to give evidence touching the matter in question; and any failure to obey such order of the court may be punished by said court as a contempt thereof.

"(c) No person shall be excused from attending and testifying or from producing books, papers, contracts, agreements, and other documents before the Commission, or in obedience to the subpoena of the Commission or any member thereof or any officer designated by it, or in any cause or proceeding instituted by the Commission, on the ground that the testimony or evidence, documentary or otherwise, required of him, may tend to incriminate him or subject him to a penalty or forfeiture; but no individual shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, documentary or otherwise, except that such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

" UNLAWFUL REPRESENTATIONS

"SEC. 23. Neither the fact that the registration statement for a security has been filed or is in effect nor the fact that a stop order is not in effect with respect thereto shall be deemed a finding by the Commission that the registration statement is true and accurate on its face or that it does not contain an untrue statement of fact or omit to state a material fact, or be held to mean that the Commission has in any way passed upon the merits of, or given approval to, such security. It shall be unlawful to make, or cause to be made, to any prospective purchaser any representation contrary to the foregoing provisions of this section.

" PENALTIES

"SEC. 24. Any person who willfully violates any of the provisions of this title, or the rules and regulations promulgated by the Commission under authority thereof, or any person who willfully, in a registration statement filed under this title, makes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, shall upon conviction be fined not more than \$5,000 or imprisoned not more than 5 years, or both.

" JURISDICTION OF OTHER GOVERNMENT AGENCIES OVER SECURITIES

"SEC. 25. Nothing in this title shall relieve any person from submitting to the respective supervisory units of the Government of the United States information, reports, or other documents that are now or may hereafter be required by any provision of law.

" SEPARABILITY OF PROVISIONS

"SEC. 26. If any provision of this act, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of this act, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

" SCHEDULE A

"(1) The name under which the issuer is doing or intends to do business;

"(2) the name of the State or other sovereign power under which the issuer is organized;

"(3) the location of the issuer's principal business office, and if the issuer is a foreign or Territorial person, the name and address of its agent in the United States authorized to receive notice;

"(4) the names and addresses of the directors or persons performing similar functions, and the chief executive, financial, and accounting officers, chosen or to be chosen if the issuer be a corporation, association, trust, or other entity; of all partners, if the issuer be a partnership; and of the issuer, if the issuer be an individual; and of the promoters in the case of a business to be formed, or formed within 2 years prior to the filing of the registration statement;

"(5) the names and addresses of the underwriters;

"(6) the names and addresses of all persons, if any, owning of record or beneficially, if known, more than 10 percent of any class of stock of the issuer, or more than 10 percent in the aggregate of the outstanding stock of the issuer as of a date within 20 days prior to the filing of the registration statement;

"(7) the amount of securities of the issuer held by any person specified in paragraphs (4), (5), and (6) of this schedule, as of a date within 20 days prior to the filing of the registration statement, and, if possible, as of 1 year prior thereto, and the amount of the securities, for which the registration statement is filed, to which such persons have indicated their intention to subscribe;

"(8) the general character of the business actually transacted or to be transacted by the issuer;

"(9) a statement of the capitalization of the issuer, including the authorized and outstanding amounts of its capital stock and the proportion thereof paid up, the number and classes of shares in which such capital stock is divided, par value thereof, or if it has no par value, the stated or assigned value thereof, a description of the respective voting rights, preferences, conversion and exchange rights, rights to dividends, profits, or capital of each class, with respect to each other class, including the retirement and liquidation rights or values thereof;

"(10) a statement of the securities, if any, covered by options outstanding or to be created in connection with the security to be offered, together with the names and addresses of all persons, if any, to be allotted more than 10 percent in the aggregate of such options;

"(11) the amount of capital stock of each class issued or included in the shares of stock to be offered;

"(12) the amount of the funded debt outstanding and to be created by the security to be offered, with a brief description of the date, maturity, and character of such debt, rate of interest, character of amortization provisions, and the security, if any, therefor. If substitution of any security is permissible, a summarized statement of the conditions under which such substitution is permitted. If substitution is permissible without notice, a specific statement to that effect;

"(13) the specific purposes in detail and the approximate amounts to be devoted to such purposes, so far as determinable, for which the security to be offered is to supply funds,

and if the funds are to be raised in part from other sources, the amounts thereof and the sources thereof, shall be stated;

"(14) the remuneration, paid or estimated to be paid, by the issuer or its predecessor, directly or indirectly, during the past year and ensuing year to (a) the directors or persons performing similar functions, and (b) its officers and other persons, naming them wherever such remuneration exceeded \$25,000 during any such year;

"(15) the estimated net proceeds to be derived from the security to be offered;

"(16) the price at which it is proposed that the security shall be offered to the public or the method by which such price is computed and any variation therefrom at which any portion of such security is proposed to be offered to any persons or classes of persons, other than the underwriters, naming them or specifying the class. A variation in price may be proposed prior to the date of the public offering of the security, but the Commission shall immediately be notified of such variation;

"(17) all commissions or discounts paid or to be paid, directly or indirectly, by the issuer to the underwriters in respect of the sale of the security to be offered. Commissions shall include all cash, securities, contracts, or anything else of value, paid, to be set aside, disposed of, or understandings with or for the benefit of any other persons in which any underwriter is interested, made, in connection with the sale of such security. A commission paid or to be paid in connection with the sale of such security by a person in which the issuer has an interest or which is controlled or directed by, or under common control with, the issuer shall be deemed to have been paid by the issuer. Where any such commission is paid, the amount of such commission paid to each underwriter shall be stated;

"(18) the amount or estimated amounts, itemized in reasonable detail, of expenses, other than commissions specified in paragraph (17) of this schedule, incurred or borne by or for the account of the issuer in connection with the sale of the security to be offered or properly chargeable thereto, including legal, engineering, certification, authentication, and other charges;

"(19) the net proceeds derived from any security sold by the issuer during the 2 years preceding the filing of the registration statement, the price at which such security was offered to the public, and the names of the principal underwriters of such security;

"(20) any amount paid within 2 years preceding the filing of the registration statement or intended to be paid to any promoter and the consideration for any such payment;

"(21) the names and addresses of the vendors and the purchase price of any property, or good will, acquired or to be acquired, not in the ordinary course of business, which is to be defrayed in whole or in part from the proceeds of the security to be offered, the amount of any commission payable to any person in connection with such acquisition, and the name or names of such person or persons, together with any expense incurred or to be incurred in connection with such acquisition, including the cost of borrowing money to finance such acquisition;

"(22) full particulars of the nature and extent of the interest, if any, of every director, principal executive officer, and of every stockholder holding more than 10 percent of any class of stock or more than 10 percent in the aggregate of the stock of the issuer, in any property acquired, not in the ordinary course of business of the issuer, within 2 years preceding the filing of the registration statement or proposed to be acquired at such date;

"(23) the names and addresses of counsel who have passed on the legality of the issue;

"(24) dates of and parties to, and the general effect concisely stated of every material contract made, not in the ordinary course of business, which contract is to be executed in whole or in part at or after the filing of the registration statement or which contract has been made not more than 2 years before such filing. Any management contract or contract providing for special bonuses or profit-sharing ar-

rangements, and every material patent or contract for a material patent right, and every contract by or with a public utility company or an affiliate thereof, providing for the giving or receiving of technical or financial advice or service (if such contract may involve a charge to any party thereto at a rate in excess of \$2,500 per year in cash or securities or anything else of value), shall be deemed a material contract;

"(25) a balance sheet as of a date not more than 90 days prior to the date of the filing of the registration statement showing all of the assets of the issuer, the nature and cost thereof, whenever determinable, in such detail and in such form as the Commission shall prescribe (with intangible items segregated), including any loan in excess of \$20,000 to any officer, director, stockholder or person directly or indirectly controlling or controlled by the issuer, or person under direct or indirect common control with the issuer. All the liabilities of the issuer in such detail and such form as the Commission shall prescribe, including surplus of the issuer showing how and from what sources such surplus was created, all as of a date not more than 90 days prior to the filing of the registration statement. If such statement be not certified by an independent public or certified accountant, in addition to the balance sheet required to be submitted under this schedule, a similar detailed balance sheet of the assets and liabilities of the issuer, certified by an independent public or certified accountant, of a date not more than 1 year prior to the filing of the registration statement, shall be submitted;

"(26) a profit-and-loss statement of the issuer showing earnings and income, the nature and source thereof, and the expenses and fixed charges in such detail and such form as the Commission shall prescribe for the latest fiscal year for which such statement is available and for the 2 preceding fiscal years, year by year, or, if such issuer has been in actual business for less than 3 years, then for such time as the issuer has been in actual business, year by year. If the date of the filing of the registration statement is more than 6 months after the close of the last fiscal year, a statement from such closing date to the latest practicable date. Such statement shall show what the practice of the issuer has been during the 3 years or lesser period as to the character of the charges, dividends or other distributions made against its various surplus accounts, and as to depreciation, depletion, and maintenance charges, in such detail and form as the Commission shall prescribe, and if stock dividends or avails from the sale of rights have been credited to income, they shall be shown separately with a statement of the basis upon which the credit is computed. Such statement shall also differentiate between any recurring and nonrecurring income and between any investment and operating income. Such statement shall be certified by an independent public or certified accountant;

"(27) if the proceeds, or any part of the proceeds, of the security to be issued is to be applied directly or indirectly to the purchase of any business, a profit-and-loss statement of such business, certified by an independent public or certified accountant, meeting the requirements of paragraph (26) of this schedule, for the 3 preceding fiscal years, together with a balance sheet, similarly certified, of such business, meeting the requirements of paragraph (25) of this schedule of a date not more than 90 days prior to the filing of the registration statement or at the date such business was acquired by the issuer if the business was acquired by the issuer more than 90 days prior to the filing of the registration statement;

"(28) a copy of any agreement or agreements (or, if identical agreements are used, the forms thereof) made with any underwriter, including all contracts and agreements referred to in paragraph (17) of this schedule;

"(29) a copy of the opinion or opinions of counsel in respect to the legality of the issue, with a translation of such opinion, when necessary, into the English language;

"(30) a copy of all material contracts referred to in paragraph (24) of this schedule, but no disclosure shall be required of any portion of any such contract if the Commis-

sion determines that disclosure of such portion would impair the value of the contract and would not be necessary for the protection of investors;

"(31) unless previously filed and registered under the provisions of this title, and brought up to date, (a) a copy of its articles of incorporation, with all amendments thereof and of its existing bylaws or instruments corresponding thereto, whatever the name, if the issuer be a corporation; (b) copy of all instruments by which the trust is created or declared, if the issuer is a trust; (c) a copy of its articles of partnership or association and all other papers pertaining to its organization, if the issuer is a partnership, unincorporated association, joint-stock company, or any other form of organization; and

"(32) a copy of the underlying agreements or indentures affecting any stock, bonds, or debentures offered or to be offered.

"In case of certificates of deposit, voting trust certificates, collateral trust certificates, certificates of interest or shares in unincorporated investment trusts, equipment trust certificates, interim or other receipts for certificates, and like securities, the Commission shall establish rules and regulations requiring the submission of information of a like character applicable to such cases, together with such other information as it may deem appropriate and necessary regarding the character, financial or otherwise, of the actual issuer of the securities and/or the person performing the acts and assuming the duties of depositor or manager.

"SCHEDULE B

"(1) Name of borrowing government or subdivision thereof;

"(2) specific purposes in detail and the approximate amounts to be devoted to such purposes, so far as determinable, for which the security to be offered is to supply funds, and if the funds are to be raised in part from other sources, the amounts thereof and the sources thereof, shall be stated;

"(3) the amount of the funded debt and the estimated amount of the floating debt outstanding and to be created by the security to be offered, excluding intergovernmental debt, and a brief description of the date, maturity, character of such debt, rate of interest, character of amortization provisions, and the security, if any, therefor. If substitution of any security is permissible, a statement of the conditions under which such substitution is permitted. If substitution is permissible without notice, a specific statement to that effect;

"(4) whether or not the issuer or its predecessor has, within a period of 20 years prior to the filing of the registration statement, defaulted on the principal or interest of any external security, excluding intergovernmental debt, and, if so, the date, amount, and circumstances of such default, and the terms of the succeeding arrangement, if any;

"(5) the receipts, classified by source, and the expenditures, classified by purpose, in such detail and form as the Commission shall prescribe for the latest fiscal year for which such information is available and the 2 preceding fiscal years, year by year;

"(6) the names and addresses of the underwriters;

"(7) the name and address of its authorized agent, if any, in the United States;

"(8) the estimated net proceeds to be derived from the sale in the United States of the security to be offered;

"(9) the price at which it is proposed that the security shall be offered in the United States to the public or the method by which such price is computed. A variation in price may be proposed prior to the date of the public offering of the security, but the Commission shall immediately be notified of such variation;

"(10) all commissions paid or to be paid, directly or indirectly, by the issuer to the underwriters in respect of the sale of the security to be offered. Commissions shall include all cash, securities, contracts, or anything else of value, paid, to be set aside, disposed of, or understandings with or for the benefit of any other persons in which the underwriter is interested, made, in connection with the sale of such

security. Where any such commission is paid, the amount of such commission paid to each underwriter shall be stated;

"(11) the amount or estimated amounts, itemized in reasonable detail, of expenses, other than the commissions specified in paragraph (10) of this schedule, incurred or borne by or for the account of the issuer in connection with the sale of the security to be offered or properly chargeable thereto, including legal, engineering, certification, and other charges;

"(12) the names and addresses of counsel who have passed upon the legality of the issue;

"(13) a copy of any agreement or agreements made with any underwriter governing the sale of the security within the United States; and

"(14) an agreement of the issuer to furnish a copy of the opinion or opinions of counsel in respect to the legality of the issue, with a translation, where necessary, into the English language. Such opinion shall set out in full all laws, decrees, ordinances, or other acts of government under which the issue of such security has been authorized.

"TITLE II

"SECTION 201. For the purpose of protecting, conserving, and advancing the interests of the holders of foreign securities in default, there is hereby created a body corporate with the name 'Corporation of Foreign Security Holders' (herein called the 'Corporation'). The principal office of the Corporation shall be located in the District of Columbia, but there may be established agencies or branch offices in any city or cities of the United States under rules and regulations prescribed by the board of directors.

"SEC. 202. The control and management of the Corporation shall be vested in a board of 6 directors, who shall be appointed and hold office in the following manner: As soon as practicable after the date this act takes effect the Federal Trade Commission (hereinafter in this title called 'Commission') shall appoint six directors, and shall designate a chairman and a vice chairman from among their number. After the directors designated as chairman and vice chairman cease to be directors, their successors as chairman and vice chairman shall be elected by the board of directors itself. Of the directors first appointed, 2 shall continue in office for a term of 2 years, 2 for a term of 4 years, and 2 for a term of 6 years, from the date this act takes effect, the term of each to be designated by the Commission at the time of appointment. Their successors shall be appointed by the Commission, each for a term of 6 years from the date of the expiration of the term for which his predecessor was appointed, except that any person appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed only for the unexpired term of such predecessor. No person shall be eligible to serve as a director who within the 5 years preceding has had any interest, direct or indirect, in any corporation, company, partnership, bank, or association which has sold, or offered for sale, any foreign securities. The office of a director shall be vacated if the board of directors shall at a meeting specially convened for that purpose by resolution passed by a majority of at least two thirds of the board of directors, remove such member from office, provided that the member whom it is proposed to remove shall have 7 days' notice sent to him of such meeting and that he may be heard.

"SEC. 203. The Corporation shall have power to adopt, alter, and use a corporate seal; to make contracts; to lease such real estate as may be necessary for the transaction of its business; to sue and be sued, to complain and to defend, in any court of competent jurisdiction, State or Federal; to require from trustees, financial agents, or dealers in foreign securities information relative to the original or present holders of foreign securities and such other information as may be required and to issue subpoenas therefor; to take over the functions of any fiscal and paying agents of any foreign securities in default; to borrow money for the purposes of this title, and to pledge as collateral for such loans any securities deposited with the Corporation pursuant to this title; by and with the consent and approval of the Commission to select, employ, and fix the compensation of officers,

directors, members of committees, employees, attorneys, and agents of the Corporation, without regard to the provisions of other laws applicable to the employment and compensation of officers or employees of the United States; to define their authority and duties, require bonds of them and fix the penalties thereof, and to dismiss at pleasure such officers, employees, attorneys, and agents; and to prescribe, amend, and repeal, by its board of directors, bylaws, rules, and regulations governing the manner in which its general business may be conducted and the powers granted to it by law may be exercised and enjoyed, together with provisions for such committees and the functions thereof as the board of directors may deem necessary for facilitating its business under this title. The board of directors of the Corporation shall determine and prescribe the manner in which its obligations shall be incurred and its expenses allowed and paid.

"Sec. 204. The board of directors may—

"(1) Convene meetings of holders of foreign securities.

"(2) Invite the deposit and undertake the custody of foreign securities which have defaulted in the payment either of principal or interest, and issue receipts or certificates in the place of securities so deposited.

"(3) Appoint committees from the directors of the Corporation and/or all other persons to represent holders of any class or classes of foreign securities which have defaulted in the payment either of principal or interest and determine and regulate the functions of such committees. The chairman and vice chairman of the board of directors shall be ex-officio chairman and vice chairman of each committee.

"(4) Negotiate and carry out, or assist in negotiating and carrying out, arrangements for the resumption of payments due or in arrears in respect of any foreign securities in default or for rearranging the terms on which such securities may in future be held or for converting and exchanging the same for new securities or for any other object in relation thereto; and under this paragraph any plan or agreement made with respect to such securities shall be binding upon depositors, providing that the consent of holders resident in the United States of 60 per cent of the securities deposited with the Corporation shall be obtained.

"(5) Undertake, superintend, or take part in the collection and application of funds derived from foreign securities which come into the possession of or under the control or management of the Corporation.

"(6) Collect, preserve, publish, circulate, and render available in readily accessible form, when deemed essential or necessary, documents, statistics, reports, and information of all kinds in respect of foreign securities, including particularly records of foreign external securities in default and records of the progress made toward the payment of past-due obligations.

"(7) Take such steps as it may deem expedient with the view of securing the adoption of clear and simple forms of foreign securities and just and sound principles in the conditions and terms thereof.

"(8) Generally, act in the name and on behalf of the holders of foreign securities the care or representation of whose interests may be entrusted to the Corporation; conserve and protect the rights and interests of holders of foreign securities issued, sold, or owned in the United States; adopt measures for the protection, vindication, and preservation or reservation of the rights and interests of holders of foreign securities either on any default in or on breach or contemplated breach of the conditions on which such foreign securities may have been issued, or otherwise; obtain for such holders such legal and other assistance and advice as the board of directors may deem expedient; and do all such other things as are incident or conducive to the attainment of the above objects.

"Sec. 205. The board of directors shall cause accounts to be kept of all matters relating to or connected with the transactions and business of the Corporation, and cause a general account and balance sheet of the Corporation to be made out in each year, and cause all accounts to be audited

by one or more auditors who shall examine the same and report thereon to the board of directors.

"Sec. 206. The Corporation shall make, print, and make public an annual report of its operations during each year, send a copy thereof, together with a copy of the account and balance sheet and auditor's report, to the Commission and to both Houses of Congress, and provide one copy of such report but not more than one on the application of any person and on receipt of a sum not exceeding \$1: *Provided*, That the board of directors in its discretion may distribute copies gratuitously.

"Sec. 207. The Corporation may in its discretion levy charges, assessed on a pro-rata basis, on the holders of foreign securities deposited with it: *Provided*, That any charge levied at the time of depositing securities with the Corporation shall not exceed one fifth of 1 percent of the face value of such securities: *Provided further*, That any additional charges shall bear a close relationship to the cost of operations and negotiations including those enumerated in sections 203 and 204 and shall not exceed 1 percent of the face value of such securities.

"Sec. 208. The Corporation may receive subscriptions from any person, foundation with a public purpose, or agency of the United States Government, and such subscriptions may, in the discretion of the board of directors, be treated as loans repayable when and as the board of directors shall determine.

"Sec. 209. The Reconstruction Finance Corporation is hereby authorized to loan out of its funds not to exceed \$75,000 for the use of the Corporation.

"Sec. 210. Notwithstanding the foregoing provisions of this title, it shall be unlawful for, and nothing in this title shall be taken or construed as permitting or authorizing, the Corporation in this title created, or any committee of said Corporation, or any person or persons acting for or representing or purporting to represent it—

"(a) to claim or assert or pretend to be acting for or to represent the Department of State or the United States Government;

"(b) to make any statements or representations of any kind to any foreign government or its officials or the officials of any political subdivision of any foreign government that said Corporation or any committee thereof or any individual or individuals connected therewith were speaking or acting for the said Department of State or the United States Government; or

"(c) to do any act directly or indirectly which would interfere with or obstruct or hinder or which might be calculated to obstruct, hinder, or interfere with the policy or policies of the said Department of State or the Government of the United States or any pending or contemplated diplomatic negotiations, arrangements, business, or exchanges between the Government of the United States or said Department of State and any foreign government or any political subdivision thereof.

"Sec. 211. This title shall not take effect until the President finds that its taking effect is in the public interest and by proclamation so declares.

"Sec. 212. This title may be cited as the 'Corporation of Foreign Bondholders Act, 1933'."

And the Senate agree to the same.

SAM RAYBURN,
GEO. HUDDLESTON,
CLARENCE LEA,
JAMES S. PARKER,
CARL E. MAPES,

Managers on the part of the House.

DUNCAN U. FLETCHER,
CARTER GLASS,
ROBERT F. WAGNER,

Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the bill (H.R.

5480) to provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The Senate amendment struck out all of the House bill after the enacting clause. The House recedes from its disagreement to the amendment of the Senate, with an amendment which is a substitute for both the House bill and the Senate amendment. The differences between the House bill and the substitute agreed upon by the conferees are noted in the following discussion, except for incidental changes made necessary to harmonize various provisions affected by the agreements reached, and minor and clarifying changes to make clear and effective the administrative procedure provided for and to remove uncertainties.

The House bill did not apply to traffic in securities wholly within the District of Columbia, but the Senate amendment did. This feature was omitted from the House bill upon the basis of a misunderstanding, and is incorporated in the substitute.

The House bill (sec. 2 (11)) and the Senate amendment contained differences as to the definition of the term "underwriter" as used in the act. The substitute amends the definition of underwriter contained in the House bill so as to make clear that a person merely furnishing an underwriter money to enable him to enter into an underwriting agreement is not an underwriter. Persons, however, who participate in any underwriting transaction or who have a direct or indirect participation in such a transaction are deemed to be underwriters. The test is one of participation in the underwriting undertaking rather than that of a mere interest in it.

The House bill (sec. 3 (a) (5)) exempted the securities of building and loan associations and other similar institutions when their business was substantially confined to their members. The Senate amendment limited this exemption by further requiring that these associations must not charge withdrawal or other fees in excess of 2 percent of the face value of the security. This provision in the Senate amendment was accepted with the change of extending the exemption only to institutions that did not charge in excess of 3 percent of the face value of the security by way of a withdrawal fee or otherwise.

The Senate amendment also exempted the securities of farmers' cooperatives. This exemption is incorporated in the substitute.

The Senate amendment provided for an exemption in the case of annuity contracts. The House bill contained no such exemption. The substitute, however, only exempts such contracts when issued by a corporation subject to the supervision of the appropriate State or Territorial governmental agency.

The Senate agreed to the House exemption (sec. 4 (3)) of the issuance of securities to the existing security holders or other existing creditors of a corporation in the process of a bona fide reorganization of such corporation under the supervision of any court. It is clear that under section 3 (a) (1) protective committees even though not under the supervision of a court will not be covered by the act if they have in good faith commenced to solicit deposits of claims or securities within 60 days after the enactment of the act although deposits continue to be solicited after such 60 days.

The House provision (sec. 4 (3)) exempting stock dividends and the sale of stock to stockholders is omitted from the substitute, since stock dividends are exempt without express provision, as they do not constitute a sale, not being given for value. Sales of stock to stockholders become subject to the act unless the stockholders are so small in number that the sale to them does not constitute a public offering. The Senate agreed that the mere exchange with its

security holders of one form of security for another by an issuer where no commission or other remuneration is paid, shall be exempt. This exemption is considered necessary to permit certain voluntary readjustment of obligations. Inasmuch as any exchange that involves the payment of a commission of any sort is not exempt, there is no danger of the provision being used for purposes of evasion.

The House provision (sec. 4 (4)) exempting subscriptions for shares prior to incorporation where no expense is incurred or commission paid, is omitted from the substitute. This exemption is unnecessary in view of section 4 (1), which exempts transactions by any person other than an issuer, underwriter, or dealer.

The House bill (sec. 6 (b)) provided that the minimum fee for registration should be \$50. The Senate amendment made the minimum fee \$25. The provisions of the Senate amendment on this point are contained in the substitute.

The House bill (sec. 8) provided that a registration statement had to be on file with the Commission for 30 days before it became effective. Under the Senate amendment the registration statement became effective upon filing, but the grounds for revocation after filing were considerably broader than those for a stop order under the House bill. In the substitute the registration statement becomes effective only 20 days after filing. This time is sufficient for public scrutiny, while the Commission is expected during this period to make only a preliminary check-up. The stop-order provisions are retained as in the original House measure. Where the security is that of a foreign public authority which has continued the full service of its obligations in the United States and the proceeds of which are to be devoted to the refunding of obligations payable in the United States, the registration statement becomes effective 7 days after the filing of such statement.

The House bill (sec. 9) provided that any review from an order of the Commission should be taken only in the Court of Appeals of the District of Columbia. The Senate amendment permitted these appeals from the Commission's orders to be taken to the appropriate circuit courts of appeal. The substitute embodies this provision. It also, in accordance with phraseology contained in the Senate amendment, makes clear that review over the orders of the Federal Trade Commission shall extend only to questions of law.

A point of difference between the House bill and the Senate amendment concerned the civil liability of persons responsible for the flotation of an issue. The Senate amendment imposed upon the issuer, its directors, its chief executive and financial officers, a liability which might appropriately be denominated as an insurer's liability. They were held liable without regard to whatever care they may have used for the accuracy of the statements made in the registration statement. The House bill, on the other hand, measured liability for these statements in terms of reasonable care, placing upon the defendants the duty, in case they were sued, of proving that they had used reasonable care to assure the accuracy of these statements. The standard by which reasonable care was exemplified was expressed in terms of a fiduciary relationship. A fiduciary under the law is bound to exercise diligence of a type commensurate with the confidence, both as to integrity and competence, that is placed in him. This does not, of course, necessitate that he shall individually perform every duty imposed upon him. Delegation to others of the performance of acts which it is unreasonable to require that the fiduciary shall personally perform is permissible. Especially is this true where the character of the acts involves professional skill or facilities not possessed by the fiduciary himself. In such cases reliance by the fiduciary, if his reliance is reasonable in the light of all the circumstances, is a full discharge of his responsibilities. In choosing between these two standards of liability the Senate accepted the standards imposed by the House bill.

Though the standards of the Senate amendment were more severe than those embodied in the House bill, the

classes of persons upon whom liability was imposed were less. The House bill imposed liability upon the underwriters and also upon the experts, such as accountants, appraisers, and engineers, who gave the authority of their names to statements made in the registration statement. The Senate accepted the provisions of the House bill with reference to this matter, but with the modification that, to protect an unauthorized use of the expert's name, written consent to the use of his name, as having prepared or certified part of the registration statement or as having prepared a report to which statements in the registration statement were attributed, should be filed at the time of the filing of the registration statement. The necessary changes to effectuate this end have been made in the substitute.

The Senate amendment imposed liability upon persons making false and deceptive statements in connection with the distribution or sale of a security. The House bill made the liability depend upon the making of untrue statements or omissions to state material facts. This phrase has been clarified in the substitute to make the omission relate to the statements made in order that these statements shall not be misleading, rather than making mere omission—unless the act expressly requires such a fact to be stated—a ground for liability where no circumstances exist to make the omission in itself misleading.

The House bill (sec. 12) imposes civil liability for using the mails or the facilities of interstate commerce to sell securities (including securities exempt, under section 3, from other provisions of the bill) by means of representations which are untrue or are misleading by reason of omissions of material facts. The substantially similar provisions of the Senate amendment did not apply to any of the securities exempted under the Senate amendment. The substitute exempts from the operation of this section sales of securities covered by section 3 (a) (2), which relates, broadly speaking, to securities issued or guaranteed by the United States or any State, Territory, or the District of Columbia, or by a public instrumentality, or by a Federal Reserve bank or national bank, or by a supervised State bank.

The Senate amendment contained provisions referred to as "dummy provisions" which were calculated to place liability upon a person who acted through another, irrespective of whether a direct agency relationship existed but dependent upon the actual control exercised by the one party over the other. The House bill did not contain these provisions. The various provisions of the Senate amendment on this subject have been welded into one and incorporated as a new section in the substitute.

The House bill (sec. 18) contained a provision prohibiting the selling of securities in interstate commerce in any State, Territory, or the District of Columbia where such sale would have been a violation of the laws thereof relating to the sale of securities if it had taken place wholly therein. This provision is not in the Senate amendment and is eliminated from the substitute.

The House bill (sec. 21) limited the venue of actions brought in the district courts to enforce civil liabilities under the act to the district in which the defendant was an inhabitant or had its principal place of business or in the district where the sale took place. The Senate amendment extended this provision to permit suit in the district where the defendant might be found or where he transacts business. The substitute incorporates the provision of the Senate bill in this respect.

The schedules of the House bill required the disclosure of certain material contracts made not in the ordinary course of business. The Senate amendment contained no such provision. The substitute clarifies the meaning of "material contract" as used in the House bill, and also provides against any disclosure of the content of any portion of a material contract when the Commission finds that such disclosure would both impair the value of the contract and would not be necessary for the protection of investors. Ample protection is thereby afforded against the disclosure of secret formulae, trade secrets, or competitive advantages achieved by agreement.

Numerous differences between the House bill and the Senate amendment resolve themselves about the powers of the Federal Trade Commission. In some instances the provisions of the Senate amendment on these matters are contained in the substitute, in others the provisions of the Senate amendment have been adapted to the basic machinery underlying the House bill. Throughout, the aim has been to invest the Federal Trade Commission with full and adequate powers to perform the duties vested upon it under the act. Care has also been taken to avoid any conflict between the exercise of such powers by the Federal Trade Commission and the exercise of similar powers by any other Federal agency.

Title II of the Senate amendment provides for the creation of a "corporation of foreign security holders" for the protecting, serving, and advancing of the interests of the holders of foreign securities in default. The control and management of the Corporation is vested in a board of 12 directors appointed by the Commission. The normal term of a director is 6 years, but the terms of the first directors are so arranged that a third of the board will retire every 2 years. No person is eligible to serve as a director who within the 5 years preceding has had any interest in any corporation which has sold any foreign securities.

The Corporation is given power, among other things, to make contracts; to lease such real estate as may be necessary for the transaction of its business; to sue and be sued in any court of competent jurisdiction; to require from trustees, financial agents, or dealers in foreign securities information relative to the original or present holders of foreign securities, and to issue subpoenas therefor; to take over the functions of any fiscal and paying agents of any foreign securities in default; to borrow money and to pledge as collateral any securities deposited with the Corporation; with the consent of the commission to employ and fix the compensation of officers, directors, members of committees, employees, attorneys, and agents of the Corporation, without regard to the provisions of other laws applicable to the employment and compensation of officers and employees of the United States.

The board of directors are authorized (1) to convene meetings of holders of foreign securities; (2) to invite the deposit of defaulted foreign securities; (3) to appoint committees consisting of the directors of the Corporation and/or of other persons to represent the holders of defaulted foreign securities; (4) to negotiate and carry out arrangements for the resumption of payments on defaulted foreign securities, and any plan or agreement made with respect to such securities shall be binding upon depositors provided the consent of 60 percent of the holders of such securities deposited with the Corporation is obtained; (5) to undertake or superintend the collection and application of funds derived from foreign securities deposited with the Corporation; (6) to collect and publish statistics and other information regarding foreign securities; (7) to take steps to facilitate the adoption of clear and simple forms of foreign securities and just and sound principles in the conditions and terms thereof; and (8) generally to act in the name and on behalf of the holders of foreign securities the care or representation of whose interest is entrusted to the Corporation.

The board of directors is to keep accounts of all transactions and business of the Corporation and to publish an audited general account and balance sheet annually.

The Corporation is to make an annual report of its operations, which shall be available to any person at a nominal cost.

The Corporation may levy charges on a pro-rata basis on the holders of foreign securities deposited with it, provided that any such levy at the time of the deposit shall not exceed one fifth of 1 percent of the face value of such security, and provided that any additional charge shall bear a close relationship to the costs and should not exceed 1 percent of the face value of such security.

The Corporation may receive subscriptions from any person or foundation or agency of the United States Government.

The Reconstruction Finance Corporation is authorized to loan out of its funds not to exceed \$75,000 for the use of the Corporation.

Under the bill as agreed to in conference title II of the Senate amendment is included, with the following amendments:

1. The board of directors is reduced from 12 to 6.
2. Title II is not to take effect until the President finds that its taking effect is in the public interest and by proclamation so declares.
3. A new section is added providing that it should be unlawful for the Corporation or any committee of the corporation or any person acting for the Corporation (a) to claim or assert to be acting for the Department of State of the United States Government; (b) to make any statements or representations of any kind to any foreign government or of any political subdivision thereof that the Corporation or any committee or any person connected therewith was speaking or acting for the Department of State or the United States Government; or (c) to do any act, directly or indirectly, which would interfere with the policy or policies of the Department of State or of the Government of the United States.

SAM RAYBURN,
GEO. HUDDLESTON,
CLARENCE LEA,
JAMES S. PARKER,
CARL E. MAPES,

Managers on the part of the House.

Mr. RAYBURN. Mr. Speaker, there are two typographical errors. In title II, section 202, where "12" is used, it should be "6", and in the same section, near the end of the section, the words "three fourths" should be "two thirds."

I ask unanimous consent that the corrections may be made.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. RAYBURN. Mr. Speaker, I move the adoption of the conference report.

The conference report was agreed to.

A motion to reconsider the vote by which the conference report was agreed to was laid on the table.

REGULATION OF BANKING

Mr. STEAGALL. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H.R. 5661) to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H.R. 5661, with Mr. CANNON of Missouri in the chair.

The Clerk read the title of the bill.

Mr. LUCE. Mr. Chairman, I yield 15 minutes to the gentleman from Kansas [Mr. McGUGIN].

Mr. McGUGIN. Mr. Chairman, at the outset I wish to pay my tribute to the Honorable HENRY B. STEAGALL as a most valuable friend of the State banks. In defiance of the opposition of powerful influences the gentleman from Alabama [Mr. STEAGALL] has been making a gallant struggle to save the State banks.

Now we have before the Congress two banking bills, the Glass bill in the Senate and the Steagall bill in the House. They both provide for an insurance or guaranty of bank deposits. The Glass bill is intolerable and impossible as far as the State banks are concerned. The Steagall bill in the House is far preferable to the Glass bill in the Senate. The Glass bill provides for the insurance of deposits in banks which are members of the Federal Reserve System. No other bank can participate in the fund under this bill. The only way a State bank can participate in the fund under the

Glass bill would be for it to come into the Federal Reserve. Thousands of them cannot do that now. They cannot meet the qualifications, yet in many instances they are equally as solvent as thousands of national banks which are now in the Federal Reserve, but which could not get in it if they were out of it now and were required to meet the entrance qualifications.

If the Glass bill were enacted into law and the deposits of banks which are members of the Federal Reserve were insured, it would mean the instant insolvency of the overwhelming majority of the State banks which could not participate in the fund. People would immediately withdraw their deposits from the State banks and carry them across the street to the insured national banks. That would mean immediate liquidation of the State banks, which in turn would cause intolerable loss to the depositors in State banks. It would mean forced liquidation of billions of dollars now due to the State banks, which in turn would mean the immediate bankruptcy of millions of debtors to the State banks. It would cause chaos and pandemonium in American banking and credit such as we have not yet seen. Such a cruel contraction of credit would not only drive millions of debtors into bankruptcy but would close down their business institutions and would thereby increase the army of the unemployed by legions.

The Steagall bill and the bill which we are now considering in the House does not amply take care of the State banks. Considering the formidable and powerful opposition with which Mr. STEAGALL has been confronted, he deserves the commendation rather than the criticism of the State banks and the friends of the State banks. So what I have to say is in no sense a criticism of the gentleman from Alabama.

Subsection (a), section 302, pages 53 and 54, of the Steagall bill provides that any State bank or trust company not a member of the Federal Reserve can come into this fund upon a certificate of solvency from the proper State authorities and "after examination by and approval of the corporation." Those words "after examination by and approval of the corporation" only temporarily postpone the execution date of the State banking system. This section further provides that the corporation in charge of this insurance fund is authorized to prescribe rules and regulations for the further examination of State banks. It also provides that at any time the board of directors of this corporation is of the opinion that a State bank should no longer be permitted to remain in this fund, it has the power to order it out of the fund.

These three provisions place the State banks at the mercy of a Federal agency. This means the inevitable end of the State banking system. With subsection (a), section 302, left in this bill intact, the entire bill must be defeated, unless we are willing to pay the price of ultimately doing away with the State banks. The only way the Steagall bill can be placed in condition so that it deserves enactment is for section 302, subsection (a), to be amended so that a State bank or trust company not a member of the Federal Reserve System can come into this fund on a certificate of solvency from the State banking authorities and remain in the fund upon providing a semiannual certificate of solvency from the proper State banking authorities, and further providing that they can remain in such fund under the same terms and conditions as to assessments and purchases of stock as is required of member banks of the Federal Reserve. Without such a provision, the bill should be defeated. At the proper time I shall offer such an amendment. I trust the House will accept it. On a similar bill which was before the House in the first session of the Seventy-second Congress the bill introduced was like this bill, in that it failed to take care of the State banks. The House amended it by inserting a provision that State banks should enter into the fund upon certification of solvency from the State banking authorities and remain in the fund upon furnishing a semiannual certificate of solvency from the State banking authorities, and that such banks should pay the same dues, assessments, and fees that were collected from banks which were members of the Federal Reserve System. I may say

that in the Seventy-second Congress, when a similar bill was before the House, which also provided that State banks should be subject to examination by this Federal board, the House amended the bill by providing that State banks could come into the fund by a certificate of solvency from the State authorities, and stay in it by certificate of solvency from State authorities.

It makes no difference what the Federal agency may be, whether it is the Federal Reserve Board, the national banking department, or this board set up to operate this guaranty fund, any time the State banks are subjected to the domination and regulation of such a Federal board, they may just as well be national banking institutions with national charters. Whenever the State banks are obliged to be under the domination of a Federal board, then we have but one uniform banking system in the United States, and that is the national banking system.

There are those who believe it would be a good thing for our country if our banks were in one system, the national banking system. Personally I think they realize not what they are doing. When they advocate this program they are advocating something which leads directly to the end of individual credit. They are advocating something which leads to the day when credit will no longer exist for individuals, small corporations, and small business institutions. There is no such thing as a uniform banking regulation which will serve the needs of international, Nation-wide, and metropolitan banking on the one hand and local banking on the other. There is no such thing as uniform banking regulations which will serve the credit needs of large and Nation-wide corporations on the one hand and small local and individual business on the other. It is no more possible to operate international banking, Nation-wide banking, and metropolitan banking on the one hand and local banking on the other, and great credit on the one hand and small credit on the other, under the same regulations than it is to operate a metropolitan department store and a country grocery store under the same principles of business.

This has been well illustrated during the last 10 years. The national banking department laid down rules and regulations that in order for paper to be eligible for acceptance in a national-bank examination it had to be liquidated every 90 days or 6 months. That rule of examination was all right for speculative credit. It was wrong for legitimate agricultural credit, small mining, and industrial credit, and local business credit. The national banking system put this rule into effect. In doing so it took credit away from agriculture and small business, commercial and industrial. At the same time, it correspondingly expanded speculative credit. This country is run on credit. Our civilization has been built up on credit. When under these rules of examination credit was taken away from legitimate business, such as agriculture, small and independent business institutions, such classes of debtors and business were deflated and led to the natural and inevitable end of bankruptcy. When under these rules of examination excessive credit was given to the corporations which were large enough for their stocks and bonds to be listed on some board of trade, such institutions and gambling were inflated. The inflation of these institutions led to the inevitable ends of the stock-market crash of 1929 and the present bankruptcy of big business.

There is no way to run this country with credit facilities for big business and inadequate credit facilities for small business. As long as small business institutions are bankrupt the big ones must remain bankrupt. The big ones have no source of income except that which is derived from the individuals and small business units.

Any time the banking system of this country is under the domination of one national head, be it the Federal Reserve, the national banking department, or this deposit-guaranty board, it means that there will be one uniform set of banking regulations. Those regulations will always be prescribed for the benefit of international, Nation-wide, and metropolitan banking and for the credit needs of Nation-wide institutions, and to the corresponding detriment of local

banking and small individual and corporation credit. This is inevitable and inescapable. The reason is that the great banks and great institutions needing credit will always be able to get to Washington to present their side of the question and make rules and regulations according to their needs. Not only their selfishness but their complete ignorance and lack of understanding of the needs of local banking and small credit will control their activities in picking the members of any Federal board and prescribing such rules and regulations. This has been well illustrated in the case of the Federal Reserve Board. It is not raising class hatred—it is simply a statement of the simple and eternal truth—when one says that the Federal Reserve System and the national banking system have been operated in accordance with the needs and selfish demands of big banks and big credit and to the detriment of local banking and small credit.

We must have two separate and distinct banking systems in this country, one for the needs of big banking and big credit and another for the needs of local banking and small credit. I am not adverse to; in fact, I favor big banking and big credit having a banking system which will meet their needs. I only ask that big banking and big credit extend the same rights and privileges to local banking and small credit that I am willing to grant to big banking and big credit. Let them have the national banking system. I only ask that they leave to local business and small and individual credit the State banking system. The Glass bill will immediately and the Steagall bill eventually and in the near future destroy the State banking system and thereby destroy local credit and small and individual credit.

The existence of the State banking system as a free, independent, and competitive system means much to the national banks located in towns and cities of less than 100,000 people. The existence of the State banking system as a competitive system has done much to restrain the influence of the metropolitan national banks and the bureaucratic national banking department from being still more ruthless in prescribing and laying down rules and regulations which would be most destructive of the welfare of national banks operating in the smaller cities and towns. The opportunity for national banks to surrender their national charters and turn to the State banking system has been a sheet armor of protection for national banks located in smaller cities and towns against still more intolerable national banking regulations for such banks.

He who votes for this bill may think he is serving an ideal end and answering the public demand for a guaranty of bank deposits, which, of course, is a much-desired end, and if it can be accomplished without causing more social and economic chaos than it prevents. The facts are, irrespective of what one may think, he who votes for this bill is voting to destroy the State banking system.

At first blush, when an individual or the public compares the State banking system with the national banking system, there is pictured in the mind of the individual or the public the comparison of one small country State bank and a great metropolitan bank. Such a deceptive comparison! Such a ravishment of the actual facts! Here is how far this comparison misses the truth: There are 6,150 national banks in this country with \$17,000,000,000 of deposits. There are 10,455 State banks with \$7,000,000,000 of deposits. There are 1,235 loan and trust companies with \$9,000,000,000 of deposits. There are 1,096 savings banks with \$11,000,000,000 of deposits.

This bill in its present form gives congressional and governmental special privilege to 6,150 banks with \$17,000,000,000 of deposits and at the same time congressional and governmental discrimination against 12,786 State banks, trust companies, and savings banks with total deposits of \$27,000,000,000. If this bill in its present form is enacted into law, 6,150 banks are stabilized; 12,786 banks are cast into unwarranted chaos. Seventeen billion dollars of deposits are protected and stabilized; \$27,000,000,000 of deposits are non-protected and jeopardized.

Mr. COX. Mr. Chairman, will the gentleman yield?

Mr. MCGUGIN. Not now, but later. Our banking troubles are enough. Our era of wild inflation, reckless speculation, and discriminatory banking regulations of the 10 years following the war has brought us near enough to the brink of social and economic breakdown. Our era of asinine governmental regulation emanating from the national banking department at Washington and of dishonest and incompetent banking has brought enough chaos to our economic structure. Let not the Congress enact this legislation, which will unsettle and throw into a chaotic state 12,786 banks, in the hope that we can save 6,150 banks. Let not this Congress by legislation jeopardize \$27,000,000,000 of bank deposits in the hope that it may secure \$17,000,000,000 of deposits.

My statistics pertaining to banks and deposits are the latest available statistics I have been able to obtain. These statistics, together with their source, are as of June 30, 1932. I have taken my statistics from the World Almanac of 1933, and shall ask a couple of pages to distribute some of these statistics among the Members.

Mr. LUCE. Mr. Chairman, will the gentleman yield?

Mr. MCGUGIN. Yes.

Mr. LUCE. I suggest that the gentleman take, instead, the figures from the recent reports from the Comptroller of the Treasury, which are likely to be more accurate.

Mr. MCGUGIN. My statistics are set forth in the table that follows:

Statistics of banks in the United States, June 30, 1932

[Taken from 1933 World Almanac, p. 409]

Nature of banks	Number	Deposits
National banks.....	6,150	\$17,460,913,000
State banks (commercial).....	10,455	7,154,100,000
Loan and trust companies.....	1,235	9,714,000,000
Savings banks.....	1,098	11,020,577,000
FIRST RECAPITULATION		
National banks.....	6,150	17,460,913,000
State banks and trust companies.....	11,690	16,868,100,000
Savings banks.....	1,098	11,020,577,000
SECOND RECAPITULATION		
National banks.....	6,150	17,460,913,000
State banks, trust companies, and savings banks.....	12,786	27,888,677,000

NOTE.—Deposits do not include amounts due to banks or United States deposits.

Mr. GOLDSBOROUGH. Mr. Chairman, I yield 10 minutes to the gentleman from Mississippi [Mr. BUSBY].

Mr. BUSBY. Mr. Chairman, we are again considering the much-talked-of-bank guaranty bill. A great many questions are being asked concerning the bill, and some of these questions it is impossible for us to answer. In order to guarantee anything the thing you undertake to guarantee should be worthy of the guaranty. I remember when I was a small boy that a very thrifty and enterprising young fellow came back from college, and in order to raise funds for the next year decided that he would sell some gold watches and guarantee them. The price he was to receive was \$5 each. He sold practically all of the watches he had on hand and about the last one he had he was trying to sell to an old farmer. The farmer was a little slow in making the purchase. He said to this young man, "You say this watch is solid gold, and you are selling it to me for \$5?" The young man replied, "Yes; it is solid gold, and I absolutely guarantee it to be such." "But", said the farmer, "what if I buy it and then it turns out to be brass?" The young man had gotten a little impatient by this time and replied, "In that case the guaranty ain't worth a darn; if it does not turn, the guaranty is all right."

We ought to guarantee a bank set-up that is worthy of guaranty. I am going to support this proposition because later, after we pass the guaranty law, it will be up to the Government to see to it that we have a banking set-up that is worthy of the guaranty that we place upon it, regardless of what it costs. It is absolutely necessary, if people are going to do business with the banks of this country, that they have some faith in being able to take their credits out of those banks after they have once placed them there.

Most of the bank credits that we find represent borrowings of the different peoples of the country in dealing with these several banks.

If I go down to a bank and borrow \$4,000 on my farm, I usually leave the \$4,000 in the bank until I have checked it out. That shows as a deposit in the bank, and it shows as a debt that I have obligated myself to pay. If the bank fails and leaves me with that mortgage on my farm, and I cannot get my deposit out of the bank, then I am left in the same situation that many hundreds of thousands of people find themselves in in this country today.

We have in this country the most wonderful banking system in the world from the standpoint of liquidity or easy credit. That is, the banks and the borrower can make forms, and so forth, by loans absolutely liquid, when it comes to extending credit, if you and the banker agree that he will accept your security for the loan. But our banking system is the poorest one in the world from the standpoint of safety to the depositors. Some 10,000 banks failed within the last 2 or 3 years. We were reduced from 30,000 banks in the country to less than 20,000. Then along came the bank moratorium, when all banks were closed, and only a part of them were permitted to open. The last figures I am able to get show that there are 12,787 banks open, and 5,200 of those that were closed have not been permitted to open or are open partially. That condition affects very largely the depositors of the banks in this country. It affects those who credited the banks.

People talk about banks not failing in Canada, and they talk about them not failing in France. Let us see about the situation. In this country we rely on gold to redeem all currency. It will not do it, because there is not as much gold by far as there is currency. Then we rely on currency to redeem the bank credits in all the banks and it cannot do that because the currency is not more than one tenth of the bank credit, and not more than one half of that currency can be obtained by the banks. So those two propositions are a failure and prove to be such in stress times. We rely on banks to redeem the contracts made by people and to carry forward and execute those contracts with the medium of exchange that we commonly use known as our check money. The banks can do that at certain times, but at other times they cannot do it, and we have a recent example of it today. When the banks were closed they would not accept checks. You cannot get your deposits out of them now if you cannot execute your contracts, because you have no medium of exchange with which to do it, the bank credit having broken down. I am pointing out some of the weaknesses in our bank set-up. Our bank deposits cannot be guaranteed and made safe by the little amount of funds that you are providing in this bill.

Six or seven billion dollars of the people's deposits or credit, or whatever you term it, are now practically out of existence in closed banks, and \$1,000,000,000, at most, provided in this bill would not meet that situation, or one anywhere near it in bank losses.

The gentleman from Kansas [Mr. MCGUGIN] said that this is a move to destroy State banks. This is not the first move. The Comptroller of the Currency, Mr. J. W. Pole, who resigned some time ago, had that thing in mind with the branch-banking system he advocated, but the House and Senate and the country would not accept his proposition. But the banking element in this country is not asleep. It is astute. It is subtle. It is in possession of the best intelligence for carrying these things forward, and if you cut it off at one point it will begin to work at another. The biggest move that was ever put into force in this country to destroy State banks and to destroy all banks that the banking element did not want was the bank moratorium which closed them and which will not let them open. I do not say that for any critical purpose, but that is exactly what has happened. Many of the banks that were closed and are not being permitted to open were running along all right and never would have closed.

Now, what is the situation? All of the banks of this country, big and little, would have closed and remained closed

but for the moratorium, and the law passed by Congress which permits banks to go under the Comptroller of the Currency and drive the depositors away from their deposits. That is an indication that the foundation on which the banking system is set up is so insecure that any guarantee of the banking system as it is now founded cannot endure. There is not enough margin of safety between the man who trusts the bank with his deposits and the ability of the bank to return that trust to him.

In other words, if I have \$1 and five of you gentlemen have \$1 each, I would say to you, "Let me have your dollar. If you will, I will return it to you at any time you ask for it." You say, "That is fine." Some one of you say, "Well, perhaps you will not be able to do that." "Oh, yes; I will let my dollar stand surety to each of you and I will give it back any time, but don't all of you come the same day and ask for your dollar; in fact, don't any two of you come for your dollar the same day. Otherwise I might not be able to return it." That is a better basis of security—\$1 for \$5—than that set up by almost any bank in this country. That is five dollars liability to one of security. They have not got enough capital stock and surplus to secure the people who trust them with their funds, no matter how honestly or well the banks may be managed. That is the weakness of any bank guaranty law which we might enact. The bank loans money to the individual and becomes an investor in the property in the community where it operates by making loans to people in that community, and like the boy who sold the watch for \$5 and "guaranteed" it to be solid gold, it is no sufficient answer for us to say that we passed a "bank-guaranty law." We did that in Mississippi. It cost the people \$5,000,000 in bonds issued and sold after the bank guaranty law collapsed to pay the certificates of indebtedness that had been issued to people in closed banks who lost their money in those banks. The State had to take over the loss and pay it out of the taxpayers' funds instead of paying it out of the guaranty fund. The guaranty fund was entirely exhausted with \$5,000,000 deficit to be paid, and this had to be met by a special law laying the burden on the people generally through taxes to meet the bank-guaranty debt. Yet I am going to vote for this bill because I think the Government will be forced to set up a banking system that people can depend on after it gets behind the guaranty. [Applause.]

The CHAIRMAN. The time of the gentleman from Mississippi [Mr. BUSBY] has expired.

Mr. LUCE. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Chairman, guaranty of bank deposits is my baby in Michigan. I was credited by the famous radio reporter, Billy Repaid, as being the first man in either major party to publicly declare for a guaranty bank deposit law. My ideas were condemned by bankers, and even depositors could not see the practical need for such legislation at that time. We in Michigan know the situation in banking about as well as any other portion of the United States of America today. Our banks are laid low. Our people are driven to despair. However, I am not so sure that I could go sled length for a bill that might mean the guaranty of deposits and the existence of one third of the banks, while it meant the destruction and sounded the death knell of the other two thirds. However, I am definitely and positively committed to the principle of guaranty of bank deposits.

I am actuated to a great extent in my attitude on this bill by the confidence I have in the chairman of the Committee on Banking and Currency in the House, Mr. STEAGALL. I have been in correspondence with him for 2 years before I came to the House. Moreover, I have conferred with my colleague from Michigan, Mr. PRENTISS BROWN, who is a member of the Banking and Currency Committee, and he informs me that he has analyzed this situation very thoroughly and that the bill will pass muster. On the strength of these recommendations I am going to do what I can for the bill, and I shall insist that a specific declaration be included in the terms of this bill by which the State banks will be placed on par with the Federal Reserve banks, will receive protection, and by which the depositors' money will

be made safe in all banks that comply with the necessary minimum regulations.

We have heard a great deal in the past about the opposition of bankers. That is entirely out. A gentleman on the floor the other day declared that some of the bankers are opposed to this bill. The recent tragedy in the banking world has made Christians out of all bankers, particularly so in Michigan. I had an experience recently when I was notified that a convention at Grand Rapids, composed of 377 bankers, met and insisted that their Representatives in Congress sustain and support with all of their power a guaranty of bank deposits law. Every Congressman from my State received a 200-word telegram to that effect.

Mr. ROGERS of Oklahoma. Will the gentleman yield?

Mr. DINGELL. I have only 5 minutes. I am sorry.

I, of course, was curious to know whether this idea originated with a few provincial small-town bankers, or whether the metropolitan banker became a convert to progressive bank legislation. I inquired whether I could have a list of those present. I found that among them were accredited representatives of two of the largest banks in the State. The First National Bank, of Detroit, was represented by Walter F. Truettner, Donald M. Sweeney, and Thomas Long. The Guardian National Bank of Commerce was represented by Hal Smith. Both of these banks, having had depositors nearly 800,000 in number, and deposits of nearly \$1,000,000,000, are out of existence today. This goes to prove that even the metropolitan banker is converted to the idea of the guaranty of bank deposits. It is only a question of a short time ago when all bankers who classed themselves as conservative and safe opposed the guaranty of bank deposits.

I received a letter this morning from the Michigan Bankers' Association and signed by Mr. Kenneth M. Burns, executive manager. I think the request he makes is very timely. I should like to include this letter in my remarks:

MICHIGAN BANKERS ASSOCIATION,
Detroit, May 19, 1933.

Hon. JOHN D. DINGELL,
House Office Building, Washington, D.C.

MY DEAR MR. DINGELL: The reports that an agreement has been reached to defer the effects of the insurance-of-deposits feature of the new banking bill until 1934 are producing alarm in many quarters.

It is our belief that the public demand which has resulted in an acceptance by Congress of the insurance-of-deposits idea will not be satisfied unless its provisions are immediately effective, and it is therefore hoped that you will use your utmost efforts to prevent any delay in the date of its operation and that you will also see that it includes protection for the depositors in all sound banks as well as in national banks and members of the Federal Reserve System.

Very respectfully yours,

KENNETH M. BURNS, Executive Manager.

In order to give you some idea of what it covers, let me say that the Michigan Bankers Association is very anxious about the provisions in this bill. It requests that the guaranty features be put into effect at the earliest possible date instead of waiting until 1934.

For this reason I shall strive to amend the bill to provide for the guaranty of all deposits up to \$2,500 immediately. I think the larger deposits can well take care of themselves, there being very few large depositors that remain today.

I believe that the myopic banker as an adviser should receive about as much consideration at the hands of the House as a braying jackass on the prairies of Missouri. They proved by their inability to maintain their own business that they have absolutely no right to advise the House as to what course we should follow.

I believe in preparing the medicine and forcing it down the throats of the few oppositionists who remain. Reactionary bankers opposed all progressive regulatory or safety laws in connection with their business.

As a matter of fact, recent developments in the field of American banking convinced the people that America had no bankers and much less a banking system. We discovered that what we believed to be a bank system was in fact a respectable racket and so many connected with it only cheap, petty loan sharks and Shylocks.

There are a few notable examples of fine banks and bankers left. We have them in Detroit, but they have suffered because of the loose practice and lack of knowledge on the part of those who failed. This element which survived the storm is entitled to every consideration the law will permit. They favor guaranties of bank deposits and are willing to cooperate and to shoulder a fair portion of the burden.

Mr. LUCE. Mr. Chairman, I yield 5 minutes to the gentleman from Connecticut [Mr. KOPPLEMANN].

Mr. KOPPLEMANN. Mr. Chairman, under this bill from and after January 1, 1934, no officer or director of any member bank shall be an officer, director, or manager of any corporation, partnership, or unincorporated association engaged primarily in a business of purchasing, selling, underwriting, or negotiating securities.

One of the chief purposes of the bill under consideration is the prevention of the undue diversion of bank funds into speculative operations. Many provisions of this bill have been framed with this end in view. The member bank shall inform the Federal Reserve bank of the general character and amount of its loans with a view to discovering whether or not there is an undue use of bank credit for the speculative carrying on and trading in securities, real estate, or commodities. Again the Federal Reserve banks have a privilege of limiting the loans made to member banks if too large a percentage of such loans is secured by collateral in the form of stocks, bonds, debentures, and similar obligations put up by an organized stock exchange, investment house, or dealer in securities. In the provisions compelling the divorce of security affiliates, further steps are taken to prevent this diversion of banking funds into speculative operations.

The unholy alliance between the brokerage office and the bank must be broken. Up to now it has been possible for directors and officers of a brokerage house to be directors of a national or member bank. This has grave dangers. It violates the fundamental principle of the lawyers' code of ethics—that of undivided allegiance. In banking as elsewhere, no man can serve two masters. The bank must invest its money in good securities. In order to do this it must be in a position to judge impartially. If the men who are to determine the type and character of the banks' investments are at the same time promoters and sellers of these securities, the bank will be prevented from acting with untrammelled judgment. Under the present order of things the bank director too often acts in a dual capacity; on the one hand he is supposed to act in a fiduciary capacity as a trustee for the benefit of the depositors of the bank; on the other hand he wants to add to the commissions and underwriting profits of his own company. These two positions are irreconcilable. Human nature remains the same as in the days of old, for—

Where thy money is there shall thy heart be also.

What, my friends, is the chief reason for the lack of confidence that has been expressed in bankers and in banks? Is it not the popular feeling that many bankers too often have some secret, personal, financial gain at heart? Instead of working for the interests of their depositors they are silently working for their own interests. No amount of exhortation will restore confidence in the American banking system. People must have the assurance that directors of a bank have but one interest to serve—the safeguarding of the moneys solemnly intrusted to them by their depositors. Banking must be made a profession the same as the law and medicine. It is unthinkable to any honest lawyer that he represent the two opposing sides in a litigation. The lawyer with a delicate sense of honor will never represent a client if the opposing litigant is being defended by that lawyer's partner. Yet, gentlemen, we have been permitting the very same situation in our banks. We are permitting a bank director to represent both the seller and the purchaser. This position is untenable and indefensible. This bill will put an end to this reprehensible condition.

One of the chief causes of this depression has been the diversion of depositors' moneys into the speculative markets

of Wall Street. Instead of keeping the money for the use of the legitimate needs of commerce and agriculture, money has been lent to gamblers to use in buying stocks on margin. This bill prevents this evil from again occurring. Let us once and for all drive the money changers out of the directors' rooms of our American banks. Only in this way will banking become an honored profession; only in this way will bankers become public servants charged with a sacred responsibility to administer the funds intrusted to them for the benefit of their depositors and not for the gain of themselves. Only thus will we accomplish the sentiment voiced by Mr. Justice Cardozo in another connection in the case of *Meinhard against Salson* while chief judge of the New York Court of Appeals:

Preference of self must be subordinated to loyalty to others.

This provision will drive the speculator from the inner councils of the banks. It will restore the honest banker to the position of dignity and prestige, to which his character and ability entitle him. [Applause.]

Mr. LUCE. Mr. Chairman, I yield 5 minutes to the gentleman from North Dakota [Mr. LEMKE].

Mr. LEMKE. Mr. Chairman, the Steagall banking bill here under consideration is, like Gaul, divided into three parts—three sugar-coated pills—but each one is as bitter and deceptive as the other. The first part has for its object and its purpose the strengthening of the strangle hold of the Federal Reserve System upon the public. It has for its purpose the adding of tentacles to the Federal Reserve System—the visible hand of the invisible empire—that has choked and throttled the prosperity of the people of this Nation. It would add these tentacles by the cunning device of admitting desirable State banks and trust companies into the Federal Reserve System and then mercilessly crushing the undesirable. It has for its purpose the usurpation of the entire banking system of this Nation in the hands and under the control of the Federal Reserve Board, located here in Washington, within a stone's throw of the international bankers and Wall Street.

I can well understand why this bill was considered in executive sessions by the committee, because if my friends and colleagues the gentleman from Texas [Mr. PATMAN], the gentleman from Pennsylvania [Mr. McFADDEN], and others had been permitted to take part in the considerations, this bill would never have appeared on the floor of this House in its present form—it would have died in its making. A bill of this kind could never have been born in the bright sunlight of day. It had to be born in executive session. And now we are asked to vote for it without knowing its contents and without having had time to digest its far-reaching results.

I have always made it a rule never to vote for anything I did not understand. Permit me to say to the Members of this House that the only safe rule is to vote "no" on anything you are not familiar with. It has been well said, "The devil you know is better than the devil you don't know," and I say in all frankness that that is especially true of this bill. Corroded and corrupted as the present Federal Reserve System is, this bill makes it worse. I am confident that not 75 Members of this House would vote for this bill if they had time to study it and know all its terms and far-reaching results. Not 75 Members of this House are ready to surrender to Wall Street—to the international bankers—without a struggle.

When an able lawyer defends a notorious criminal he always attempts to divert the jury's attention from the criminal to the innocent wife and children; he paints a glowing picture of the wife and children, of their suffering, misery, and disgrace, if the criminal is convicted. Likewise the able and distinguished Chairman of the Banking Committee [Mr. STEAGALL] painted to us in passionate language and emotion the ruin, the devastation, and the sufferings of the American people, in an attempt to divert our attention from the monster that was largely, if not wholly, responsible for that situation—the Federal Reserve Bank-

ing System, and then in a moment of triumph, he turned to us with a gesture, insinuated that here in this bill is the remedy—the three sugar-coated pills, bitter as gall.

In all frankness we have been hypnotizing ourselves into a make-believe Paradise—like Alice in Wonderland. Let us face the facts and analyze this bill, and we will realize that, if passed, it would crush not only the remaining of our State banks and financial institutions, but will, through the power of manipulating the money of this Nation, give to the money changers in the temples the absolute control and domination of all State legislation. Already the Reconstruction Finance Corporation is attempting to dictate to States what kind of laws they must pass or repeal in order to get financial aid. Already the Federal land banks are dictating to the States what kind of laws they must pass or repeal in order that the farmers may get loans through that system. In my State, North Dakota, the Federal land bank has temporarily withdrawn because the State legislature last winter saw fit to pass a law prohibiting the taking of deficiency judgment in mortgage foreclosures. Pass this law, and you may as well abolish your State legislatures and take all your orders from the international bankers and Wall Street, via the Federal Reserve Board here in Washington.

The distinguished gentleman from Alabama [Mr. STEAGALL] stated Saturday that no one wanted to repeal the Federal Reserve Act. Permit me to correct him and say that 75 percent of the people of this Nation are ready and willing to repeal the Federal Reserve Banking System, if you give them a chance.

The people know that it was the Federal Reserve bank that, during the war, increased the money in actual circulation—doubled it—and then in 1920 and 1921 contracted it—virtually cut it square in two. I mean the money that was actually in circulation at that time, not including the money that was then in foreign countries or that has been lost, burned, or destroyed since the Government began to make money. The people know that it was the Federal Reserve octopus that contracted the currency in the Nation as a whole, and at the same time, increased it in the large cities—increased it for the gamblers in stocks, bonds, and the necessities of life. The people know that the Federal Reserve octopus loaned, in an aggregate, to the gamblers of this Nation in 1928 some sixty billion dollars of credit money—bank money—hot air—to gamble with in domestic and foreign stocks and bonds, and that in the first 9 months of 1929 it loaned them some fifty-eight billion, and then when the crisis came in the last 3 months of 1929, cut that credit money—bank money—hot air—down to thirteen billion.

No nation, no industry, can survive such an expansion and contraction of money and credit. Give to me the power to double the money at will, and then give me the power to cut it square in two at will, and I can keep you in bondage. That is exactly what the Federal Reserve banking system has been doing for the American people—it has taken their homes—it has filled the penitentiaries with its victims—it has caused self-destruction and suicides by the thousands. This bill not only continues that system with its cruel, brutal, and devastating policies, but gives it all the more power to destroy us.

The second part of the bill here under consideration has for its objects the strengthening of the tentacles of the octopus via monopoly—it legalizes branch banks and affiliates, and takes them into the bosom of the Federal Reserve System—this is just another link in the strangle hold upon the money and credit of the Nation.

The third and last part professes to guarantee bank deposits. The provisions made are altogether insufficient. It provides that the Government shall buy \$150,000,000 worth of stock in a Federal deposit insurance corporation, and that the Federal Reserve banks and member banks shall buy another 350 million in the same corporation.

Now, since there are \$42,000,000,000 on deposit in the banks and trust companies of this Nation, and since on January 9, 1933, there was only 684 million of actual money

in all the banks and trust companies with which to pay this 42 billion on deposit, can anyone seriously argue that you can pay off \$42,000,000,000 with 684 million plus 500 million? There is nothing in this bill that prohibits the Federal Reserve System from again becoming racketeer and bringing about a worse condition than the present depression. By this bill we give complete control of the money and the credit to that System, and with that power they can and will control the Government itself, and can and will again go off on a spree. Power is always deaf, dumb, and blind.

I propose as a remedy that we recommit this bill to the Committee on Banking and Currency with instruction that they substitute for it H.R. 3834, a bill that I introduced on March 20, 1933, which is now pending before that committee. This bill provides for the creation of the Bank of the United States, and will give the Nation a banking system owned, controlled, and operated by the Government of the United States in its sovereign and governmental capacity. If you do this, then you will have a banking system that will be as sound as the Government of the United States.

According to that bill, the Bank of the United States would be controlled by a board of 48 directors, 1 from each State, appointed by the President from a list of 3 furnished him by the Governors of their respective States. The board of directors would appoint an executive committee and a manager and other officers to operate the bank. The Government of the United States would issue \$2,000,000,000 of United States bank notes to the bank for its capital and revolving fund. Such notes would be made full legal tender for all public and private debts, and would be secured by the full faith and credit of all the resources of the United States.

All funds belonging to the Government of the United States or any department thereof, except gold coin, gold bullion, and silver bullion now held in the Treasury and Postal Savings, would be deposited in the Bank of the United States. All gold coin, gold bullion, or gold certificates that the Bank of the United States would come into possession of and owner of would be deposited in the Treasury of the United States in exchange for any lawful money of the United States, all such gold to be used by the Government in its international transactions.

The bank would also receive deposits from any State or Territory, or any political subdivision thereof, or from any State or Federal bank. All deposits in the Bank of the United States would be guaranteed by the Government of the United States.

The bill provides that the Bank of the United States may transfer funds to the Government, and that it may make loans to any State or any Territory or any political subdivision thereof, or may make redeposits or loans to any bank within the United States or any Territory thereof, provided such loans are secured by bonds of the United States or by approved bonds of any State, Territory, or political subdivision thereof, provided that the bonded indebtedness of any such State, Territory, or political subdivision thereof is not in excess of 15 percent of the assessed valuation of the taxable property of any such State, Territory, or political subdivision thereof. It provides that the Bank of the United States shall make loans to the Federal Farm Loan Board secured by farm-loan bonds issued for the purpose of making new farm loans or refinancing and scaling down existing farm loans, which farm-loan bonds shall not bear interest in excess of 1½ percent.

The bill also provides that the Bank of the United States, with its capital and revolving fund and other available funds, shall take up the \$21,000,000,000 outstanding bonded indebtedness of the United States, and that if it requires additional funds for this purpose and for the other purposes set forth, that then it may acquire such additional Bank of the United States notes from the Government by delivering to the Treasurer bonds or certificates of indebtedness of the United States, or bonds of any State or Territory or any political subdivision thereof, in an amount equal to the additional Bank of the United States notes required.

The bill provides that on any funds transferred to the United States or loaned to any State, or Territory, or political subdivision thereof, or redeposited or loaned to any bank, the Bank of the United States shall receive interest at a rate not to exceed 1 percent per annum.

It provides that the Bank of the United States shall control and regulate the money and credit of the Nation, and it shall at all times provide the public with a national elastic currency, and a sufficient national medium of exchange to do the Nation's business. It provides that the executive committee of the bank shall regulate the value of the money of the United States and shall stabilize the same. It makes it the duty of the executive committee to ascertain and determine the average value and buying power of the dollar over a period beginning with January 1, 1915, and ending with January 1, 1925, by an analysis of the wholesale market prices in the principal markets in the United States of not less than 300 or more than 400 stable commodities, which average value and price shall be declared to be the general normal price level of such commodities and to be the value or buying power of the dollar.

When that bill becomes a law it will save to the Nation millions and millions of dollars and will put the money and credit structure on a sound and firm basis and will meet the requirements of the Constitution of the United States, which says:

The Congress shall have power * * * to coin money, regulate the value thereof, and of foreign coins.

In drawing the bill for the Bank of the United States, I drew it along the lines of the bill that created the Bank of North Dakota. That bank was created in 1919 and is the only bank in the United States owned, operated, and controlled by a State in its sovereign capacity. It has saved the people of my State millions of dollars and rendered inestimable service to the State and its people. No political faction or politician now dares suggest that it be discontinued or abolished. If we continue to concentrate the money power in the hands of the international bankers through the Federal Reserve bank, then let me warn you that there will be only one escape from that octopus, and that will be that we will have to have 47 other State banks, owned, operated, and controlled by the States in their sovereign capacity, and then with the Bank of the United States added, we will have a perfect control over money and credit.

Mr. LUCE. Mr. Chairman, I yield 15 minutes to the gentleman from Pennsylvania [Mr. McFADDEN].

Mr. McFADDEN. Mr. Chairman, I have given careful consideration to this bill. As I have previously stated on the floor of the House, I think it is a mistake to deal in piecemeal with the Federal Reserve law. During the past 4 or 5 years we have had an opportunity to observe the control of credits and finance under the operation of the Federal Reserve Board, and the officers of the 12 Federal Reserve banks. I have stated on several occasions that the administration of this system is more responsible for the things that have happened to the people of the United States than any other one instrument. In this particular bill now, under the guise of guaranteeing the depositors the money they deposit in the banks of the country, you are strengthening the further control and domination of the finances of this Nation under the Federal Reserve System. Unless I miss my guess, you are concentrating in this System the entire control over finances in this country; you are centralizing the control of money in the speculative market entirely under the control and domination of the Federal Reserve System. You are going to force all banks in the United States to become members of the Federal Reserve System, and unless I make a mistake in my analysis of this situation, no bank whose deposits are not guaranteed will be able to survive in the United States after this bill becomes a law.

During the further consideration of this bill under the 5-minute rule, I may talk about several features of it. I do not at this time desire to take up further time of the Committee, but want to use the balance of my time and speak out of order, if I may.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. MAY. Has the gentleman read the opinion of Mr. Wyatt, the chief counsel of the Federal Reserve Board, in the March issue of the Federal Reserve Bulletin, in which he raises the question of the power of the Federal Government to abolish all State banks or force them into the Federal Reserve System by the process of taxation?

Mr. McFADDEN. I have.

Mr. MAY. And this bill, perhaps, embodies some of his ideas about that?

Mr. McFADDEN. I think the Members of the House would do well to study the other provisions of this bill than simply the one that would guarantee deposits.

The CHAIRMAN. Is there objection to the gentleman from Pennsylvania proceeding out of order?

There was no objection.

Mr. McFADDEN. Mr. Chairman, on several occasions I have called the attention of the House to what I believe to be a violation of the tax laws of the United States by large taxpayers. About 10 days ago I referred one of these particular charges to the Attorney General of the United States. I am informed by the press reports that the Attorney General is proceeding with an investigation of this particular reference, which was the tax evasion of Andrew W. Mellon. I shall now read to the House a letter which I sent last week to the Attorney General of the United States:

MAY 20, 1933.

Hon. HOMER S. CUMMINGS,

Attorney General of the United States,

Washington, D.C.

MY DEAR MR. ATTORNEY GENERAL: Supplementing my letter of the 5th, in which I referred to you definite charges of violations of the tax laws by Mr. Andrew W. Mellon, I now desire to submit additional information in connection with this same matter.

I am informed that the Coalesced Co. is owned 100 percent by A. W. Mellon, that he himself owns all of the preferred stock and that the common stock is divided equally as issued to his son, Paul Mellon, and his daughter, Mrs. David Bruce. It has been stated that this company is being used by Mr. Mellon for the purpose of concentrating his wealth and thus, during his lifetime, effecting a distribution to his legal heirs, principally for the purpose of avoiding inheritance taxes. I am further informed that the Coalesced Co. was organized at or about the time impeachment proceedings were pending against him in the House of Representatives just prior to his appointment as Ambassador to Great Britain.

Webster defines the meaning of "coalesce" as "to grow together", "to unite in one body" or "of uniting by natural affinity or attraction."

I now desire to direct your attention to the Riscar Co., which is owned entirely by Richard B. Mellon, a brother of Andrew W. Mellon. This company is apparently organized and being used by Mr. Mellon for the same purposes that the Coalesced Co. is being used, and I am calling this to your attention that this company and the income-tax statements of Mr. Richard B. Mellon be likewise investigated to ascertain whether or not the same practices have been resorted to as in the case of Andrew W. Mellon.

In view of this specific evasion, may I also suggest that the Mellon group own and control many corporations and trusts whose tax returns should be scrutinized with a view to determining whether or not illegal losses have been deducted or falsification of accounts has been resorted to for the purpose of reducing the annual legal tax payments to the United States Government.

I am submitting this additional information to you in the public interest, and while I have had no reply from you to my letter of May 5, I have noted through press reports that you have taken up the investigation of the specific matters referred to in that letter for thorough investigation and report.

Respectfully yours,

L. T. McFADDEN.

Mr. BOLAND. Mr. Chairman, will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. BOLAND. In the Mellon category of organizations which they own, is the gentleman familiar with the fact that Mr. Mellon owns the Koppers Co., of Pittsburgh, which is a subsidiary of the New England Gas & Coal Co., that gets all the coal shipped to them from Russia?

Mr. McFADDEN. Yes; I am aware of that fact. My attention was called to that fact by a letter which I recently received; and in view of the question put by the gentleman, perhaps I had better read this. I quote as follows:

My understanding is that Mr. Mellon, who owns the Koppers Co. which produces about 15,000,000 tons a year of southern coal,

bought this stock in the Pittsburgh Coal Co. when he was Secretary of the Treasury and not supposed to have been engaged in business. With the control of this company, together with the Koppers Co., it gives him control of both fields. As I understand it, the Koppers Co. sells coal at fancy prices to the utilities in which it holds a stock interest, while the Pittsburgh Coal Co. goes out and sells below cost in order to ruin the independent coal operators. This also works a great hardship on labor.

If something could be put in the law to compel coal companies which sell coal to public utilities to give them as low a price as they or any of their allied interests sold coal for to other consumers in which they were not interested and for that reason did not have the same pull they had with their utilities, I think it would go a long way toward clearing up some of the troubles in the coal industry. At the present time railroads are not supposed to engage in the coal industry, but the utilities or other allied concerns do this.

In view of that statement by this prominent Pittsburgh man, who calls this to my attention, I am wondering what effect the operation of these two particular combinations has in continuing the terrible condition that exists in the western Pennsylvania coal regions.

I have had pending in this House before the Committee on Rules two resolutions introduced last March, House Resolution 20 and House Concurrent Resolution 12, calling for an investigation and audit of the Treasury Department and for an inquiry into the operations of the Federal Reserve System. These resolutions are as follows:

House Concurrent Resolution 12

Resolved by the House of Representatives (the Senate concurring). That there is hereby established a special joint congressional committee (hereinafter in this resolution referred to as the "committee") to be composed of 5 Members of the Senate, to be appointed by the President of the Senate, and 5 Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives. Upon the termination of the present Congress the committee shall cease to exist.

Sec. 2. The committee is authorized and directed to investigate and make an audit of the operations of the Treasury Department in the collection, investment, and disbursement of public moneys, and of moneys derived in whole or in part from sources other than taxation, and to report to the Senate and the House of Representatives, as soon as practicable, but not later than the termination of the present Congress, the results of its investigation, together with such recommendations for legislation as it deems advisable.

Sec. 3. For the purposes of this resolution the committee is authorized to select a chairman, to sit and act during the present Congress at such times, whether or not the Congress, or either House thereof, is sitting, has recessed, or has adjourned, to employ such experts and such clerical, stenographic, and other assistants, to require the attendance and testimony of such witnesses and the production of such books, papers, and documents, to take such testimony, to have such printing and binding done, and to make such expenditures (not exceeding \$250,000), as it deems necessary. Subpenas shall be issued under the signature of the chairman, and shall be served by any person designated by him. The provisions of sections 101, 102, 103, and 104 of the Revised Statutes (U.S.C., title 2, secs. 191, 192, 193, and 194) shall be applicable in respect of any person summoned as a witness, in the same manner as such provisions are applicable in respect of any person summoned as a witness in the case of an inquiry before a committee of the House of Representatives.

House Resolution 20

Resolved, That for the purpose of obtaining information necessary as a basis of legislation the Committee on Banking and Currency of the House is authorized and directed, as a whole or by subcommittee, to investigate the Federal Reserve Board of the Federal Reserve banks, and such member banks of the Federal Reserve System as may be necessary, in their activities with respect to foreign banks and foreign central banks, their open-market operations and acceptance business, and their connection with the American Acceptance Council, and their collaboration with other banks (American and foreign) in the operations of such banks in foreign financing; and for the purpose of this investigation the committee may make such audit of the books of the Federal Reserve Board, Federal Reserve banks, and member banks of the Federal Reserve System as it deems necessary.

Sec. 2. Such committee shall, as soon as practicable, report the results of its investigation to the House, together with such recommendations for legislation as it deems advisable. For the purposes of this resolution the committee is authorized to sit and act during the present Congress at such times and places in the United States, or elsewhere, whether or not the House is sitting, has recessed, or has adjourned, to hold such hearings, to employ such experts, and such clerical, stenographic, and other assistants, to require the attendance of such witnesses, and the production of such books, papers, and documents, to administer such oaths and affirmations, to take such testimony, to have such printing and binding done, and to make such expenditures, as it deems necessary.

The administration in charge here in this House has paid no attention whatsoever to the consideration which I have repeatedly asked for in regard to these two measures. I have been continually calling attention to the illegality of the operations of the Federal Reserve System and the Treasury Department, especially the Income Tax Division, for a long time. I want to say again, with just as much emphasis as I can put upon it, that the Membership of this House is making a mistake in not giving consideration to those two measures. You cannot afford to grant more power to the Federal Reserve System until you know what the Federal Reserve System has been doing. May I repeat that which I have said previously, that you are not going to restore the credit of the United States or confidence in government until you look into and audit the Treasury of the United States and the Federal Reserve System.

In the balance of the time I have I want to call attention to another resolution which I am offering today, and I am going to read it to you:

Resolved, That the Secretary of the Treasury is hereby directed to furnish the House of Representatives a list of the clients for whom the firm of Smith, Shaw & McClay, and/or the firm of Reed, Smith, Shaw & McClay, of Pittsburgh, Pa., have appeared before the Treasury Department of the Bureau of Internal Revenue in connection with the settlement, or other adjustments, of income taxes from the year 1920 up to the present time.

Suits are being brought in the United States Court in the District of Columbia, with definite facts presented, and today in Pittsburgh depositions of the officers of the Gulf Oil Co. are being taken in connection with the fraudulent disposal of income of the officers for that company. I presented that matter to the House and the Rules Committee over a year ago and tried to get action, but no action; why? I want to ask what influences are brought to bear upon this House of Representatives and its leaders to see to it that these very worthy investigations are not made? They should be made, and I am putting it squarely up to you Members as to whether or not you are going to assume responsibility by inaction in covering up frauds such as I am now calling attention to. Why do you not act? If the Rules Committee will not act, I have placed the proper petition on the Speaker's desk; sign it and we will discharge the Committee on Rules and pass these resolutions; it is now up to you.

Mr. WEIDEMAN. Will the gentleman yield?

Mr. McFADDEN. I yield.

Mr. WEIDEMAN. The 1932 report of the Federal Reserve Board contains only 44 pages, with absolutely no information or facts concerning the operation, while the 1931 report contained 315 pages and gave all the conditions of its operation. I think this House should demand a complete and more full report so that we can find out what this Board is doing, which now comes here and wants its power extended. They are deceiving this House of Congress by misleading it with filing this kind of report.

Mr. McFADDEN. I called to the attention of the House the other day the evident tax violation of H. L. Doherty and asked for an investigation of his reports for 1927, 1928, 1929, and 1930. I also asked that an investigation be made into the tax reports of the J. P. Morgan & Co. partners in New York, and stated specific instances where they should be investigated. I am hoping that this House, under the control of the present administration who promised the people of this country that they would clean up the mess, will get active and do these things which they should do and give proper heed to them at once.

Mr. KELLER. Will the gentleman yield?

Mr. McFADDEN. I yield.

Mr. KELLER. I should like to know how we are going to get at the facts in relation to the income tax and the payers of income taxes in this country so long as the Members of this House are denied the possible chance of knowing anything at all about it.

Mr. McFADDEN. Well, that is just the point; but if you will pass these resolutions which I am referring to here and appoint committees, all of this information can be made available to you; and I say to you gentlemen, as I did on the

floor of the House the other day, that there is a clique of racketeers that is practicing in this income-tax matter at the present time. It is headed in New York. The accountants who are engaged in this practice, together with clever lawyers, are located in New York and in Washington; and men in the Department are cooperating. It is time this ring is broken up. The man who handled the Charles E. Mitchell tax audit in the Treasury was fired. How many more such fellows are there in the Department? Mr. Chairman, I yield back the balance of my time. [Applause.]

The CHAIRMAN. The gentleman has consumed all but 45 seconds of his time.

Mr. LUCE. Mr. Chairman, I yield 15 minutes to the gentleman from Maine [Mr. BEEDY].

Mr. BEEDY. Mr. Chairman, I shall take but very little of the Committee's time. The gentleman from Massachusetts [Mr. LUCE], I believe, plans to conclude the debate, and if we are to judge by his speeches in this House made in the past, we may anticipate a very fair and comprehensive discussion of the pending bill.

I have a well-grounded conviction that this bill contains more of constructive proposals designed for permanent legislation than any bill which has come to the attention of the committee or of the House at this session of Congress.

I want to say just a word about the Federal Reserve System, and what I shall say is prompted by the references to it of the gentleman from Pennsylvania [Mr. McFADDEN]. Somebody has said that a very poor law or a poor system well administered is far better for the whole people than an excellent law and a wisely conceived system which is poorly administered. The Federal Reserve System is a wisely conceived system. The best thought in the banking world, not only in this country but of the world, will, I believe, confirm us when we say that it is, from the standpoint of sound finance and proper administration of credits, a scientifically constructed system of banking. Any system may be poorly administered, and there is ample evidence to attest mistakes in the administration of this System. Many steps have been taken and many others which should have been taken have not been taken by the Federal Reserve Board. Their errors of commission and omission have aroused my displeasure and disapproval, but the essence of the System is something which we ought to cling to. I see nothing in this bill which seeks to add vicious compulsion in the way of additional authority.

The gentleman from Pennsylvania [Mr. McFADDEN] said we ought to study the bill carefully to find out what power we are giving to the System; that he thought there were many banks in this country which would be unable to comply with its provisions, and that, therefore, would fail.

If there are any banks open or about to be opened which cannot comply with every provision of this bill, then it is in the interest of the whole people, the small wage earner, the middle class, and the man of large resources that those banks be cleaned out now.

Much of the trouble in this bank crisis came by reason of the fact that we had set up too many banks without a proper capital structure. There is no hardship imposed upon any bank by the provisions of this bill. The bill is written in the interest of sound banking; I submit that these statements are justified. My point of view is not poisoned. My natural sympathies have always been with the under dog, because I have been one of them all my life. Thank God, nevertheless, that I have had, or endeavored to acquire, a fair point of view. I have come to understand that in this complex system of ours the man of resources and the man not of money but of brain and of a willingness to use his hands and his head in honest toil are both indispensable to the general well-being. It ought to be the aim of every man here who has taken his oath solemnly before the bar of this House to undertake at all times to serve the interests of both these groups.

The gentleman from Michigan [Mr. DINGELL] said he wished some assurance that there was in this bill a guarantee, using that word, I think perhaps inadvisedly, because

there is no deposit guarantee in this bill, but there is in it a provision for the insurance of deposits; he seemed to feel that he had not read within the pages of this bill anything to justify full confidence that State banks which are not member banks of the Reserve System were to be protected as well as others. I ask him to read, if he is inclined to pursue this thought, section 302 of the bill, beginning at the bottom of page 53 and continuing over into page 54. I myself perhaps will ask the indulgence of the House while I read it.

However, before I leave the general fundamentals of the bill, let me say that I support it and support it gladly and I am giving you some of my reasons for so doing, not in the order of their importance but as they occur to me at the moment. First, because I think it properly gives closer supervision to banking authorities over all the banks of the System. Second, because it puts restrictions upon loans for speculative purposes. Third, because it separates investment banking from commercial banking.

I hope to see the day when there will be a wall built between the savings-bank funds and the commercial banking funds. However, we cannot do everything in a moment, and so there is no attempt to set up such a dividing wall in this bill.

I will support the bill also because I think the insurance method of protecting the money of depositors is one of the wisest of such proposals I have yet seen advanced.

It has been stated that we ought to compel banks who desire to avail themselves of this insurance provision to become members of the System. I confess that after some years of study, if I now had the authority to determine this question, I should hesitate as to the proper step to take. I have had a feeling that if we could be sure that men in authority administering the System would at all times be honest, we ought to have a single banking system. But perhaps for the present, human nature being weak and frail as we have seen it proven in these later days, perhaps we ought to give both systems a further trial. At any rate we left that proposal out of this bill. So I think the statement of the gentleman from Pennsylvania that we are attempting to force all banks into one system, that we are going to destroy all banks outside the system, is not a fair statement. We are giving them all an equal chance. There is not a provision in the bill that can be construed as a compulsion upon or as hostile to State banks.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. BEEDY. I yield.

Mr. MAY. Under the provisions of section 302, to which the gentleman referred, State banks are permitted to become members, but they are subjected to supervisory examination by the Board. I wish, when he comes to discuss it, the gentleman would emphasize the importance of this examination.

Mr. BEEDY. Yes. I am coming to that feature. I think I shall take time to read part of that section, because we ought to have it well in mind.

Remember this, too, in connection with the statement of the gentleman from Pennsylvania, that the Federal Reserve System itself is not attempting to insure the deposits. We divorce that feature entirely from the Federal Reserve System. We are setting up an insurance-deposit corporation, in which nonmember State banks and State banks which are members of the Federal Reserve System, as well as the national banks which by law are made members, may subscribe to stock and avail themselves of the advantages which flow from the insurance of deposits.

If we are going to accord nonmember State banks such a valuable privilege, we ought to impose some obligations and conditions precedent.

Let me read section 302, which is found at page 53 of the bill:

Any State bank or trust company, not a member bank of the Federal Reserve System, with the approval of the State authority having supervision of such bank or trust company and certification to the corporation—

That is this insurance corporation—

by such authority that such bank or trust company is in solvent condition, after examination by, and approval of, the corporation, shall be entitled to the privileges of this title upon agreeing to comply with this title and upon subscribing to the same amount of stock as would be required if such bank or trust company became a member bank.

Now you will see how important those provisions are, and I submit you will see how fair they are. If this corporation is to insure the deposits (within the limits set forth in this bill) in nonmember State banks, it should have the right to an accurate determination of the financial status of those banks. This could be had by a thorough examination of applying banks.

Therefore a preliminary examination is called for, and surely banks, in addition to this examination, should be compelled to comply with the protective provisions set up in creating this corporation. They should be compelled to subscribe to the same amount of stock in the corporation as a member of the Federal Reserve System. Both classes of banks are required to take an amount of stock equaling one half of 1 percent of their outstanding time and demand deposits. Is there anything in this provision calculated to force banks into the Federal Reserve System? Why, certainly not. We permit them to stay out if they so desire. We impose no unreasonable demands. This is a separate corporate entity which is dealing with the insurance of deposits. Nothing, it seems to me, could be sounder. I think this separation of the insurance-corporation feature should appeal to all of us who are equally interested in the small as well as the large banks.

Mr. RAMSPECK. Will the gentleman yield?

Mr. BEEDY. I wish I might finish my statement and then, perhaps, I can get 3 or 4 minutes to answer questions, unless the gentleman insists.

Mr. RAMSPECK. There is one point I want to be clear on. Does this corporation have a right to first examine the State bank before it is admitted into the plan?

Mr. BEEDY. Yes.

Mr. RAMSPECK. And they can refuse it admission?

Mr. BEEDY. Yes; if it is unsound. This corporation collects funds from numerous banks totaling one fourth of 1 percent of their deposits. They are trust funds in a way, and no undue strain should be put upon the corporation by forcing it to insure any unsound bank. One of the objections made to this proposal is that strong banks will be compelled to pay the penalties for poor banking and thus to sustain weak banks. If they are not weak when they are admitted to the corporation, there is a strong degree of assurance for success in the operation of the insurance provisions of this bill. The weak are not imposed upon the strong at the very outset, as might be the case were no examination required.

[Here the gavel fell.]

Mr. LUCE. Mr. Chairman, I yield the gentleman from Maine 5 additional minutes.

Mr. MAY. Will the gentleman yield for a question?

Mr. BEEDY. I wish the gentleman would please excuse me, because in the 5 minutes I should like to call your attention to a feature of the bill whose importance has been impressed upon me by a situation which developed in my own State.

I was almost tempted to say that if there were no other more highly commendable feature in this bill than that to which I am now about to refer I should be inclined to swallow all the rest of it.

You will notice on page 2 of the bill that an affiliate is defined as "any corporation, business, trust, association, or other similar organization." You will find later, under this section which deals with affiliates, that after 2 years the affiliate institution is banned and that within that time close examination and supervision of these affiliates is to be had by the authorities. I think this is wise.

Now, just what does this mean? I call your attention to this because of a situation that arose in my own State. We had a certain bank in the city of Portland, Maine. It was supposed to be one of the soundest banking institutions of

the State. I supposed the men in control of this institution stood for the finest and the highest ideals in business and in citizenship. They became ambitious. They began to reach out and buy up banks. They established a chain-bank system. They set up a holding corporation and transferred to this holding corporation their shares in these banks. They thus relieved themselves of the double liability that should attach to stockholders who are handling trust funds. Presently we found this Portland bank closed, and investigation revealed an abhorrent situation. It revealed the fact that a majority of the directors in that bank, the home bank, had set up what might be known as "affiliate corporations" under the definition in this bill. One affiliate corporation was engaged in the fiber business; another affiliate corporation was engaged in a tooth-paste venture.

These same men who were in control of the directorate of this bank were also in the majority control of the directorate of these affiliate corporations, and they were lending to themselves, through the fiction of an interlinked corporate structure, hundreds of thousands of dollars of honest depositors' money. These loans ran up to almost \$800,000, which, in a small bank, is a large amount of money, and when the crash came the depositors were astounded to find what had been going on. These abhorrent loaning practices were revealed and naturally they shocked the best sense of the citizens of my community.

Now, from the day this bill becomes a law it will never be possible for any bank to be run and controlled by a majority of men who at the same time are in majority control of industrial corporations. This temptation to lend money to oneself through a corporate interlocking structure ought to be removed, and it will be removed when this bill is written into law.

Mr. WEIDEMAN. Will the gentleman yield?

Mr. BEEDY. I will yield if the gentleman will explain to me what he meant by saying that the Federal Reserve Board deceived us by insulting us. What does the gentleman mean by that?

Mr. WEIDEMAN. I mean they apparently sent out a bulletin as their 1932 bulletin—

Mr. BEEDY. What the gentleman means is that that report is not extensive enough to satisfy him, but he does not mean to say that an insult necessarily amounts to a deception.

Mr. WEIDEMAN. Oh, well, the gentleman can take that whichever way the gentlemen on the other side want to take it.

The gentleman has made the statement that interlocking directorates would be forbidden the minute this bill takes effect and that these big corporations will not be able to control everything, and so forth.

Mr. BEEDY. Oh, no; I did not say that. I did not say "big corporations will not be able to control everything, and so forth."

Mr. WEIDEMAN. I call the gentleman's attention to the language on page 7 of the bill relating to such corporations.

Mr. BEEDY. Just a moment, I do not yield further.

Mr. ROBERTSON. If the gentleman will yield to me a moment, I should like to ask him a question. I have great respect for the views of the gentleman on this whole problem. I should like for the gentleman to give us some assurance about the fairness and the friendliness of the board of directors of the corporation, and more assurance that after the State organization approves the financial solvency of a nonmember bank and then it goes to the corporation for approval before the nonmember bank can come under this bill, that such nonmember bank will be treated fairly in its claim for this protection.

Mr. BEEDY. Of course, that question reaches far into the human element, but here is a corporation set up for the express purpose of insuring deposits within the limits of the bill. It can certainly have no other motive or purpose than to treat with a kindly justice every deserving and sound bank which reaches out for help and protection. [Applause.]

[Here the gavel fell.]

Mr. GOLDSBOROUGH. Mr. Chairman, I yield 10 minutes to the gentleman from Illinois [Mr. KELLER].

Mr. KELLER. Mr. Chairman, I am as much for the guaranty of bank deposits as the Chairman of the Committee on Banking and Currency can be. I honor him for bringing forward this idea session after session, when there was no possible chance of having it considered favorably. When it finally becomes the law—as it is bound to do—no one will go farther than I in bestowing upon him the rightful honor as the real champion of this great measure. It will be his due.

There is what we call the credit stream, through the gigantic power of which, when running free, we carry more than 10 times as much ability to do business through bank credits as all the currency outstanding at any time. But we must hold constantly in mind that as this great stream of the blood of industry circles round and round, deep flowing and mighty, that every time a dollar is taken out at one point another dollar must be put in at some other point. Only by making this certain can we carry on the gigantic economic life of this great Nation.

There have been more than 12,000 bank failures (not including the 5,000 still in jeopardy) during the last 12 years. Millions of people have lost billions of dollars through these failures. Banks that had stood like a rock through all the other panics and depressions went tumbling into the discard in this one. Men whose honor never had or could or ever can be questioned saw the banks which they had spent a lifetime in building up come tumbling down before their helpless eyes in the cataclysm of 1929 to 1933. Under these conditions it is nonsense to talk about restoring confidence. There is only one way that we can bring back into usefulness of national credit the necessarily recurring bank deposits, which restoration of industry requires, and that is to make it absolutely certain that when any and every man, woman, or child who puts a dollar in any bank can absolutely know that he will under no circumstances lose a single penny of it. Unless and until that guaranty is made we can not recover our lost industry in this country. [Applause.]

But to accomplish that it is not necessary to sacrifice any of the people's rights. It is the part of wisdom that this Congress shall look with great care at any surrender of the rights of the people who have suffered so shamefully from the abuses of the great interests who are at present seeking by every means to retain the very control which enabled them to rob the people of so many billions of their hard-earned wealth.

This bill is in most regards a splendid bill. It represents a vast amount of labor on the part of the committee. But for all their thought and care somehow a section has found its way into this bill that would nullify most of its benefits. I refer to section 3, which seeks to turn over to this privately owned bankers' banking system for all time to come every penny of the franchise tax which has existed from the start.

Let us see what section 3 provides:

SEC. 3. The first paragraph of section 7 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 289), is amended, effective July 1, 1933, to read as follows:

"After all necessary expenses of a Federal Reserve bank shall have been paid or provided for, the stockholders shall be entitled to receive an annual dividend of 6 percent on the paid-in capital stock, which dividend shall be cumulative. After the aforesaid dividend claims have been fully met the net earnings shall be paid into the surplus fund of the Federal Reserve bank."

Read and reread that section; get clearly in your mind its full significance; then check up on what we propose to give to these banks. Consider also what we have already given them. They already have their hands into the United States Treasury clear up to their armpits. Must we completely immerse them in profit in order to secure a small part of the sovereign rights of the people?

The right to issue money has always been the right of the sovereign power, whether it be emperor or king. Upon the formation of this Republic we vested all sovereign rights in the people. In other words, we took over all the rights which before that time were acknowledged as belonging to

the king and gave them to the people for their own. We designated the Congress as the representative of the people.

A previous Congress, as representatives of our people, saw fit to give a small group of our citizens the power to issue money. For that privilege it exacted a small tax. That small group has paid itself a generous profit on that privilege in the past, and it now comes to the representatives of a sovereign power and asks that it be given all the profit.

It is necessary to set out the plain, simple facts about the Federal Reserve System, so that no misunderstanding can exist in relation to this all-important matter.

The Federal Reserve System is a bankers' banking system owned by the member banks of the System. It is entirely privately owned. It does not belong to the people of the United States or to the United States Government—not one dollar of it.

The Government is supposed to supervise it in the people's interest. But under recent practices the officials appointed for that purpose have supervised it entirely in the interest of the big banks. Why should they not do this, since their salaries are not paid by the United States Government, but by assessments on the member banks? A man naturally feels an obligation to those who pay his salary. That part of the law ought to be changed. The Federal Reserve System was clearly a compromise, but better by far than the total lack of system which it replaced. It was administered with great effect and benefit from the time of its enactment through the World War.

From the autumn of 1920 to the present time it has to an unthinkable extent been administered in the interest of the great currency and credit controllers and the international bankers and terribly against the interests of the American people.

The people, generally speaking, seem to think that the gold reserve belongs to the Government. It does not. Outside the small amount in the Treasury to provide 40 percent gold reserve for the old greenbacks, the Government has not a dollar of gold. The gold reserve belongs to this private banking system. And the gold is all stored in the 12 Federal Reserve bank vaults, not in the United States Treasury.

Here is a statement from the Treasury Department which shows total gold in America at the present to be \$4,310,767,000. Federal Reserve banks hold and own \$3,416,210,000. Of this, the United States Treasury vaults have \$236,463,000, only 7 percent as much as the Federal Reserve vaults contain.

There is somewhere among the people gold—mostly gold certificates—in the amount of \$658,094,000. The Federal Reserve banks are organized with a capital stock just like any other corporation. The capital stock of the whole Federal Reserve System is \$321,000,000—subscribed and actually paid in is \$150,217,000 by all the member banks put together. That is the entire capital.

Now, what has this \$150,000,000 earned or gained since 1913, when the System was begun? The figures show a gross earning of \$1,020,000,000. What has been done with that billion dollars gained? The expenditures by the Federal Reserve System during these years, including the construction of Federal Reserve bank buildings, was \$472,000,000. The net returns on the \$150,217,000 paid in capital was \$548,000,000. These net earnings have been divided up as follows:

Dividends on the \$150,000,000; paid in capital, \$120,000,000; transferred to surplus account, \$279,000,000. These two items, interest and surplus, totaling \$399,000,000, would equal 13.3 percent annual income on the \$150,217,000 actual capital paid in.

What possible excuse can there be for presenting without any consideration a surplus to the Federal Reserve System when the stockholders have only paid in one half the stock the member banks had subscribed?

Paid to the Government as a franchise tax, \$149,000,000, equals 4.5 percent.

The \$279,000,000 should also have been paid to the Government, or a total of \$428,000,000, and if this Congress does its duty the next 20-year period will see much more than that amount paid into the National Treasury.

This amount is nearly sufficient to pay the amount required for 2 years' interest and amortization of the \$3,000,000 bond issue which we are about to authorize to put the men to work who were thrown out of employment by the maladministration of the Federal Reserve Act. [Applause.]

Now, let us see what that means to a bank that became a member at the beginning and had a capital and surplus of \$150,000.

Here it is: Subscribed under the law 6 percent, equals \$9,000. But only half that amount was ever actually paid in, or \$4,500 cash.

For this \$4,500 cash investment this small bank has received back in interest \$4,600, or \$100 more than the cash paid in at the beginning, and that surely is sufficient. But it now has an interest in the surplus which amounts to \$8,370 cash, to which it has no possible moral right, and only such a legal right as a Congress in the service of the big interests voted to it.

Now, what does this section 3 mean? It means this and nothing less, that if section 3 becomes the law we forever give up all claims to any return to the Government whatever. If section 3 had been in the original law, we would not have received the \$149,000,000 which we have received, but the Federal Reserve System would have added that amount to the present \$279,000,000 surplus, or \$428,000,000 would belong to this purely private banking system.

Therefore if we keep section 3 in this bill, it means the people will never receive another penny from this private banking system for the tremendously valuable franchise which it holds. Any man who votes to retain it in the bill votes to take from the people all the hundreds of millions of money which will come to them if this section is left out of this bill.

We ought to see that this very great profit in cash is the least of the advantages which this privately owned bankers' banking system has been granted because whoever controls currency also controls credits, whoever controls credit controls prices, whoever controls prices controls industry, whoever controls industry controls civilization, and the lives and labor of those who make up civilization.

Mr. LUCE. Mr. Chairman, how much time have I remaining?

The CHAIRMAN. The gentleman has 52 minutes.

Mr. LUCE. I should like to have the Chairman notify me when 47 minutes have expired.

Mr. LUCE. Mr. Chairman, the subject under discussion is one of much technical detail and difficulty. It is one impossible to adorn, and all that I may hope to do is to explain to such members of the committee as desire to be informed, what is in the bill. If gentlemen who are not interested in knowing what is in the bill will allow me to have the attention of those who are interested I shall be doubly grateful. I know I shall tax the patience of the House, for finance is a dreary topic and one that cannot be made entertaining.

But if I may help Members to know what is here proposed and to understand the reason why the committee as a whole has made a unanimous report in favor of the passage of the bill, in spite of certain objections, then we may take the matter up more intelligently under the 5-minute rule.

The depression emphasized the fact that our banking system is not satisfactory. A growing distrust has now been turned into universal apprehension. In the middle of the depression the Senate Committee on Banking and Currency took up for consideration what is everywhere known as the "Glass bank bill." It held long hearings.

The membership of that committee, I think I may be pardoned in saying, comprises men peculiarly qualified to study the subject. They recommended a bill that failed to become a law in the last Congress. When that bill was given out, it was exposed to careful scrutiny through the strongest motives of interest on the part of the attorneys of the leading banks of the country, and various objections were raised.

In the course of the months that passed and the study given to the matter by the Senate Committee on Banking

and Currency, and further consideration by the sponsor of the bill, I find that fully nine tenths of the matters to which objection was made a year ago have been eliminated.

So far as relates to the reorganization of the bank structure of the country, it is fair to assume that the Glass bill in its present form, under consideration at the present time in another branch, is as nearly satisfactory as such a long and complicated measure ever can be.

So when your committee of the House approached the subject it did not feel it necessary to hold long hearings on the bill and repeat what was already at our command in the form of the printed Senate report. Accordingly the Glass bill was copied for introduction in the House as far as it related to two branches of the subject. Your committee made certain changes, some of importance, which I shall call to your attention as embodied in the bill before you.

The third branch of the subject, that relating to Government insurance of bank deposits, has been quite differently treated by the House committee, and there will necessarily be discussion of it in conference with an attempt to reconcile the two proposals and produce from them one that will meet at any rate the most serious of the objections.

Taking up in turn the three titles of the bill, for we have rearranged it so that it may be more intelligible, let us first examine title I, which contains such provisions as materially change the banking structure of the country. Many of these provisions will frighten a stranger to the subject by their length and intricacy, but on examination you will find that for the most part they are repetitions of existing law with comparatively small insertions.

Mr. HOEPEL. Mr. Chairman, will the gentleman yield for a question before he concludes? I do not want to interrupt him now.

Mr. LUCE. I shall hope to have the time.

The first section concerns itself merely with definitions and need not have your attention. The second section brings us down to what was a prime purpose in the mind of the author of the bill and his associates in another branch. The use of banking funds for speculation became a stench in the nostrils of the people. The second section of the bill brings us right to the control of the use of banking funds for speculation. All through the bill there are scattered provisions of like intent which I think all will accept, for nobody questions the desirability of accomplishing their object.

The third section of the bill concerns itself with the topic to which the previous speaker has called attention, that of the disposition to be made of the surplus funds that have accumulated in the Federal Reserve System. I have reason to believe that this matter will be thoroughly discussed when we reach it under the 5-minute rule, and I shall not now anticipate that discussion.

The fourth section of the bill admits the Morris Plan banks, against which I imagine no protest will be raised. Also, by a minor correction, it puts State banks on the same level with national banks in the matter of certain operations with foreign countries. It also treats, on page 6, a matter to which I would particularly address myself, not directly, perhaps, as bearing on the bill but as bearing on some of the issues that have been raised, for it concerns itself with the mutual savings bank.

The mutual savings bank, which this bill would let enter the Federal Reserve System, is an institution with which, most unfortunately, Members of the House from the central and southern parts of the country are unfamiliar. I have been told, but I shall not vouch for the complete accuracy of the statement, that there is not a mutual savings bank between Cleveland and Sacramento. It is greatly to be regretted that the communities in the central and southern parts of the country have not acquainted themselves with the value of the mutual savings bank. Let me give the figures that show the situation. It is preliminary to my regret at the absence from the bill of one provision which I hope might yet receive your attention. The criticisms of the bill, in fact, for my own part, and I think on the part

of several of my associates on the committee, are based chiefly on its omissions and not on its commissions.

Later on I shall try to develop the reasons why I fear this bill will gravely disappoint those who have looked for an adequate and thorough reform of the banking system of the country. But returning to the situation in regard to mutual savings banks, I find by the last report of the Comptroller of the Currency that in New England per capita, for each unit in the population, we have in our mutual savings banks \$539. In the Southern States demand savings deposits have an average of only \$37 per capita. In the Middle Western States it is \$114; in the Western States, to the Rockies, \$46; and in the Pacific States, \$196. I do not speak in a boastful way when I glory in the fact that in New England our savings deposits average \$539 per capita. I say it again to bring home, if I can, to my friends from the South and from the West that when they declare we are withdrawing from them their capital to be used for the benefit of the East they fail to recognize that on the contrary we are drawing from ourselves the money which is going to finance in some part the great West. When you point the finger of scorn at the banks, at the financiers, at the capitalists of New England, let me tell you that you are pointing it at the shoe workers in Lynn, at the men and women who tend the looms in Fall River and New Bedford, at the men and women in my own town who put together the works of the Waltham watches, at the men and women through all our section who toil and have scanty incomes.

It is the income of the poor in New England that fructifies the West, and every time you try to throw into disrepute our eastern communities because they have been thrifty, because they have organized these mutual savings institutions, you are abusing our working people, the wage earners of New England. One of our most prosperous savings banks in Boston is called the Five Cent Savings Bank, because it takes deposits as small as 5 cents, and it has amassed millions of dollars of the workers, of the wage earners, of the school teachers, of the people generally, which dollars, directly or indirectly, have in great part gone to help and benefit the rest of the country.

Before you abuse the financial institutions of the East make your own hands clean. Ask yourselves what you have done in Indiana, Illinois, Michigan, or in any of the other Western States or in those of the South to bring together the philanthropically minded men of the community to organize institutions where the poor can join together their little sums, not only for their own advantage but also to the common good. Many a nickel makes a muckle. There is the road to travel if you would furnish your own capital.

I wanted in this bill to protect the savings of the poor. I am shocked when I go into the national bank of my own town and there see on one side the commercial windows and on the other side the window where they take in the savings. Every night the receipts of the day are put together in one lump, and the savings of the citizens who are in moderate or humble circumstances are thus being risked in commerce, while in our mutual savings bank the most strict protection is thrown about the funds.

The savings bank is strictly limited as to the securities in which it may invest. It may have no dangerous dealings with a national bank. Our law requires that a brick wall without any aperture shall be maintained between the two institutions if in the same building, so that if the cashier of the national bank and the treasurer of the savings bank wish to connive, they must go out on the sidewalk to do it. When I find all through the rest of the country you are allowing the savings of the poor to be exposed to the risks that have brought destruction to so many banks, I believe you are negligent in not introducing into this bill a provision that thrift deposits in commercial banks shall be segregated and shall be invested only in limited range of high-grade securities. Long-time investment and short-time lending ought to be kept wholly independent. It is my regret that, because the greater part of my associates on the committee came from regions where the mutual savings

bank is unknown, I could not convince them of the need for this.

Mr. FLETCHER. Will the gentleman yield?

Mr. LUCE. I yield.

Mr. FLETCHER. I should like to inquire whether a large percentage of the mutual savings banks in the gentleman's State failed?

Mr. LUCE. Within a few months, for the first time in all the history of savings banks in Massachusetts, one failed. That is the only instance in all the history of savings banks in Massachusetts.

Mr. FLETCHER. How many are there now in Massachusetts?

Mr. LUCE. About 200. They are to be found in every city and every good-sized town. Their two billions of deposits have been the mainstay of the masses in this trying period. They in no small part account for the fact that Massachusetts, though an industrial State, has probably seen much less of real suffering than almost any other State in the land.

To go on with the bill, the next sections are unimportant. They refer to details of the Federal Reserve System. I may point out we are requiring the approval of six members of the Federal Reserve Board instead of five for certain loans that are to be made.

Then we come to a new section which legitimatizes and regulates the open-market committee. There has been such a committee in operation for years, and this simply formulates the conditions under which it shall operate. That is on page 11, section 12 (a).

Mr. WEIDEMAN. Will the gentleman yield?

Mr. LUCE. I yield.

Mr. WEIDEMAN. What are the functions of the open-market committee?

Mr. LUCE. The open-market committee is that instrument of the Federal Reserve Board which, by buying or selling securities and acceptances, accomplishes one of the purposes of the system, which, through 9 or 10 years after the war, kept the ship of finance on an even keel. It is the system, I may explain, to which those of the House who approved the first plank of the President's money program look for accomplishing the result most desired, that of reviving and stabilizing business by expanding or decreasing the volume of credit.

Mr. WEIDEMAN. This open-market committee has been functioning for a long time. Is it not just one step in the formation of a great central bank?

Mr. LUCE. Oh, I cannot share the gentleman's apprehension on that score.

Mr. WEIDEMAN. It deals in all kinds of securities, national and international. There is no limit, is there?

Mr. LUCE. I hope not.

Mr. WEIDEMAN. This is the opening wedge in the consolidation of the entire banking industry, both of this country and of the world, into the hands of a few men, is it not?

Mr. LUCE. I do not share the gentleman's fear on that score.

Now, on page 14, section 9, is still another section meant to hamper the Federal Reserve Bank of New York. Through the years when Gov. Benjamin Strong was the head of that bank until his untimely death its relations with foreign banks worked with admirable effect in accomplishing the level range of prices, which is so much to be desired again for the welfare of this country. However, the idea on the part of those who see red whenever anything of a foreign nature is recommended is to the effect that there should be no transactions between the New York bank and the Bank of London, or French or German central banks, without the knowledge and approval of the Federal Reserve Board. Fortunately, the provision is not likely to do serious harm.

Then there is another section, meant to hamper speculation. Then one about banks not lending money to their own executive officers. That is on page 16. With it we

are beginning to get near the vitals of the bill. Little by little we find something that is really of importance, and here is one. It is at the bottom of page 16:

No member bank shall make any loan or extend credit in any other manner to any of its own executive officers.

That is, the officers of the banks.

Then, on the next page there is a new section which forbids banks to invest their capital in bank premises, it being found that some banks, for publicity and advertising and notoriety, are spending too much of their capital on the buildings they occupy.

Then there is a page or more that only a lawyer can understand, and not having been actively engaged in the practice of the law for a long time, I dare not try to explain it to you. It is something about taking Federal Reserve bank business into the United States district courts. I suppose it is desirable. You will have to take that for granted, so far as I go.

On page 20 there is much new matter aimed at the practices of banks engaging in the investment business. In brief, it seeks to take them out of that business to an important degree.

Section 15 will prevent further organizing of national banks with less than \$50,000 capital in places of from 3,000 to 6,000 inhabitants. Hitherto such banks may have been started with as little as \$25,000 of capital. Many, many of the 9,000 failures of banks in the course of the last decade have been the result of too small capitalization. We seek to stop that.

Mr. KVALE. Mr. Chairman, will the gentleman yield?

Mr. LUCE. I yield.

Mr. KVALE. Does the gentleman feel this will do justice to the large number of small independent banks that are solvent and secure but which will be estopped from entering the System and participating in the benefits?

Mr. LUCE. I think all the authorities on banking are of the belief that no small part of our trouble in the last few years has been due to the fact that in many parts of the country banks exist having a capital of \$25,000 or less. I have been told there are \$15,000 and \$10,000 banks. It is a question of comparative gains and losses. The weight of judgment is that a bank will not be safe unless it starts with at least \$50,000 in cash.

Mr. KVALE. I understand the force of that argument, but the gentleman is familiar with the fact there are a great many small banks throughout the country which have been successful and which today are solvent.

Mr. LUCE. In this matter I incline to rely on the judgment of those who are more familiar with banking conditions than I am.

Mr. KVALE. If the gentleman will be patient for one moment, out in my section of the country for 10 years we have gone through the wringer; and there are unquestionably many banks that are stable and secure and solvent, but whose capital is not up to the \$50,000 level arbitrarily set in this bill. Hence my interest.

Mr. LUCE. This section simply states that no national banking association shall be organized after this section takes effect with less capital than \$50,000 in places with from 3,000 to 5,000 inhabitants. It affects no existing banks.

Mr. KVALE. But by implication will it affect those banks having less than \$50,000 capital so they cannot come under the blanket guaranty or insurance of deposits?

Mr. LUCE. Let me wait until we come to that part of the bill.

Mr. GOLDSBOROUGH. Mr. Chairman, will the gentleman yield that I may reply to the gentleman from Minnesota?

Mr. LUCE. I yield.

Mr. GOLDSBOROUGH. I may say it does not adversely affect them.

Mr. KELLER. Mr. Chairman, will the gentleman yield?

Mr. LUCE. I yield.

Mr. KELLER. I should like to know if there are any figures proving the statement which is so generally made

that the number of failures are greater in small banks than in large banks?

Mr. LUCE. I have not seen them. Only general statements have come to my notice.

Mr. KELLER. I have been trying to get some figures along this line for some time but have not been able to, and if the gentleman or some member of the committee can supply them I shall be pleased to have the facts.

Mr. LUCE. I shall bear that in mind.

Then there comes a collateral provision whereby entry of new banks into the Federal Reserve System will no longer be permitted when there has been cash payment of only 60 percent of capital, the present law allowing them to make good the additional 40 percent out of their earnings from time to time. This conforms to the idea that the capital structure of our banks ought to be strengthened.

Again the matter of affiliate relationship appears, the next section eliminating from the capital structure the stock of other corporations.

Section 17, on the bottom of page 23, cuts out brokers from deposit banking after 2 years; and on the next appears the corresponding aspect of that matter, with provision about concerns other than brokers, to accomplish the same result.

After a minor provision about interest rates on loans in States where laws are lacking, come the provisions for reopening closed banks. One of them I wish I had brought to the attention of the committee, inasmuch as I should hope before we get through with this bill the figure "85" on page 26, line 15, will be lowered, for it is going to be difficult to secure consent in writing of the holders of 85 percent of the deposits and unsecured credit liabilities in a closed bank. However, that is a mere detail with which we may not concern ourselves now, for if change is found desirable, it can be easily made by the conference committee.

Section 20 is, in my judgment, the best thing in the whole bill. It is pretty nearly the only provision in the whole bill that puts any teeth into existing law.

The reasons why we have had so many bank failures are not easy to determine, but we know, at least, that one reason has been the inability of the Comptroller of the Currency to compel banks to conduct their business according to sound methods and on right principles.

All the Comptroller has been able to do has been to slap a bank officer on the wrist and gently say, "I wish you would not do that again." Comptrollers have not been able to put any punch into their orders. I regard this provision of the bill as an attempt to inject more energy into the Comptroller of the Currency. I should like to jack up his office by giving it more authority, more inspectors, more money, with demand that it find out a bank is going to fail before it fails. [Applause.] But all that the authors of this bill have seen fit to do is to provide that when in the opinion of the Federal Reserve agent a director or officer shall have continued to violate any law or shall have continued unsafe or unsound practices he shall have a trial. That trial bids fair to take from 2 to 6 months and so does not insure any prompt meeting of the situation.

It has come to my knowledge that studies have been made determining the causes of the bank failures in this country over a period of years. They remarkably disclose the presence of the same causes. They show that failures have been chiefly due to bad banking practices of which the authorities knew, or might have known, and which they have not stopped.

In this section we give them a chance to stop these practices. I wish the section were a good deal stronger and went farther, but I am glad it goes as far as it does.

Section 21 puts an end to the practice of some of the big banks in having a board of directors whose names occupy half a letterheading, for publicity purposes, without in reality guaranteeing any real responsibility whatever. We tell the big banks that they shall not have more than 25 directors.

In the next section there is an attempt further to prevent the interlocking of banks and investment companies.

I told you that you would find this scattered all the way through.

Then, there is a section that prevents bank employees or officers from having any interest in lending companies, and then one that cuts out the double liability of stockholders.

This provision on double liability cannot and will not stand if the bank insurance end of the bill goes by the board. The committee has put it in with the belief that in case the deposits are insured, there will no longer be need for the requirement of double liability. I think the committee was influenced in putting in this section by the knowledge we all possess that double liability often prevents getting the help of the best men in the community; men who would gladly undertake some of the duties of directors or officers if the danger were not so great. Also double liability too often brings undeserved loss to the innocent. These considerations seemed to us to offset any advantage that may remain in double liability after the insurance-guaranty provision goes into force, if it does go into force.

Mr. DUNN. Will the gentleman yield?

Mr. LUCE. I yield.

Mr. DUNN. In the gentleman's opinion, if the bill passes in its present form, will the depositors in our banks be given a bona fide guaranty that their money will be safe?

Mr. LUCE. I shall get to that in a discussion of the last third of the bill. I am proceeding in the order of the bill and shall discuss that question then.

Mr. HOEPEL. Will the gentleman yield?

Mr. LUCE. Yes.

Mr. HOEPEL. I just heard the gentleman make the statement that all the Comptroller could do would be merely to slap these bankers.

Mr. LUCE. That is what my understanding is.

Mr. HOEPEL. Would not the Comptroller have power to do more than slap these bankers if in the organization of the banks of America the United States held 25 or 50 percent of the stock of the various banks? We would not then require a bank guaranty law; is not that true?

Mr. LUCE. That is another question not entering into my attempt to explain this bill.

Mr. GREEN. Will the gentleman yield?

Mr. LUCE. Certainly.

Mr. GREEN. I was wondering if this committee had given consideration to placing a criminal liability upon all bank officers in case the bank fails. It seems to me this is a question that should have consideration in these times.

Mr. LUCE. I do not think that has been given consideration.

What the bill tries to do is not to punish, but to prevent. It does not go far enough in preventing; that is all there is to it.

Now, we come to the second title of the bill, and I desire so much to emphasize the third title that I want to hasten now and dispose of this whole title about affiliates in just a word.

The affiliates are to be put out of business in 2 years. Eighteen pages are given chiefly to the conduct of these affiliates within the 2 years. In my judgment, they are now so ashamed of themselves or else are making so little money that abuse of the affiliate idea no longer exists and is not likely soon to be reborn. If I had my own way, instead of having 19 pages, I would put this into 19 lines, and I am not going to give 19 seconds more to its discussion. So far as I know it is all right.

We come now to the important part of the bill, the guaranteeing of deposits.

Mr. BEEDY. Will the gentleman yield to me a moment in order to correct the record?

Mr. LUCE. Yes.

Mr. BEEDY. I notice the gentleman said there is no savings bank between Cleveland and the coast.

Mr. LUCE. Between Cleveland and Sacramento; so I have been told.

Mr. BEEDY. That is true, with one exception in Minneapolis.

Mr. LUCE. I am glad to be informed about Minneapolis. New England men must have carried the idea there.

Mr. BEEDY. And I made a misleading statement which ought to be corrected. Affiliates, as such—that is, separate corporations doing other than a banking business—are taboo after 2 years, but holding-company affiliates endure for a longer period, under close supervision.

Mr. LUCE. They do. It is unfortunate that the phrase "holding-company affiliates" was used. It confuses two things.

Mr. BEEDY. I agree with the gentleman.

Mr. LUCE. The essential part of this bill is that it puts an end to what we ordinarily think of as affiliates.

Mr. KELLER. I did not get that and I am very much interested in that part of the bill.

Mr. LUCE. The 2-year provision applies to only what you and I think of as affiliates. It does not apply to holding companies which hold the stock of various banks or what we ordinarily refer to as group banking or chain banking. It does not touch that beyond some control. What the public thinks of as affiliates will go out of existence in 2 years and I am quite indifferent about what the provisions relating to affiliates are, because I do not think they will amount to a hill of beans in the meantime.

Title III, the deposit insurance corporation, is the controversial part of the bill.

There are men in the country who are gravely apprehensive of doing anything in this direction.

Your committee differs radically as to some provisions of this section. We are expecting in the conference that agreement will be reached which will give us a better insurance bill. For one I have felt that the public is ready for some sort of insurance. The public demands it, and inasmuch as enactment will at any rate add to the reasons we are trying to give why men should once more be confident, I am willing to sink any doubts I may have and go along with the committee, desiring to have it put upon record, however, that in this measure, as in all the big measures of this session, the responsibility is that of the administration now controlling the Government. Our position as a minority is that we accept but we refrain from endorsing.

I wish, however, to preface consideration of the proposal with certain observations about insurance. In my time I have seen insurance ideas extended far beyond what anybody would have dreamed when I first became interested in the subject. I have seen each extension met by the same objections raised against insurance of deposits—that it will encourage carelessness and indifference on the part of those protected.

I remember the fight in my own legislature over the Workmen's Compensation Act.

I remember one Saturday afternoon I rode out to the western part of the State in company with one of my fellow legislators who afterward became President of the United States. We were good friends. As I sat with him I noticed that he was gloomy. At last I turned to him and said, "Calvin, what makes you so glum today?" He was then in the senate. He said, "They have just killed my Workmen's Compensation Act."

That was only 25 years ago, and today there is not a man in the United States, in my belief, of any intelligence who would ask us to repeal a workmen's compensation act.

I have seen insurance extended in every direction, and I fail to understand why the depositors in a bank, persons who have no opportunity to know, who have in fact no knowledge about the interior affairs of the bank, who do not know what securities are being bought for the investment on their money or anything else about the use of their money—I do not see why those people also should not be insured against mischance that they cannot guard against and prevent. [Applause.]

But, sir, I recognize the difficulties in the way. I recognize the fact that undoubtedly strong, prosperous, well-con-

ducted banks will have to contribute in some cases by reason of the weakness of some other banks. That is true of all insurance.

I have been insured by a life-insurance policy for the greater part of my life. I am still here, and I hope someone else will not have to cash in on that policy for some time. [Laughter and applause.]

But all these years I have been paying money every quarter for the benefit of dependents of somebody else less fortunate than myself—somebody who met with accident or who was not gifted with equal physical strength to withstand the ravages of time.

Will you say that there should be no insurance because the weak and poor are protected? "God help the poor, the rich can look out for themselves." [Applause.]

So, Mr. Chairman, I am hoping that a sound, prudent system may in the end be agreed upon which will carry into this field the benefits that insurance has brought in so many other fields.

The main issues here, so far as I can make out, are the treatment of the State banks that are not members of the Federal Reserve System and that of the closed member banks. The latter brings to the surface my sense of fairness. There are gentlemen who desire this insurance to be carried so far that every depositor in every bank that is already closed shall receive to the full every penny of his deposits. That is not insurance. That is charity.

Why should you give to one class of the country and not to another? Why should you give to depositors in banks, and not give to the merchants who have failed, not give to the men who have lost their homes by foreclosure of mortgages, not give to all of the other distressed? Why do you make fish of one and fowl of the other? Why draw these distinctions, and say because a man had his money in a bank, therefore, he shall get back every penny? I claim that is unfair, I claim it is unsound, I claim it is unreasonable and ought not to be permitted.

Mr. HOEPEL. Mr. Chairman, will the gentleman yield?

Mr. LUCE. Hastily.

Mr. HOEPEL. What do you call this lending of money on securities which have no value? Is that charity, or is it good business on the part of the Government?

Mr. LUCE. Mr. Chairman, the gentleman is inviting me into green fields, where I would like to stray, but unfortunately the hands of the clock persist in traveling, and I must limit my attention to the bill as it is. At the moment I am objecting to these retroactive provisions.

There are other parts of this title which, when it is considered in detail, I may desire to discuss, but I would use the few remaining minutes now at my command to make some general observations upon this bill.

The country has been led to believe we are about to revise our banking system so that hereafter there should be far less danger of suffering by depositors and injury to investors. We have the right to ask whether the assurance that this would be done is herein carried out. I maintain it is not carried out, that there will be grave disappointment when once the people of the land know how little has here been done. I would not be so cruel as to say that the mountain has labored and brought forth a mouse, for that would not be true. There are good things in this bill, things that ought to become law and that I am confident will become law, but it does not go to the heart of the question. The heart of the question you may find in the answer to another question, Why do banks fail?

In the last 10 years one third of the banks of this country have failed. One third of all the banks in this country have been unable to survive under our banking laws. Thousands, yes, millions of our people have been brought to distress by our failure to have a safe, sound, defensible banking system.

This bill does not provide that, it does not face the real issue, it does not attempt to answer the question of why banks fail; and until that question is answered, you will be disappointed. I am not one of those who criticize the President of the United States for taking the advice of men expert in various fields of knowledge. I am a believer in

the expert. I ask why the expert is not brought into this field. I ask why the President does not bring to his command the ablest, the soundest, the most thoughtful, if you please, the most progressive men in the United States to tell him why, in the preparation of this bill, we have failed to meet the issue.

Such a group of men will find that we alone of all the countries in the world persist in the system of unit banking. I know that the moment I mention that name I am arousing the prejudice of two thirds of the men who are listening to me. I may be wrong in thinking that unit banking is one of the great causes of our troubles, but let us find out. Let us not rely on what has been virtually the snap judgment of one of your committees. We have had this session in the committee no discussion of that matter worth while. I want that question answered. I want to know why it is that there are no bank failures in England; why there are next to none in Canada; why in all the other countries of the globe there are better banking systems than we have; and so, whether I arouse the ire of some of my good friends on the committee, whether I arouse the ire of others who worship at the throne of unit bankers, I insist that this question will not be settled right until you have studied it and found out all the facts and have ascertained whether it is because of unit banking that we have so much suffered.

By their fruits ye shall know them, and by the fruits of a system under which one third of all its financial institutions go to ruin inside of 10 years—by those fruits certainly you may know something is wrong. You may know it deserves your study, and that there is nothing of more importance to the merchants, to the agriculturalists, to the industrialists, to the workingmen of this country than the discovery of the reason why banks fail. If you will answer that question and find out why banks fail, then you will be able to provide the remedy. [Applause.]

I yield whatever time I have remaining to the gentleman from Maryland [Mr. GOLDSBOROUGH].

Mr. GOLDSBOROUGH. Mr. Chairman, I yield myself the balance of the time.

The CHAIRMAN. The gentleman is recognized for 16 minutes.

Mr. GOLDSBOROUGH. Mr. Chairman, there are three parts to this bill. One attempts to dissociate what are known as "affiliates" from commercial banks, and for that effort Senator GLASS deserves the thanks of the Congress and the country, because he is the father of that very, very important provision of the bill.

Another part of the bill attempts to regulate the open-market operations of the Federal Reserve banks. In that provision I am not in entire accord, because it is an attempt to prevent the Federal Reserve banks from using their open-market operations for the purpose of stabilizing the currency of the country. However, as it is written it would, in my judgment, be totally ineffective, and therefore is not a serious defect in the bill.

No more important measure for the economic security and welfare of the country was ever offered to a legislative body than the bank-deposit insurance plan offered in this bill.

Mr. DUNN. Will the gentleman yield for a question right there?

Mr. GOLDSBOROUGH. I yield.

Mr. DUNN. Does this bill in its present form give the depositors of the banks of the United States a bona-fide guaranty that when they place their money in the bank it will be safe?

Mr. GOLDSBOROUGH. It does. It guarantees all deposits up to \$10,000. It guarantees deposits from \$10,000 to \$50,000 to the extent of 75 percent, and all deposits from \$50,000 upward to the extent of 50 percent. I will say to the gentleman who asked the same question of the preceding speaker that within the first 60 years of our national banking system the entire system lost less than \$75,000,000. This corporation will have assets of approximately \$2,000,000,000.

Mr. MAPES. Will the gentleman yield there?

Mr. GOLDSBOROUGH. I yield.

Mr. MAPES. Does the insurance corporation or guaranty corporation have a first lien upon the assets of a failed bank for whatever it must pay depositors?

Mr. GOLDSBOROUGH. It actually takes over the failed bank and sets up a new institution, pays off the depositors of the old bank, keeps the new institution running for 2 years, and if the local people want to reestablish the institution by buying stock in a new bank, they have 2 years in which to do it.

Mr. MAPES. Can the corporation take all of the assets of the failed bank to pay itself for the payments it makes to the depositors?

Mr. GOLDSBOROUGH. Yes; but after it pays off the depositors and reimburses itself for what it has to pay off, if there is any balance it goes back to the bank, so that it is not a money-making proposition.

Mr. THOM. Will the gentleman yield?

Mr. GOLDSBOROUGH. I yield.

Mr. THOM. In the State of Ohio a great deal of our saving is through the medium of what is known as "building and loan associations." As I understand it, the building-and-loan association originally implied the idea that a person had to be a borrower in that institution, but in our State persons who are not borrowers and not owners of stock deposit their money in the building-and-loan associations.

Mr. GOLDSBOROUGH. This does not take care of building-and-loan associations.

Mr. KVALE. Will the gentleman yield for a question?

Mr. GOLDSBOROUGH. I will yield briefly, but I only have a few minutes.

Mr. KVALE. Will the gentleman discuss the veto power which the corporation holds over the action of the State banking departments in certifying banks under this act?

Mr. GOLDSBOROUGH. I will go into that. I only have a few minutes, so I must hurry.

The people of this country and of this world owe a great debt to the Chairman of the Committee on Banking and Currency [Mr. STEAGALL], who for 15 years, and for 12 years to my knowledge, has fought this battle for a bank-deposit guaranty. [Applause.] This time this bill will not only pass this House but it will pass the Senate and be signed by the President and will become a law.

Now, I will attempt to answer the question asked by the gentleman from Minnesota [Mr. KVALE]. Under the 5-minute rule the committee will offer two amendments. The chairman of the committee will offer an amendment to strike out section 3 of the bill; and when section 203, subsection (a), is read, I will offer an amendment. That is the subsection that applies to State banks. I will offer this amendment:

It is not the purpose of this subsection to discriminate in any manner against State nonmember and in favor of national or member banks, but the purpose is to provide all banks with the same opportunity to obtain and enjoy the benefits of this title. No bank shall be discriminated against because its capital stock is less than the amount required for eligibility for admission into the Federal Reserve System.

Mr. BOILEAU. Where is that to be offered?

Mr. GOLDSBOROUGH. That will be offered at the end of subsection (a) of section 302, at the top of page 55.

It seemed necessary to allow this corporation to examine State banks before permitting them to come into this insurance fund. It seemed necessary to let them continue to do it, but we propose to put into the act a rule of interpretation which shall instruct them that that section is not to be used for the purpose of putting the State banks out of business, but for the purpose of allowing the State banks to enjoy the privileges of that act, under the same conditions and circumstances that national banks and member banks can do.

Now, I am going to suggest to the members of the Committee that the Chairman of the Committee on Banking and Currency has for the last 8 months done, to my certain knowledge, the most intensive work on this bill. It would read like a romance if I could tell you the tremendous obstacles he has had to overcome to get this bill before the House. It is

not exactly what he would want. It is not exactly what I would want, but it is, in good faith, a workable bank deposit insurance bill. It will actually do what it purports to do; and an individual in this country who puts his money in the bank, if this becomes law, will know that when he wants it he can get it out. [Applause.]

So, please approach the consideration of this bill with the understanding that your committee have gone just as far as they possibly could in helping the small institution in this country, in helping the small depositor; that it was extremely difficult to get any sort of legislation to insure bank deposits at all. The great bankers of this country are all opposed to it. Their power and authority—controlling, as they do, the credit of the country—is almost beyond belief; and it has taken labor, patience, and political strategy to get as far with this sort of legislation as we have been able to. In order that it may not be defeated, in order that nothing may happen to it, I am going to ask the Members of this House to vote down any amendment which is not supported by the committee. I give you my assurance that the committee has gone and will go as far as it can without losing the benefits of the legislation entirely, legislation which will be such a wonderful step in social service, unprecedented in the history of the world.

Mr. HOEPEL. Mr. Chairman, will the gentleman yield?

Mr. GOLDSBOROUGH. I yield.

Mr. HOEPEL. I propose to offer an amendment providing that banks may not charge the borrower over 100 percent more than they themselves pay for deposits. I offer the amendment particularly in reference to Postal Savings. The banks of America today have over \$1,000,000,000 which they receive from the Government for 2½-percent interest. Under this bill they have the right to charge borrowers up to 7 percent. I think my amendment ought to be accepted prohibiting banks from charging more than 100 percent in excess of the cost to them of getting the money they loan.

Mr. GOLDSBOROUGH. The gentleman, of course, has the privilege of offering any amendment he may see fit. As I indicated before, the committee has gone as far, and will go as far as it can safely go without endangering the life of the bill.

Mr. KVALE. Mr. Chairman, will the gentleman yield?

Mr. GOLDSBOROUGH. I yield.

Mr. KVALE. Once we embark on the guarantee or insurance of bank deposits, would it not be advisable to cease payment of interest upon Postal Savings deposits? Has the gentleman considered the advisability of such a policy?

Mr. GOLDSBOROUGH. I may say to my friend that as soon as the people know their deposits are guaranteed they will forget all about the Postal Savings System.

Mr. ZIONCHECK. Mr. Chairman, will the gentleman yield?

Mr. GOLDSBOROUGH. I yield.

Mr. ZIONCHECK. The gentleman made the statement that this insurance corporation would have a fund of \$2,000,000,000.

Mr. GOLDSBOROUGH. Nearly \$2,000,000,000.

Mr. ZIONCHECK. Why does this bill require that the United States put in \$150,000,000 to start this company going?

Mr. GOLDSBOROUGH. The Government has received about \$750,000,000 as earnings of the Federal Reserve banks. It seemed to us it was but fair and right, inasmuch as practically the whole country will get the benefits of this act, that the Federal Treasury should contribute at least a part of the capital.

Mr. ZIONCHECK. Then it will be a contribution of \$150,000,000?

Mr. GOLDSBOROUGH. No; the Government takes stock and will be entitled to dividends on its stock.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. GOLDSBOROUGH. I yield.

Mr. McFARLANE. Section (e), page 51, provides that banks shall subscribe certain amounts, up to one half of 1 percent of their total deposits. Is any part of this sub-

scription to be passed on to the depositors, or is it to be solely and wholly paid by the banks themselves?

Mr. GOLDSBOROUGH. It is to be paid by the banks themselves.

Mr. GLOVER. Mr. Chairman, will the gentleman yield?

Mr. GOLDSBOROUGH. I yield.

Mr. GLOVER. The gentleman knows I am for the bill. I voted for every bank guaranty bill that has been brought up, but will not the gentleman make very plain to us how this bill will affect our State banks that are not members of the Federal Reserve, banks having a small capital, say, of \$25,000?

Mr. GOLDSBOROUGH. They are not required to have any particular amount of capital to get in.

Mr. GLOVER. The only requirement then, is that they be liquid and solvent and willing to carry out certain conditions imposed on them?

Mr. GOLDSBOROUGH. That is all that is necessary.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield for a further question?

Mr. GOLDSBOROUGH. I yield.

Mr. McFARLANE. In the matter of State banks does not the gentleman believe that a report of the State bank examiner showing the solvency of a State bank should be sufficient so that State banks can operate without a lot of further red tape in the Department in Washington?

Mr. GOLDSBOROUGH. This corporation will only have two members who are connected with the Federal Reserve System and three, the major part, it is provided shall be appointed by the President. This would seem to indicate that the State banks will not be discriminated against. It looks to me as though they will have full and fair opportunity to receive the benefit of the insurance fund.

The CHAIRMAN. The time of the gentleman from Maryland has expired. All time has expired. The Clerk will read the bill for amendment.

The Clerk read as follows:

TITLE I

SECTION 1. As used in this act and in any provision of law amended by this act—

(a) The terms "banks", "national bank", "national banking association", "member bank", "board", "district", and "reserve bank" shall have the meanings assigned to them in section 1 of the Federal Reserve Act, as amended.

(b) Except where otherwise specifically provided, the term "affiliate" shall include any corporation, business trust, association, or other similar organization—

(1) Of which a member bank, directly or indirectly, owns or controls either a majority of the voting shares or more than 50 percent of the number of shares voted for the election of its directors, trustees, or other persons exercising similar functions at the preceding election, or controls in any manner the election of a majority of its directors, trustees, or other persons exercising similar functions; or

(2) Of which control is held, directly or indirectly, through stock ownership or in any other manner, by the shareholders of a member bank who own or control either a majority of the shares of such bank or more than 50 percent of the number of shares voted for the election of directors of such bank at the preceding election, or by trustees for the benefit of the shareholders of any such bank; or

(3) Of which a majority of its directors, trustees, or other persons exercising similar functions are directors of any one member bank.

(c) The term "holding company affiliate" shall include any corporation, business trust, association, or other similar organization—

(1) Which owns or controls, directly or indirectly, either a majority of the shares of capital stock of a member bank or more than 50 percent of the number of shares voted for the election of directors of any one bank at the preceding election, or controls in any manner the election of a majority of the directors of any one bank; or

(2) For the benefit of whose shareholders or members all or substantially all the capital stock of a member bank is held by trustees.

Mr. WEIDEMAN. Mr. Chairman, I move to strike out the last two words.

WHO GOT THE GOLD

Mr. Chairman, before the Federal Reserve Act came into operation the national banks of the United States kept a percentage of their lawfully required gold reserves in their own vaults on their own premises. Each national bank kept

the remainder of its gold reserve with its city correspondent. Gold was widely diffused. There were over 7,000 national banks and each one had gold on its premises. The principle of dividing a risk for safety's sake was well observed. Gold circulated freely in those days. It met the constant challenge of paper money and insured its prompt and quick redemption. The currency of the United States at that time was sound. Now all is changed. United States currency, even gold certificates, which are evidences of contract, have been pronounced irredeemable. The gold of the United States, in a great hoard, is under the control not of the Government but of private interests which have unlawfully taken it away from the people by currency tricks and low-class financial juggling. The blackest page in the history of piracy has been written in the United States during the past 19 years by the administrators of the Federal Reserve Act. To them and to them alone this country owes its ruin.

Mr. Chairman, gold is the prize as it has always been the prize of unscrupulous men.

Twenty years ago the gold in the vaults of our national banks, the gold in the pockets of the people, the gold in the cash drawers of our independent business men, and the gold in the independent United States Treasury attracted the covetous gaze of European financial adventurers. A number of them had already fastened themselves down upon the United States to batten on our growing wealth. Others came and brought the seeds of financial corruption with them. The evil central bank lifted its head here. The United States had twice risen to cast off the accursed thing. The first bank of the United States was unable to obtain a renewal of its charter and went out of existence in the year 1811. The second bank of the United States, commonly known as Biddle's Bank, reached the place where it dominated the Government and it was from that pinnacle of worldly success for itself and ruin for the country that Andrew Jackson, almost single-handed, dislodged it.

WHAT ANDREW JACKSON THOUGHT OF CENTRALIZED BANKS

In his farewell message to the American people, before he went back to the Hermitage, he uttered the following words concerning it:

The immense capital and peculiar privileges bestowed upon it enabled it to exercise despotic sway over the other banks in every part of the country. From its superior strength it could seriously injure, if not destroy, the business of any one of them which might incur its resentment; and it openly claimed for itself the power of regulating the currency throughout the United States. In other words, it asserted (and it undoubtedly possessed) the power to make money plenty or scarce at its pleasure, at any time and in any quarter of the Union, by controlling the issues of other banks and permitting an expansion or compelling a general contraction of the circulating medium according to its own will. The other banking institutions were sensible of its strength, and they soon generally became its obedient instruments, ready at all times to execute its mandates; and with the banks necessarily went also that numerous class of persons in our commercial cities who depend altogether on bank credits for their solvency and means of business, and who are therefore obliged, for their own safety, to propitiate the favor of the money power by distinguished zeal and devotion in its service. The result of the ill-advised legislation which established this great monopoly was to concentrate the whole moneyed power of the Union, with its boundless means of corruption and its numerous dependents, under the direction and command of one acknowledged head, thus organizing this particular interest as one body and securing to it unity and concert of action throughout the United States and enabling it to bring forward upon any occasion its entire and undivided strength to support or defeat any measure of the Government. In the hands of this formidable power, thus perfectly organized, was also placed unlimited dominion over the amount of the circulating medium, giving it the power to regulate the value of property and the fruits of labor in every quarter of the Union, and to bestow prosperity or bring ruin upon any city or section of the country as might best comport with its own interest or policy.

We are not left to conjecture how the moneyed power, thus organized and with such a weapon in its hands, would be likely to use it. The distress and alarm which pervaded and agitated the whole country when the Bank of the United States waged war upon the people in order to compel them to submit to its demands cannot yet be forgotten. The ruthless and unsparing temper with which whole cities and communities were oppressed, individuals impoverished and ruined, and a scene of cheerful prosperity suddenly changed into one of gloom and despondency ought to be indelibly impressed on the memory of the people of the United States. If such was its power in a time of peace,

what would it not have been in a season of war, with an enemy at your doors? No nation but the freemen of the United States could have come out victorious from such a contest; yet, if you had not conquered, the Government would have passed from the hands of the many to the hands of the few, and this organized money power from its secret conclave would have dictated the choice of your highest officers and compelled you to make peace or war, as best suited their own wishes. The forms of your Government might for a time have remained, but its living spirit would have departed from it.

The distress and suffering inflicted on the people by the bank are some of the fruits of that system of policy which is continually striving to enlarge the authority of the Federal Government beyond the limits fixed by the Constitution—

Mr. Chairman, these words might have been written yesterday—

The powers enumerated in that instrument do not confer on Congress the right to establish such a corporation as the Bank of the United States, and the evil consequences which followed may warn us of the danger of departing from the true rule of construction and of permitting temporary circumstances or the hope of better promoting the public welfare to influence in any degree our decisions upon the extent of the authority of the general Government. Let us abide by the Constitution as it is written, or amend it in the constitutional mode if it is found to be defective.

The severe lessons of experience will, I doubt not, be sufficient to prevent Congress from again chartering such a monopoly, even if the Constitution did not present an insuperable objection to it. But you must remember, my fellow citizens, that eternal vigilance by the people is the price of liberty, and that you must pay the price if you wish to secure the blessing. It behooves you, therefore, to be watchful in your States as well as in the Federal Government. The power which the moneyed interest can exercise when concentrated under a single head and with our present system of currency was sufficiently demonstrated in the struggle made by the Bank of the United States.

Defeated in the general Government, the same class of intriguers and politicians will now resort to the States and endeavor to obtain there the same organization which they failed to perpetuate in the Union; and with specious and deceitful plans of public advantages and State interests and State pride they will endeavor to establish in the different States one moneyed institution with overgrown capital and exclusive privileges sufficient to enable it to control the operations of the other banks. Such an institution will be pregnant with the same evils produced by the Bank of the United States, although its sphere of action is more confined, and in the State in which it is chartered the money power will be able to embody its whole strength and to move together with undivided force to accomplish any object it may wish to attain. You have already had abundant evidence of its power to inflict injury upon the agricultural, mechanical, and laboring classes of society, and over those whose engagements in trade or speculation render them dependent on bank facilities the dominion of the State monopoly will be absolute and their obedience unlimited. With such a bank and a paper currency the money power would in a few years govern the State and control its measures, and if a sufficient number of States can be induced to create such establishments, the time will soon come when it will again take the field against the United States and succeed in perfecting and perpetuating its organization by a charter from Congress.

It is one of the serious evils of our present system of banking that it enables one class of society—and that by no means a numerous one—by its control over the currency to act injuriously upon the interests of all the others and to exercise more than its just proportion of influence in political affairs. The agricultural, the mechanical, and the laboring classes have little or no share in the direction of the great moneyed corporations, and from their habits and the nature of their pursuits they are incapable of forming extensive combinations to act together with united force. Such concert of action may sometimes be produced in a single city or in a small district of country by means of personal communications with each other, but they have no regular or active correspondence with those who are engaged in similar pursuits in distant places; they have but little patronage to give to the press, and exercise but a small share of influence over it; they have no crowd of dependents about them who hope to grow rich without labor by their countenance and favor, and who are therefore always ready to execute their wishes. The planter, the farmer, the mechanic, and the laborer all know that their success depends upon their own industry and economy, and that they must not expect to become suddenly rich by the fruits of their toil.

Yet these classes of society form the great body of the people of the United States; they are the bone and sinew of the country—men who love liberty and desire nothing but equal rights and equal laws, and who, moreover, hold the great mass of our national wealth, although it is distributed in moderate amounts among the millions of freemen who possess it. But with overwhelming numbers and wealth on their side they are in constant danger of losing their fair influence in the Government, and with difficulty maintain their just rights against the incessant efforts daily made to encroach upon them. The mischief springs from the power which the moneyed interest derives from a paper currency which they are able to control, from the multitude of corporations with exclusive privileges which they have succeeded in obtaining in the different States and which are employed to gether for their benefit; and unless you become more watchful in

your States and check this spirit of monopoly and thirst for exclusive privileges you will in the end find that the most important powers of Government have been given or bartered away and the control over your dearest interests has passed into the hands of these corporations.

Thus spoke Andrew Jackson, who destroyed the Second Bank of the United States and reestablished in this country the financial freedom of the individual according to the intention of the founders.

With the destruction of the Second Bank of the United States the golden age of America began. What though some people were poor and others were obliged to address themselves to mighty tasks for which the means were not always sufficient, the United States grew upward. The people were united; they became disunited, and then they became united again because, as Lincoln said, the Nation could not endure "half slave and half free", and it was not written in the stars that a nation "so conceived and so dedicated" should perish from the face of the earth. The heroic struggle of the people of the United States from the day when Andrew Jackson broke the monopoly of Biddle's Bank by taking United States Government funds out of it, thereby delivering the United States from the greatest peril that had up to that time beset it, down to the day when a monopoly of money and credit was established here by means of the Federal Reserve Act, was the golden age of the United States.

DANGEROUS BEASTS MAKE SOFTEST APPROACH

Mr. Chairman, I have been told that some of the most dangerous beasts in the jungle make the softest approach. Those who approached the American people in order to obtain their gold walked softly and spoke with what appeared to be gentle reasonableness. The American people were told that panics would be prevented and that no panic would ever happen here again if a part of the reserves of our national banks were put into a central pool for use in emergencies. The American people were unsuspecting. They did not take the trouble to subject the arguments to the test of reason. The Federal Reserve Act was passed, and a part of the gold reserves of every national bank in the country was put into a central pool for the benefit of money lenders and foreign and domestic speculators. While this was being done a great war broke out. There has been a great deal of discussion in regard to the origin of that war. Some say that Germany started it; others say that France was waiting for it; and still others say that England might easily have prevented it. Such discussions always seem to me to be beside the mark. I do not think that nations start wars. I think that financiers give the signal. I do not find the origin of the World War where others look for it.

The international money lenders intended to finance the World War on an inflation of American credit. Several events occurred before the murder of the Archduke at Sarajevo, any one of which might have led to war had the bankers been ready with their apparatus for financing the feuds of Europe with the labor and the products and the wealth and the savings of the American people. Six months after the Federal Reserve Act was passed the war began.

Mr. Chairman, the international bankers were not long content with the percentage of gold reserves placed in a single pool for their benefit by the Federal Reserve Act. They lifted up their eyes to the field and saw that it was white for another harvest. On June 21, 1917, using the war as an excuse, they had the Federal Reserve Board send to the Congress a batch of ill-conceived and disastrous amendments to the Federal Reserve Act. Of these vicious amendments I will, at the moment, mention but one. That was an amendment requiring the national banks to surrender the remainder of their gold reserves to the central pool. Concerning this amendment of June 21, 1917, to section 19 of the Federal Reserve Act, the Honorable Charles A. Lindbergh, of Minnesota, presented a minority report, as follows:

I cannot join with the Committee in recommending that the member banks of the Federal Reserve banks be authorized to remove from their own vaults any portion of reserves now required of them to be kept in their vaults. I was first to suggest in our original committee meetings the reduction of the reserves

required to be kept. That reduction was adopted, I supposed, in the interest of the localities where deposits are made. But this amendment proposes to let the banks remove all the reserves from their vaults. It is admitted to be the purpose, practically stated by Mr. Warburg, a member of the Federal Reserve Board, that all the lawful money be taken from the country generally and placed in the 12 Federal Reserve banks. He stated to the Committee, with reference to the proposed amendment, that, if adopted, "with the pressure we could place upon them, it would be done."

I took down that statement and later asked Mr. Warburg what he meant by "the pressure we could place upon them." His answer indicated that, through the Federal Reserve Board, pressure would be brought to bear on the banks which would practically force them to remove the lawful money from their own vaults and place it in their Federal Reserve banks. While the banks themselves own the Federal Reserve banks and would profit thereby, I do not believe that the smaller country banks would be so disloyal to their localities as to take all the lawful money of their depositors and centralize it into the 12 Federal Reserve cities.

I was opposed to the original bill. I know that many Members voted for it under protest, but I doubt that these would have voted for it if the bill then had given to the Federal Reserve banks all the lawful money. Of course, anyone owning any money that is in circulation can get it redeemed. Any bank will accommodate its customers, and also courteously exchange it for others than customers as things now are, but if the bank would be required to ship currency to the reserve centers and have these ship back lawful money it would incur expense. The people may not generally observe whether they have lawful money or not as long as it all passes at par, but if they find out, as they will and have a right to, that the money left to circulate among them is not the best you may find that they will seek the best for the very purpose of hoarding. If the Federal Reserve banks are going to set the example of hoarding the lawful money, not even the bankers could "peep" if the people followed the example.

Congress has given to the bankers the exclusive privilege to inflate the currency several billion dollars. Nearly one and one half billions of dollars are granted to them in the act of August 4 last. If this amendment is passed, allowing the banks to be put in a position where the Federal Reserve Board can "with the pressure" it "could place upon them", force all the lawful money into the Federal Reserve banks, they will be able to secure from Uncle Sam the issue of still more bank currency. What would happen if the whole system were to break down? Who would get the lawful money? Do you think it would be the plain people, who have no time to study the different kinds of money? Would they be the first to get into the vaults of the Reserve banks, which belong to the other banks? No answer is needed. We all know who would get it.

The very purpose of accumulating all this lawful money in the central banks is to make it the basis for further inflation of credit for one thing, and another to enable certain speculators to pluck a prize that will be ready when the readjustment from the effect of the European war begins. This is the credit that the bankers sell, and is in effect backed by Uncle Sam. The plans are laid to sell that credit to an enormous extent in order to reap interest returns from the borrowers to enrich the professional speculators.

We are approaching the limit, the falling-off place. It is utterly impossible to keep the pace. Practically all of us will suffer when the break comes. If it should come while the European war is on, the interests, as well as those responsible for this kind of legislation, will have the good fortune of being able to make the war the goat. But in reality the only thing the war has to do with it is to hasten the day of reckoning. No country can long withstand this drain upon the general population caused by centralized wealth through this process of pyramiding credits on which to collect interest and in payment seize the products of the toilers. After the war there will be a readjustment of world-wide influence. The New York bankers and their affiliated interests everywhere are preparing to make a "ten-strike" in that readjustment. They wish to use the capital of the country—that is, the people's deposits—to accomplish that. That is the purpose of their pressing for this amendment. They want to gather all the lawful money into their 12 Reserve banks. They want the kind of money they can use to buy out the Europeans and make the enormous profits that will result.

That capital may be used by the speculators to make us pay dividends and profits on. It will be just that much more to offset against the labor of the toiling millions—the "reasonable profits", as the courts term it. These people figure far in advance; so in anticipation of the great rake-off that they hope to secure in the near future, they now seek to centralize the aggregate deposits of the lawful money belonging to the people in order that it may be within their control when the prize is ready for plucking. If it were merely a question between our speculators and foreign speculators, we might prefer the success of our own, but why permit them to gather in all of the people's lawful money to make the speculation on?

Mr. Chairman, the more I consider this minority report of the House Banking and Currency Committee by our former Member, the Honorable Charles A. Lindbergh, of Minnesota, the more I admire and respect that man. I regret that he died young and that the House lost the benefit of his moral

grandeur and intellectual power. There are those who opposed him in this matter who will bear the mark of Cain to the day of judgment. He sleeps unsullied—the constant champion of the rights of man.

BIG BANKERS RULE FEDERAL RESERVE BOARD

The disastrous amendment that Lindbergh denounced was suggested and recommended by the Federal Reserve Board. It was watched over with jealous care while the bill for its adoption was pending in the Senate and the House. When either Chamber departed from the form dictated to it by the Federal Reserve Board, the matter was at once called to the attention of the legislators. I have read, with a sense of acute distaste, some of the communications which were prepared and sent to members of the Banking and Currency Committee in regard to this and other proposed amendments to the Federal Reserve Act by W. P. G. Harding, who was at that time the Governor of the Federal Reserve Board. I have some of those pages at hand but I will not read them because I do not wish to see them reproduced in the CONGRESSIONAL RECORD, which is, after all, the journal of a legislative body and not the journal of a body which will for long suffer itself to be ordered into action by the Federal Reserve Board. But I will say that the domination attempted to be exercised over Congress as shown by those communications has been continuously in evidence ever since. What the Federal Reserve Board asks for, it expects to obtain. The Federal Reserve Board represents the "invisible government" of the United States.

INTERNATIONAL BANKERS GOT CONTROL OF GOLD

Mr. Chairman, by the passage of this disastrous amendment of June 21, 1917, the private interests which were seeking to have all the gold in the United States placed in a central pool obtained control of all the gold reserves of all the national banks in the United States. Thereafter, a part of every dollar deposited in a national bank was sent to the central pool for the use of discount bankers and speculators. Mr. Chairman, it was a great mistake to seize any part of the gold reserves of our national banks by force of class legislation such as the Federal Reserve Act and it was a worse mistake to require the national banks to surrender the remainder of their gold reserves to the central pool. The reserves of the national banks belong to the national-bank depositors. With what justice could those bank deposits have been arbitrarily taken from the communities where they were earned and deposited and have been sent to the great gambling center of the American continent to feed the maw of international speculation? With what justice can the gold reserves of our national banks be left in that discount bankers' gambling pool now that the stucco-fronted, holler-than-thou Federal Reserve Board has announced the bankruptcy of the Federal Reserve banks? Their bankruptcy has been announced by their refusal to redeem their special Federal Reserve currency.

The Steagall bill shows that the Federal Reserve Board is incompetent to exercise proper supervision over the Federal Reserve banks and that it will cost the Government 150 millions to cushion their mistakes and to have the future losses of national banks transferred to the universal goat, the long-suffering American public. Mr. Chairman, it is no use to beat around the bush. The Federal Reserve System is doomed unless it "mends its ways", and the Wall Street bankers know it. The Federal Reserve banks have violated their charters. They are bankrupt and as for the Federal Reserve Board, which was to have been a "supreme court of banking", it now presents an almost pitiful spectacle. A little group of fallible and frightened men surveying the wreckage of the national banking system of the United States! The international money changers may keep this Board in the Treasury a while longer, but the day is coming when it will have to move out, bag and baggage. Mr. Chairman, this issue is the great political question of the day. The people of the United States are lining up against the creatures of privilege. The people of the United States are demanding a return to the Constitution and a return to democratic self-government. The party of Jefferson will stand with them. The party of Jefferson will stay close to

the people in the approaching struggle, and if there is any disciple of Jefferson, real or pretended, who does not intend to uphold the principles of Jefferson, now is the time for him to make other connections. The party of Jefferson can dispense with him.

We cannot have the present Federal Reserve Act and the Constitution of the United States operating here at one and the same time. The Constitution is a charter of human freedom. The Federal Reserve Act is a charter of monopoly granted to a special class in direct defiance of the Constitution. A certain international banker used to say that if the Federal Reserve System ever got into politics that would be the end of it. It is in politics now, Mr. Speaker, and it is on its way to join the Second Bank of the United States on the scrapheap of special privilege.

[Here the gavel fell.]

Mr. WEIDEMAN. Mr. Chairman, I ask unanimous consent to extend my remarks and to include therein portions of the minority report of former Representative Lindbergh and portions of a statement by former President Jackson and to also include excerpts from volume 136, May 20, 1933, of the Financial Chronicle, concerning the resignation of Eugene Black as Federal Reserve Director at Atlanta.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. HASTINGS. Mr. Chairman, everybody appreciates the importance of the pending bill to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for the guaranty of bank deposits.

The bill contains 76 pages and is divided into three titles.

I am going to confine my remarks for the most part to title III, which deals with the subject of the guaranty of bank deposits.

The committees of the House and Senate have been studying the provisions of this bill for more than a year, and the bill now under consideration is the result of the most careful study. There is a great number of amendments included in the bill changing provisions of existing law. These are extremely technical, and Members of Congress not on the Committee on Banking and Currency are unable to give sufficient time to a detailed study of these amendments, particularly to title I, to intelligently and effectively discuss them. Some of them are very far-reaching in effect; but in order that one may familiarize himself with any amendment, he must compare the amended section with the original act and must know the interpretation that has been placed upon the original section. This would require much time and more than the average Member of Congress could devote to the bill.

In the time allotted to me I want to discuss briefly title III, which provides for the creation of a Federal deposit insurance corporation and the guaranty of bank deposits.

I have been advocating the guaranty of bank deposits ever since I have been in Congress. There is a Nation-wide demand for such a law. The guaranty of deposits is, first, in the interest of the general depositors themselves, and particularly the smaller ones. When the amount of money a small depositor has in a bank is lost, as a general thing, he has no other credit, and he therefore suffers a great loss. Second, the guaranty of bank deposits is in the interest of the shareholders of the bank.

This bill provides for the establishment of a fund of approximately \$450,000,000, as follows: The Federal Reserve banks are to contribute to the extent of one half of their surplus on January 1, 1933, which will amount to about \$150,000,000. There is to be subscribed for stock \$150,000,000, to be appropriated out of Government funds, and the banks are required to contribute to the extent of one half of 1 percent of their deposits, and this will provide a fund of approximately \$450,000,000.

Further provision is made that the corporation may issue notes, bonds, and debentures in an amount aggregating not more than three times the amount of its capital. This will

provide a guaranty fund of approximately \$2,000,000,000. In the event a bank is in a failing condition and its assets are taken over by the corporation, the depositors of \$10,000 or less are paid in full at once. Seventy-five percent of deposits of \$50,000 and 50 percent of the amount of deposits in excess of \$50,000 are paid.

The bill takes generous care of State banks and permits them to take advantage of the law by giving them the same privileges of national banks upon compliance with the law by the State banks and subscribing for the same amount of stock as would be required of such State banks or trust companies if they became members of the Federal Reserve System. There is no discrimination against State banks.

The States are of course privileged to enact further bank deposit guaranty laws for the benefit of State banks, but this bill permits both national and State banks to take equal advantage of the provisions of this law. There cannot be any just complaint of any discrimination against State banks.

I have been fighting for the guaranty of bank deposits ever since I came to Congress. Year after year I have introduced such a bill, and during the present session I reintroduced the bill in a slightly amended form, H.R. 3359. This bill would require every bank belonging to the Federal Reserve System to furnish surety bonds for the protection of its depositors. In my State, and I assume this is true of all States where a bank is designated as a depository for public funds, such as Federal, school, county, city, State, or Indian funds, it is required to give a surety bond or to deposit certain securities, such as Government, State, or municipal bonds, to protect these special deposits. I have frequently stated, and want to restate it now in order to emphasize it, that I have never seen any difference in principle in requiring a bank to guarantee the deposit of public funds, such as I have indicated, and those of the general depositors.

The bill which I have introduced would require each bank to insure its own deposits by furnishing a bond of 25 percent of the total or aggregate amount of the general deposits, exclusive of interest-bearing time deposits. The Comptroller of the Currency reports for the year 1927, in his annual report for that year, page 17, as follows:

The average percentage of dividends paid on claims proved against the 706 receiverships that have been finally closed was 74.74 percent. Had offsets, loans paid, and other disbursements been included in this calculation the disbursements to creditors would show an average of 80.95 percent.

For this reason I thought that a bond of 25 percent would in all but extraordinary cases be sufficient to cover the loss and pay the depositors of any bank. However, I appreciate that during this great emergency, when banking structures have been crumbling, that it will perhaps be impossible for the banks at present to comply with such a law to make bonds in the sum of 23 percent of their total deposits. That could have been done when my bill was first introduced 10 years ago, and I think in normal times that the bill I have introduced is sound in principle and should be enacted into law. Every man insures his own property, his own life, and pays his own premiums. I think when the depression is over that we should enact a law requiring each bank to take out its own insurance for the protection of its general depositors.

I appreciate that this cannot perhaps be done at the present session, and I am therefore in favor of the provision in the bill creating a Federal deposit-insurance corporation. This bill will do more to restore confidence throughout the country than any other bill pending in Congress. It has been stated over and over again that unreasoning fear has seized hold of the people of the country and caused them to withdraw their money from the banks and hoard it, thus taking it out of circulation. This reduces the circulating medium to the extent of the amount hoarded. If this bill is enacted, all depositors great and small would redeposit their money in the banks because they know it would be safe. This would increase bank deposits greatly and from the use of the increased deposits the banks will be able to earn more than the one half of 1 percent of their aggregate deposits assessed against them.

If this bill is enacted, there will be a closer supervision over the banks and there will be fewer failures. When a bank fails there is not only a serious loss to the depositors but the general business of the community suffers, and, of course, the direct loss falls upon the shareholders of the bank. In my judgment it is short-sighted policy for the banks to oppose the payment of one half of 1 percent of their deposits when by so doing they are assured of additional deposits and increased loans.

In 1913 the banks of the country fought the enactment of the Federal Reserve Bank Act but later appreciated that it was a mistake and that the system properly administered was in their interest. As has been stated here today, much depends upon the administration of the law. We must and should assume the law is to be honestly and sympathetically administered, and if this is done it will do more to restore confidence than any other legislation we are to enact during this session of Congress.

There may be some provisions of the bill which need amending. I have not been able to study and analyze all of them. If the bill is enacted, undoubtedly when it is being administered it may be found that other amendments are necessary to be made during the next session of Congress. However, let me say that this bill is a step in the right direction, and that I most heartily favor and approve this or any other bill that has for its purpose the guaranty of general bank deposits. Unfortunately, more than one third of our banks have failed within the last 5 years. This of itself shows the necessity for the enactment of this bill.

Mr. BROWN of Kentucky. Does the gentleman know how the rate in this bill compares with the rates of bonding companies?

Mr. HASTINGS. I do not know what rates the bonding companies would charge such insurance now under present conditions.

Mr. BROWN of Kentucky. They do not do that now.

Mr. HASTINGS. For that reason the provisions of my bill could not be enacted and made effective during this period of depression; but when first introduced, and before the depression, it could have been, and when normal business conditions are restored each bank should guarantee its own deposits. In further answer to the gentleman from Kentucky, I think the rate charged by insurance companies was about one half of 1 percent.

Mr. GREEN. Mr. Chairman, I move to strike out the last three words. I am interested in an amendment which a member of the committee, Mr. GOLDSBOROUGH, may soon offer to the bill, which purports to permit State banks to come under the provisions of the bill. I do not think we could enact any bill that would be more pleasing to the people of the country than a bank insurance law. This is a crying need, and the American people demand it.

It is impossible to enumerate all the injustices and hardships that have been brought about through bank failures. I hope this amendment of Mr. GOLDSBOROUGH will be so worded that there will be no question that the State banks can avail themselves of the privilege of coming under this law, if they so desire and meet the assessments which will be required.

The bill as passed last year in the House provided for this very thing; but if it is left to a Federal Board to administer, I am afraid we will find ourselves in the same predicament that we have been in with some of the Federal bureaus and agencies now in existence. These bureaus rarely meet the needs or wishes of the people, unless they are expressly so commanded.

So I hope the amendment will be so worded that it will be mandatory that if the State banks meet the assessment requirements, they can and must be admitted, rather than to leave it to the discretion of the board.

This is a serious situation with which we are confronted. Banks have been closed up, fortunes of the rich and pennies of the poor carried away, destroyed, or even stolen. Immediately after the collapse of the real-estate boom in my State our citizens lost millions of dollars in deposits, with no recourse, and our people have not even yet been able to

overcome these adversities, losses, and hardships. Life savings, checking deposits, charity funds, church funds wiped out alike, leaving many destitute and almost desperate.

It is time that we pass a law so secure that when a man puts his money in a bank he will know for sure that when he comes back it will be there the same as he does when he deposits in his own post office. [Applause.] It is only fair and just that our citizens be protected from the unwise, the unscrupulous, and dishonest.

There is no reason why one man should take another's earnings and use it in wild speculation and also loan it to others unable to pay. This abuse of the American people must cease. Deposits must either be insured or guaranteed or the amount of loans regulated in proportion to capital stock and surplus. This swindling of the American people must cease. Why, the former officials of closed banks are even trying to commit self-destruction. They dread to face the story of their own mismanagement and probable theft. The Congress should and can successfully regulate and control banking. I do not indict all bankers; some are honest and possess the greatest integrity. In some instances it is the system and the economic conditions and not the individual, but there have been those who handle depositors' money in a way that they would not handle their own. I hope this bill will put a stop to this orgy of speculation with depositors' funds throughout the United States and make safe in the future our bank deposits. [Applause.]

Mr. SISSON. Mr. Chairman, I rise in opposition to the pro-forma amendment. I am in favor generally of all the provisions of this bill, as a member of the committee, and I want to add my humble testimony to the great amount of work that has been done on the bill by the Chairman of the Banking and Currency Committee of the House and by several of the other members of the committee, both majority and minority. Only one thing, in my opinion, has been standing between the people of this country and their being pushed over the brink, perhaps into a communistic state, and that is the confidence and the credit, if you please, the people have had, and I hope still have in the Government of the United States. That is one of the reasons, and it is reason enough, why I am for the deposit-insurance features of the bill, which have been discussed here today and which I will not now attempt to rediscuss.

I call the attention of the House to section 309, page 75, of the bill, for which I, perhaps, more than any other member of the committee, was responsible. That is the section which forbids a bank from engaging in the business of operating an insurance agency. I come from up-State New York. I was born and brought up on a farm. I am familiar with the little village and hamlet, and in every one of those places, as well as in the larger towns and cities, you will find an insurance agent who is capable of and who does honestly advise his clients with regard to all forms of insurance.

To allow any bank to engage in the business of local insurance is to subject that man who maintains an office and who pays a tax to unfair competition. Besides, writing and selling insurance is not a proper function of a bank. I think that is so obvious that further argument on my part is unnecessary.

The gentleman from North Carolina [Mr. HANCOCK] will offer an amendment to this section, which has been considered, and with which I may say in advance I agree. I hope that the entire bill will be passed, and I hope particularly that this section will not be weakened or emasculated, though I am in favor of the amendment of the gentleman from North Carolina. It is in the interest of protecting the man who is expert in his line of business. I refer to a general insurance agent. It is in the interest of protecting him against unfair competition. Perhaps there are other Members of the House of Representatives who have had the experience of going to a bank and trying to get a loan, or a note renewed, and who have in that way learned of the credit pressure that can be put upon one. That is why I am in favor of this, and I am in favor of those who are in need of insurance in any of its forms being given the advice of disinterested experts. [Applause]

Mr. GLOVER. Mr. Chairman, and gentlemen of the committee, in my opinion, this is one of the most important pieces of legislation that has come before this Congress or that could come before it. The country is looking for this kind of legislation. The return to normalcy, the return back to business prosperity, is dependent largely upon legislation of this kind. People want to know when they put their money in a bank, where it may be used, that it is absolutely safe. As it is now, the banks have lost confidence in the people and the people in the banks, and as a result of that condition we have banks transacting practically no business at all. When you pass this bill and insure the depositors of men and women who have saved their earnings, it will go into the banks at once. It is now hiding away. You cannot blame them for it. Take the bank failures we have had in the United States for the last 3 or 4 years, and especially for the last year. Who can blame the individual who has a little hard-earned money for getting a lockbox and hiding his money away. If he puts it in a bank, he does not know whether the bank will fail or not. When this is passed, you are going to find that all that money will flow back into the banks that is now hidden away, and then you will have money to carry on the business of our country. Not only that, but you will have men willing to invest in bank stock. A man who has good judgment and knows how to use his money is very slow to purchase bank stock anywhere at the present time. The truth of the matter is that in the smaller banks nobody would care to invest at all, because if the bank fails they would be called upon for a double assessment, just as they have recently through a court decision in my district, where my friends had to pay \$40,000 on a double indemnity. When this legislation passes, there will be none of that. When this is passed and our banks get under this law, my opinion is that we will have very few bank failures thereafter, for the reason that this will bring them under careful and close supervision of those who understand and know a good banking business. And we ought to have that kind of business or we ought not to have any at all.

I am vitally interested in that part of this bill which permits our State banks that are not under the Federal Reserve to come in under this protection. I do not want to support any kind of national legislation that would crush out our smaller banks in the States, that are serving a useful purpose in every community in which they undertake to function. I want to help them, and this bill will help them.

Mr. McGUGIN. Will the gentleman yield?

Mr. GLOVER. Yes; I yield.

Mr. McGUGIN. Does the gentleman have any idea that this bill will do anything other than close out State banks which have small capital surplus?

Mr. GLOVER. Oh, I am not alarmed as the gentleman is on everything that comes up. [Laughter and applause.] I have confidence in the administration of this act. I believe that under the administration of the bill we are now considering, these banks will be taken care of; that is, those that are liquid. I do not believe any other kind of bank ought to receive a man's deposits at all. If it is not in a solvent condition, they have no right to hold out to the public that they are solvent and receive the funds of individuals, and then fail possibly the next day. With this kind of restriction over them, that condition will not prevail. I think this will mean that many of the banks that are now closed, which can come under the provisions of this bill, will come back into active operation [applause], and we will have prosperity come back to this country. I am supporting it on that ground. [Applause.]

The CHAIRMAN. The time of the gentleman from Arkansas [Mr. GLOVER] has expired.

Mr. GLOVER. Mr. Chairman, I ask unanimous consent to proceed for 1 additional minute.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. GLOVER. I have the utmost confidence in the Chairman of the Committee on Banking and Currency as well as the committee which has drafted this bill. I know very

little about banking myself. I know how to struggle to get out of the red when I get there, and that is about my knowledge of banking; but I do know the effects of banking as well as anybody, and I believe that the committee which has studied this bill has studied it carefully, and I am going along with the committee on the bill and I hope to see it enacted into law and signed by the President and in operation within the next 10 days. [Applause.]

The CHAIRMAN. The time of the gentleman from Arkansas has again expired.

Mr. McGUGIN. Mr. Chairman, I move to strike out the first word.

Now, in considering this bill that which counts is that which is written into the bill, not that which here is glibly spoken, and I invite the attention of the members of the committee to page 22.

Section 5138 provides that no bank shall be given a national charter in a town of less than 6,000 population, except that its capital stock be not less than \$50,000.

Then on page 23, the very next page, it specifically provides:

No applying bank shall be admitted to membership in a Federal Reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated, under the provisions of the National Bank Act, as amended.

That means clearly that no State bank anywhere in the United States can enter the Federal Reserve, after the enactment of this law, unless it has a capital of at least \$50,000. Now, where does that leave the ordinary country bank in Arkansas or Kansas or the other agricultural States, when it comes to a State bank's applying for membership in the Federal Reserve?

Mr. PATMAN. Will the gentleman yield for a question?

Mr. McGUGIN. No; I cannot yield now. I will later.

Let us turn over to title III, page 53. Section 302 is a joker section as it stands now, and is lulling State banks into destruction if this body permits this bill to be enacted with this section as it now stands. It provides first that State banks shall come in upon certification of the State authority, but then it follows with these words, "After examination by and approval of the Corporation." Why these additional words except to trap the State banks into eternal destruction, and force a 1-bank system in this country? Why these words "after examination by and approval of the Corporation"? Why not let it stand with the provision that State banks shall enter upon a certificate of solvency from their own State authority?

Let us go on down to line 7 on page 54:

The Corporation is authorized to prescribe rules and regulations for the further examination of such bank or trust company.

It follows as night follows day that that corporation, in the fullness of time, is going to lay down rules equal to entrance into the Federal Reserve System, because this deposit-guaranty fund is set up primarily for Federal Reserve member banks.

Go a little farther down, in line 13:

If at any time the board of directors of the Corporation is of opinion that any such State bank or trust company has failed to comply with the provisions of this title applicable to such State bank or trust company or that the continued participation by any such State bank or trust company is detrimental to the safe and economical carrying out of the duties of the Corporation under this title.

All of those who are for this bill insist that no bank is safe unless it is a member of the Federal Reserve System or has a capital stock of \$50,000 or more. If that is not true, why do you write it into the act that a bank cannot enter the Federal Reserve System unless it has a minimum capital of \$50,000? Obviously, because you do not think it is a sound bank, but you leave it in the power of this corporation which will administer this insurance fund, to provide rules and regulations, and to by its arbitrary order, drive State banks from that fund whenever in its judgment it is unsafe for the corporation to leave the bank in it.

There is no excuse for Members of this Congress to stand here and sugar coat their words to the agricultural States,

and permit this crucifixion of the State banks. Those of you who do it, saying you are trying to do something for the State banking system of this country, are either not reading this bill or you are betraying the State banks of this country. It ill-behoves a Democratic Congress to surrender State sovereignty to the extent that a State cannot prescribe its own banking system without bowing to the dictates of a Federal agency. [Applause.]

The CHAIRMAN. The time of the gentleman from Kansas [Mr. McGugin] has expired.

Mr. BEEDY. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, in the spirit of calm deliberation let us get our facts straight. There is not any question about this fact. Under the terms of this bill any bank which is not now in existence and which proposes to organize and to become a member of the Federal Reserve System must have a capital stock of at least \$50,000. But any State bank now in existence with a capital of \$25,000, if it is a sound bank and will submit to a proper examination by this corporation which is undertaking to insure the bank's deposits, can participate in the benefits of this insurance provision. [Applause.]

Why do we set a limit of \$50,000 as the necessary amount of capital for banks hereafter to be organized to become members of the Federal Reserve System? To destroy State banks? Certainly not! I do not suppose there is any man in this Chamber who represents a State with more small State banks according to population than I. Why do I vote to support this proposal?

Let me read you some figures: 10,500 banks, in round numbers, with \$5,000,000,000 of deposits, failed between 1921 and 1932. Eighty percent of them were nonmember banks, with average deposits of only \$350,000. Ninety percent of them were situated in towns of less than 25,000 people. Sixty percent of them were in towns of less than 10,000 people. Fifty-nine percent of them had a capital of less than \$25,000. Only one quarter of 1 percent of them had a capital of more than \$1,000,000,000. Eighty-five percent of them, unfortunately but most lamentably the fact, 85 percent of them were State banks. Seventy percent of all the loans by the Reconstruction Finance Corporation were made to State banks.

This \$50,000 capital stock provision, my friends, was written into this bill in order that this country might be saved, so far as human foresight by a single provision can save it, from a repetition of this bank calamity we have just experienced. [Applause.]

This afternoon a friend of mine, a Member of this Congress from the Second District of Maine, was discussing the pending bill with me. He is an insurance man and is capable of offering pertinent suggestions relating to the insurance-of-deposits section of this proposed legislation.

He said:

Did it ever occur to you that it is a very wise and reasonable provision that the deposit-insurance corporation, if it is to insure bank deposits, should be given the right to examine the bank applying for insurance? Did you ever apply for life insurance when the insurance company did not subject you to a physical examination?

Why should not this corporation have the right to examine the banks whose deposits it is asked to insure?

Mr. Chairman, when this matter is approached in the calm light of reason it will be seen that the provisions of this bill so far as it goes are substantially sound. Every member of this committee has done his best to bring to this House a sensible and sound proposal for the modification of our banking laws.

Mr. McGUGIN. Mr. Chairman, will the gentleman yield?

Mr. BEEDY. I yield.

Mr. McGUGIN. The gentleman will concede, however, that the set-up is essentially a Federal board and the State of Maine will have nothing to say about it.

Mr. BEEDY. But the State of Maine is not undertaking to insure the deposits of banks throughout the country. The deposit-insurance company, if this bill becomes law, must undertake the responsibility of insuring deposits. Its board

of directors will be appointed by the President of the United States, and surely no President would ever think of appointing to this board of directors any but public-spirited men, men of sound judgment, whose sole aim will be to deal justly with any bank seeking to protect its depositors. I have faith to believe that the present President of the United States will appoint the right kind of men.

Mr. McGUGIN. Mr. Chairman, will the gentleman yield for a further question?

Mr. BEEDY. I yield.

Mr. McGUGIN. Does the gentleman take the position that when the State banking department of Maine issues a certificate that a Maine bank is solvent, that that is not sufficient and that the gentleman's own State banking department is not dependable but that dependence must be placed upon a Federal board to make this examination?

Mr. BEEDY. That is all right as far as it goes, but I repeat that the State banking department of Maine is not guaranteeing to insure the deposits of the banks and this corporation set up by the Federal Government is. [Applause.] It is a responsibility and obligation assumed in pursuance of Federal law, and the Federal agency should have the right to demand the examination.

Mr. KELLER. Mr. Chairman, will the gentleman yield?

Mr. BEEDY. I yield.

Mr. KELLER. It will be an American board, will it not?

Mr. BEEDY. I have faith enough in the present President, or any President, regardless of the party to which he may belong, to believe that such will be the case.

Mr. KVALE. Mr. Chairman, will the gentleman yield?

Mr. BEEDY. I yield.

Mr. KVALE. Does not the gentleman believe that the powers this corporation is to exercise should be circumscribed a little more closely so we will have some definite assurance that these \$25,000 sound banks will not be ruled out?

Mr. BEEDY. I may say to the gentleman from Minnesota that the aim of this corporation must of necessity be to make the insurance feature helpful, and to do so it must admit as many sound banks as possible. Unsound banks are not entitled to impose the hazardous burden of insured deposits upon any institution which aims to make the insurance of deposits a success by admitting only those banks whose moneys are reasonably safeguarded by sound management.

[Here the gavel fell.]

The pro forma amendment was withdrawn.

DESTROY SMALL BANKS

Mr. PATMAN. Mr. Chairman, I move to strike out the last two words.

Mr. Chairman, in connection with the closing of so many banks in the last 12 years, during the time that Mr. Mellon was Secretary of the Treasury, I desire to invite the gentleman's attention to the fact that it is my belief, and I think this belief is corroborated and substantiated by sufficient facts, that there was a deliberate attempt on the part of Mr. Andrew W. Mellon and his Comptroller of the Currency to destroy the small banks of this country.

I think they issued plenty of rules and regulations which had for their purpose the destruction of the small banks of the country. In this connection, it will also be interesting, possibly, to the Membership of the House to know that the Mellon fortune increased from just a relatively small amount before the World War to owning and controlling about \$2,000,000,000 at the close of the World War to the enormous sum of \$7,990,000,000 at the time he left the office of Secretary of the Treasury and ran off to England.

MELLON WEALTH \$7,990,000,000

I invite your attention to a well-written article by one of the writers for the World's Work magazine, Mr. William Preston Beazell, in which he describes the value of the Mellon fortune. He names the companies that are owned and controlled by Mr. Mellon and his family, and the total resources of these companies aggregate not \$8,000,000,000, but \$7,990,000,000. This is equal to—

Mr. BEEDY. Mr. Chairman, I am not particularly fond of these big fortunes and I do not care to defend Mr. Mellon, but I think under the 5-minute rule we ought to confine our remarks to the bill. This is an intricate, technical bill.

Mr. PATMAN. I think it ill becomes the gentleman from Maine, after taking up as much time as he has taken up this afternoon, to object to anyone talking on a subject which is so closely related to the bill and in answer to what the gentleman himself has discussed.

Mr. BEEDY. I try not to take up too much time, and I am sorry if I have taken up too much of the time of the House.

Mr. PATMAN. In fact, I can bring the remarks within the rule.

Mr. BEEDY. Mr. Chairman, I shall insist on the point of order.

The CHAIRMAN. The gentleman will proceed in order.

Mr. PATMAN. The fortune I have mentioned is twice as much money as the average amount of money that has been in circulation during the past 3 years, or at least twice the average amount in circulation. It is twice all the gold in the United States and is equal to two thirds of all the gold in the entire world. It is equal to one half the value of all the property in the United States in the year 1860. It is equal to twice the value of all agricultural products sold in America by all producers during the year 1932; equal to entire value of all property in Texas or all property in Alabama, Mississippi, and Georgia; or all property in Maryland and Virginia; or all livestock, farm implements, and machinery. It is nearly twice the expenses of the Federal Government in 1 year.

Mr. LUCE. Mr. Chairman, I rise to a point of order. Mr. Chairman, having used more time in the House today than any other Member I feel qualified to accept all the gentleman's comments in this matter. We want to get through this bill today if we can. It is doubtful if we can, but we would like to do it, and I am quite willing to take whatever responsibility may come to my shoulders for protesting against using up time on matters not pertinent to the question now at issue.

The CHAIRMAN. Debate under the 5-minute rule is confined to the bill. The gentleman will proceed in order.

Mr. PATMAN. This is on the question of breaking these banks and Mr. Mellon was then Secretary of the Treasury and caused them to break. More than 10,000 banks closed their doors while he held that position.

Mr. LUCE. Mr. Chairman, I rise to a point of order.

The CHAIRMAN. The gentleman will state his point of order.

Mr. LUCE. That a discussion of Mr. Mellon is not pertinent to the question before the House.

Mr. PATMAN. Mr. Chairman, I am talking about closed banks and this is what the gentleman from Maine talked about.

The CHAIRMAN. The gentleman will confine himself to the bill.

BIG BANKS VERSUS SMALL BANKS

Mr. PATMAN. This is in connection with banks and banking legislation and answering the gentleman from Maine [Mr. BEEDY]. I want to invite your attention to how the big banks fared during this time. The gentleman from Maine [Mr. BEEDY] has told you about how the little banks got along and I want to tell you something about the big ones.

You take the Union Trust Co., a Mellon-owned and a close corporation in Pittsburgh; it is capitalized at \$1,500,000. During the period of time that the gentleman from Maine was talking about, from 1921 to 1932, it has been paying dividends amounting to 206 percent a year.

Mr. LUCE. Mr. Chairman, I insist on the point of order.

Mr. PATMAN. And in addition to that, placing aside—

The CHAIRMAN. Debate under the 5-minute rule is confined to the bill. The gentleman will confine his remarks to the bill.

Mr. PATMAN. Mr. Chairman, of course, I feel this is closely related to the bill and is in connection with the sub-

ject matter and is in answer to what the gentleman from Maine [Mr. BEEDY] said about the small banks that were compelled to go out of business—10,000 of them during the last 12 years. He did not say during the reign of Mr. Mellon, but I want to make it plain that it was during the time Mr. Mellon was Secretary of the Treasury [laughter], and I should also like to make it plain why the little banks were taken out of business and why the big banks made 200 percent profit during a like period. The Mellon bank paid over 200 percent in annual dividends during this period, also set aside what was equal to 600 percent annually to surplus or 400 percent a year.

Mr. LUCE. Mr. Chairman, I insist on my point of order.

The CHAIRMAN. The point of order of the gentleman from Massachusetts is well taken. The amendment before the House is to strike out the last four words. The gentleman will proceed in order.

UNFAITHFUL TRUSTEE

Mr. PATMAN. The last word is "trustees" and you know Mr. Mellon was a trustee for the people of this Nation [laughter], and it was his duty and obligation to represent the people and not represent his own special and private interests. You cannot go into any of these public buildings that were constructed during the time he was Secretary of the Treasury and not find all kinds of aluminum. [Laughter and applause.] Mellon produced, Mellon sold at Mellon's price to Mellon for the United States Government.

Mr. LUCE. Mr. Chairman, I rise to a point of order and desire to be heard on the point of order.

The CHAIRMAN. The gentleman will state his point of order.

Mr. LUCE. Orderly conduct of the proceedings of the House calls for a Member of the House to comply with the direction of the presiding officer. If the Member insists upon disregarding that direction, he not only brings the procedure of the House into disrepute but he wastes the time of the House. Believing the members of the committee in charge of the bill desire that the debate shall be confined to the bill for the common convenience and for the benefit of all the Members, it seems to me appropriate to ask that the Chair enforce its ruling.

Mr. McFARLANE. Mr. Chairman, I make the point of order that the gentleman is not talking to his point of order, but is making a speech that we do not care to listen to.

Mr. PATMAN. Mr. Chairman, I assure the gentleman from Massachusetts that I have covered all I desire to say, and, Mr. Chairman, I ask unanimous consent to revise and extend my remarks in the RECORD.

The CHAIRMAN. Is there objection?

There was no objection.

UNION TRUST CO. OF PITTSBURGH—ANDREW W. MELLON'S BANK

Mr. PATMAN. It was organized by him and owned by him ever since.

	Capital stock	Surplus	Undivided profits ¹	Dividends
1892 ²	\$250,000	—	\$2,764.00	
1893.....	250,000	—	33,833.71	
1894.....	250,000	—	35,184.43	
1895.....	250,000	—	49,117.92	6 per cent.
1896.....	250,000	—	63,612.56	Do.
1897.....	250,000	—	—	Do.
1898.....	250,000	—	101,427.73	Do.
1899.....	250,000	—	271,732.17	Do.
1900.....	500,000	\$500,000	384,166.66	Do.
1901.....	500,000	500,000	669,558.14	Do.
1902.....	1,000,000	5,978,100	485,646.46	Do.
1903.....	1,500,000	16,000,000	713,131.82	60 per cent.
1904.....	1,500,000	16,000,000	1,835,760.41	60 per cent., 6 percent extra.
1905.....	1,500,000	20,000,000	689,696.52	Do.
1906.....	1,500,000	22,000,000	678,703.45	Do.
1907.....	1,500,000	23,000,000	1,081,569.77	Do.
1908.....	1,500,000	24,000,000	926,971.45	Do.
1909.....	1,500,000	25,000,000	1,294,598.18	Do.
1910.....	1,500,000	26,500,000	871,150.22	Do.

¹ Capital paid in, \$125,000.

² Figures are taken for the years 1892 (the earliest available) to 1917, from the Annual Report of the Superintendent of Banking, Pennsylvania; for the years 1918-23, from the Bankers Encyclopedia; for the years 1924-26 from Poor's 1926 Volume on Banks; and for the years 1926-33, from Moody's Volumes on Banks and Finance.

³ Less expenses and taxes paid in for the figures derived from the Annual Report of the Superintendent of Banking.

⁴ Capital paid in, \$227,200.

	Capital stock	Surplus	Undivided profits	Dividends
1911.....	\$1,500,000	\$27,500,000	\$1,497,965.83	100 percent, 6 percent extra.
1912.....	1,500,000	29,000,000	1,040,541.54	Do.
1913.....	1,500,000	30,000,000	1,418,585.21	Do.
1914.....	1,500,000	31,000,000	1,213,435.97	Do.
1915.....	1,500,000	32,000,000	1,586,497.09	Do.
1916.....	1,500,000	33,500,000	1,344,088.12	140 percent, 6 percent extra.
1917.....	1,500,000	34,500,000	1,612,382.78	Do.
1918.....	1,500,000	35,000,000	618,000.00	Do.
1919.....	1,500,000	34,500,000	1,766,000.00	Do.
1920.....	1,500,000	35,500,000	464,000.00	Do.
1921.....	1,500,000	36,500,000	888,000.00	Do.
1922.....	1,500,000	37,500,000	1,177,000.00	Do.
1923.....	1,500,000	40,000,000	7,479,000.00	Do.
1924.....	1,500,000	44,000,000	508,713.00	Do.
1925.....	1,500,000	47,000,000	175,371.00	Do.
1926.....	1,500,000	50,000,000	19,240.00	Do.
1927 ¹	1,500,000	52,000,000	409,785.00	200 percent, 6 percent extra.
1928 ¹	1,500,000	55,000,000	123,478.00	Do.
1929 ¹	1,500,000	58,500,000	402,597.00	Do.
1930 ¹	1,500,000	61,500,000	373,930.00	Do.
1931 ¹	1,500,000	63,500,000	492,442.00	Do.
1932 ¹	1,500,000	65,500,000	334,712.00	Do.

¹ From 1927 on, definite figures are available in Moody's for the yearly dividend, yearly net profit, and yearly surplus together with the surplus and dividend profits to \$1 of capital, as follows:

	1927	1928	1929	1930	1931	1932
Net profits.....	\$5,480,445	\$5,803,693	\$6,869,118	\$6,061,334	\$6,208,511	\$5,438,633
Dividends.....	3,090,000	3,090,000	3,090,000	3,090,000	3,090,000	3,090,000
Surplus for year.....	2,390,445	2,713,693	3,779,118	2,971,334	3,118,511	2,348,633
Surplus and undivided profits to \$1 of capital.....	34.94	36.75	39.27	41.25	42.66	43.89

Mr. PATMAN. Now, Mr. Chairman, I offer the following amendment.

Mr. STEAGALL. Mr. Chairman, I desire to say that the Committee on Banking and Currency approves of that amendment, and I ask that the House adopt it.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Mr. PATMAN moves to strike out section 3, line 22, page 4, and amend on line 5, page 5, as follows:

"Sec. 3. The first paragraph of section 7 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 289), is amended, effective July 1, 1933, to read as follows:

"After all necessary expenses of a Federal Reserve bank shall have been paid or provided for, the stockholders shall be entitled to receive an annual dividend of 6 percent on the paid-in capital stock, which dividend shall be cumulative. After the aforesaid dividend claims have been fully met, the net earnings shall be paid into the surplus fund of the Federal Reserve bank."

Mr. PATMAN. Mr. Chairman, I discussed that fully last Saturday, and I have nothing further to say.

The CHAIRMAN. The question is on the amendment.

The amendment was agreed to.

The Clerk read as follows:

Sec. 4. (a) The first paragraph of section 9 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 321; supp. VI, title 12, sec. 321), is amended by inserting immediately after the words "United States" a comma and the following: "including Morris Plan banks and other incorporated banking institutions engaged in similar business."

(b) The second paragraph of section 9 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 329), is amended by adding at the end thereof the following: "Provided, however, That nothing herein contained shall prevent any State member bank from establishing and operating branches in the United States or any dependency or insular possession thereof or in any foreign country, on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks."

(c) Section 9 of the Federal Reserve Act, as amended (U.S.C., title 12, secs. 321-331; supp. VI, title 12, secs. 321-331), is further amended by adding at the end thereof the following new paragraphs:

"Any mutual savings bank having no capital stock but having surplus and undivided profits not less than the amount of capital required for the organization of a national bank in the same place may apply for and be admitted to membership in the Federal Reserve System in the same manner and subject to the same provisions of law as State banks and trust companies, except that such savings bank shall subscribe for capital stock of the Federal Reserve bank in an amount equal to six tenths of 1 percent of its total deposit liabilities as shown by the most recent report of examination of such savings bank preceding its

admission to membership. Thereafter such subscription shall be adjusted semiannually on the same percentage basis in accordance with rules and regulations prescribed by the Federal Reserve Board. If any mutual savings bank applying for membership is not permitted by the laws under which it was organized to purchase stock in a Federal Reserve bank, it shall, upon admission to the system, deposit with the Federal Reserve bank an amount equal to the amount which it would have been required to pay in on account of a subscription to capital stock. Thereafter such deposit shall be adjusted semiannually in the same manner as subscriptions for stock. Such deposit shall be subject to the same conditions with respect to repayment as amounts paid upon subscriptions to capital stock by other member banks, and the Federal Reserve bank shall pay interest thereon at the same rate as dividends are actually paid on outstanding shares of stock of such Federal Reserve bank. If the laws under which such savings bank was organized be amended so as to authorize mutual savings banks to subscribe for Federal Reserve bank stock, such savings bank shall thereupon subscribe for the appropriate amount of stock in the Federal Reserve bank, and the deposit hereinbefore provided for in lieu of payment upon capital stock shall be applied upon such subscription. If the laws under which such savings bank was organized be not amended at the next session of the legislature following the admission of such savings bank to membership so as to authorize mutual savings banks to purchase Federal Reserve bank stock, or if such laws be so amended and such bank fail within 6 months thereafter to purchase such stock, all of its rights and privileges as a member bank shall be forfeited and its membership in the Federal Reserve System shall be terminated in the manner prescribed elsewhere in this section with respect to State banks and trust companies. Each mutual savings bank shall comply with all the provisions of law applicable to State member banks and trust companies, with the regulations of the Federal Reserve Board, and with the conditions of membership prescribed for such savings bank at the time of admission to membership, except as otherwise hereinbefore provided with respect to capital stock."

Mr. McFARLANE. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 5, strike out all of section 4 (b) from line 12 to line 21, inclusive, page 5.

Mr. McFARLANE. Mr. Chairman, this is the section that provides an extension of the right of State banks to establish branch banks. I want to call the attention of the Members of the House to the provision of the law as it now exists. This provision, section (b), contained in this bill, changes that.

It reads as follows:

(b) The second paragraph of section 9 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 329), is amended by adding at the end thereof the following: "Provided, however, That nothing herein contained shall prevent any State member bank from establishing and operating branches in the United States or any dependency or insular possession thereof or in any foreign country on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks."

Under this provision, which is foreign to all other provisions of the bill, you will notice that it permits any State-bank member to establish and operate branches anywhere in the United States if permitted to do so under State law. It is extending the system of chain banks and as it applies to State-bank members that have not the privilege under the law.

Our State-bank association has gone on record in strong resolutions in opposition to chain branch banks. They have said in their resolutions in no uncertain terms that they are opposed to chain banking. I have not heard nor have we been shown in any of the speeches here so far why we should at this time particularly extend the system of branch or chain banking as it applies to the respective States.

Mr. McKEOWN. Mr. Chairman, will the gentleman yield?

Mr. McFARLANE. Yes; I yield.

Mr. McKEOWN. Does the gentleman in his State allow interlocking directorates and ownership of banks by certain groups of individual bankers?

Mr. McFARLANE. I am not sure about that. I think I know what the gentleman has in mind—group banking. I am opposed to that system of banking just as much as I am to chain banking.

Mr. McKEOWN. The gentleman has that system in his State?

Mr. McFARLANE. Yes; but I do not favor it, and I do not favor extending the system any further than it is now. Our bankers are not asking for it. I see no reason why we should put a provision like this into a perfectly good bank insurance law, in order to give the banks of certain States additional chain-banking privileges and rights. I do not believe it is right or that the country needs that kind of legislation.

Mr. McKEOWN. The gentleman agrees that State banks ought to have a right to come into the guaranty system?

Mr. McFARLANE. I am in favor of that, but I do not think we ought to wrap the chains around the necks of the bankers any more than they are wrapped at the present time. I do not think it is right to extend the system of branch banking any further than it is now.

I call the attention of the membership particularly to a letter that was written to Senator Lewis, showing the large number of branch-bank failures in the United States and abroad in the last few years. It is a very illuminating article. Some gentlemen have referred here in their speeches to the strength of branch banking.

Is there safety in branch banking? Witness the closing of the branch-banking systems in the United States when they were put to the test. The most disastrous failures we had were branch, group, and chain failures, such as the following:

Bank of United States, New York, 59 branches; Federal National, Boston, 8 branches; Banco Kentucky group, 7 branches; A. B. Banks, American chain, Arkansas, 27 branches; Manley chain, Georgia, 87 branches; Bain Banks, Chicago, 12 branches; Bankers Trust Co., Pennsylvania, 20 branches; United States National, Los Angeles, 8 branches; Security Home Trust, Toledo, 10 branches; Peoples State Bank, South Carolina, 44 branches; Arizona State Bank, 5 branches; and Foreman National group, Chicago, 6 branches.

To this rather impressive group, with deposits running into hundreds of millions of dollars, of branch- and chain-bank collapses, which were due to many of the same abuses that weaken unit banks, I could name important branch-, group-, and chain-banking systems in Detroit, Boston, San Francisco, and other cities which got into trouble and merged or were supported by other banks or United States credit until the crisis was past.

The weakest links in our banking system proved to be the "branch banks", and they went down comparatively early in the depression. It was their failures that caused public confidence to be shaken so badly that runs were precipitated on and closed many well-managed small independent banks.

[Here the gavel fell.]

The CHAIRMAN. The time of the gentleman from Texas has expired. The question is on the amendment offered by the gentleman from Texas.

The question was taken; and on a division (demanded by Mr. CHRISTIANSON) there were—ayes 10, noes 62.

So the amendment was rejected.

Mr. GIBSON. Mr. Chairman, I move to strike out the first four words on page 6.

When the distinguished gentleman from Massachusetts [Mr. LUCE] was speaking he referred to mutual savings banks as a New England institution, and it occurred to me that the experience in my State might be of interest in connection with this section. We have a State made up of rural communities. We have 20 mutual savings banks. We have 19 savings banks and trust companies combined; that is, these have a savings-bank department and a commercial department. We also have 16 trust companies. We have had no failure of a mutual savings bank in 50 years. We have had no failure of a trust company with one exception during that period of time. We had no banks close up to the time of the bank holiday, and I have a feeling that our country bankers could have worked through this depression if they had been left alone.

The mutual savings banks and trust companies in my State, particularly, have been a great reservoir from which the West and the South have drawn for a portion of their

material prosperity. We have from these banks in the small communities nearly \$50,000,000 invested today in farm mortgages in the West and the South, and we consider them a fairly good investment. We do not begrudge at all the toil which was necessary to dig that out of the soil. So the prosperity of other sections is our prosperity. I repeat, if these had been left alone they could have gotten along during the depression, because I believe the country bankers know more about the banking facilities and the needs of these local communities than all the Federal Reserve officials put together. [Applause.]

Mr. WEIDEMAN. Mr. Chairman, I offer the following amendment which I send to the desk.

The Clerk read as follows:

Page 5, lines 6 to 11, strike out subsection (a) of section 4.

Mr. WEIDEMAN. Mr. Chairman, this section attempts to bring the Morris Plan Banks within the protection of the Federal Reserve Act. I do not think by any stretch of the imagination, at the inception of this act or any time since, has it been the purpose of the originators of the act or anyone else to make it possible for the Morris Plan Banks or any similar small-loan plan bank to be able to come within the provisions of this law. You gentlemen know what these banks are. They loan money to the small-wage earners. They not only get security, but they get double security. They always demand two endorsers, and everyone signs his life away to them when he gets the loan. They get a high rate of interest. One endorser has to be a man who has a Government or State or municipal position and the other must show a good line of credit. That is practically the only kind of banking they do.

I say we should strike subsection (a) from section 4 entirely.

Mr. BOILEAU. Will the gentleman yield?

Mr. WEIDEMAN. I yield.

Mr. BOILEAU. What protection is given to the Morris Plan Bank under this bill?

Mr. WEIDEMAN. What protection need we give them? The Morris Plan Bank is owned by the Chemical National Bank, of New York.

Mr. BOILEAU. I think this paragraph amends the original Federal Reserve Act. What provision of the Federal Reserve Act does this apply to?

Mr. WEIDEMAN. Section 9 of the Federal Reserve Act, pages 14 and 15, referring to admission to membership. It makes them members of the Federal Reserve System. You will find that in section 9, page 4 of the act. I do not think there should be any argument on this.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan [Mr. WEIDEMAN].

The question was taken; and on a division (demanded by Mr. WEIDEMAN) there were ayes 36 and noes 64.

So the amendment was rejected.

The Clerk read as follows:

Sec. 5. (a) The second paragraph of section 10 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 242), is amended to read as follows:

"The Secretary of the Treasury and the Comptroller of the Currency shall be ineligible during the time they are in office and for 2 years thereafter to hold any office, position, or employment in any member bank. The appointive members of the Federal Reserve Board shall be ineligible during the time they are in office and for 2 years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed. Upon the expiration of the term of any appointive member of the Federal Reserve Board in office when this paragraph as amended takes effect, the President shall fix the term of the successor to such member at not to exceed 12 years, as designated by the President at the time of nomination, but in such manner as to provide for the expiration of the term of not more than one appointive member in any 2-year period, and thereafter each appointive member shall hold office for a term of 12 years from the expiration of the term of his predecessor. Of the 6 persons thus appointed, 1 shall be designated by the President as governor and 1 as vice governor of the Federal Reserve Board. The governor of the Federal Reserve Board, subject to its supervision, shall be its active executive officer. Each member of the Federal Reserve Board shall within 15 days after notice of appointment make and subscribe to the oath of office."

(b) The fourth paragraph of section 10 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 244), is amended to read as follows:

"The principal offices of the Board shall be in the District of Columbia. At meetings of the Board the Secretary of the Treasury shall preside as chairman, and, in his absence, the governor shall preside. In the absence of both the Secretary of the Treasury and the governor the vice governor shall preside. In the absence of the Secretary of the Treasury, the governor, and the vice governor the Board shall elect a member to act as chairman pro tempore. The Board shall determine and prescribe the manner in which its obligations shall be incurred and its disbursements and expenses allowed and paid, and may leave on deposit in the Federal Reserve banks the proceeds of assessments levied upon them to defray its estimated expenses and the salaries of its members and employees, whose employment, compensation, leave, and expenses shall be governed solely by the provisions of this act, specific amendments thereof, and rules and regulations of the Board not inconsistent therewith; and funds derived from such assessments shall not be construed to be Government funds or appropriated moneys. No member of the Federal Reserve Board shall be an officer or director of any bank, banking institution, trust company, or Federal Reserve bank or hold stock in any bank, banking institution, or trust company; and before entering upon his duties as a member of the Federal Reserve Board he shall certify under oath that he has complied with this requirement, and such certification shall be filed with the secretary of the Board. Whenever a vacancy shall occur, other than by expiration of term, among the six members of the Federal Reserve Board appointed by the President as above provided, a successor shall be appointed by the President, by and with the advice and consent of the Senate, to fill such vacancy, and when appointed he shall hold office for the unexpired term of his predecessor."

Mr. COLMER. Mr. Chairman, I offer an amendment, which is at the desk.

The Clerk read as follows:

Amendment by Mr. COLMER: On page 10, line 2, after the word "moneys", insert "Provided, however, That no salary or other compensation shall be paid by said Federal Reserve Board to any of its governors, officers, agents, or employees in excess of \$15,000 per annum."

Mr. LUCE. Mr. Chairman, I make the point of order that the amendment is not germane. There is nothing in this provision about salaries of members.

The CHAIRMAN. Does the gentleman from Mississippi [Mr. COLMER] desire to be heard on the point of order?

Mr. PATMAN. Mr. Chairman, I desire to be heard on the point of order.

The CHAIRMAN. The Chair will hear the gentleman from Texas [Mr. PATMAN].

SALARIES OF FEDERAL RESERVE OFFICIALS

Mr. PATMAN. This section has to do with setting the salaries of the officers and employees of the Federal Reserve Board and those working for the Federal Reserve banks. Under section 3 of this act, and under section 7 of the original Federal Reserve Act, all money that is earned by Federal Reserve banks is applied as follows: First, current operating expenses, which usually amount to \$27,000,000 or \$29,000,000 a year are paid; secondly, 6-percent dividends, paid on the capital stock of the banks, actually paid in; third, the remainder, after a proper surplus fund has been accumulated, goes into the Treasury of the United States. Therefore, the more money that is spent by the Federal Reserve Board for officers and employees, the less money goes to the Treasury of the United States. It is certainly material, since it amounts to an appropriation of public funds, that we restrict the salaries of the officers and employees, if we desire to restrict their salaries. It is public money and comes within this section which relates to the payment of officers and employees.

The CHAIRMAN. Does the gentleman from Massachusetts desire to be heard?

Mr. LUCE. I submit the matter, Mr. Chairman.

The CHAIRMAN (Mr. CANNON of Missouri). The point of order is sustained.

The Clerk read as follows:

SEC. 7. The Federal Reserve Act, as amended, is amended by inserting between sections 12 and 13 (U.S.C., title 12, secs. 261, 262, and 342) thereof the following new section:

"SEC. 12A. (a) There is hereby created a Federal Open Market Committee (hereinafter referred to as the 'committee'), which shall consist of as many members as there are Federal Reserve districts. Each Federal Reserve bank by its board of directors shall annually select one member of said committee. The meetings of said committee shall be held at Washington, District of

Columbia, at least four times each year, upon the call of the governor of the Federal Reserve Board or at the request of any three members of the committee, and, in the discretion of the Board, may be attended by the members of the Board.

"(b) No Federal Reserve bank shall engage in open-market operations under section 14 of this act except in accordance with regulations adopted by the Federal Reserve Board. The Board shall consider, adopt, and transmit to the committee and to the several Federal Reserve banks regulations relating to the open-market transactions of such banks and the relations of the Federal Reserve System with foreign central or other foreign banks.

"(c) The time, character, and volume of all purchases and sales of paper described in section 14 of this act as eligible for open-market operations shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country.

"(d) If any Federal Reserve bank shall decide not to participate in open-market operations recommended and approved as provided in paragraph (b) hereof, it shall file with the chairman of the committee within 30 days a notice of its decision, and transmit a copy thereof to the Federal Reserve Board."

Mr. STOKES. Mr. Chairman, I offer an amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. STOKES: On page 12, line 1, strike out the whole of subsection (b) and insert in lieu thereof the following:

"Provided, however, That the Federal Reserve Board shall have power to prohibit any operations which any Federal Reserve bank is authorized by this section to conduct, when the volume or extent of said operation is, in the judgment of the Board, calculated to affect the general credit situation of the country or the relations of the Federal Reserve System with foreign, central, or other foreign banks."

Mr. STOKES. Mr. Chairman, this section (b) would practically restrict Federal Reserve banks in all purchases of Government bonds, and open-market operations and the purchase of gold. Open-market operations of the Federal Reserve banks is a matter which they have been working up for the past 10 or 15 years, and it is of very great advantage to the merchants of the country, because they can borrow on those bills at very low rates of interest, anywhere from one half or three quarters of 1 percent or 1 percent, whereas if this section is not stricken, it leaves the entire matter to the discretion of the Federal Reserve Board in Washington, a political body appointed by the President. In case we should have a poor board it might affect the entire operations of these very important banks.

I urge the Membership to vote for the amendment.

Mr. McFADDEN. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Pennsylvania [Mr. STOKES].

I do this to call particular attention to this section of the bill. It is one of the most important sections of the bill. It deals with the open-market transactions of the 12 Federal Reserve banks. I desire to speak with particular reference to the operations carried on by the New York Federal Reserve Bank.

Under the amendment proposed by the gentleman from Pennsylvania [Mr. STOKES] the New York Federal Reserve Bank and any other of the 12 banks will be permitted to carry on open-market operations just as they have been doing over the past several years in paper originating in any country in the world. His amendment apparently is to leave the right about where it is at present. I wonder if the Members of the House really know and understand the authority that this section gives and the practical operations of the Federal Reserve as carried on in the open market, which is being made wide open here? You are now authorizing and making legal the right to the Federal Reserve Board and through them to the 12 Federal Reserve banks to buy and sell foreign business paper. The Federal Reserve credit can be used to finance operations between any foreign country, and they will be given the low rate of interest that prevails in open-market transactions in the United States. It has been the common practice of the Federal Reserve for the past several years to carry on those transactions and finance foreign competitors of United States industry. I have called attention to this section repeatedly. It is one of the most important we can deal with.

Are you willing to finance foreign business to the detriment of American industry who employ American labor.

Then if you are vote for these amendments to the open-markets provisions of the Federal Reserve Act, proposed in this bill. It is what the Bank of England, the Bank of France, and the Reichsbank of Germany, want you to do.

In this bill you are authorizing the appointment of a new committee, supposedly to be picked from one of the official family of each of the Federal Reserve districts, but I would call your attention to the fact that there is no such limitation. If each one of the 12 Federal Reserve banks see fit to pick a man, a specialist in New York City to represent it, this entire open-market committee can be in New York City. That is where the open market is located. That is where this foreign paper comes to the United States. It comes over to the big acceptance houses in New York City.

I do not know what they are going to do. It may be these 12 banks are going to call on some foreigners to sit in to supervise these open-market transactions. They can do so under the provisions of this section, if they see fit to, because there is absolutely no restriction as to whom they shall appoint. This amendment provides that each Federal Reserve district may appoint a man.

Now, I know that the officers of many of the other Federal Reserve banks have been complaining because they did not want to handle all these open-market operations that the New York banks wanted them to handle. I happen to know that some of the officers of the other 11 banks have been very much disturbed about the transactions that were carried on in financing the foreigners in their own transactions between their own countries. All has not been complete harmony in financing the foreigner.

If you want to extend this opportunity along those lines, to use cheap Federal Reserve credit and continue to charge Americans who are engaged in industry and who employ American labor at higher rates, this is the plan by which to do it. The thing this amendment does in changing the present activities is that it permits these members of the open-market committee to be picked anywhere the management sees fit to pick them and legalizes this foreign acceptance business under the Federal Reserve Board.

Mr. WEIDEMAN. And the open-market committee has as a medium of their operation 10 or 11 distinct corporations now existing, for example, the Discount Corporation of New York, the American Securities Co., the First National, the Old Colony Corporation, and so forth.

Mr. McFADDEN. Yes; I may say to the gentleman that is where the open-market transactions originate. The International Acceptance Bank was one of these discount houses. Hundreds of millions of dollars—yes, billions of dollars—worth of these acceptances flow in from foreign countries to be purchased by Federal Reserve and member banks and others who have money to invest.

Mr. WEIDEMAN. To get it into the RECORD, the Discount Corporation of New York has as acceptances and assets \$147,000,000, and that listed as directors are Mr. J. P. Morgan, Mr. Albert H. Wiggin—

Mr. McFADDEN. Yes; and many others of the same kind. I would like to yield to the gentleman, but I cannot.

There are nine of these acceptance houses in New York who make a practice of accumulating this open-markets paper from foreigners, discounting paper that originates in Germany, in China, in South America, and everywhere else. There is now in operation the stand-still committee headed by Albert H. Wiggin, of New York, dealing with billions of dollars worth of this credit that is tied up and frozen in Germany and is now held by the Federal Reserve and the banks of the United States which they got through this channel, all approved by the Federal Reserve Board and banks.

I am simply calling it to the attention of the House. I realize how useless it is to attempt to amend this bill, but I do not want this bill to pass without the House at least knowing what it is doing.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment of the gentleman from Pennsylvania.

The amendment was rejected.

The Clerk read as follows:

SEC. 9. Section 14 of the Federal Reserve Act, as amended (U.S.C., title 12, secs. 353 to 358), is amended by adding at the end thereof the following new paragraph:

"(g) The Federal Reserve Board shall exercise special supervision over all relationships and transactions of any kind entered into by any Federal Reserve bank with any foreign bank or banker, or with any group of foreign banks or bankers, and all such relationships and transactions shall be subject to such regulations, conditions, and limitations as the Board may prescribe. No officer or other representative of any Federal Reserve bank shall conduct negotiations of any kind with the officers or representatives of any foreign bank or banker without first obtaining the permission of the Federal Reserve Board. The Federal Reserve Board shall have the right, in its discretion, to be represented in any conference or negotiations by such representative or representatives as the Board may designate. A full report of all conferences or negotiations, and all understandings or agreements arrived at or transactions agreed upon, and all other material facts appertaining to such conferences or negotiations, shall be filed with the Federal Reserve Board in writing by a duly authorized officer of each Federal Reserve bank which shall have participated in such conferences or negotiations."

Mr. PATMAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PATMAN: On page 15, line 11, at the end of the paragraph, add the following: "Provided, however, That no agreement shall be made that will directly or indirectly permit the credit of the United States Government for the assets of any Federal Reserve bank to be used or pledged in any way or manner whatsoever in furtherance of a world bank."

Mr. GOSS. Mr. Chairman, I make the point of order that the amendment is not germane.

The CHAIRMAN. The Chair will hear the gentleman from Connecticut.

Mr. GOSS. Mr. Chairman, I make the point of order the amendment is not germane. I think it is up to the gentleman from Texas to prove that it is germane.

The CHAIRMAN. The Chair will hear the gentleman from Texas.

POINT OF ORDER

Mr. PATMAN. Mr. Chairman, this section has reference to agreements entered into by and between the Federal Reserve bank of the United States and banks of foreign countries. This amendment provides that a Federal Reserve bank shall not enter into any agreement that will directly or indirectly permit the pledging of the credit of the United States or the assets of any Federal Reserve bank in connection with the establishment of a world bank.

The CHAIRMAN. The Chair overrules the point of order.

MONEY MANUFACTURING PLANT

Mr. PATMAN. Mr. Chairman, it is all right for the credit of this Nation to be used for the people of the United States. The Bureau of Engraving and Printing employs about 5,000 people. That is the place where the paper money is printed. This great manufacturing plant turns out every day from \$1,000,000 to \$30,000,000 of plain greenbacks, or paper money. The Federal Reserve notes are issued there and delivered from the Bureau of Engraving and Printing to a Federal Reserve bank.

MORTGAGE ON ALL PROPERTY OF PEOPLE

Each Federal Reserve note that is so delivered represents a mortgage upon all the homes and other property of all the people of this Nation. It is a mortgage upon the incomes of all the people. We can justify the issuance of this credit for the benefit of the people of the United States, but I would like to know from the members of this committee, or any Member of this House, how we can justify mortgaging the property of this Nation and the incomes of the people in aid and furtherance of a world bank, or furthering the business of a foreign country.

EXPORTATION AND IMPORTATION OF GOODS

In the original Federal Reserve Act it is stated that Federal Reserve banks may use the credit of this Nation for the exportation and importation of goods, clearly meaning goods exported from and to the United States.

However, the Federal Reserve Board in the past, having been so anxious to use the credit of this Nation for the interest of those in foreign countries and possibly in the interest of international bankers here in America, has con-

strued this language to mean that the credit of this Nation may be used for the exportation and the importation of goods between foreign countries when the goods do not touch the United States at all. For instance, if a German merchant or manufacturer desires to sell goods to a merchant in Japan, he can draw his draft in dollars, get it accepted in New York, have it delivered to the Federal Reserve bank, and draw out Federal Reserve notes before these goods ever leave Germany to go to Japan; and all during the time these goods are being manufactured and stored in Germany and all during the time they are being shipped to Japan and delivered there, the credit of this Nation, which represents a mortgage upon all the property of this country, is used to finance the sale of these goods.

I know you can justify the use of this credit for our own people, but I do submit that we should not use this credit and this power for foreign countries or for foreign people in opposition to and in competition with citizens of the United States of America. [Applause.]

[Here the gavel fell.]

Mr. McFADDEN. Mr. Chairman, I do not desire to speak in opposition, but I rise in opposition to the amendment, if the committee will permit, to confirm what the gentleman from Texas [Mr. PATMAN] has just said.

I should like to go a little farther to elucidate these transactions and show you that when the transaction has been consummated, as the gentleman from Texas has pointed out, the foreigners hold these first mortgages against the people of the United States in the form of Federal Reserve notes.

We know from the Treasury, in a statement that was issued recently, that the foreigners hold \$600,000,000 worth of our gold certificates, undoubtedly acquired in the same manner, in the settlement of transactions with the Federal Reserve bank in financing transactions between foreign countries in which the United States has no interest whatsoever, except to furnish the money to finance foreign competitors of United States industry.

Why, in this open-market provision which we have just agreed to here, you open up the opportunity, if you intend to issue \$3,000,000,000 worth of Federal Reserve bank notes or greenbacks, for the Federal Reserve System to buy in the open market \$3,000,000,000 worth of paper representing foreign trade transactions between foreign countries.

There is not any question about the part the Federal Reserve is playing in aiding and assisting these foreign competitors of the people of the United States through the operations that are carried on with the central banks and with the Bank of International Settlements.

Why, at the coming economic conference at London what are you going to do? You are going to enlarge the possibilities of the Bank for International Settlements to absorb the money and the credit of the United States in financing the foreigners as against the American people. There is not any question about that. They are all provided for, and the agent of the governor of the Bank of England, Prof. O. M. W. Sprague, came here last Saturday and visited the Treasury and the White House for the purpose of arranging a standardization of exchanges in preparation for the benefits which England and the other countries will receive when this bill has been passed by the Congress of the United States. They want this open-market amendment; are you going to give it to them?

I should like to know who is back of this bill. According to a statement that was issued today from the White House, this is not a part of the emergency program, but, apparently, influences are behind this effort to slip the measure through under the guise of a guaranty of bank deposits which, of course, everybody wants. However, you are doing things in this bill that are surrendering the financial supremacy of the people of the United States, through the Federal Reserve, to these international bankers who are operating and propose to operate through building up the Bank for International Settlements to control the issuance of an international money and give them complete control of money and credit throughout the whole world. If you want to do this, accept the amendment provided in this bill and you will

completely deliver the finances of this country that have not already been delivered to the business interests and bankers of these foreign countries.

Mr. DUNN. Will the gentleman yield?

Mr. McFADDEN. I yield.

Mr. DUNN. Is the gentleman in favor of the amendment just offered by the gentleman from Texas [Mr. PATMAN]?

Mr. McFADDEN. Yes; I shall favor the amendment offered by the gentleman from Texas [Mr. PATMAN].

Mr. FORD. Will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. FORD. How is the United States ever going to be a world financial power if we are going to stop or force the stopping of any transaction of an international character?

Mr. McFADDEN. In answer to that, I am not ambitious that the United States shall become a world financial power. [Applause.] I am more interested, I will say to the gentleman, in the welfare of the American people.

Mr. FORD. Not any more than I am.

Mr. McFADDEN. And in the employment of the 12,000,000 to 15,000,000 people who are now unemployed and in making a settlement with the soldiers who fought our battle and fought the battle of the foreigners in the World War. Let us pay our debts to our own people first.

Mr. FORD. Of course, that is all hooey; but answer this one question: How are the European countries ever going to pay the United States the debts that they owe if this and other means are not afforded to create an equivalent of exchange in the United States to take up that debt?

Mr. McFADDEN. I am not so much concerned about that, I will say to the gentleman. We have domestic affairs here that are of more importance. I will say, however, in regard to the debt the foreigners owe us—and I have not changed my position in regard to that from that which I took in 1931—if these foreign nations do not intend to pay, let them default. That is the position of the Congress today. [Applause.]

[Here the gavel fell.]

Mr. STEAGALL. Mr. Chairman, I think the gentleman has voiced a sentiment that finds a sincere response among the Members of this House.

I am sure that every Member of the House feels just as the gentleman does with respect to the uncontrolled use of the credit facilities of the Federal Reserve System in the international financing programs. These transactions have been carried on in the past without restraint. One of the fundamental purposes of the bill now before this House is to prevent those practices. I want to say to the gentleman that there has been no undue rush or effort to blindfold anybody in connection with this legislation. It has been under consideration for 2 years. It has been the subject of prolonged hearings and discussions by the Senate, and the measure as it relates to the matter under discussion passed that body last year.

It has been worked out with the utmost care, and the purpose of the section is that the Federal Reserve Board shall have control of the open-market operations of Federal Reserve banks. This section makes it the duty of the Federal Reserve Board to regulate such transactions and restrict them in order to protect the people of the United States against the unauthorized use of credits by the Federal Reserve System.

Mr. McFADDEN. Will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. McFADDEN. The gentleman knows that this open market is no new proposition.

Mr. STEAGALL. That is true; but this section places on the Board the duty and responsibility of restricting such operations and to no longer permit the banks to exercise free and unbridled power in the extension of such credits.

Mr. McFADDEN. Under the supervision of the Federal Reserve Board, the operations have been carried on.

Mr. STEAGALL. But this bill specifically imposes regulations and restrictions. If there had been such a law in the past—there has been some division of opinion in the construction of the existing law—and proper enforcement

of it, the complaints which the gentleman makes would never have been heard. This bill makes it clear the duty of the Federal Reserve Board is to supervise and restrict these transactions.

Mr. McFADDEN. I still want to reiterate that this will not change it one iota.

Mr. STEAGALL. I beg the gentleman's pardon, but I cannot yield further for a speech, because we should like to get along with the bill as far as we can today, and the discussion has ranged beyond necessary limits.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent that the amendment be again reported.

There being no objection, the amendment was again reported.

Mr. KVALE. Mr. Chairman, I move to strike out the last two words. I should like to ask the gentleman from Pennsylvania to make us a brief statement, as we could not hear what he had in mind.

Mr. McFADDEN. If the gentleman will permit, what I mean is this: Under the operation of the open market during the past few years they, the Federal Reserve banks and member banks, have loaned hundreds of millions of dollars of Federal Reserve credit, some of it illegally obtained, to carry on and finance transactions between foreign countries. The Federal Reserve System was created as a financial system for the people of the United States. It never was contemplated that they were going to finance bankers, foreign governments, and manufacturers in foreign commerce between other countries outside the United States. How many of you gentlemen here would vote to give the foreigner the right to use Federal Reserve credit to finance his commercial transactions between foreign countries, and to finance him with this cheap money to undersell American-made goods in our own market?

I am not taking a narrow view in regard to this. This is exactly what you are doing. I know that it is necessary for the people and the banking interests of the country to carry on certain foreign financial transactions, but when an illicit use of the credit of the United States through the employment of Federal Reserve notes and credit which have been illegally issued is made, and vast amounts running into billions of dollars have been tied up and now remain frozen in Germany and Japan and other countries, I think it is time to call a halt. I see nothing in this bill that is going to change the policy which was approved and acquiesced in by the Federal Reserve Board. There is no question but that the Federal Reserve Board could have stopped these illegal transactions, if they had wanted to do it. But did they do it? Was the Congress ever advised that the Federal Reserve Board was incompetent to carry on the safety of the transactions of the Federal Reserve banks? No, it was not. I again repeat, that you are opening up this System in a way to further exploitation and furnishing of funds to finance foreigners, to the detriment of the United States. The Federal Reserve were evidently of the opinion that the rank and file of the public were unaware of what was being done, that these great transactions were only known to the insiders, the international financial group, who were making millions of dollars out of the fraudulent use of the Federal Reserve money and credit they were using, because even the Secretary of the Treasury raised no objection.

Mr. STEAGALL. Mr. Chairman, will the gentleman yield?

Mr. KVALE. Yes.

Mr. STEAGALL. Let me read one paragraph from the bill, subsection (c), page 12:

The time, character, and volume of all purchases and sales of paper described in section 14 of this act as eligible for open-market operations shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country.

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was rejected.

Mr. WEIDEMAN. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. WEIDEMAN: Page 15, line 11, subsection (g), add the following: "A complete report of all conferences and transactions herein covered shall be made to the Congress of the United States on January 1 of each year."

Mr. WEIDEMAN. Mr. Chairman, subsection (g) provides that reports shall be made to the Federal Reserve Board, but that does not necessarily mean that they shall be made to Congress or that they are even available to Congress, because I find there is some information that I want to get out of that Board now and I cannot, and my experience is not unusual. All Members of Congress have run into the same thing. If this section is going to operate the way it is intended, and they should make a report to their own Board, I can see no harm in the report being made also to the Congress; and if some of you gentlemen in this body are suspicious of what is going to happen, I think you should vote to amend this section in this way. You will then have a report every year as to what the international conferences are. I do not think the risk is unreasonable, and I think for your own protection you should approve the amendment. Congress is entitled to know what is going on in the Federal Reserve System.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan.

The question was taken; and on a division (demanded by Mr. WEIDEMAN) there were—ayes 68, noes 55.

So the amendment was agreed to.

The Clerk read as follows:

SEC. 10. (a) Section 19 of the Federal Reserve Act, as amended, is amended by inserting, after the sixth paragraph thereof, the following new paragraph:

"No member bank shall act as the medium or agent of any nonbanking corporation, partnership, association, business trust, or individual in making loans on the security of stocks, bonds, and other investment securities to brokers or dealers in stocks, bonds, and other investment securities. Every violation of this provision by any member bank shall be punishable by a fine of not more than \$100 per day during the continuance of such violation; and such fine may be collected, by suit or otherwise, by the Federal Reserve bank of the district in which such member bank is located."

(b) Such section 19 of the Federal Reserve Act, as amended (U.S.C., title 12, secs. 142, 374, 461-466; Supp. VI, title 12, sec. 462a), is further amended by adding at the end thereof the following new paragraph:

"The Federal Reserve Board shall from time to time limit by regulation the rate of interest which may be paid by member banks on deposits, and may prescribe different rates for such payment on time and savings deposits having different maturities or subject to different conditions respecting withdrawal or repayment. No member bank shall pay any time deposit before its maturity, or waive any requirement of notice before payment of any savings deposit except as to all saving deposits having the same requirement."

Mr. HOEPEL. Mr. Chairman, I move to strike out the last word. I am much in favor of the guaranty provisions of this bill; and while I have been hearing nothing but banking the last few months, I must admit that I need additional information if I am going to vote for this bill. I rise for the purpose of getting information from the chairman on one point in this section. I notice on page 25 of the bill it is provided that the interest charged by the bank to the borrower shall be 7 percent. In the section under discussion the interest which the bank pays to the depositor is left indeterminate. In other words, the banker is assured of his 7 percent, but the poor individual, who has very little, if anything, left today, must take such interest rate as this self-constituted board may designate. I contend that if the Postal Savings Department can stipulate a rate of 2 percent, we should at least designate that the minimum amount these member banks shall pay will be at least 2 percent.

The subject of inflation was brought up, and inflation, we are told, is going to bring us out of our present distress. The only thing that will bring this Nation out of its distress is a more equitable distribution of the wealth of the Nation.

In this provision you are making the rich richer, with no provision for the poor. I wish the chairman of the committee would inform us what assurance we have if we put money in these banks of the amount of interest that we,

as depositors, will receive. It is well defined how much we will be charged when we go to the bank to borrow, but nothing is stipulated as to the interest that is to be paid to us on our money deposited.

Mr. GOLDSBOROUGH. Mr. Chairman, there is nothing definite at all about the amount to be charged. The only thing that is definite is that the borrower shall not be charged more than 7 percent, or 1 percent more than the rediscount cost of the Federal Reserve bank, which is regulated entirely by the law of supply and demand. It goes down as low as one half of 1 percent sometimes.

Mr. HOEPEL. I admit that, but this provision of 7 percent stands out in this bill and is the amount the small borrower must pay when in financial distress.

Mr. GOLDSBOROUGH. Seven percent is the extreme limit of interest which a member bank can charge a borrower, and that only in case it can rediscount its paper and has to pay 6 percent to rediscount its paper in the Federal Reserve banks. The Federal Reserve never has charged 6 percent except probably during 1921, I believe. Usually it is from 2½ to 3 percent.

Mr. HOEPEL. There is one provision in this bill which is definite and positive. You may not be able to give me a definite figure as to what interest I am going to receive as a depositor, but this I know: That the Post Office Department has turned over to the banks of America \$1,157,000,000. The Government receives from the banks for this amount only 2½ percent interest; yet, when I go to the bank to borrow this money, you as well as I must pay 7 percent interest.

That is being done today in my district, and that, I say, is unfair. We are giving the American banker \$45,000,000 gratuity on our own postal savings. I hope that when this proposition comes up in my amendment that the amendment will be accepted and that no bank will be permitted to charge any borrower interest in excess of 100 percent of the interest rate the bank pays its depositors. If a bank cannot function and stand on its own feet with 100 percent profit on our money, it has no economic or business right to exist.

I yield back the balance of my time, Mr. Chairman.

The Clerk read as follows:

Sec. 11. Section 22 of the Federal Reserve Act, as amended (U.S.C., title 12, secs. 375, 376, 503, 593-595; Supp. VI, title 12, sec. 593), is further amended by adding at the end thereof the following new paragraph:

"(g) No executive officer of any member bank shall borrow from or otherwise become indebted to any member bank of which he is an executive officer, and no member bank shall make any loan or extend credit in any other manner to any of its own executive officers: *Provided*, That loans heretofore made to any such officer may be renewed or extended not more than 2 years from the effective date of this title, if in accord with sound banking practice. If any executive officer of any member bank borrow from or if he be or become indebted to any bank other than a member bank of which he is an executive officer, he shall make a written report to the chairman of the board of directors of the member bank of which he is an executive officer, stating the date and amount of such loan or indebtedness, the security therefor, and the purpose for which the proceeds have been or are to be used. Any executive officer of any member bank violating the provisions of this paragraph shall be deemed guilty of a misdemeanor and shall be imprisoned not exceeding 1 year, or fined not more than \$5,000, or both; and any member bank violating the provisions of this paragraph shall be fined not more than \$10,000, and may be fined a further sum equal to the amount so loaned or credit so extended."

Mr. BAILEY. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BAILEY: Page 16, line 18, after the word "officer", insert the words "or director"; and add the same language at each point in section (g) after the word "officer" each time such word is used.

Mr. BAILEY. Mr. Chairman, this apparently is but a simple amendment, but, in fact, it will have considerable to do with the final result of the operation of this bill. I happen to be one of those who cannot agree that the Federal Government should adopt a guaranty of deposits. I do it because the experience in my own State has been very sad; and I want to say that if, as I believe is true, you are going to adopt a guaranty deposit bill, you must tighten the laws governing the operation of banks. Otherwise you will

find the national banks in the same condition in which we found our State banks.

One of the greatest troubles, one of the worst banking practices, has been loans made to people connected with banks. For that reason I believe this Congress should add in this law a prohibition against borrowing by a director from a bank in which he is a director.

It will be said that we may make it difficult to obtain good directors, but I say that is a fallacy that is easily exploded, because if a director has good credit, he can borrow money from other banks, and if he has not good credit, he ought not be permitted to borrow from any bank. This amendment simply changes the wording of this section so as to include the directors of banks with executive officers.

The CHAIRMAN. The question is on the amendment of the gentleman from Texas.

The question was taken; and on a division (demanded by Mr. GOLDSBOROUGH) there were—ayes 59, noes 51.

Mr. STEAGALL. Mr. Chairman, I ask for tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. GOLDSBOROUGH and Mr. BAILEY.

The committee again divided; and the tellers reported that there were—ayes 58, noes 80.

So the amendment was rejected.

Mr. BAILEY. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment by Mr. BAILEY: Page 17, line 3, after the word "shall", insert a comma and the following: "and if the loan is made by a member bank the executive officer of such bank making the loan shall."

Mr. BAILEY. Mr. Chairman, a careful reading of this section shows that the executive officer who borrows the money is required to make the report. My amendment would require the executive officer of the banks making the loan also to make a report. In other words, it is simply a provision to make it certain that someone not interested in the loan is compelled by law to make the report.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas.

The amendment was rejected.

Mr. McFARLANE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. McFARLANE: Between section 11 and section 12 add section 11a, as follows:

"In no case shall the compensation of any member or employee be at a rate in excess of the rate of compensation received for like or similar work performed under the Classification Act of 1923, as amended, and the Civil Service laws and regulations: *Provided further*, That in no event shall such compensation be at a rate in excess of \$10,000 per annum less any deductions provided for in the act entitled 'An act to maintain the credit of the Government of the United States, approved March 29, 1933.'"

Mr. LUCE. Mr. Chairman, I make the point of order that the amendment is not germane.

The CHAIRMAN. The Chair will hear the gentleman from Texas.

Mr. McFARLANE. Mr. Chairman, speaking to the point of order, this is a separate section to the bill that limits the salaries in keeping with the Civil Service laws and the rules and regulations thereunder, and is, I think, germane to the bill. It is a separate section.

The CHAIRMAN. The Chair overrules the point of order.

LET US LIMIT THESE SALARIES AND SAVE MILLIONS FOR THE GOVERNMENT

Mr. McFARLANE. Mr. Chairman, under the original Federal Reserve Act the Federal Reserve Board members have the right to administer the act under the Civil Service rules. They are not doing this. This amendment permits them, if they wish, the way they are operating now, to use the Civil Service rules and regulations to administer the act; and if they do not care to do that, they can make the payment to the different officers and employees on the same basis as all Civil Service employees are paid.

\$10,000 PER YEAR IS ENOUGH

Mr. COLMER. Mr. Chairman, will the gentleman yield?

Mr. McFARLANE. The other limitation and the amendment is a limitation of the compensation to be received by

the officers and employees to the same pay that you as Congressmen are receiving. Is not this fair? Do you not think we can get good members to work in the Federal Reserve System for not to exceed \$10,000 per year?

Mr. BEEDY. Mr. Chairman, will the gentleman yield?

Mr. McFARLANE. This is a limitation on the compensation we pay these officers. I am informed that many of the officers are now being paid salaries from \$20,000 to \$50,000 per year.

I submit in all fairness and with all candor that these officers and these employees in the Federal Reserve System should not receive any more than you yourselves receive, and I believe we can get good men to fill these positions for not to exceed \$10,000 per year.

Mr. COLMER. Will the gentleman yield?

Mr. BEEDY. Will the gentleman yield to me for a matter of information? I made the request not long ago.

Mr. McFARLANE. I yield first to the gentleman from Mississippi [Mr. COLMER], who had an amendment on the same subject.

Mr. COLMER. Do I understand that the gentleman's amendment will limit the pay of the governors in the Federal Reserve System to \$10,000?

Mr. McFARLANE. Yes.

Mr. COLMER. Does the gentleman know that they are now receiving as high as \$50,000?

Mr. McFARLANE. Yes. I know that they are receiving that amount, and that is the purpose of the amendment.

Mr. COLMER. I am with the gentleman.

Mr. McFARLANE. I submit we can get good men for this money, and it is money that comes out of the Treasury of the United States. It is very important that we limit these salaries.

I now yield to the gentleman from Maine.

Mr. BEEDY. I did not get the amendment clearly. Is the amendment limited in its proposals to the salary of the governor of each of the 12 central banks?

Mr. McFARLANE. No; it covers all the officers and employees.

Mr. BEEDY. Of just the central banks?

Mr. McFARLANE. No; all 12 of them.

Mr. BEEDY. That is what I was afraid of. The gentleman understands that the banks that are in the System are private banks and the Government has nothing to do with them. The gentleman does not mean to propose that the Federal Government shall limit the salaries of men employed by private banks?

Mr. McFARLANE. Yes; they are using the credit of the United States, and all money over a certain amount plus 6-percent dividends on their paid-up capital stock under the law must be paid into the Treasury of the United States, and I want to limit these salaries so as to keep these banks from eating up this surplus in big salaries. That is what I want to do. I want to limit the salaries of all officers and employees of organizations using the credit of the United States and making enormous profits accordingly.

Mr. BEEDY. I think there would be very sound reason in limiting it as to the central banks, but I doubt the wisdom of it as to others.

Mr. McFARLANE. I yielded for a question and not for a speech.

Mr. BOILEAU. Will the gentleman yield?

Mr. McFARLANE. Yes.

Mr. BOILEAU. As I understand it, in order for a man to be an officer or governor of a Federal Reserve bank he is supposed to leave behind him all of his banking connections. If the gentleman wants to get a man who has experience in banking, naturally he wants to get someone who has been in the banking business; and if he has to leave all his other connections behind him, does not the gentleman think we are possibly limiting it to small an amount if we limit it to \$10,000?

Mr. McFARLANE. In answer to the gentleman I would point out that in our Federal Reserve district, which is the eleventh district, we have had a gentleman there, Mr. Talley, who has taken the position of governor of that district, who

was receiving \$5,000 a year before he received this political appointment, and since that time has been receiving several times that amount.

Mr. BOILEAU. The gentleman believes we can get good men at this salary?

Mr. McFARLANE. Yes; I know we can.

[Here the gavel fell.]

Mr. LUCE. Mr. Chairman, an examination of the amendment at the desk indicates that it applies only to officers of the Federal Reserve banks. If the gentleman meant also to include member banks, then he should modify his amendment. Whether we would have any right to interfere or whether it would be prudent to interfere thus with the practices of institutions that are private corporations is another question.

An amendment of this sort to one familiar with the conditions of living in the big cities where the Federal Reserve banks are located, seems wholly unjustifiable.

Some years ago Samuel L. Vauclain, president of one of the Baldwin Locomotive Works, in an article in the American Magazine, made the estimate that in the city of New York there were 50,000 persons who must be making \$25,000 a year or more. Is it conceivable that you would put in charge of the huge New York Federal Reserve bank, entrusted with the responsibility of caring for more millions of dollars each year than the human mind can conceive—

Mr. COLMER. Will the gentleman yield?

Mr. LUCE. May I finish the sentence first?

Mr. COLMER. You may; yes.

Mr. LUCE. Is it conceivable that you will put in charge of such an institution a man not worth receiving more than \$10,000 a year? Larger salaries than this are paid to men in the legal departments of such institutions and they are paid because the men can earn more outside than the smaller salaries suggested. You would drain your great Federal Reserve System of its trained men; its men who by long experience in banking and finance have acquired powers of administration, who are true executives. Nothing could be more rash than for the public to insist that its executives handling these millions and millions of dollars shall be of that grade suggested by this salary.

Now, while I am on my feet, I know there is rising in the minds of some gentlemen here that fact that our own salaries, recently \$10,000, but are now \$8,500. It was for many years in the English parliament the custom to pay no salaries. A small salary has now been paid there for some time in order that Labor members may serve. It is a grave question whether it is wise to pay salaries of any kind to members of legislative bodies, but inasmuch as we have established that system, there is no better rule than to say that the salary of a legislator shall be that which will allow him to leave his ordinary occupations for a time and without suffering serve his country. He must look for a great part of his reward to the honor of the office, to the satisfaction of trying to serve his fellow men and making whatever talents the Lord may have given him useful as far as they may go, but in the business world the law of supply and demand rules. You do not get good men unless you pay them what they can receive in other occupations.

You will, inevitably, by the passage of a provision of this sort, lower the quality of the men conducting a system upon which the welfare of the country greatly depends. [Applause.]

[Here the gavel fell.]

Mr. McFADDEN. Mr. Chairman, I am opposed to this amendment, not for the reason that the gentleman from Massachusetts has suggested but because I do not believe that Congress has a right to do this. These are private banks. If the amendment extends to member banks, I cannot see that we have any business to dictate what salaries shall be paid by member banks of the Federal Reserve System.

I agree with the purposes that the gentleman is intending to serve. I agree that the salaries of the officers of the Federal Reserve banks in many instances are altogether too high, but I think the matter should be reached in another

way. If Congress wants to deal with it, it should deal with it by instructing the Federal Reserve Board to make the changes suggested. The Federal Reserve Board have been most generous with the 12 banks in this matter of salaries. It is a subject that ought to be dealt with, but I do not think that we would be dealing with it in a proper manner by this amendment.

Mr. WEIDEMAN. Mr. Chairman, I want to give you gentlemen the savings that would be accomplished by putting this amendment in effect. Upon reducing 48 employees of the Federal Reserve banks and the Federal Reserve Board to \$10,000 a year salary, you would save \$496,000.

You have been talking about economy ever since we have been here. The gentleman from Massachusetts heretofore has been talking economy, and now, not because this little item of \$496,000 will be saved, but because it affects the big bankers, they are not in favor of it.

These Federal Reserve banks do spend some of our money. On page 156 of their report you will find that spent for telegraph and telephone lines, \$737,000.

On page 226 of the Federal Reserve Board report they spent for private wires and telephones \$251,000. In other words, the Federal Reserve Board spent of your money \$969,414.10 for telephones and private wires.

On page 151 the expenses of directors' meetings, \$175,000; travel, \$214,000; printing and office supplies and binding, \$703,000; amounting to over a million dollars.

Mr. McFADDEN. Will the gentleman yield?

Mr. WEIDEMAN. Yes.

Mr. McFADDEN. Is the gentleman quoting from the Federal Reserve bank report and not from appropriations made by Congress?

Mr. WEIDEMAN. I quote from Federal Reserve Report for 1932. We pay for that, whether we pay one way or the other.

Mr. ZIONCHECK. If these salaries were cut from the surplus we would receive the revenue?

Mr. WEIDEMAN. Well, we were supposed to receive a certain portion of it, but we never did. The more money the Federal Reserve spends, the less there is to be refunded to the Treasury.

Mr. KELLER. Mr. Chairman, I want to say that generally speaking, I have been in favor of the changes that have so far taken place. Further, what the gentleman from Pennsylvania [Mr. McFADDEN] called attention to is literally true. The Federal Reserve System is a private banking system. I think we have a perfect right to limit expenditures because of our right to control, but this is not the place to do it. We are getting along here, and we are fooling away a lot of time on nonessentials, things that are not vital. I hope we will get along and finish this bill up, because the work that has been done by this committee is well worthy of our support, unless there is a vital reason for not supporting it. It does seem to me that this is not a vital matter and it is not the place to do this thing. If the gentleman will bring this up in a separate bill at the right time and make the corrections along that line, I shall not only be glad to go along with him and aid him to accomplish the things he wants to do, but this is not the time, and it is not vital to this matter.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. KELLER. Yes.

Mr. McFARLANE. If we want to reduce salaries, why is not now the place to start?

Mr. KELLER. For the reason that the Government of the United States does not pay the salaries at all.

Mr. McFARLANE. But they are using the credit of the Government of the United States, they are making their money off the credit of the United States, and should not we have the right to limit their salaries because we receive the surplus?

Mr. KELLER. But as long as we permit them to go on as a private organization I doubt whether we have such a right.

Mr. KVALE. Mr. Chairman, will the gentleman yield so that I may make a suggestion to the gentleman from Texas?

Mr. KELLER. Certainly.

Mr. KVALE. The gentleman from Pennsylvania [Mr. McFADDEN] in his short talk made a suggestion that might be worthy of being followed out at this point. If the gentleman's amendment is defeated, then offer another amendment carrying instructions to the Federal Reserve Board.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. KELLER. Yes.

Mr. McFARLANE. This amendment is prepared by the drafting committee and is in harmony with each and every other provision of the bill. If you want to cut these salaries this will do the job.

Mr. TRUAX. Mr. Chairman, will the gentleman yield?

Mr. KELLER. Yes.

Mr. TRUAX. The gentleman stated that there was a time and a place to introduce the bill. I should like to ask the gentleman when that time is and where the place is.

Mr. KELLER. I will answer that and I think I can do it. The time and place to introduce the bill is in the next session, when we are not laboring under the necessity of emergency as we are at the present time. I shall be delighted to join with the gentleman in that matter at that time.

Mr. WEIDEMAN. Mr. Chairman, will the gentleman yield?

Mr. KELLER. Yes.

Mr. WEIDEMAN. We have put many things into the various bills that we have passed almost to the regulation of ash cans.

Mr. KELLER. Unfortunately, we have.

Mr. WEIDEMAN. Let us just pass this and see what happens. Let us start our economy right now. Charity begins at home.

Mr. KELLER. Yes, but this is not charity; it is business. We ought to carry this through and do it as rapidly as possible. The amendment is not a vital matter here.

CAPITAL AND SURPLUS OF FEDERAL RESERVE BANKS

Mr. PATMAN. Mr. Chairman, I move to strike out the last three words. I am in favor of this amendment. The Federal Reserve banks were organized in 1913. Each member bank is required—at least, it was in the law—to subscribe for stock to an amount equal to 6 percent of its capital and surplus. They have never paid in more than 3 percent of their capital and surplus. The largest amount ever paid in by the member banks to the Federal Reserve banks is \$160,500,000. The capital stock of the Federal Reserve banks aggregates \$321,000,000. On that small capital stock of \$160,500,000—and it was as low as \$100,000,000—those banks have transacted business aggregating almost \$100,000,000,000 a year. Could they do it on that small capital stock? No; it would not be possible. The reason they have been able to transact that large amount of business is because they were using free of charge the credit of the entire Nation. It was contemplated by the framers of the Federal Reserve Act that the Federal Reserve System or the Federal Reserve banks should pay a small compensation for the use of that Government credit, and it was written into section 16 of the Federal Reserve Act that when the Federal Reserve notes were delivered by the Bureau of Engraving and Printing to a private bank, a Federal Reserve bank, the bank should pay to the Treasury of the United States such an interest charge as may be assessed by the Federal Reserve Board. The Federal Reserve Board set a zero rate, no interest at all, upon the theory that when the earnings of the Federal Reserve banks came in at the end of the year, and when the operating expenses of the banks had been paid, and 6 percent dividends paid on paid-in capital stock, the surplus would go into the Treasury of the United States, and therefore the initial interest rate should not be required since the surplus would go into the Treasury.

GOVERNMENT MONEY BEING SPENT

Mr. KELLER. Will the gentleman yield?

Mr. PATMAN. Now, under the present law they are challenged, or we dare them to spend all the money they can. The more money they spend the less they have to pay into the Treasury. That being true, the money they are spending is Government money. We really should make the appropriation for the Federal Reserve banks. We should set the salaries of the officers and employees, because it is Government money they are using. That being true, it is just as necessary and essential to place a limitation upon their salaries as it is to place a limitation upon the salary of any officer or employee of any department of this Government. [Applause.]

Now I yield to the gentleman from Illinois.

Mr. KELLER. I should like to know what we are driving at in this bill; whether it is to guarantee bank deposits or an attempt to rewrite the entire Federal Reserve Act.

Mr. PATMAN. Well, in any event, when an amendment can be offered and passed that would save the Government of the United States a half million dollars a year, I see no reason why the gentleman should oppose it. Why should we permit Federal Reserve banks to pay salaries aggregating twenty or thirty or forty or fifty thousand dollars a year out of Government money, money that should go to the Treasury of the United States, and yet reduce by 15 percent the salaries of employees who are only making \$1,000 a year? [Applause.]

Mr. KELLER. But, I repeat the question to the gentleman in different form—that is, what we are driving at is one certain, specific thing, and to do no more than that at the present time. If the gentleman will write a bill covering the thing he is driving at, I will join wholeheartedly and enthusiastically with him in putting it forward.

Mr. PATMAN. I should be glad to do that, were it necessary, but it is germane to this bill. Anything that is germane should be considered. If it is not germane, the Chairman will not permit its consideration.

The CHAIRMAN. The time of the gentleman from Texas [Mr. PATMAN] has expired.

Mr. BLANTON. Mr. Chairman, I rise in support of the amendment.

Mr. STEAGALL. Mr. Chairman, I ask unanimous consent that all debate on this section and all amendments thereto close in 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama [Mr. STEAGALL]?

Mr. McFADDEN. Reserving the right to object, I should like to have 5 minutes on this amendment.

Mr. STEAGALL. Mr. Chairman, I modify the request to make it 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama [Mr. STEAGALL] that all debate on this section and all amendments thereto close in 10 minutes?

There was no objection.

Mr. BLANTON. Mr. Chairman, the big salaries paid by the Federal Reserve Board to its officers and employees and the extravagance of it for several years have been a scandal to this Nation. [Applause.] We must stop these tremendous unearned salaries. Some of the finest bankers of the United States are bankers that you find at home—honest, sincere, hard-working men, who sometimes work from 8 o'clock in the morning until 6 and 7 and 8 o'clock in the evening, and not many of them get as much as \$5,000 a year. And many get only \$2,500, \$3,000, and \$4,000, while many officials and employees of the Federal Reserve banks must get these tremendous, unreasonable salaries of twenty, twenty-five, thirty, thirty-five, forty, and even fifty thousand dollars a year. It ought to stop.

Our former colleague from Texas, Mr. Williams, who went out this last election and whose place Mr. McFARLANE now occupies, has put some information into this RECORD that every Member ought to read. During the last 5 or 6 years I have put in statement after statement showing its inexcusable extravagance and the many palaces that have been

built with this money by the Federal Reserve Board all over the country, outlandish palaces, unreasonable in their extravagances.

Mr. STEAGALL. Will the gentleman yield?

Mr. BLANTON. Certainly.

Mr. STEAGALL. Of course, Congress has passed legislation to prohibit a repetition of that.

Mr. BLANTON. Yes; finally we did prohibit it, and we should pass legislation to stop these outrageous salaries. If not now, when are we going to do it? Are we going to put it off until next year or year after next, or until all of us here die? We want to do it while we are living do we not? When is a better time than right now to put a limitation on these scandalous salaries?

Some Congressmen and some Senators here work as hard as any banker in the United States. The time we give to the people of this country, in my judgment, is just as valuable as the time that any banker gives, and if Congressmen and Senators can work for \$8,500 a year, why should you pay some of those bankers \$50,000. It ought to stop. [Applause.]

The only fault I have with this amendment is that I object to any reference to the Classification Act of 1923. That is such a monstrosity that it ought to be repealed.

Mr. McFARLANE. Will the gentleman yield?

Mr. BLANTON. In just one minute. The provision in this amendment which limits salaries of the bankers to \$10,000, as a maximum is good, and I am in favor of it, and I hope it will pass. [Applause.]

Mr. McFARLANE. As to the Civil Service amendment, to which the gentleman refers, that is just a guidepost in setting the salaries.

Mr. BLANTON. Well, I do not even like to refer to it except to try to repeal it, although it is appropos to Federal Reserve bankers, because under that 1923 Classification Act there have been so many very ordinary \$1,500 clerks put into nine- and ten-thousand dollar positions, by a mere sleight-of-hand performance of calling them "chief", or "director", or "commissioner", that, of course, it ought to go along with the Federal Reserve banking legislation.

Mr. SHOEMAKER. Will the gentleman yield?

Mr. BLANTON. I yield.

Mr. SHOEMAKER. Is it not true that the governors of the Federal Reserve System are limited to \$12,000 a year?

Mr. BLANTON. Oh, yes; but they pay some of their officials twenty, thirty, thirty-five, forty, and even fifty thousand dollar salaries.

Mr. SHOEMAKER. That is the way it is done, is it?

Mr. BLANTON. That is the way it is done. At one time in years gone by I sat here with my mouth open, almost entranced, every time the gentleman from Alabama [Mr. STEAGALL] got up to speak, listening to him. At that time he was for cutting down these outrageous expenses of government, and I have been looking for him to get up every minute for the last 10 or 15 minutes and say, "I accept the amendment to limit these salaries. It is a good one." Why he does not do it, I cannot understand.

You know, after fellows get up into these high positions, and get to associating with these highbrow Federal Reserve bankers their ideas change. [Laughter.] But, after all, our friend, the Chairman of the Banking and Currency Committee [Mr. STEAGALL], is a good scout, and "with all his faults we love him still."

Mr. JOHNSON of Minnesota. Mr. Chairman, will the gentleman yield for a question?

[Here the gavel fell.]

Mr. BLANTON. I yield to my friend, the distinguished gentleman from Minnesota, the balance of my time.

Mr. JOHNSON of Minnesota. Will the gentleman vote for a bill I have introduced—

Mr. BLANTON. Certainly I will.

Mr. JOHNSON of Minnesota (continuing). Limiting the salary of the Members of the House and Senate to \$7,500 a year?

Mr. BLANTON. I have a similar bill now pending before the committee.

Mr. McFADDEN. Mr. Chairman, I am just reminded that the amendment refers to employees only. It would not apply to the officers of the Federal Reserve bank.

Mr. Chairman, I ask unanimous consent that the amendment be again read so that Members may know what it is.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The Clerk again read the McFarlane amendment.

Mr. McFADDEN. Mr. Chairman, again I should like to point out to the membership here that the amendment refers only to employees.

Mr. BLANTON. Mr. Chairman, if the gentleman will permit, I think the suggestion is a wise one.

I ask unanimous consent, with the approval of my colleague, that the word "officer" be inserted just preceding the word "member", so it will read "officer, member, or employee."

Mr. McFARLANE. Mr. Chairman, I accept the gentleman's amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. BEEDY and Mr. RAMSPECK objected.

Mr. BLANTON. Mr. Chairman, if the gentleman will permit, I move to amend the amendment of my colleague by inserting the word "officer" preceding the word "member."

Mr. RAMSPECK. Mr. Chairman, I make the point of order that the amendment must be in writing.

The CHAIRMAN. The Chair sustains the point of order.

Mr. BLANTON. I will put it in writing inside of 2 minutes.

Mr. McFADDEN. Mr. Chairman, these salaries are paid from the earnings of the Federal Reserve banks, private banks, and I question very seriously whether we have the right to deal with the earnings of these private banks in this manner, much as I should like to reach this situation.

I think also that the amendment as read would include member banks. That would include the fixing of the salaries of the president, vice president, cashier, and other officers of member banks located throughout the country.

Mr. STEAGALL. Mr. Chairman, will the gentleman yield?

Mr. McFADDEN. I yield.

Mr. STEAGALL. And a large number of the member banks are State institutions, over which we have no jurisdiction whatsoever.

Mr. McFADDEN. The gentleman is correct.

I think it would be well if this could be rephrased so as to be a direction to the Federal Reserve Board to do this thing that the gentleman is trying to bring about.

Now, I should like to go as far as the gentleman is proposing to go in fixing the salaries of some of the officers of these city banks. I have a resolution pending before this House inquiring into the salary that was paid for the last 5 years to Albert H. Wiggin of the Chase National Bank. I understand now he has been retired at a salary or pension which would surprise even the most enthusiastic Member here.

Some of these things should have been attended to by the supervising officers of the Federal Reserve bank or the Comptroller of the Currency; and such salaries as have been paid should have been stopped.

Mr. McFARLANE. I am sure the gentleman is in sympathy, is he not, with the purport of the amendment to limit the salaries of all these officials?

Mr. McFADDEN. I am in sympathy with its purport.

Mr. McFARLANE. Then vote for the amendment.

Mr. McFADDEN. I do not want to vote for something which is none of the business of the House of Representatives.

Mr. McFARLANE. Vote for it and we can correct it in free conference.

Mr. MAPES. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. MAPES. May we have the amendment divided so we can vote upon that part which would put the employees of

the Board under Civil Service as distinguished from the part relating to salaries?

The CHAIRMAN. The phraseology of the amendment does not permit of division.

Mr. MAPES. May I call the Chairman's attention to the fact that the limitation as to salaries is included in the proviso? It seems to me, therefore, that the amendment might be divided in this way.

The CHAIRMAN. The amendment is not so drawn that one part of it being taken away a substantive proposition remains.

Mr. MAPES. If the Chair will read the amendment and then so holds, I will, of course, submit to the Chair's decision, but I call the Chair's attention to the fact that the limitation on salaries is included in the proviso, which is an entirely separate and distinct provision.

The CHAIRMAN. The phraseology of the amendment does not permit of division.

The question is on the amendment offered by the gentleman from Texas.

The question was taken; and on a division (demanded by Mr. McFARLANE and Mr. PATMAN) there were—ayes 55, noes 104.

So the amendment was rejected.

The Clerk read as follows:

SEC. 12. The Federal Reserve Act, as amended, is amended by inserting between section 24 and section 25 (U.S.C., title 12, sec. 371 and 601-605; Supp. VI, title 12, sec. 371) thereof the following new section:

"SEC. 24A. Hereafter no national bank, without the approval of the Comptroller of the Currency, and no State member bank, without the approval of the Federal Reserve Board, shall (1) invest in bank premises, or in the stock, bonds, debentures, or other such obligations of any corporation holding the premises of such bank or (2) make loans to or upon the security of the stock of any such corporation, if the aggregate of all such investments and loans will exceed the amount of the capital stock of such bank."

Mr. BEEDY. Mr. Chairman, I move to strike out the last word.

I do this to ask the Chairman of the Committee if he will not move that the Committee now rise. The Members of the House are tired, the members of the Committee are tired, and I do not think we ought to be held here any longer.

Mr. STEAGALL. I may say to the gentleman that I am urged by the majority leader to try to make further progress before we quit this afternoon.

Mr. BYRNS. Let me say to the gentleman and to the House that we have a public-works bill that is longer than this, we have an insurance bill for which there is a rule, we have a railroad bill, we have a possible tariff bill, and we have a possible farm bill that is coming before this House. We have read about 17 pages of the pending bill. At this rate it will take 4 days to finish the consideration of this bill. I think the Members of the House ought to be willing to stay here for a reasonable time and let us make some progress on the bill before we rise. [Applause.] It is no more to me than it is to you, but I say to you that the President of the United States and the Members of Congress and the people of this country, who are above us all, want this Congress to get through with its work and adjourn and go home, and we are not going to do it unless we make some progress on these bills.

Mr. BEEDY. Mr. Chairman, we want to get through and we want to go home, but we have been here 6 long hours and I will stay here without anything to eat until midnight if you want me to.

Mr. BYRNS. There is no intention of requiring that.

Mr. BEEDY. But I thought I sensed the feeling of the House and the Committee. I want to cooperate with the gentleman to do all that we ought to do, and I will go just as far as any other Member.

Mr. BYRNS. I appreciate that, and let me say to the gentleman that it is only 10 minutes past 5 and I dare say there is not anybody in the gentleman's district or in anybody else's district who quits work at 5 o'clock. We certainly can stay here until 6 o'clock or even longer and then

get home in time to have our dinner, and I think we ought to do this. [Applause.]

The Clerk read as follows:

Sec. 14. Paragraph "Seventh" of section 5136 of the Revised Statutes, as amended (U.S.C., title 12, sec. 24; supp. VI, title 12, sec. 24), is amended to read as follows:

"Seventh. To exercise by its board of directors or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining, issuing, and circulating notes according to the provisions of this title; and generally by engaging in all forms of banking business and undertakings all types of banking transactions that may, by the laws of the State in which such bank is situated, be permitted to banks of deposit and discount organized and incorporated under the laws of such State, except insofar as they may be forbidden by the provisions of any act of Congress. The business of dealing in investment securities by the association shall be limited to purchasing and selling such securities without recourse, solely upon the order, and for the account of customers, and in no case for its own account, and the association shall not underwrite any issue of securities: *Provided*, That the association may purchase for its own account investment securities under such limitations and restrictions as the Comptroller of the Currency may by regulation prescribe, but in no event (1) shall the total amount of any issue of investment securities of any one obligor or maker purchased after this section as amended takes effect and held by the association for its own account exceed at any time 10 percent of the total amount of such issue outstanding, but this limitation shall not apply to any such issue the total amount of which does not exceed \$100,000 and does not exceed 50 percent of the capital of the association, nor (2) shall the total amount of the investment securities of any one obligor or maker purchased after this section as amended takes effect and held by the association for its own account exceed at any time 15 percent of the amount of the capital stock of the association actually paid in and unimpaired and 25 percent of its unimpaired surplus fund. As used in this section the term 'investment securities' shall mean marketable obligations evidencing indebtedness of any person, copartnership, association, or corporation in the form of bonds, notes, and/or debentures commonly known as investment securities under such further definition of the term 'investment securities' as may by regulation be prescribed by the Comptroller of the Currency. Except as hereinafter provided, or otherwise permitted by law, nothing herein contained shall authorize the purchase by the association of any shares of stock of any corporation. The limitations herein contained as to investment securities shall not apply to obligations of the United States, or obligations of any State or of any political subdivision thereof, or obligations issued under authority of the Federal Farm Loan Act, as amended, or any other acts creating Federal corporations: *Provided*, That in carrying on the business commonly known as the safe-deposit business the association shall not invest in the capital stock of a corporation organized under the law of any State to conduct a safe-deposit business in an amount in excess of 15 percent of the capital stock of the association actually paid in and unimpaired and 15 percent of its unimpaired surplus."

The restrictions of this section as to dealing in investment securities shall take effect 2 years after the date of the approval of this act.

Sec. 15. (a) Section 5138 of the Revised Statutes, as amended (U.S.C., title 12, sec. 51; supp. VI, title 12, sec. 51), is amended to read as follows:

"Sec. 5138. After this section as amended takes effect, no national banking association shall be organized with a less capital than \$100,000, except that such associations with a capital of not less than \$50,000 may be organized in any place the population of which does not exceed 6,000 inhabitants. No such association shall be organized in a city the population of which exceeds 50,000 persons with a capital of less than \$200,000, except that in the outlying districts of such a city where the State laws permit the organization of State banks with a capital of \$100,000 or less, national banking associations now organized or hereafter organized may, with the approval of the Comptroller of the Currency, have a capital of not less than \$100,000."

(b) The tenth paragraph of section 9 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 329), is amended to read as follows:

"No applying bank shall be admitted to membership in a Federal Reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National Bank Act, as amended."

Sec. 16. Section 5139 of the Revised Statutes, as amended (U.S.C., title 12, sec. 52; supp. VI, title 12, sec. 52), is amended by adding at the end thereof the following new paragraph:

"After 2 years from the date of the enactment of the Banking Act of 1933, no certificate representing the stock of any such association shall represent the stock of any other corporation, except a member bank, nor shall the ownership, sale, or transfer of any certificate representing the stock of any such association be conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank."

Mr. McFADDEN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I rise for the purpose of asking the gentleman from Tennessee [Mr. BYRNS], in view of the colloquy that recently took place with the gentleman from Maine about the need for haste in the consideration of this legislation, whether this bill is a part of the emergency program of the President?

Mr. BYRNS. I have no information on the subject.

Mr. McFADDEN. I may say that the papers today have given out a program that the President, apparently, put out, and this bill is not a part of that program.

Mr. BYRNS. I have no information that it is.

Mr. McFADDEN. I will say to the gentleman further that I am reliably informed that the Secretary of the Treasury is unalterably opposed to this bill, and I am trying to find out in this great rush we are in whether or not the administration considers this a part of the emergency program.

Mr. BYRNS. I may say to the gentleman that I have no information that it is, but I do know that it is to be followed by 2 or 3 or 4 bills that are of vital interest to the administration and which the administration is anxious to have passed.

Mr. McFADDEN. In view of the fact that the gentleman has no information as to whether or not this measure is a part of the emergency program and in view of the further fact that there is no emergency provision in this bill, I want to suggest to the gentleman that this bill be laid aside and that we carry out the President's program. [Applause.] After that program is finished, if there is a chance to consider this bill, I suggest that that would be the proper course to pursue.

Mr. BYRNS. I will say to my friend from Pennsylvania that this bill is now before the House. He should address his appeal, of course, to the Chairman of the Banking and Currency Committee; but if the gentleman will assist Members in quickly disposing of the bill we will get to the emergency program of the President very quickly. I do not want to deny anybody the right to offer any legitimate amendments, but it does seem to me that we should discuss our amendments and dispose of this bill within a reasonable time, and that is all I am asking.

As I said a while ago, it is no more to me than it is to any other Member of the House, but I do think it is important, and particularly important to Members upon this side of the aisle to get through with this legislation so that we can go home, as the people want us to do.

Mr. BEEDY. Will the gentleman from Pennsylvania yield to me while I ask the gentleman from Tennessee a question?

Mr. McFADDEN. I yield.

Mr. BEEDY. Is it the purpose to take this bill up tomorrow and make it the order of business tomorrow and continue with its consideration?

Mr. BYRNS. That is my understanding. I have no information to the contrary.

Mr. BEEDY. And there has been no request to postpone the consideration of the bill until Wednesday?

Mr. BYRNS. Not to my knowledge.

Mr. McFADDEN. Under the statement the gentleman has just given, it seems to me that the bill should be laid aside, and I want to ask the gentleman from Alabama if he will not agree to laying the bill aside so that the President's program can be carried out. This evidently is not a part of his program.

Mr. STEAGALL. Is the gentleman speaking for the President of the United States?

Mr. McFADDEN. I read the announcements made in the paper. I am trying to get some information from the administration leadership on the floor of the House, and I am still seeking information whether this is a part of the President's emergency plan.

Mr. BYRNS. That has nothing to do with the merits or demerits of this bill. We have no information from the President as to his views on this. If the gentleman will go down and see the President he will doubtless tell him, but so

far as I know he has not given any information as to his position on this bill.

Mr. McGUGIN. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Amendment offered by Mr. McGUGIN: Page 22, lines 13 and 14, strike out the words "six thousand" and insert in lieu thereof the words "fifteen thousand"; and in line 14 strike out the period and insert in lieu thereof a comma and add the following: "except further in cities of not to exceed six thousand inhabitants the amount of capital required shall not exceed twenty-five thousand, and in cities of less than three thousand inhabitants the amount of capital required shall not exceed \$15,000."

The CHAIRMAN. The gentleman is proposing an amendment to section 15. We have passed that section.

Mr. STEAGALL. Mr. Chairman, I make the point of order against the amendment.

The CHAIRMAN. The Chair sustains the point of order.

Mr. McGUGIN. I move to strike out the last word. If there was ever any question that it is the very purpose of this committee and those sponsoring this bill to drive the State banking system into the Federal Reserve System, this action of the Chairman closes the book on that subject.

I did not think the gentleman from Alabama would raise the question, in view of the fact that we went by the section when Members of the House could not keep track of where the Clerk was reading.

Here is what the facts are: When you take section 5138, the minimum capital for any bank is \$50,000; and when you turn to the next section the minimum capital for an applying bank in the Federal Reserve is the same as would be required if the bank was seeking an initial charter.

Under this bill no bank can come into the Federal Reserve System with less than \$50,000 capital, and then it must be located in a city of less than 6,000 inhabitants. That means an end of independent banking in small towns. That is the very purpose of this bill. The small banks will be driven out and the people will demand banking facilities, and then they will be forced to turn to chain banks in order to obtain banking facilities.

There is no greater hypocrisy, no greater falsehood uttered in the name of banking, than that which frequently is said—that these small banks were the ones that broke down the banking system of the country. I deny the charge. It was the large banks that contributed most to the demoralizing of the banking system of the country. What State bank came down to Washington as Dawes did and begged the Government for \$90,000,000 in order to keep its doors open? Was it the failure of a country bank that caused the banks of this country to close a few weeks ago? No. It was the failure of a great bank in Detroit. I resent the slander against the State and local banks. It is the very purpose of the majority of the Banking and Currency Committee to destroy the State banking system and draft it into a national system.

They want to drive this country into one bank system, a national system, and that is the thing that I am opposing, and we have no chance to reach it now, after you have gone by this section, because the capital stock must be a minimum of \$50,000, and as we go on in the bill a State bank cannot obtain this insurance unless it becomes a Federal Reserve bank, and to become a Federal Reserve bank it must have a capital of \$50,000, or meet rules and regulations that a board which is not yet set up shall make, and no one knows what those rules will be.

Mr. GILCHRIST. Mr. Chairman, will the gentleman yield?

Mr. McGUGIN. Yes.

Mr. GILCHRIST. Did the gentleman hear section 15 read by the Clerk, or did any other man in this House hear it read?

Mr. McGUGIN. I did not; and I was listening attentively. I did not hear it, and I was sitting on the front seat. I am certain it was not read. The only reason we cannot offer an amendment to reach that section is because the Banking and Currency Committee, through its chairman, Mr. STEAGALL, is taking advantage of the fact that it was

not read, or if read a Member could not hear the reading of the section and he is now invoking the rule that we cannot offer such an amendment at this time.

Mr. O'CONNOR. Mr. Chairman, will the gentleman yield?

Mr. McGUGIN. Yes.

Mr. O'CONNOR. Mr. Chairman, I ask unanimous consent that the gentleman be permitted to offer his amendment.

Mr. McGUGIN. I thank the gentleman.

Mr. GILCHRIST. The section was not read and I know it.

The CHAIRMAN. The gentleman from New York asks unanimous consent that the gentleman from Kansas be permitted to offer an amendment. Is there objection?

Mr. HOLLISTER. Mr. Chairman, I object.

Mr. McGUGIN. I thought so. The gentleman from Cincinnati, Ohio [Mr. HOLLISTER], knows little about the needs of farm credit or the credit of a man living out in the country, or a small merchant; he knows the credit needs of Cincinnati.

Mr. LUCE. Mr. Chairman, I am somewhat surprised at the attitude of my friend from Kansas [Mr. McGUGIN] because if his view in respect to the deflation of the dollar takes place, and the dollar is cut in two, then \$50,000 tomorrow will be the equivalent of \$25,000 today. Inasmuch as he advocates very strongly that change I do not think he ought to disturb these figures, lest the result might not be consistent with that obtained by cutting the value of the dollar in two.

Mr. McGUGIN. Will the gentleman yield?

Mr. LUCE. Certainly.

Mr. McGUGIN. Assuming that the gentleman knows something about rural credit and needs, does the gentleman think there is any need in a town of 1,500 to 3,000 people for a bank having the capitalization of \$50,000 as a minimum?

Mr. LUCE. Inasmuch as the record of the failures of 9,000 banks in the last 10 years shows that a chief cause of their failure has been too small an amount of capital, I think the gentleman is butting his head against a fact.

Mr. McGUGIN. Did lack of capitalization cause Mr. Dawes' bank to fail? Was it lack of capitalization that caused the Detroit banks to fail?

Mr. LUCE. Oh, the gentleman is drawing a herring across the trail to distract our attention from the small banks, to which he addressed his remarks. We are concerned at the moment with the small banks and the fact that all the thinking men of the country in these matters of finance attribute a very great part of the distressing failures of the last 10 years to their lack of capitalization.

Mr. McGUGIN. I say to the gentleman if it is the purpose of the gentleman to do away with the small banks, he is succeeding admirably.

Mr. LUCE. We are going to make the small bank safe or we will put it out of business.

Mr. McGUGIN. I thank the gentleman for that last statement.

Mr. STEAGALL. Mr. Chairman, will the gentleman yield?

Mr. LUCE. Yes.

Mr. STEAGALL. I suggest to the gentleman from Massachusetts that the restrictions to which the gentleman from Kansas objects applies only to national banks, or to a State bank which joins the Federal Reserve System. Those restrictions will increase the chartering of small State banks all over the country, out of their necessity.

Mr. McGUGIN. Will the gentleman yield?

Mr. STEAGALL. The gentleman from Massachusetts has the floor.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

Mr. McFADDEN. I hope the gentleman will not do that. He will not gain time by that sort of tactics.

The CHAIRMAN. The question is on the motion of the gentleman from Alabama [Mr. STEAGALL].

The question was taken; and on a division (demanded by Mr. McGUGIN) there were—ayes 71 and noes 29.

Mr. McGUGIN. Mr. Chairman, I demand tellers. Tellers were refused.

So the motion was agreed to.

Mr. McGUGIN. Mr. Chairman, I make a point of order.

The CHAIRMAN. The gentleman will state it.

Mr. McGUGIN. I now make the point of order that the page including section 15 was never read by the Clerk. That was my judgment at the time, and I was watching it. I was not prone to make the point of order until I find I am substantiated in that statement by other Members on the floor.

The CHAIRMAN (Mr. CANNON of Missouri). The point of order is overruled.

Mr. FISH. Mr. Chairman, I ask unanimous consent that the gentleman from Kansas [Mr. McGUGIN] be permitted to offer his amendment. I think there was so much confusion in the House at the time that no one knew just where the Clerk was reading. The gentleman should at least have a right to offer his amendment.

Mr. BYRNS. How much time will it require?

Mr. McFADDEN. I should like 5 minutes.

Mr. BYRNS. The gentleman from Kansas has already spoken 5 minutes.

Mr. FISH. Give the gentleman 2 minutes then.

Mr. BYRNS. If the gentleman will confine it to 2 minutes' debate I hope there will be no objection.

Mr. McFADDEN. Reserving the right to object, I should like 5 minutes on this amendment.

The CHAIRMAN. The gentleman from New York [Mr. FISH], asks unanimous consent that the gentleman from Kansas [Mr. McGUGIN], may be allowed to offer an amendment out of order, and that debate thereon be limited to 2 minutes. Is there objection to the request of the gentleman from New York?

Mr. McFADDEN. Reserving the right to object, I should like to discuss the amendment for 5 minutes.

Mr. CHAVEZ. Mr. Chairman, I object.

Mr. BYRNS. Mr. Chairman, let me say that I dare say the gentleman from Pennsylvania [Mr. McFADDEN] has taken more time on this bill than any other Member of the House. It does seem to me the gentleman ought to permit those Members here, who are anxious to dispose of this bill or to get along as far as page 49 to do so, and then come back here tomorrow at 11 o'clock.

Mr. McFADDEN. I am not attempting to delay the bill. This is an important provision. It may be that I am unnecessarily taking up the time of the House.

Mr. BYRNS. Mr. Chairman, if it means 7 minutes' debate I will take the responsibility of objecting myself.

The CHAIRMAN. Is there objection to the request of the gentleman from New York [Mr. FISH] limiting the debate to 2 minutes?

Mr. CHAVEZ. Mr. Chairman, I object.

The Clerk read as follows:

SEC. 17. (a) After the expiration of 2 years after the date of enactment of this act, it shall be unlawful—

(1) For any person, firm, corporation, association, business trust, or other similar organization, engaged principally in the business of issuing, underwriting, selling, or distributing, at wholesale or retail, or through syndicate participation, stocks, bonds, debentures, notes, or other securities, to engage at the same time to any extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor; or

(2) For any person, firm, corporation, association, business trust, or other similar organization, other than a banking institution or private banker subject to examination and regulation under State or Federal law, to engage to any extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor, unless such person, firm, corporation, association, business trust, or other similar organization shall submit to periodic examination by the Comptroller of the Currency or by the Federal Reserve bank of the district and shall make and publish periodic reports of its condition, exhibiting in detail its resources and liabilities, such

examination and reports to be made and published at the same time and in the same manner and with like effect and penalties as are now provided by law in respect of national banking associations transacting business in the same locality.

(b) Whoever shall willfully violate any of the provisions of this section shall upon conviction be fined not more than \$5,000 or imprisoned not more than 5 years, or both, and any officer, director, employee, or agent of any person, firm, corporation, association, business trust, or other similar organization who knowingly participates in any such violation shall be punished by a like fine or imprisonment or both.

Mr. McFADDEN. Mr. Chairman, I offer an amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. McFADDEN: On page 25, after line 6, insert the following new sections:

"SEC. —. That any person, firm, or corporation subject to the laws of any State or Territory of the United States and acting in any fiduciary capacity for another residing within another State or Territory, or in the District of Columbia, who shall use the mails to induce others or another living within or outside the State or Territory where such person, firm, or corporation resides, or does any profit-gaining business, or who shall by an argument, advertisement, device, or other method persuade or induce others or another to enter into an agreement or arrangement to avoid the payment of any tax or revenue due or liable to become due to the Government of the United States, shall be guilty of a felony, and all persons combining, cooperating, or acting with one or more other persons for the purpose herein declared a felony shall be likewise guilty of a felony.

"No officer, agent, employee, attorney in fact or proxy, for any stockholder of a corporation doing business under the National Banking Act, or doing an interstate business of any kind within the United States or any of its States or Territories, when such a stockholder shall be either a trustee, guardian, agent, attorney, depository, or holder of the capital stock of any such corporation, for anyone owning a legal, equitable, or beneficial interest in said capital stock, for the purpose of voting said stock at any meeting of such corporation, or for the purpose of holding or accumulating said stock in any manner to avoid the payment of any tax or revenue due or to become due the Government of the United States, or to give to anyone holding or exercising any control over said capital stock the power to vote the same at any election of such corporation, shall hereafter hold or vote such capital stock at any meeting of any such corporation without the written consent of the owner of such legal, equitable, or beneficial interest of or to such capital stock.

"Any person or firm convicted of any violation of any provisions of this section shall be imprisoned for a term of not less than 3 years nor more than 10 years in a Federal penitentiary, and to pay a fine of not less than \$2,000 nor more than \$10,000, and, in the case of a violation by a corporation, such corporation, upon conviction, shall pay a fine of \$10,000, together with all the costs incident to the prosecution thereof."

Mr. GOSS. Mr. Chairman, I make a point of order against the amendment.

Mr. McFADDEN. Will the gentleman reserve the point of order?

Mr. GOSS. I am willing to reserve the point of order.

Mr. McFADDEN. Mr. Chairman, my amendment proposes to deal with a subject which is of tremendous importance. I refer to the trust departments of National and State member banks of the Federal Reserve System. In the operation of these departments in some of the big cities of the country there are great abuses. The trust officers of those institutions, under the authority of the officers of the main bank, are resorting, in the handling of estates, to practices which I am surprised that the heads of the banks themselves even permit to continue. I am the more surprised that the supervisory officer of the Federal Reserve System allows it to continue.

Those trust officers, in carrying on sacred trust operations, are conniving with the people to leave their trust funds with the institution, under the assurance and promise that if they will do so they will secure them a refund or a cutting out of the legal taxes which are due the United States Government. That is a practice that should be stopped. I am trying to reach that in this amendment. I believe this amendment will cure it. This, I realize, is subject to a point of order; but I appeal to the committee and to the membership of this House to permit the enactment of the provision in this bill.

It will correct the evil that now is practiced. I realize that the gentleman from Connecticut [Mr. GOSS], who has raised the point of order, will make the point of order; and because of this fact I shall not be able to say all that should

be said, so I shall extend my remarks so that the Membership may know and understand what I am trying to do.

These remarks are as follows:

I want to call attention to a practice that has grown up in the operation of trust departments of banks, members of the Federal Reserve System, and otherwise, known as their trust or estates department, a comparatively new venture developed during the past few years and now not supervised as this sacred trust business should be supervised. It is through this channel that unscrupulous bank officers have proceeded and now are continuing to proceed in their nefarious scheming to defraud the public and particularly these trust accounts and the estates which are trusted to the bank for safe-keeping. Clever lawyers have so manipulated trust agreements between banks and their clients' trust estates as to give these unscrupulous officers practically entire control over the management of the securities placed in these departments, and history records almost a complete spoliation of many estates that have been entrusted to some of our leading financial institutions.

This business has become so profitable that the officers of these trust departments are now engaged in soliciting among aged wealthy people and others that their life savings or gains be placed with them for safe-keeping. In some instances owners of estates have been so deceived as to the agreement or understanding entered into for the management of their estates as to deprive their heirs of practically any rights whatsoever, and an investigation will show in some instances where estates have been entirely plundered and the rights of the heirs entirely taken away and the assets purloined for the benefit of the bank or its managing officers.

I intend this to be a severe indictment of this particular class and operation of trust business, and I desire to cite one specific instance which is illustrative probably of many others in the hope that the calling of attention to this particular phase of the banking business as now conducted throughout the country will bring about a thorough investigation and correction of the dastardly practices that are being pursued.

In some of the larger institutions this particular business is mixed up along with the investment and security affiliates. It would almost seem as though some of these supposedly strong, well-managed financial institutions, officered by outstanding men with national reputations, were organized and operated as rackets, with legal departments officered by clever lawyers who maintain lobbies at the State and National capitals for the purpose of directing the course of legislation so as not to interfere with their own particular methods of operation.

In what I am about to say now I have in mind one of the leading institutions of this character in the United States, whose assets are in excess of \$500,000,000. This institution is practicing the very kind of business that I am referring to. Its affiliates and subsidiaries and trust departments are capitalized with over \$5,000,000. It is a common practice for this class of institutions which are engaged in distribution of securities to use the funds in these trust departments to trade in and out, and oftentimes stable, well-seasoned securities, which are placed in these trusts, have been taken out and unseasoned securities of speculative nature and of questionable value have been substituted, and estates have thus been depleted in this manner.

In other instances, securities of an inferior grade held by the parent institution or one of its affiliates have been unloaded into these sacred trust estates which are supposed to be honestly managed by the officers of the institution.

In this particular instance the unscrupulous officers of this institution have not been content with the exploitation of these trust estates, but have extended their nefarious operations to exploit the stockholders of the institution of which they are the trusted and supposedly respected officers. In order to accomplish this they have organized within themselves securities companies through which are liquidated the good assets of the parent institution. These liquidated assets are then repurchased at greatly depreciated values by cliques

of officers of the same institution who profit personally, either through their control of the affiliate or by the losses which have been thus sustained by the stockholders in the supposed liquidation of assets which have been depreciated in value by one reason or another through the process of writing down the good securities and substituting in their place the worthless stuff of the subsidiaries. Under this plan, the inside group are enabled to pick up great bargains for half their market value, while the rest of the stockholders are left to hold the sack filled with worthless junk.

So that you may know how this plan works, a piece of property worth \$1,000,000 right now in sound values is written down to \$300,000, foreclosed on, and taken over by the inside gang by a bid of \$200,000, which carries a deficiency judgment with it for the rest. It is a rich melon, but it is nevertheless a form of looting peculiarly known and practiced by certain New York City bankers who are now on the griddle or are about to be placed there for violations of the laws of the land. In some instances even the money used to buy at sheriff sale is lent by the bank to the inside gang in control of the inside subsidiaries.

In connection with this course, drives have been put on to depress the stock of the bank, then buy it up and gain absolute ownership of it for as low as 30 percent of its value, also on money borrowed from the bank itself.

The officers of these trust departments and their attorneys have invented a scheme to evade income taxes and by such practices which are now in operation are actively engaged in a conspiracy to defraud the Government of the United States.

The part taken by the officers in control of the trust department is new to most people so I will give you the plan which has been uncovered from the brokers who have been engaged in the stock transactions for these bankers. The heads of the trust department under the guidance of their able lawyers have organized a policy for absorbing the income of beneficiaries into capital asset of all estates, such as stock dividends, for the purpose of market manipulation. That declared policy is this: The trust department does not regard the book value or the market value of stock dividends coming into estates under their control in making distribution of the income. They always look to the actual value of the stock coming in as a stock dividend. Only the actual values are regarded by them. Then in the open court, within the hearing of all the lawyers for the brokers on the street, ready to pick up stock thrown over by frightened stockholders, the annual accounts of the trust estates, with the inside and superior knowledge of trust officers knowing all the inside facts about the securities held by the bank itself, which have any bank stock in the list of their securities report to the court openly that this "actual value" is from 50 to 75 percent less than it is carried at on the books of the bank which issued it. This happens in many instances and many people are caught to their sorrow.

There is another angle to this conspiracy. By absorbing the stock dividends into the corpus of the fund the income taxes, after the decision in *United States v. Phellis* (257 U.S. 156), are avoided and the earnings of the trustee is increased by the amount of the dividends withheld from distribution. This has been done to boost the price of the stock on the market and among new subscribers while the insiders were unloading their securities on the bank proper—a favorite plan to depress values and permit the officers to gather it in for themselves.

This loose plan of the conduct of these trust departments of banks that are under Government and State supervision should be looked into by the Department of Justice of this Government because the supervision of the operations of these banks and their trust departments have not been properly carried on by the Federal Reserve management or by the Comptroller of the Currency.

The fact of the matter is that these big banks doing the particular business that I am referring to are so powerful and influential, financially and politically, that they use this influence to overcome any possible interruption to the racket which they are carrying on. The literature and correspond-

ence of these officers who are corruptly carrying on these trust departments discloses clearly a conspiracy to defraud the Government out of its income taxes. In fact they secure much of their business on the basis that they will in the handling of these life trusts avoid the payment of legal taxes due the United States Government.

When the Department of Justice starts its investigations of the handling of these trusts it will find many exquisite pieces of literature, such as I am referring to, which invites the prospective "living trust" customer into a conspiracy with the trust officers to evade their income taxes to the Federal Government. The trustees offer to save more than enough to take care of their fees for all their services. They will split on these savings to save the honest taxpayer over half his taxes due the Government, and the citizens thus corrupted are allowing the trustees to keep part of what they prevent the Government from collecting from honest men after their corruption. To say the least, this is a fine, ethical standard for a bank.

The Income Tax Act provides a penalty of fine, costs of prosecution, and imprisonment for evasion of its provisions. Our Federal Criminal Code takes care of that. Section 37 covers acts of conspiracy to defeat the purposes of our revenue laws. It even goes so far as to protect war savings stamps from financial jugglery, as seen by the decisions of *United States v. Janowitz* (257 U.S. 42), also *United States v. Hutto* (256 U.S. 524), and *Goldman v. United States* (245 U.S. 474), where it is held that an unlawful conspiracy to bring about an illegal act, and the doing of an overt act, in furtherance of such conspiracy, is inherently and substantially, in itself, a crime, punishable as such irrespective of whether the result of the conspiracy has been to accomplish its illegal end. I would point out that the mere criminal agreement is the gravamen of the offense, under section 37 of our Criminal Code. And what is a conspiracy? It is held in the case of *Duplex Printing Press Co. v. Deering*, (254 U.S. 443), that a "conspiracy" is a combination of two or more persons, by concerted action, to accomplish a criminal or unlawful purpose, or (b) to accomplish some purpose not in itself criminal or unlawful, by criminal or unlawful means. This, I believe, is the general and universal rule.

I would point out that, when these trust officers tell their customers that their plan is the lawful way to evade paying their income taxes as they are now doing, they are entering into a conspiracy to defraud the Government that is indictable under our laws. I would point out the similarity of these cases to the cases that I have referred to the Attorney General of the United States, namely, Andrew W. Mellon, the Union Trust Co. of Pittsburgh, and the coalesced company, where these three interests have conspired together for the purpose of avoiding the payment of legal taxes due the United States Government. The same applies to the cases which are now pending before the Government and the Federal courts in the *Gulf Oil cases*, wherein W. L. Mellon and his associate officers entered into a profit-sharing agreement through which agreement millions of dollars' worth of Gulf Oil stock was distributed to the officers of the Gulf Refining Co. for the purpose of defrauding the Government out of legal taxes that were due it.

These kind of practices and many others which are now known are responsible for the lack of confidence which is so prevalent in Government and financial institutions. This Government must rid our banks of this kind of banditti, and if it does not do so they will spread throughout the land an epidemic of treason that will overthrow the Government and make our country a nation of slaves and sycophants and cowards.

I am proposing, therefore, to provide for the punishment of these acts, relating to the violation by officers of banks of the revenue laws, in an amendment which I hope this House will adopt when it is offered in connection with other amendments to this bill which will be made during its consideration.

Mr. GOSS. Mr. Chairman, the amendment clearly is subject to a point of order. It brings in a lot of extraneous matters the committee have not had the opportunity of

going into. Therefore, I shall have to make the point of order.

The CHAIRMAN. Does the gentleman insist on his point of order?

Mr. GOSS. Yes, Mr. Chairman; I insist on the point of order.

The CHAIRMAN. Does the gentleman from Pennsylvania desire to be heard on the point of order?

Mr. McFADDEN. Yes, Mr. Chairman; I desire to be heard on it.

Mr. BYRNS. The gentleman just admitted it was subject to a point of order.

Mr. McFADDEN. That is all right; I have the right to be heard on it.

The CHAIRMAN. Has the gentleman admitted it was subject to a point of order?

Mr. BYRNS. I ask that the Chair rule on the point of order.

The CHAIRMAN. The Chair sustains the point of order.

Mr. McFADDEN. It is very evident a proper discussion of the provisions of this bill cannot take place.

Mr. McGUGIN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I make this motion to strike out the last word because I want it to appear clearly in the RECORD so that the country may know it and so that the body at the other end of the Capitol may know it when this bill gets over there, that when this bill was in the House, section 513 (a), the section which pertains to the capitalization of national banks, was deliberately skipped, that it was not read to the House, that the Constitution was made a scrap of paper in that respect.

Mr. STEAGALL. Mr. Chairman, a point of order.

Mr. McGUGIN. The gentleman should make a point of order to clear himself, considering the trick he played in order to shut off amendments in the consideration of this section of the bill.

The CHAIRMAN. The gentleman will state his point of order.

Mr. STEAGALL. Mr. Chairman, I make the point of order the gentleman is not discussing the section now before the House.

The CHAIRMAN. The gentleman from Kansas will proceed in order.

Mr. BLANTON. Mr. Chairman, I make the point of order that it was the duty of the gentleman from Kansas [Mr. McGUGIN], if there was any skipping done here, to stop the reading at that time and have the "skipped part" read.

And further, Mr. Chairman, I make the point of order that the presumption is that all of the bill thus far has been read. I know it has been read scientifically. Our very efficient reading clerks know how to read scientifically. Bills have been read scientifically in this House for the last 50 years, and as long as we have a House of Representatives the practice of reading them scientifically will continue.

The CHAIRMAN. That question has been passed upon.

The gentleman will proceed to discuss the last word.

Mr. McGUGIN. The trouble in this instance is that scientific reading was deliberate skipping of a section in order to shut off amendments to an important section.

Mr. Chairman, the last word is the word "both." It is a very peculiar word. It contains four letters. Its first letter, "b", is the second letter of the alphabet. The next letter in this word, the letter "o", is that letter in the English alphabet which comes immediately following the letter "n." "t" is another letter of the English alphabet immediately following the letter "s." The letter "h", the last letter of the word "both", is another letter of the English alphabet.

Considering this word—it has only four letters—I think the House is entirely justified in striking it out.

Mr. GOSS. Mr. Chairman, I make the point of order the gentleman is discussing a dilatory motion.

Mr. McGUGIN. Mr. Chairman, I take it the gentleman from Alabama would not object to striking out this word because I take it this word "both" was read.

I am very glad to know that it is not well for me to discuss anything other than the word "both", because there are other matters in which I am more interested.

Mr. KELLER. Nobody else is.

Mr. McGUGIN. If the gentleman from Illinois were discussing the subject he could do it much more entertainingly than I. I would deeply appreciate it if I had his great talent. I would use it to show why the word "both" should be stricken out.

I am not so much interested in striking from this bill the word "both" as I am interested in having the opportunity to offer amendments to bills in a constitutional manner, which I have not had this afternoon, as many Members of this House know. A little honesty and fair dealing, even in the House of Representatives in considering a banking bill, will not hurt the country.

Mr. BYRNS. Mr. Chairman, may I say in defense of the reading clerk that in the confusion here it frequently happens that I do not keep up with the reading of a bill. If the gentleman from Kansas sat in his seat without paying attention to the reading of the bill, that was his fault and not the fault of the House, and I do not think the gentleman ought to get up here and detain the House because of some fault on his own part, for, as the gentleman from Texas said, if the gentleman knew at the time it was being skipped, it was his privilege then, and his duty then to insist upon its being read. I think the gentleman convicts himself of sitting in this House and not paying attention to the reading of the bill. [Applause.]

Mr. McGUGIN. Mr. Chairman, will the gentleman yield?

Mr. O'CONNOR. Mr. Chairman, may I inquire the regular order of business?

The CHAIRMAN. The order of business is the pending point of order made by the gentleman from Connecticut.

The Chair sustains the point of order.

Mr. BEEDY. Mr. Chairman, has the time of the gentleman from Kansas expired?

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. BEEDY. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, a few moments ago I sensed the temper of the House, and I again call attention to the fact that the Committee is not making progress, and I have felt that the chairman should move that the Committee do now rise.

Mr. BYRNS. It is quite apparent that only one or two Members object to continuing a while longer.

If these gentlemen will kindly consent, we can read a few more pages of the bill and be in a position to finish it tomorrow, and that is what we must do if the House wishes to dispose of these other bills.

Mr. BEEDY. Let me say to the gentleman that he is advocating on his side of the House a 6-hour day, and I think he ought to be consistent with the principle he advocates and, after sitting here 7 hours steady in the House today, let us go home.

Mr. BYRNS. We would have come to the point we want to reach if the Committee had permitted us to continue.

The Clerk read as follows:

SEC. 18. The first two sentences of section 5197 of the Revised Statutes (U.S.C., title 12, sec. 85) are amended to read as follows:

"Any association may take, receive, reserve, and charge on any loan or discount made, or upon any notes, bills of exchange, or other evidences of debt, interest at the rate allowed by the laws of the State, Territory, or District where the bank is located, or at a rate of 1 percent in excess of the discount rate on 90-day commercial paper in effect at the Federal Reserve bank in the Federal Reserve district where the bank is located, whichever may be the greater, and no more, except that where by the laws of any State a different rate is limited for banks organized under State laws, the rate so limited shall be allowed for associations organized or existing in any such State under this title. When no rate is fixed by the laws of the State, or Territory, or District, the bank may take, receive, reserve, or charge a rate not exceeding 7 percent, or 1 percent in excess of the discount rate on 90-day commercial paper in effect at the Federal Reserve bank in the Federal Reserve district where the bank is located, whichever may be the greater, and such interest may be taken in advance, reckoning the days for which the note, bill, or other evidence of debt has to run."

Mr. HOEPEL. Mr. Chairman, I offer an amendment. The Clerk read as follows:

Amendment offered by Mr. HOEPEL: On page 26, line 5, after the word "run", strike out the period and quotation mark and insert in lieu thereof a semicolon and add: "Provided, The interest charged the borrower shall in no instance exceed by 100 percent the rate of interest the association itself pays its depositors on time and/or savings deposits."

Mr. HOEPEL. Mr. Chairman, this amendment refers to the subject I spoke about a moment ago. It refers specifically to Postal Savings deposits. Not only are the banks of the United States receiving and not only do they now have over \$1,000,000,000 of post-office funds for which they pay only 2½-percent interest, but they in turn charge you and me 7 percent interest for that same money when we borrow from them. Here is a curious fact in addition to this. The \$1,000,000,000 which they now have is supposed to be guaranteed or protected by the deposit of Government bonds as a guaranty to the Government. What do we find in this bill? This bill provides for a repeal of that provision and the security which the bank must give to the Government is to be erased entirely, and instead of that we are drawing on our own Treasury for \$150,000,000 to guarantee our own money.

This obnoxious feature is written into this bill and it is unfair to the taxpayer as well as the small borrower. There is no doubt about the fact that the broker in Wall Street can borrow money quite often at a lower rate of interest than the man who needs a little loan and is the one who is paying 7 percent, and I think if these banks are able to make 100 percent clear profit on our money which the Government turns over to them, that ought to be sufficient. This would give us a chance to borrow this money back from the banks at not more than 5 percent.

Mr. WOLCOTT. Will the gentleman yield?

Mr. HOEPEL. I yield.

Mr. WOLCOTT. Possibly the gentleman's question is answered if he will turn to page 75 and read the proviso in line 5 wherein it is stated—

Provided, That no such security shall be required in case of such part of the deposits as are insured under title III of the Banking Act of 1933.

Mr. HOEPEL. That is just what I am putting forth. We are now putting our own Government money in private banks and providing \$150,000,000 to guarantee it. This is what I am objecting to. Heretofore they have had to put up bonds as a guaranty.

Mr. STEAGALL. Mr. Chairman, this section simply limits the interest rates that may be charged by national banking associations to the rate fixed by the law of the State in which it does business or 1 percent above the rediscount rate of the Federal Reserve bank in that territory.

There are States that have no limitation on interest rates to be charged, and to meet conditions in these States this section is drawn so as to provide that in States that have no laws on the subject the rate shall not be higher than 7 percent. It is simply a limitation.

Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment.

The question was taken, and the amendment was rejected.

The Clerk read as follows:

SEC. 19. In any case in which, in the opinion of the Comptroller of the Currency, it would be to the advantage of the depositors and unsecured creditors of any national banking association whose business has been closed, for such association to resume business upon the retention by the association, for a reasonable period to be prescribed by the Comptroller, of all or any part of its deposits, the Comptroller is authorized, in his discretion, to permit the association to resume business if depositors and unsecured creditors of the association representing at least 85 percent of its total deposit and unsecured credit liabilities consent in writing to such retention of deposits. Nothing in this section shall be construed to affect in any manner any powers of the Comptroller under the provisions of law in force on the date of enactment of this act with respect to the reorganization of national banking associations.

Mr. McFADDEN. Mr. Chairman, I think the House ought to have some explanation of this important section, and I

ask the chairman of the committee to explain it to the House.

Mr. STEAGALL. Mr. Chairman, this simply provides that 85 percent of the depositors and creditors of the banking association that has been closed may determine what shall be done with the assets of that bank.

The Clerk read as follows:

SEC. 21. After 1 year from the date of enactment of this act, notwithstanding any other provision of law, the board of directors, board of trustees, or other similar governing body of every national banking association and of every State bank or trust company which is a member of the Federal Reserve System shall consist of not less than 5 nor more than 25 members; and every director, trustee, or other member of such governing body shall be the bona fide owner in his own right of shares of stock of such banking association, State bank, or trust company having a par value in the aggregate of not less than \$2,000. If any national banking association violates the provisions of this section and continues such violation after 30 days' notice from the Comptroller of the Currency, the said Comptroller may appoint a receiver or conservator therefor, in accordance with the provisions of existing law. If any State bank or trust company which is a member of the Federal Reserve System violates the provisions of this section and continues such violation after 30 days' notice from the Federal Reserve Board, it shall be subject to the forfeiture of its membership in the Federal Reserve System in accordance with the provisions of section 9 of the Federal Reserve Act, as amended.

Mr. KVALE. Mr. Chairman, I move to strike out the last word. I do that for the purpose of calling attention to the last line of page 28, where there is a provision for the qualification of a director which requires the ownership of a block of stock of not less than \$2,000 in amount.

I have not given this any study, I am frank to say, but as I read it, it occurred to me that that is going to deprive from membership on the board a good many worthy, efficient, and competent retired farmers, or business and professional men who give unselfish service on these boards, and it may work a hardship to some unit banks, particularly the smaller ones that may elect to come in under the terms of the section.

I wonder if we cannot have a statement from some member of the committee justifying the fixing of that figure at \$2,000. Perhaps it might be well to fix the requirement at \$1,000, or perhaps even at \$500. A small unit of \$500 block of stock in a bank with \$50,000, or even with \$20,000, capital would insure the genuine interest of the director and would temper justice with mercy. I should like to hear from some member of the committee.

Mr. LUCE. Mr. Chairman, my recollection is that that is the existing law, but it would take a few minutes for me to look it up.

Mr. STEAGALL. I will say that the existing law places the requirement at the sum of \$1,000. This provision increases it to \$2,000. It is simply an additional safeguard thrown around the banks in the interest of the safety of depositors and the public.

Mr. KVALE. Mr. Chairman, I am not satisfied with these statements, and I believe the committee should have a chance to express itself. I begin to believe this is truly important. I therefore offer this amendment:

The Clerk read as follows:

Page 28, line 25, strike out "\$2,000" and insert "\$1,000."

Mr. LUCE. Mr. Chairman, I am grateful to the chairman for refreshing my memory and disclosing that this is a change. Had I noticed it in the committee, I should have favored a larger amount. There is much complaint and criticism these days of men who are members of boards of directors of corporations conducting large enterprises whose own share and risk in the concern are very small. They are put on the board for publicity purposes. Their names are used to attract investments by leading investors to think that the directors have really a substantial interest in the corporation. I trust the gentleman will not press his amendment.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. LUCE. Yes.

Mr. DONDERO. I understood that the reason for the \$2,000 limit was to eliminate the double liability on the

stock ownership; that is, that this should take its place. In other words the liability on the stock would be eliminated, but that the amount of stock to be owned must be \$2,000.

Mr. LUCE. That was in part the reason, but it would not, of course, apply if a man were a large stockholder.

Mr. FISH. Mr. Chairman, I rise to speak in favor of the amendment. I do so with considerable trepidation, because I have no knowledge on this subject, but if this is to apply to national banks with a capitalization of \$25,000 or \$50,000, then I think the \$2,000 should be reduced to \$1,000. One thousand dollars would be a large share in the capital stock of a bank of \$25,000 or \$50,000. As far as the big banks are concerned, with millions of dollars of capital, the question of whether it is \$1,000 or \$5,000 is immaterial. It does not affect the big banks. They should not be permitted to go on as directors unless they have a much larger sum than \$2,000. However, if they are going to continue the small banks, I believe the amendment of the gentleman from Minnesota to reduce it to \$1,000 should be agreed to. I should like to hear from the committee further.

Mr. KVALE. Is it not true that this limitation will operate only to restrict and limit the qualifications for the directors of small banks?

Mr. FISH. I think it will. Only within the last week I had a request in respect to the reorganization of a national bank. They have a very good citizen whom they want to put on as a director. He has not even \$1,000 of stock. Raising it to \$2,000 would make it difficult for a small institution, and of course this does not apply to big institutions.

Mr. McGUGIN. Mr. Chairman, will the gentleman yield?

Mr. FISH. Yes; but I am not a specialist on this matter.

Mr. McGUGIN. Does not the gentleman recognize that this is just another section of the bill the purpose of which is to embarrass small banks to make it impossible to operate them?

Mr. FISH. I am not going into that issue. My contention is that if we are going to keep the small banks we should not make it difficult for them to get a proper board of directors. If you have a capitalization of \$25,000, then I think a qualification of \$2,000 in stock is too high a percentage. If you are going to wipe them out, that is another matter. I do not want to discuss that.

Mr. STEAGALL. Mr. Chairman, I move that all debate upon this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on agreeing to the amendment.

The question was taken; and on a division (demanded by Mr. KVALE) there were—ayes 27, noes 73.

Mr. KVALE. Mr. Chairman, I demand tellers.

The CHAIRMAN. All those in favor of ordering tellers will rise. [After a pause.] Not a sufficient number, and tellers are refused.

The Clerk read as follows:

SEC. 24. The provisions of section 5151 of the Revised Statutes and section 23 of the Federal Reserve Act, as amended (U.S.C., title 12, secs. 63 and 64) (imposing liability upon shareholders in national banking associations in addition to the amount invested in shares), shall not apply to hold any shareholder in any national banking association individually responsible in any amounts in excess of the amount invested in shares in such association, on account of any shares acquired by him after the date of enactment of this title.

Mr. SNELL. Mr. Chairman, I move to strike out the last word to ask the chairman of the committee a question. Why should any difference be made in the liability of the stock, as to whether I owned it previously or acquired it after the passage of this act?

Mr. STEAGALL. Mr. Chairman, the purpose is not to affect existing contractual relationships. Any holder of shares in an existing institution subscribed for those shares under a law which imposes what we commonly call double liability upon stockholders. In removing that liability, of course, it is desirable that we do not disturb any contractual obligation now in existence, but that it be made applicable to future ownership, or ownership acquired in the future.

Mr. SNELL. But when I subscribed for shares of stock or deposited my money in a bank, I did not have any guaranty. We are going to have a Government guaranty of deposits. I can see no reason why you should not treat stockholders exactly the same. Under this law the next day after it goes into effect, if I own any bank stock, I am going to sell it and buy some other man's bank stock.

Mr. STEAGALL. Of course, there are some difficulties in adjustments that will follow this legislation, but I do not think they are serious. It seems to me they will be worked out without much harm to anybody. Of course, the practical thing is just as suggested by the gentleman: Those who hold stock upon which they are now liable for additional assessments will, of course, undertake to readjust their holdings so as to come within the provisions of the new statute, which of course fits in with the deposit guaranty or insurance plan. This plan obviates the necessity for protection of depositors in the way of additional liability upon stock.

Mr. SNELL. The gentleman is stating that that is what will be done, and it probably will be done. Why would it not be better in framing this law to cut out these last two lines and let it apply to everyone equally?

Mr. STEAGALL. I am not seriously averse to the suggestion the gentleman has made. Probably it is constructive.

Mr. SNELL. I should like to offer the amendment, if the gentleman will accept it.

Mr. STEAGALL. It seems to me that the orderly way in which to go about making this change is to provide that it shall apply to shares hereafter acquired. I think the difficulties to which the gentleman refers will be very easily adjusted.

Mr. SNELL. The gentleman admits my point, and he says, "I know people will do it." I do not happen to be much of a bank stockholder; but if I were, I would sell my stock the next day and buy some other man's stock.

Mr. STEAGALL. Of course, there will be adjustments along the line which the gentleman suggests.

Mr. SNELL. Unless that is so, why is it not better, when we are drafting this bill to guarantee deposits, to cut it out of the bill? There is no reason for having a double assessment.

Mr. STEAGALL. To be frank, I wrote that section of this bill, employing the language of the original statute. What we sought to do was to avoid interference with any contractual relationships existing because of the liability imposed at the time stock now outstanding was purchased.

Mr. SNELL. But we are doing away with the liability need, because we are guaranteeing the deposits.

Mr. STEAGALL. I may say to the gentleman that as the bill is now drawn, and as it will probably be enacted, it only provides for the guaranty of deposits in full which do not exceed \$10,000. Above that amount the insurance is partial.

The CHAIRMAN. The time of the gentleman from New York [Mr. SNELL] has expired.

Mr. SNELL. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. STEAGALL. As to deposits between \$10,000 and \$50,000 in amount, the insurance is 75 percent; and on any deposit above \$50,000 the amount of the excess insured is 50 percent.

Mr. SNELL. I understand that; but there is no sense in having two different kinds of stockholders, one a favored class and another a special class with double liability. It does not seem to me that the fundamental principle carried in the bill is right.

Mr. STEAGALL. I really think the better way to go about this change in the law is to make it apply to transactions in the future in order to avoid any legal controversy. Otherwise the question of disturbing contractual relations may

arise, and that was the thought underlying the preparation of the bill as it reads.

Mr. McFADDEN. Will the gentleman yield?

Mr. SNELL. I yield.

Mr. McFADDEN. I should like to call attention to the fact that his suggestion proposes relieving present stockholders in banks of the total amount of double liability, whereas the amendment as it is now in the bill provides single liability on new stockholders only. I want to point out the practical impossibility of the operation, or the confusion that will result from the provision in the bill. For instance, bank stocks that are dealt in on exchanges, and many of them are. The exchanges will have two prices on the same stock at all times. The one which carries double liability will have a lower price, and the one that has single liability will have a higher price. It tends to all kinds of confusion.

Mr. SNELL. How can they have double liability, because every time you change stockholders he escapes liability?

Mr. McFADDEN. But when he trades, he is trading with different-price stock, because his stock that carries double liability will not be worth as much as that carrying single liability. All the double-liability holders will be getting rid of their stock.

Mr. SNELL. But when you buy it, it will be worth just as much to you. Of course, you are a new stockholder.

Mr. BOILEAU. Will the gentleman yield?

Mr. SNELL. I yield.

Mr. BOILEAU. The liability does not attach on the stock, but merely after the stock is transferred, so that if I have 100 shares of stock and you have 100 and we change about, you have acquired that particular stock at a later date and the double liability does not attach. It does not attach upon the stock, but, according to this provision, as soon as that stock is transferred, the double liability is removed.

Mr. McFADDEN. There will be thousands of shares of bank stock that will not be exchanged, and the double liability will prevail.

Mr. BOILEAU. But they know what it is; and when they exchange it for the other, they will not have the double liability.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. SNELL. I yield.

Mr. DONDERO. I wish to ask the chairman of the committee a question. Might it not do this, unless we do accept the amendment proposed by the gentleman from New York, might it not force many banks to go into a reorganization plan to give up the old stock and issue new stock for the exact purpose of evading this double liability and coming under this section of this bill?

Mr. STEAGALL. The plan suggested, we think, is the simple way of doing it. I may say to the gentleman I have no stubborn view as to the method by which this change may be accomplished. There will be another day for consideration of this bill during which the matter may be reviewed, and, if it can be worked out in a more lawyer-like way, I shall be very glad to go along with the effort.

Mr. TABER. Mr. Chairman, will the gentleman yield?

Mr. SNELL. I yield to my colleague from New York.

Mr. TABER. I think the gentleman from Alabama seems to be afraid that if something of this character is not in it, some of the stockholders of banks already in liquidation might be released.

Would it not be better to have the limitation applied simply to those banks which are closed at the date of the passage of this act? In this way the situation is covered.

[Here the gavel fell.]

Mr. BOILEAU. Mr. Chairman, I move to strike out the section.

Mr. Chairman, I have not as yet been satisfied in my own mind that there is any justification for changing our entire banking system so far as the issuance of bank stock is concerned.

In my opinion a good case has not been made out here for the removal of the double-liability feature from bank stock. State banks have been operating upon this same system, and

all the States of the Union still have the double-liability feature on bank stocks. I do not see any reason why stock issued by Federal banks should have this liability taken from them.

A man who is engaged in the banking business in normal times receives good dividends. This has been so at least until just recently. Bank stocks have been good business investments. The bankers of this country have received good dividends from their stock, and I feel, in view of the fact they have the active and actual management of the banks, they should be subject to this double liability. They are handling the deposits of the great masses of the people who have nothing whatsoever to say about the management of the banks. Those men who have stock in the bank are largely responsible for its management, and I believe it is not unfair to have double liability attached to bank stock.

Mr. LAMBETH. Mr. Chairman, will the gentleman yield?
Mr. BOILEAU. I yield.

Mr. LAMBETH. Does the gentleman think the average stockholder has much to do with the management of a bank?

Mr. BOILEAU. I may say to the gentleman that out in the Middle West the stockholder is going to have much to say about management because this bill provides that in order to qualify as a director a man must have \$2,000 worth of stock. This means that in many of the small national banks capitalized at \$25,000, 4, 5, or 6 men are going to hold all the stock and be the directors, because a man who has only \$100 worth of stock, or \$200 or \$300 worth of stock, cannot be a director. Thus the men who own the stock will actually be the directors of these banks, and I submit that if they are going to have the authority of complete management of the bank it is not unjust to submit them to double liability, because in the banking business there should not be anything of a speculative nature. The banker deals in dollars. The banker does not buy something and take the chance of having to dispose of it at a smaller price. It is true a banker now and then will make a bad investment, but if he makes a bad investment there is no reason why he should be relieved entirely of the responsibility.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. BOILEAU. I yield.

Mr. McFARLANE. I think the gentleman's proposition is a sound one. The bankers of the country are receiving \$40,000,000,000 and more of the depositors' money, and the average depositor does not know anything about the operation of banks.

Mr. BOILEAU. That is absolutely correct. I believe we should continue the policy we have followed up to this time. We should couple double liability of bank stocks with the guaranty of deposits that is written into this bill. Then we shall have gone a long ways toward better banking and honest banking in this country.

[Here the gavel fell.]

Mr. STEAGALL. Mr. Chairman, experience has shown that creditors and depositors of banks realize only about 17 percent upon the liability of stockholders upon shares held in banks that are liquidated.

This is a situation that frequently develops:

Stockholders who own the larger portion of shares and who are officers in a bank have all the necessary facilities for keeping fully informed as to the condition of the bank and what is involved in the liability imposed upon the shares held by them.

Many citizens of the community who invest in the shares of banking institutions in response out of public spirit are sometimes without the information that officers and some of the stockholders in banks have.

It has been shown in many, many instances where banks have failed that some of the stockholders and officers have foreseen developments and relieved themselves of the liability imposed upon the holders of the shares, whereas the more innocent purchasers of stock in the institution are caught unawares and made to respond to the liability which may be assessed against them in cases of insolvency.

I have known many instances where citizens died leaving shares of stock in national banks to widows and children, and it turned out that instead of having inherited an asset they had inherited a liability. I can name numerous instances within my knowledge where widows, left with scant security against want in old age, are being called upon to respond to liability upon shares of stock in national banks held by their husbands, and in some instances there is serious question in some of the States as to whether a widow can claim her homestead exemption against the liability upon such stock held by her deceased husband.

These developments in connection with bank failures in recent years have brought us to a situation where in many of the communities that have been deprived of banking facilities it is going to be impossible for a long time to induce citizens to subscribe for stock in national banks.

The provision offered here will encourage investment in national banks and bring about the organization of national banks in communities that are now deprived of banking facilities because of bank failures.

Mr. HOEPEL. Will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. HOEPEL. Will the gentleman kindly state how many millions of dollars are lost by depositors for every dollar which some widow who inherited some stock has lost?

Mr. STEAGALL. I have just stated that in practical results it has been shown that not over 17 percent is realized by depositors and creditors out of liability upon shares of the stockholders. This is what the record shows.

Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

Mr. McGUGIN. Mr. Chairman, I make the point of no quorum.

Mr. STEAGALL. We are going to rise in just a moment.

Mr. McGUGIN. I withdraw the point of no quorum, Mr. Chairman.

The CHAIRMAN. The question is on the motion of the gentleman from Wisconsin to strike out the section.

The question was taken; and on a division (demanded by Mr. BOILEAU) there were—ayes 21, noes 73.

Mr. McFARLANE. Mr. Chairman, I make the point of no quorum.

Mr. BOILEAU. Mr. Chairman, I object to the vote on the ground that no quorum is present.

Mr. STEAGALL. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. CANNON of Missouri, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill H.R. 5661, had come to no resolution thereon.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States communicated to the House by Mr. Latta, one of his secretaries.

GOVERNOR OF HAWAII (H.DOC. NO. 42)

The SPEAKER laid before the House the following message from the President, which was read and referred to the Committee on Territories and ordered printed:

To the Congress:

It is particularly necessary to select for the post of Governor of Hawaii a man of experience and vision, who will be regarded by all citizens of the islands as one who will be absolutely impartial in his decisions on matters as to which there may be a difference of local opinion. In making my choice I should like to be free to pick, either from the islands themselves or from the entire United States, the best man for this post. I request, therefore, suitable legislation temporarily suspending that part of the law which requires the Governor of Hawaii to be an actual resident of the islands.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, May 22, 1933.

Mr. BOILEAU. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. BOILEAU. Just before the Committee rose I objected to the vote on a motion to strike out a section of the bill on the ground there was no quorum present. Is that the unfinished business when the Committee resumes business tomorrow?

The SPEAKER. That will be the unfinished business tomorrow in the Committee.

PURCHASE OF STOCK AND BONDS OF INSURANCE COMPANIES

Mr. O'CONNOR, from the Committee on Rules, submitted the following privileged report for printing in the RECORD under the rule:

House Resolution 156

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of S. 1094, an act "To provide for the purchase by the Reconstruction Finance Corporation of preferred stock and/or bonds and/or debentures of insurance companies." That after general debate, which shall be confined to the bill and shall continue not to exceed 2 hours, to be equally divided and controlled by the Chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment, the Committee shall rise and report the same to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

OUR AMERICAN SCHOOLS

Mr. DOXEY. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by printing a radio address by my colleague [Mr. ELLZEY] on the American Schools.

The SPEAKER. Is there objection?

There was no objection.

Mr. DOXEY. Mr. Speaker, under the leave to extend my remarks in the RECORD I include the following radio address delivered by my colleague, Hon. RUSSELL ELLZEY:

It was my happy privilege for 18 years to be actively associated with a large number of Mississippi school children and patrons, and therefore I am delighted to present my views. During the 12 minutes allotted to me I shall discuss three phases, namely:

1. The past achievements of our American schools.
2. Our American schools in a crisis.
3. The future hope of our American public-school system.

Approximately a century ago this Nation conceived the idea of offering education to the public, and this new ideal was clearly based on the principle of American free democracy. In the practical application of this system of educating the masses, necessarily the cost was transferred from the individual to the community. It awakened a new interest among citizens and offered hope to the stalwart taxpayer of limited means.

As a result of this growing interest, the smallest hamlets of this Nation have erected splendid school buildings. Millions of dollars have been expended by the taxpayers for such school equipment as science laboratories, libraries, modern classroom fixtures, and playgrounds. These splendid school plants are today the pride of the American communities and represent the honest efforts of our taxpayers to educate the children of the country.

While school plants were being constructed and equipped, marked progress was being made in developing a splendid personnel in the teaching profession. Teachers have spent millions of dollars in preparation for the work of this profession, always with the hope of rendering efficient service to the youth of America. No fair-minded American will charge that teachers hoard money, but, on the contrary, they contribute most generously to the community enterprises. They are interested in the spiritual, social, and economic development of that community where they reside—many of them being taxpayers and home owners. In this day of inspection of public institutions, when audits of banks, insurance companies, railroads, finance corporations, and industry are being made, the taxpayers of America, with appreciation, will find honest and efficient administration of school systems. These school officials have kept faith with the people and are disciples of rigid honesty.

Thousands of teachers during this great crisis have continued their services, even when the community was unable to pay their salaries for several months. Today one State owes her teachers \$7,000,000, representing salaries long since past due. In one city there are 2,278 teachers who have been unable to meet payments on \$7,800,567 worth of life insurance, 759 were unable to meet payments on homes, and 500 were actually assisted by a charitable foundation. Regardless of such conditions, the patriotic teachers have continued their services in the hope that the children of America might not suffer.

Each year there is mobilized through our American schools approximately 25,000,000 children. With a splendid personnel of teachers, and with modern school equipment, most remarkable results have been obtained in developing the youth of this country. Emphasis is given to subject matter, and to a fine program of physical development. The spiritual growth is most encouraging to the mothers and fathers. Those fine virtues of teamwork, self-respect, honesty, and fair play are emphasized in school programs. The Nation owes a lasting debt of gratitude to the American schools for instilling into the hearts of our youth a spirit of patriotism. In 1917, when America entered the greatest conflict in history, from our American schools the very flower of youth marched forth to war. Without fear of contradiction, I contend they will always constitute an important part of our national defense.

Every normal community of this Nation rejoices at the accomplishments of our public-school system. Yet, today, the very existence of our schools is threatened because of prevailing economic conditions. With so many heavy financial losses in bonds, bank deposits, stocks and foreclosures of mortgages on homes, there remains for the average taxpayer only one hope for his child, and that is an education at public expense.

Briefly I shall submit to you some reasons for the threatened collapse of the public-school system. Recently the national survey of school finance found that one half of the States of the Nation obtain 90 percent of financial support for schools from a general property tax and five sixths of the States receive 80 percent revenue from property tax.

During this great economic crisis two factors must be considered in planning school budgets. First, serious thought must be given to the tremendous shrinkage in the assessed valuation of property, necessarily resulting in decreased tax returns. Secondly, officials must remember that the earning power of the American citizen has so decreased, because of low commodity prices, lower wages, unemployment, and bank closures, that a surprisingly large number of patriotic and honest taxpayers have been unable to pay taxes. Remember that these same factors threatened, and in many cases have destroyed, other American institutions within the last 2 years. In analyzing this question, one so vital to the hearts of all Americans, let us consider very frankly what has happened. When financial institutions saw dangers ahead their leaders came to the Federal Government and successfully demanded financial assistance. The Government has extended loans, millions of dollars, to banks, insurance and railroad companies, and other public corporations. Furthermore, private industry is now turning to the Federal Government and making insistent demands for financial assistance through the Federal Treasury. I merely mention these convincing facts to clearly show you that other public and private institutions have had to face a threatened collapse, and that the school system is no exception to a general rule.

With "our public schools" threatened for lack of financial support, what is the hope for the future? For your consideration, ladies and gentlemen, I submit the following:

I. ECONOMY

1. Public-school officials will continue to effect every safe economy commensurate with efficiency and American ideals. In this connection let us not forget that drastic economies have already been made in many States. For instance, there are counties in the States of Arkansas, Florida, Kansas, Kentucky, Mississippi, Tennessee, Washington, Michigan, Missouri, New Mexico, South Dakota, and Wyoming where the average teachers' salaries have been reduced 40 percent and yet at the peak of prosperity the average wage of teachers was only \$29 per week.

2. Every service in the school system that has outlived its usefulness must be eliminated.

3. Consideration must be given to a unified school system, at least within the individual State, to eliminate duplication in school costs.

II. STATE SUPPORT

Hitherto the economic ability of the individual school district has determined the program of education. Even during the most prosperous period of this Nation, in some States there existed certain areas which offered very limited educational advantages to the public. In those sections where wealth has been concentrated, superior advantages are available. Therefore, I am firmly convinced that each State, in its State financial budget, should make provisions for public education of all sections of that State.

III. FEDERAL SUPPORT

The Federal Government owes the same protection to all sections of the Nation. Likewise, each American child is entitled to an equal opportunity in life. Therefore, I am firmly convinced that the Federal Government should share its part in the cost of public education.

For several years much of the Nation's wealth has been concentrated in financial centers, but each section of the Nation has contributed. Therefore, it is eminently logical that the financial centers should help bear the public costs to society of all sections of the Nation, and of foremost importance among these is public education.

Ladies and gentlemen, you will be interested in knowing that the national government of several European countries contribute very generously to the public education of their children. For instance, the percentage of the government budget for education in Denmark is 20 percent; Belgium, 13 percent; Germany, 18.3 percent; Norway, 14.9 percent; Rumania, 17 percent; Sweden, 17.1

percent; Switzerland, 24.6 percent. Yet, in the greatest Nation on earth—America—only four tenths of 1 percent goes for public education.

Last year the English Government appropriated for educational purposes £51,000,000, or approximately \$202,470,000, while our Federal Budget appropriated for education only \$17,000,000. Please consider the very small amount of Federal appropriations—\$17,000,000—for education in comparison with appropriations within recent years for other purposes.

The Editorial Research Reports show Federal subsidies to shipping and aviation for a 10-year period—\$30,000,000 per year. The report of the Secretary of the Treasury for the fiscal year 1932 showed, in part, the following appropriations, viz:

Agricultural experiment stations.....	\$4,356,591.65
Cooperative agricultural extension work.....	8,649,649.90
Forest fire.....	1,573,193.50
Cooperative construction of rural post roads.....	127,367,119.74

I submit to you that no Federal appropriation would reach the masses of the people as would Federal support of public education—whereas often in the past millions of dollars of Federal funds have benefited only special groups of American citizens.

In conclusion, may I bespeak your most careful consideration of our American schools—especially at a time when these splendid institutions need the cooperation and loyal support of every American citizen. Frankly, I believe that each State should assume a large portion of the financial responsibility of educating the children of every section of that State. The Federal Government should contribute to public education its just share of the cost to the end that every worthy child of the greatest Nation on earth may have a golden opportunity of preparing for the walks of life and becoming a constructive builder for society as a whole. Above all, let us not be swept off our feet by a determined effort of a very few, who, under the guise of economy, would literally destroy our American schools. In this great crisis, let me appeal to taxpayers, teachers, and the American youth to carry on that fine type of service for society which has always been characteristics of our American schools!

EXTENSION OF REMARKS—H.R. 5480

Mr. STEAGALL. Mr. Speaker, I ask unanimous consent that all Members be permitted to extend their own remarks in the RECORD on the bill H. R. 5480, for 5 legislative days.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. BACON. Mr. Speaker, member banks of the Federal Reserve System number about 6,900, with aggregate resources of about \$30,000,000,000. Of these about 6,100 are national banks and 800 are State banks, which could escape the provisions of this bill by withdrawing from the system.

There are about 11,800 nonmember banks, with aggregate resources of about \$20,000,000,000. These would not be affected by the bill, except as they might become member banks or branches of member banks.

I. BRANCH BANKING

A. Provisions of the bill, sections 22, 17, and 5-b

First. Section 22 provides that national banks having a capital of \$500,000 or more may, with the approval of the Comptroller of the Currency, establish branches at any point within the State in which they are located, provided that this is permitted by the laws of that State and subject to them. (The States in which State-wide branch banking is expressly allowed by law are Arizona, California, Delaware, Maryland, North Carolina, Rhode Island, South Carolina, Vermont, and Virginia. In 16 other States branch banking is permitted under certain restrictions or within certain limited areas. Branch banking is prohibited in 18 States and in 5 there is no law regarding the subject.) An exception is made in States having a population of less than 1,000,000 and no city exceeding 100,000, where the minimum capital requirement is reduced to \$250,000. Further, the aggregate capital of a national bank and all of its branches must not be less than the capital required for as many national banks in the places in which they are located.

Capital requirements for the establishment of national banks are fixed by section 17 as follows:

In towns of less than 6,000 population.....	\$50,000
In towns of less than 50,000 population.....	100,000
In towns of more than 50,000 population.....	200,000

Section 5 (b) authorizes State member banks to establish branches under the same conditions as apply to national banks.

B. Supporting arguments, with comments

First. The Reconstruction Finance Corporation has been obliged to make loans to about 5,000 banks which were in a critical condition. Much of this was used for the purpose of paying off loans from metropolitan correspondent banks. It has not eradicated the fundamental weaknesses of many of these banks, however, nor eliminated the probability of many bank failures during the near future. Last January Senator GLASS stated that he had reliable information as to the ultimate failure of at least 470 banks unless they are recapitalized or taken over by stronger institutions. The number of loans made by the Reconstruction Finance Corporation indicate that this conservative figure probably represents a small proportion of the banks that are insecure.

With local capital for refinancing these banks available only in very rare cases, a serious emergency exists unless the machinery is created permitting strong institutions to take these unsound banks over. The consequences of continued bank failures are not confined to the further freezing of assets and forced liquidation of loans but will also result in a panic psychology which would seriously endanger many banks that are otherwise secure.

Second. Another emergency to be met results from the closing of 10,500 banks since 1920—more than a third of the then existing banks. This has left literally thousands of communities entirely devoid of banking facilities. Because of the absence of local capital for reorganizing these banks and the prohibitions placed upon branch banking there is a virtual economic paralysis in many sections which have suffered. Under the provisions of the bill strong metropolitan banks would be quick to meet this need and take a long step toward the revival of local business.

Third. The following figures reveal the nature of the banks which have suffered most heavily and indicate the direction of the steps necessary to remedy these conditions:

About 10,500 banks with \$5,000,000,000 deposits failed during 1921-32. Eighty percent of these were nonmember banks with average deposits of only \$350,000; 90 percent of these were situated in towns of less than 25,000 people; 60 percent were in towns of less than 1,000; 59 percent had capital of less than \$25,000; one fourth of 1 percent only had capital of more than \$1,000,000; 85 percent were State banks; 70 percent of the Reconstruction Finance loans were to State banks.

The following table shows that during a period of relative general prosperity the small banks, termed "one-crop banks" by Senator GLASS, are likely to have a high mortality. As economic conditions grow worse, the average size of failures increases but does not reach the level of the average bank in the larger towns and cities:

	Number of banks failed	Average deposits
1921-28.....	5,000	\$297,400
1929.....	642	365,300
1930.....	1,345	642,900
1931.....	2,298	736,000

Internal causes generally assigned these failures are undercapitalization, lack of diversification and bad management, in order of importance. The first two of these will be obviously removed by consolidation with larger institutions. The third also, presumably, will be largely eliminated by the fact that large banks can better afford the services of the more skilled and experienced bankers.

Fourth. The external causes for the failure of so many local unit banks are the depression in agriculture during the period and—of fundamental though less immediate significance—the migration of opportunity for profitable banking operations toward the metropolitan centers. The former was manifested wherever a community largely dependent upon a single crop was adversely affected by a poor yield or an unfavorable market. Such a situation would bring about heavy withdrawals simultaneously with the freezing of the banks' assets.

The increased use of automobiles and other new social and economic trends of the past decade have set in motion a geographical integration of business. Local enterprises have merged with regional or State-wide corporations; the chain stores and public utilities which now serve the small towns generally carry only working balances in the small town; local depositors, with a wider shopping range, now seek the relative security afforded by the banks in the larger cities; as business units grow larger, loan requirements exceed what the small banker can lend under the restrictions of the National Banking Act (loans to single borrowers not to exceed 10 percent of capital and surplus). As a partial result of the reduction of opportunities for placing funds profitably in local enterprise, the unit banker has therefore been tempted to try some degree of diversification by purchasing securities with a high yield.

Thus the original conception of unit banking, which has been so nurtured to the exclusion of branch banking—that the bank's function is to finance local enterprise with local capital—has been gradually destroyed by several irresistible trends, and the banks themselves are being destroyed with it.

Fifth. Unit banking in its present state of collapse in the United States contrasts with the branch banking practiced in every important country today. During the present economic depression bank failures abroad have been few.

Among the countries where great branch-banking systems have long and successfully performed the functions of deposit and commercial banking are Scotland, England, and Canada. In Scotland, where branch banking has been practiced since the eighteenth century, there has never been a failure resulting in loss to note holders or depositors. In England, which a century ago was largely served by independent banks similar to ours, there are now only 16 chartered banks with 8,000 branches. There also depositors have suffered no losses in recent times.

Most interesting for the present purpose, however, is the record of branch banking in Canada, which is adjacent and economically and geographically similar to the portion of our country which has suffered most from bank failures. Branch banking existed there at the time of the Confederation in 1867, and in 1871 was laid the legislative foundation of the present system. Since then Canadian banking has been concentrated into 11 banks operating more than 4,000 branches (loan-and-trust companies excepted). During that period there have been 35 consolidations, of which the majority were after 1900, and 26 failures, of which the majority were prior to that date. Of these failures only nine involved loss to noteholders or depositors, and the aggregate of such losses during the 65 years was only \$13,500,000. There have been no insolvencies since 1923.

In addition to the conclusions to be drawn from this remarkable record, Canadian experience with branch banking affords refutations of several of the arguments advanced by the opponents of branch banking. It disproves the assertion that branch banking tends toward monopoly, excluding the benefits of competition. It shows that the system does not drain money into the cities to the detriment of local development. There is no evidence of over-emphasis of collateral security as against progressive "character" loans. The record shows a distribution rather than centralization of credit. Although it is asserted the United States has too many banks, Canada enjoys more banking offices and more bank employees per capita than the United States. On the positive side, branch banking in Canada has achieved three things which must be attempted in any reform of American banking: Adequate capitalization, diversification of loans, and low overhead costs for rural banking accommodation. (These points will be further touched upon separately.)

Sixth. Contrary to the assertions of many opponents of branch banking, it is not a system alien to the United States and incompatible with its individualistic traditions. The provisions of the Glass bill by which it is to be limited to State-wide activities constitute a safeguard against the dreaded financial autocracy which, in fact, is more likely to

become a reality under present laws. By prohibiting State-wide branch banking we have, in fact, encouraged interstate group banking.

In 1848 branch banking was practiced in half of our States, particularly those of the South, where strong systems grew and prospered until the Civil War. The early legislative inhibitions were not aimed at branch banking itself but at the abuses of note issuance and of "wildcat banking." The Civil War practically wiped out branch banking in the South, and the National Bank Act and prohibitive taxation of note issues of State banks brought about the conversion of most State branch banks into national unit banks. Thereafter there was no important change in banking law nor much development of branch banking in the national system until 1900. State branch banking has grown rapidly in some States during the last 30 years, and national branch banking has grown considerably as the result of the Consolidation Act of 1918 and the city-wide provisions of the McFadden Act of 1927.

Among the several States in which branch banking has reached a high degree of development under State charters or in which State branch systems have been converted into national banks, California is outstanding and offers the best illustration of the advantages of this type of banking. Here, in 1930, 63 out of 496 banks operated 826 branches. Of these 500 were operated by two banks—one of which had become a national bank, the other was under State charter—both owned by a single holding company. The record of banking in this State, of which two thirds of the banking offices are branches, shows a lower rate of suspensions and a higher percentage of profits than the average for the country. The State is not overbanked, but has adequate facilities which compete keenly in the agricultural and industrial development of the State.

State-wide branch banking, therefore, is neither new nor untried in the United States.

Seventh. Branch banking as authorized by the Glass bill is not only safer because of its capital strength but also because of the diversification it will permit. The "one-crop bank" is at the mercy of local conditions, with all its eggs in one basket, while the bank whose operations are regional may diversify their loans both as to borrowers' lines of business and as to liquidity. The rural bank generally lends to the farmer for 9-month periods. The city bank can take 90-day negotiable paper from merchants and shorter loans from industries. The branch bank, covering a region instead of a locality, can vary its investments to compensate for seasonal fluctuations or losses in one or more type of loans.

Eighth. Branch banking can supply loanable capital from the centers of population to outposts where credit needs are greater than money for deposits. In this sense a bank should function, like a railway, regionally and not locally. This mobility of capital will tend to equalize interest rates, which are at present unfavorable to the farmer. It is the frequent practice of banks establishing branches in agricultural or newly developed localities to take a moderate loss over a certain period while it builds up the community financially. This progressive policy is, of course, an impossibility for a unit bank financed by local funds. Moreover, the Bank of Italy in California and most of the Canadian branch systems frequently lend more money to rural localities than they receive in deposits from them, demonstrating again the relative shortcomings of the unit bank as a benefactor to local enterprise.

Ninth. The foregoing is a partial refutation of the assertion that branch banking will not only drain off deposits from small communities for use in the cities but that it will place the banking facilities of rural towns in the hands of officials who are not familiar or sympathetic with their needs. This popular argument does not bear examination. In the first place, it is unlikely that branches will be established in places where balanced banking cannot be developed—both deposits and loans.

Second. A branch bank will seek to place its funds where they will yield the best interest, namely in the rural communities.

Third. It is a common practice to place local branches under the management of local bankers intimately acquainted with conditions.

Fourth. Local managers are generally given discretionary powers in making loans up to a certain amount. In Canada this ranges from \$2,500 to \$10,000. In this connection a prominent Canadian banker has stated that in the case of his bank there invariably was at the main office at least one official who was personally acquainted with any client seeking a loan of \$50,000 or more, and even generally with clients seeking loans of \$10,000. This condition would apply all the more to State-wide branch banking as compared with dominion-wide banking.

Fifth. Local managers, as with managers of chain stores, will make every effort, for their own advancement, to lend as much money as is consistent with sound principles.

"Character loans" therefore, may be made under branch banking as readily as under unit banking, except for unsound loans made under the pressure of personal friendship.

A secondary point under this heading is the fact that, when a unit bank fails, it injures most those whom it was especially intended to help—the man who borrows on character instead of collateral. In this case a borrower who may be a good risk and a constructive force in the community will be rendered helpless by suits resulting from the forced liquidation of the bank's assets.

Tenth. It is asserted that branch banking will further centralize credit and produce a financial autocracy contrary to the public interest. Yet under our present laws 50 percent of the banking business is conducted by only 0.5 percent of our banks, while the other 99.5 percent of our banks handle the remaining 50 percent. This concentration is largely the result of the restrictions placed upon State-wide branch banking, which have driven many industries seeking large loans to money centers in other States. Under the provisions of the Glass bill the capital resources within States will tend to concentrate and to become available for financing the business of that State. This would actually tend toward decentralization.

Eleventh. I have already given, paragraph 3, the average deposits of the banks which have failed during the last decade, demonstrating the insecurity of the small banks, owing partly to under capitalization and bad management. The following table further shows the percentage of small banks which reported a loss during the period 1926–30, in terms of their volume of loans and discounts:

Percent lost money	
Banks with loans and discounts less than \$150,000.....	35
\$150,000 to \$250,000.....	28
\$250,000 to \$500,000.....	20.6
\$500,000 to \$750,000.....	14.6
\$750,000 to \$1,000,000.....	13.2

The smaller banks show the higher percentage of losses as well as failures. Here again becomes apparent one of the fundamental disadvantages of the small unit bank—its higher percentage of overhead and smaller margin for reserve. The magazine *Fortune* gives, in this connection, a hypothetical income and expense account for a small bank with \$100,000 capital and \$1,000,000 deposits:

Earnings:	
Discounts and interest on investments.....	\$56,000
From various other sources.....	6,000
	\$62,000
Expenses:	
Interest on deposits.....	28,000
Taxes.....	3,000
Other running expenses.....	7,000
Losses on bad loans.....	6,000
Dividends at 6 percent.....	6,000
	50,000
Left for salaries and reserves.....	12,000

If this rough calculation approximates the actual figures of a representative bank of this type, it is evident that there is little left to spend for banking brains and experience and none for building up a reserve. Under adverse circumstances the bank will lose money and eventually fail.

As a branch, however, it would be under the supervision of presumably skillful and experienced bankers. As to re-

serves, the resources of the parent institution, protected by diversification, are behind the small branch. For these reasons, therefore, the branch does not have to present as substantial a front as the unit bank designed to inspire the confidence of its depositors. Branch banking, as in rural Canada, may be done in simple quarters which the unit bank does not dare to use.

Twelfth. Branch banking would tend to increase both banking facilities and employment, rather than to decrease them, if we may judge by comparison with Canada. In the United States there are about 20,000 banks and 3,500 branches, or 1 banking office for every 5,000 persons, while in Canada there are 11 banks with 4,000 banking offices, or 1 to each 2,500 inhabitants. Should branch banking in this country bring the number of banking facilities up to the Canadian average, we would have 11,500 more than at present, employing, at 3 persons each, 34,500 persons.

Although the United States was admittedly overbanked in 1920, an increase of banking offices not separately incorporated is desirable. There are 3,165 urban places in the United States, of which at least 2,000 should have more than one banking office; there are 13,433 incorporated places in the rural districts; and outside of these 16,598 towns and villages lives 36.4 percent of our population.

Thirteenth. Other sections of the Glass bill deal with chain and group banking through holding company affiliates controlling member banks. Many such groups, including National and State member banks, have been formed throughout the country in order to realize some of the advantages of branch banking while circumventing the prohibitions in the National Bank Act. In 1911 Solicitor General Lehmann, with Attorney General Wickersham concurring, declared the establishment of such chains or groups to be illegal. This decision was never applied, however, nor brought to light until recently.

Group bankers themselves welcome branch-banking legislation by which they could simplify their organizations and afford their depositors more security than they now enjoy in most of these extralegal unsupervised organizations. Although many of them have been operated on sound and conservative principles, others have represented a menace to the public by their ability to conceal their true condition from both State and National examination.

Fourteenth. Unit banks are described as "very, very limited in scope * * * and monopolistic in their area." Senator GLASS attributes many of the banking evils to the "pawnshop" banks in the country districts where, free from the competition of branches of sound institutions, they monopolize the banking business of the area and involve its assets in failure as soon as difficulties arise.

Branch banking therefore would not tend toward monopoly, as frequently charged, but would rebuild the banking system on a sound competitive basis. Strong local institutions adequately serving their communities would be protected by the Comptroller of the Currency, whose consent is necessary for the establishment of branches. But where adequate banking facilities are lacking, healthy competition between branch systems would serve best the public interest. At present many unit banks have joined in clearing-house arrangements designed to curb competition and monopolistic in their intent. These same combinations would serve to protect unit banks from dangerous branch competition in the same manner as independent grocers have successfully organized to compete with the chain stores on equal footing. In France closely knit associations of local banks have been successful against branch-bank competition.

Fifteenth. The frequent assertion that branch banking is supported by the "big interests" of New York for their own profit is contrary to fact. The strongest supporters of this measure have been men representing all types of business except banking. The strongest opposition has come from bankers themselves, as witnessed by the hostility of the American Bankers' Association. Wall Street, by which is generally understood the "big interests", has observed a general neutrality in the matter. Strong advocacy would tend to antagonize the correspondents of New York banks. And open

opposition would run counter to the judgment of New York bankers as to the best course for reorganizing national banking. New York banks would to some extent lose importance as the result of State-wide branch banking, because much more financing would be handled within the various States which now bring their banking business to New York. Another reason for the noncommittal attitude of New York is the fact that the large banks there would, in order to maintain their prestige in New York State, be obliged to undertake the expenses and risks of opening branches throughout the State—a course which would not be particularly desirable to them.

Sixteenth. Prior to the amendment which limited the application of section 22 to the States in which branch banking is already permitted, it was opposed on the grounds that it would be an unconstitutional usurpation of State rights to impose branch banking upon States prohibiting it to their State chartered banks. This general issue has frequently been before the Supreme Court. Its several decisions in the matter have established beyond question the fact that Congress, having established a national banking system under its constitutional powers, may take any measure it determines necessary to preserve it. (Some of the outstanding cases are *McCulloch v. Maryland*, *Osborn v. Bank of the United States*, *Farmers and Mechanics National Bank v. Dearing*.)

It is also established that wherever Federal legislation passed by Congress in exercise of its constitutional faculties shall conflict with State laws, the former shall be the law of the land and shall be binding upon the States. (*Casey v. Gall*, *Davis v. Elmira Savings Bank*, and others.) Opponents of branch banking erroneously refer to the Supreme Court decision in *First National Bank in St. Louis v. Missouri* as evidence of the unconstitutionality of section 20. In this decision the jurisdiction of State courts in enforcing State branch-banking prohibitions against a national bank was sustained. The national bank in question, however, had established a branch without the authority of any permissive Federal law or authorization by the Comptroller of the Currency. The case clearly indicates, however, that had there been a Federal statute authorizing branch banking, the laws of the State would not have applied.

A recent opinion written by Walter Wyatt, counsel for the Federal Reserve Board, states that the national bank system and the Federal Reserve Act having been constitutional Congress has the power to modify these to preserve their purposes. Second, that congressional power over the national currency extends over all modification of the Federal Reserve System. Third, that impending bank failures jeopardize interstate commerce, and that Congress may, therefore, take any steps it deems necessary to protect it.

C. The negative arguments, with comments

First. The branch-banking provisions of the Glass bill were drafted under the misconception that the banking disasters of recent years have been due to the fundamental weakness of unit banking as a system merely because we happened to have unit banking at the time. The real causes of the present banking crisis have been, first, the depression in agriculture and then the deflation following the boom in securities speculation. Both unit and branch or chain systems of banks failed prior to 1929 in the sections that were suffering economically. Both unit and branch banks failed in the cities when investment prices collapsed.

Economic conditions were a cause of banking failures, not an effect. Moreover, another cause for many banking collapses was the domination of smaller banks by their large metropolitan correspondents, which drained funds from the country districts for speculative purposes and loaded up the small bank with worthless securities. Had branch banking then been in Nation-wide practice, the same results would have ensued.

Section 22, therefore, seems to be conceived in a punitive spirit, threatening the innocent injured party, unit banking, with destruction by State-wide branch banking. It does not strike underlying factors requiring remedy.

Second. The foundation of the Federal Reserve System, upon which rests our national financial structure, is a system of independent banks serving their localities but drawing upon the elastic credit reserves of the 12 great Federal Reserve banks. The present system, with such modifications as will prevent speculation and other abuses, is capable of adjusting itself to all contingencies and effectively serving the Nation.

Branch banking, however, would tend to weaken this structure and eventually to destroy it. Experience in other nations shows that branch banking drives out unit banking. Thus we should be substituting for our present system other credit reservoirs in the form of great branch banks privately owned and operated for profit. The accommodation the local bank now receives from the Federal Reserve bank of its district under supervision in the public interest would instead be monopolized by the parent bank without recourse to the Federal Reserve.

Third. Corollary to the above point is the fact that under the unit system coordination with the money market and the automatic flow of credit in the interests of the general public is effected through the Federal Reserve System. In it are represented a wide range of diverse conditions throughout the country. Collectively its actions in providing fluidity and mobilization in times of emergency are uninfluenced by considerations of private profit. Under a branch-banking system this diversification of representation in the membership of the Federal Reserve System would be lost as the member units became larger. With effective control placed in a few hands, there would arise a prejudicial tendency for it to serve private rather than public interest.

Fourth. The common assertion that State-wide branch banking would achieve a desirable diversification of risks is fallacious. In States which rely primarily upon one or two crops, the dangers of concentrating banking business in a few large institutions are no less than the dangers of having isolated failures among independent banks. And in States where there is a great diversity of economic activity the local banker is better fitted to understand and to meet the peculiar problems of his community than is the big banker in the metropolis, who will be better acquainted with national industrial conditions.

Fifth. The present dual system of banking in the United States provides a salutary check upon illiberal or mistaken general policies to which a unified banking system under an overburdened bureaucracy would be subject. Depositors and borrowers now have a choice of the facilities they use, national or State. In a large number of cases comparative statistics show that State banks have served their communities better than national banks. In support of this Senator NORBECK, in his minority report on the Glass bill, cites the following figures:

December 1931:	
State-bank deposits	\$30,486,000,000
National-bank deposits	19,210,000,000
State-bank capital more than national	175,000,000
State-bank surplus more than national	1,700,000,000

March 25, 1931, to December 30, 1931: State-bank deposits decreased \$3,700,000,000, or 8 percent; national-bank deposits decreased \$3,100,000,000, or 13 percent. (These figures are evidently inaccurate. The percentages actually work out about 11 and 14 percent, respectively.)

In 1931 national-bank failures increased over 1930 by 154 percent; State-bank failures increased over 1930 by 60 percent.

National banks reopened in 1930	5
National banks reopened in 1931	25
State banks reopened in 1930	140
State banks reopened in 1931	250

Comment: I cite these figures not because they are convincing but because they are the only evidence offered in support of this favorite argument of the opponents of branch banking.

Sixth. Branch banking, with its nonresident management, will tend to eliminate character as an element in credit and to overemphasize collateral as the basis for loans. Comp-

troller Dawes asserts that under these conditions banks would "degenerate into a glorified pawnshop." These "character loans", it is asserted, have been a major factor in the progressive development of the United States. They are generally made to young and constructive men who do not have the necessary collateral security, and they depend entirely upon the local banker's intimate knowledge of the borrowers and their projects.

Comment: Among advantages character loans have been discussed, with special reference to the Canadian branch-banking practice. In Scotland, which has the oldest and one of the most comprehensive branch-banking systems, it is the well-established practice to make such loans very liberally. The Morris Plan banks in the country also successfully practice a form of character loans of the same type. In this connection two more points on this subject may be made: First, the local banker, responsible to no one but himself, is not only tempted to extend credit to personal friends irrespective of the risk involved, but he is frequently practically obliged to, against his better judgment. Under branch banking, even though the local manager may be a local man, the responsibility for such loans rests with the main office, and he is relieved of this difficulty. Second, the very borrowers who are supposed to be most benefited by liberal character loans are those to suffer most in case of the bank's failure. Lacking collateral they are rendered helpless by suit incident to the bank's liquidation.

Seventh. Advocates of branch banking frequently allude to its safety in Canada as contrasted with bank failures in the United States. Yet Canada, with natural resources nearly equal to ours, with similar climatic conditions and population, has remained relatively undeveloped. This is attributed to the unprogressiveness of branch banking, controlled from two metropolitan cities. The money actually lost to depositors in America, enormous though the sum is, is not a high price to have paid for the great national development our unit banking system has made possible. Under branch banking the flow of credit for constructive purposes would be reduced until our system might resemble Postal Savings banking—purely a deposit business.

Comment: The fallacies of this are discussed earlier. A further point to be made is the fact that the Glass bill does not contemplate branch banking on a Nation-wide scale, as in Canada, and that the comparison can be made only insofar as Canadian experience demonstrates some of the general advantages of branch banking.

Eighth. Branch banking tends to be monopolistic to an unwholesome degree.

Comment: The prohibition of branch banking has driven half of our banking business into a few institutions, thus tending toward an effective monopoly. And the small unit bank itself is intensely monopolistic in its area. State-wide branch banking, on the contrary, would decentralize credit and bring banking business back to the States in which it originates.

Ninth. Branch banking spells the ultimate ruin of the sound, independent, progressive unit bank which has long well served its locality.

Comment: While under the Glass bill the Comptroller of the Currency must approve the establishment of branches and will refuse them in communities already adequately served, at present unit banks have to meet the competition of chain and group banks established under scant supervision. Moreover, as discussed earlier, independent banks can and have joined in clearinghouse agreements for protection against competition, in much the same way as local grocers have combined.

Tenth. The common assumption that size, developed through branch banking, means strength is not supported by experience. It is vastly more dangerous, to use the branch banker's simile, to place all the eggs of a considerable region into one basket than to risk scattered unit bank failures. The failure of the Bank of the United States, for example, was greater disaster to a vast number of depositors than the failure of a number of country banks. Huge branch-bank failures have occurred in France, Germany, and Aus-

tria, unsettling international finance in their fall. Even the apparently excellent Canadian record is not conclusive proof of the greater safety of branch banking. The few losses to depositors have been achieved by ruinous assessments to the stockholders.

Moreover, a fair comparison cannot be made between the \$13,500,000 lost to Canadian depositors and the five billions tied up in American banks. Bank liquidations are so slow in Canada that in 1929 the liquidations of three banks that failed in 1910, 1914, and 1923 were still reported incomplete. The last of these was the great Home Bank of Canada. Finally, the large number of consolidations in Canada is partly the result of the imminent collapse of large branch banks which had to be taken over to prevent failure. This process of attrition will eventually leave banks so few and so huge that it will be impossible to avert failures by absorption.

Eleventh. The branch-banking provisions of the Glass bill, prior to the amendment, would have been declared unconstitutional as an infringement of State rights. See *First National Bank in St. Louis v. Missouri* (263 U.S. 640, 1924).

Comment: The unquestionable constitutionality of such a law has been touched upon earlier.

Twelfth. Another criticism of the branch-banking provisions of the Glass bill is the opinion that it does not go far enough to cure the evils it is attacking. The diagnosis of the faults in our banking system and the points made in favor of branch banking would nearly all apply with even more force as support for a unified banking system nationalizing State banks and generally tending to bring them into larger branch-banking organization.

The opponents of branch banking answer this objection themselves by asserting that this Federal sanction of branch banking is "the camel's nose under the tent", and that it will rapidly lead to the elimination of independent banks throughout the country.

Proponents of a unified banking system, including Mr. Glass, consider this a far-from-sufficient measure to strengthen and perfect our banking system. It admittedly does not go to the root of the evil—duality—by which we have 50 different sets of banking laws instead of 1. Types of banking which are successful in some States, under excellent supervision, are disastrous in others. Group- and chain-banking systems, which have become important in our financial life, may easily elude examination by shifting paper in their portfolios from National to State banks or from one State to another. And only by nationalizing banks will it be possible to do away with such fatal laws as fixing capital requirements as low as \$5,000.

II—DIVORCE OF INVESTMENT BANKING AND SECURITY AFFILIATES

A. The provisions of the bill

First. Section 9 seeks to prevent the use of Federal Reserve credit for speculative purposes by providing that loans to member banks shall become immediately due if, after warning, borrowing members increase, during the life of the loans, the amount of loans outstanding secured by investment securities or by the notes of investment houses. As further penalty such member banks would remain ineligible for credit during a period to be determined by the Federal Reserve Board.

Section 3-a. Federal Reserve banks shall report to the Board instances of member banks making undue use of credit for speculation in securities. Board may, after hearing, suspend such bank from use of credit facilities of Federal Reserve System.

Second. Section 16 prohibits national banks from underwriting or dealing in investment securities except upon order, and places the following restrictions upon the purchase of securities for own account:

National banks may not purchase for own account and hold more than 10 percent of the issue of any one obligor—unless the issue does not exceed \$100,000—nor may such purchase exceed 50 percent of the bank's capital stock.

The total investments outstanding of any one obligor that may be purchased and held after this section takes ef-

fect shall not exceed 15 percent of the bank's capital and 25 percent of its surplus.

This section shall take effect 2 years after the enactment of the bill.

Last year, when this was under consideration, critics of the bill termed it extremely deflationary by requiring liquidation of bank's security holdings. Senator GLASS, however, insisted that its application was in futuro and would not affect bank's present portfolios but only purchases after enactment.

By investment securities under this section shall be meant bonds, notes, and debentures; the purchase of stocks is not permitted. Exception to this is made in the case of stock in a safety-deposit company, which may be purchased to the extent of 15 percent of the bank's capital and surplus.

The obligations of the United States, and of its political subdivisions, and those issued under the Federal Farm Loan Act, are excepted from all of the above limitations. Section 5 (b) applies these restrictions also to State member banks.

Section 10 prohibits "loans for the account of others" made on security collateral.

Third. Section 18 requires the divorce of security affiliates within 2 years. At the end of that period no certificates representing stock in any national banks shall represent stock in any other corporation except a member bank, nor shall the ownership or sale of such stock be conditioned upon ownership or sale of stock of any stock but that of a member bank.

No inhibitions are placed upon the methods for separating stock ownership. Section 5 (b) extends these limitations to State member banks and requires reports from and examinations of their affiliates.

Fourth. After 2 years no member bank shall in any way be associated with a holding company or any other organization chiefly engaged in the flotation, underwriting, or sale of investment securities. Section 20.

It should be observed that the regulations concerning holding-company affiliates are not treated in this section, as they do not fall under the heading of security dealings by member banks.

B. Supporting arguments

Leaving aside the question as to how successfully the details of these measures as drafted will effect the separation of investment from commercial banking and will keep Federal Reserve credit from speculative uses, the affirmative case for these sections may be treated under the following general headings:

First. The evils resulting from the present mingling of commercial and investment banking.

Second. The positive advantages to be achieved by the bill.

Third. Refutation of objections; not deflationary or difficult of achievement.

Fourth. Security affiliates are already illegal.

Fifth. Purposes of the bill approved; but it should go further; Aldrich.

First. The specific abuses and general disasters which have attended the participation of commercial banks, either directly or through their affiliates, in the investment business are widely known and have received recent publicity. The following will serve as summary of the part played by deposit banks in the boom which ended in 1929:

Prior to the World War and the liberty-loan drives, in which commercial banks assisted, the security business was largely conducted by private banks and investment houses. Then a few security affiliates were established for selling bankers' acceptances and Government issues. These rapidly grew and built up elaborate and expensive sales organizations which, to sustain themselves, entered more and more into the business of industrial long-term financing. First primarily concerned with selling these securities, their needs for more merchandise led them to participate in, underwrite, or originate a growing proportion of them. The more they sold, the more new issues they sought to handle. And as this growth continued, the more bank credit they were forced to make available for the purchase of new securities.

The unhealthy inflation of bank credit—far in excess of the requirements of gradually increasing business in production and distribution—were the result of a vicious circle. Nearly every line of industry was overcapitalized with new security issues. New investments had to be sold. Credit had to be extended freely to permit the purchase of these. This credit was applied to sustaining and increasing stock-market prices. And again these securities at inflated prices were accepted as collateral for still more credit, until brokers' loans alone reached \$8,500,000,000, with "outside loans" at \$5,000,000,000.

In the era of high-pressure investment sales many unsound issues were offered, and many found their way into the portfolios of the smaller banks in the agricultural States. Metropolitan banks held their correspondents in a condition of involuntary servitude and, under the threat of cutting off accommodations, coerced them into buying securities from the sale of which they were deriving profitable commissions. And the rural banks, finding less local use for their funds, were generally not adverse to these opportunities for diversification and more rapid returns. Then the individual depositors were urged to place their savings in stocks and bonds, and against these more credit was given.

Thus when stock-exchange values shrank about \$60,000,000,000, thousands of small banks took large losses on their securities and were caught with frozen loans on unsalable collateral. Billions in deposits were tied up by failures, and credit tightened until all normal business was strangled, and nearly every industry had assumed an excessive capital debt, greater than normal development had justified and the proceeds of which were partly dissipated through speculation.

This situation, it is asserted, indicates that the remedy which will prevent its recurrence must be measures to keep commercial banks out of the investment business and commercial credit out of speculative channels. Had banks confined their activities to commercial banking they would not have been tempted to load the country down with securities at inflated prices. They would not so lavishly have extended credit for speculative uses. They would not have used their coercive powers over correspondents nor their persuasive power over depositors to cause them to buy on faith. Had private banks and investment houses—which are the logical medium for long-term financing—not had this competition they would have handled legitimate issues on their merits and the market would have been conditioned by credit policies consistent with sound commercial banking.

The measures of this bill not only abolish security affiliates and prevent member banks from dealing in securities but they also close Federal Reserve credit to borrowers engaged in securities speculation.

Second. (a) The Central Hanover Bank, among others, advertises that it has "no securities for sale." This constitutes an assurance to its depositors and to its correspondents that it is in a position to give them unbiased service and advice. It is in line with the principle set forth by Justice Day in *Magruder v. Drury* (235 U.S. 119), and which should be made to apply to the deposit bankers as well:

In effect, he is not allowed to unite the two opposite characters of buyer and seller, because his interests, when he is the seller or buyer on his own account, are directly conflicting with those of the person for whose account he buys or sells.

Further to develop the advantages of safeguarding the public against the frailties of human nature by separating the securities business from banking, the following points should be noted:

Bankers' advice to commercial accounts as to the issuance of securities will be untainted by self-interest.

The public will be protected against the possibility of being offered bonds which represent bad bank loans or "dirty linen" converted through a security affiliate.

A bank will not be tempted to make security loans for the purpose of selling issues in which it has a financial interest.

A bank will not be embarrassed by the necessity of appraising as collateral for loans securities sold to its customers by its own affiliates.

(b) Bank credit is a controlling factor in the business life of the Nation, and should be conditioned by the needs of commerce, industry, and agriculture. Heretofore, with banks interested in the securities market, speculation has exerted an undue influence upon the control of credit. Moreover, as we have seen, the abundance of money banks made available for speculation produced, through the inflation and subsequent collapse, unsound conditions in long-term financing. By divorcing long-term financing from short-term financing the conditions affecting each will serve as a check upon the other, and the exaggerated results of the intimate association between the two will be avoided. From this we may expect sounder credit policies from our commercial banks and an investment business more accurately responsive to the needs of industry.

Third. (a) It is asserted that these measures will have a deflationary effect when this is least desirable for business recovery. This criticism is made under the misconception that articles 16 and 18 will involve the liquidation of many security holdings and will require the liquidation of affiliates and their holdings. As a matter of fact, as Senator GLASS has pointed out, the sale of securities held prior to the enactment of the bill in excess of the specified percentages is not required. And the provisions as to security affiliates do not require their destruction, but allow ample time for separating their ownership in an orderly fashion.

(b) Critics predict that a vital part of the machinery for handling long-term financing will be destroyed, thereby crippling the reconstruction of business life of the country and placing obstacles to the necessary conversions of slow bank loans into securities. Banks and their affiliates, they assert, have become indispensable to these operations.

Facts do not support this argument. Although there are not reliable figures available showing the relative importance of commercial banks as compared with private banks and investment houses, the following shows the rapid rate at which the former captured the legitimate business of the latter in the origination and participation of more than \$20,000,000,000 of investment securities during the 4-year period of 1927-30, inclusive:

	Originated in—		Participated in—	
	1927	1930	1927	1930
	Percent	Percent	Percent	Percent
Private banks, etc.	78.0	55.4	63.2	38.8
Commercial bank affiliates	12.8	39.2	20.6	54.4
Commercial banks	9.2	5.4	16.2	6.8
	100.0	100.0	100.0	100.0

The large volume of business which the private banks lost to security affiliates could easily be recaptured and handled again through its proper channels. Formerly these facilities were adequate, and would presumably be so again, especially as there is likely to be a smaller volume of capital issues in the future than in the days of the speculative boom in overcapitalization. There would be more strength in the argument if security affiliates had actually handled more than half of this business over a long period of time and not principally in boom years.

(c) Another argument in opposition which has been disproved by recent developments is the belief that the divorce of these affiliates in 2 years would not only be undesirable but difficult of accomplishment without heavy losses. In the first place, there is no necessity, under the bill, of destroying these affiliates, which could continue independently if they were justified. All that is required is the separation of stock ownership. Moreover, after expressing a bitter opposition to these measures, 7 out of 10 New York banks having such affiliates have already discontinued their affiliates, or started doing so, expressing, in several instances, the belief that their maintenance is contrary to the best interests of sound commercial banking. The bill, when enacted, would supplement this voluntary separation and would preclude a recurrence of the conditions which made it advisable.

In this connection it should be noted that relatively few institutions will be affected. Of the 300 security affiliates in the country, about 200 belong to national banks, 70 belong to State member banks, 30 belong to nonmember banks. But the member banks by which the 270 affiliates are controlled represent about one half of the banking business of the country.

About three fifths of the security affiliates controlled by national banks have their stock trustee, and one fourth of them are owned directly by the stockholders of the bank. The stock of the remaining few is either owned by the bank or by another affiliate.

Fourth. Sponsors of the bill state that while the bill was not drafted for legal reasons, the security affiliates established by national banks are not only in contravention of the intended purposes of the National Banking Act but actually illegal. Authority for this is an opinion of Solicitor General Lehman, in 1911, with Attorney General Wickersham concurring. Decisions of the Supreme and many lower courts are copiously cited in support of this view. (See CONGRESSIONAL RECORD, vol. 75, pt. 9, pp. 9899-9904.) This was never acted upon, however, nor even brought to public notice until 1932. Senator GLASS charges that it was suppressed.

Fifth. Beside criticisms of the purposes of these measures of the bill, some who favor such measures criticize it on the ground that it does not go far enough in realizing its objectives. Among those holding this view are Winthrop Aldrich, president of the Chase Bank—which, by the way, has bitterly assailed the proposed separation of commercial and investment banking through the pages of its Economic Bulletin—who recently said:

I am entirely in sympathy with the divorcing by law of security affiliates from commercial banks. I do not think, however, that the Glass bill goes sufficiently far in separating the business of commercial banking from that of dealing in securities. To separate commercial banks from their security affiliates is only half the problem.

He proposes four additional measures to make this more effective: First, no corporation or partnership should be permitted to accept deposits without being subject to the same regulations as commercial banks; second, no corporation dealing in securities should be permitted to take any deposits at all; third, interlocking directorates between banks and organizations dealing in securities should be prohibited; and, fourth, boards of directors of commercial banks should be small enough to enable each member to be familiar with the affairs of the banks and to discharge their responsibilities to stockholders, depositors, and business.

These suggestions are supplementary to the provisions of the Glass bill, of which he approves.

C. Arguments in opposition

The principal opposition to the divorce of investment banking from commercial banking comes from bankers and bank publications—which are by no means unanimous—and from the United States Chamber of Commerce. Three items in the report of its special committee on banking submitted for referendum declare against these measures and in favor of voluntary or Government regulation rather than complete divorce. The vote on them was, on the average, 6 to 1 against divorce and in favor of bond departments, affiliates, and loans for others.

The three classes of arguments in opposition are, in the order they will be treated: First, that the premises on which the bill was drafted were false and that it is attacking from the wrong direction; second, that the measures as drafted will be ineffectual anyway and will not achieve their purposes; and, third, that the enactment of the bill is dangerous to the business life of the country.

First. (a) These measures of the bill are aimed at the abuses which contributed to the financial debacle but were only symptomatic of a single underlying cause—cheap money and excessive credit. The prevention of this should be the object of legislation and of Federal Reserve policy. But to inhibit the normal functions of banking by restrictive measures directed at the mere details resulting from cheap money is futile and mistaken. Commercial customers have

priority on loan funds of banks; and if such funds are not excessive, not much will be diverted into speculation and inflation of security values. The simplest way to achieve this fundamental safeguard is by extensive open-market operations and careful manipulation of the rediscount rate by the Federal Reserve, thus keeping the money market under control. This was not sufficiently done during the boom, until the easy-money policy of the Federal Reserve had allowed it to get out of control. Driving the rediscount rate higher came too late to tighten money effectively.

(b) Exception must be taken to a campaign statement of President Roosevelt:

Investment banking is a legitimate business. Commercial banking is another wholly separate and distinct legitimate business. Their consolidation and mingling is contrary to public policy.

This is not in harmony with the consensus of opinion in the business world, as shown by the testimony before the Senate committee and as reflected in the business press, nor with the academic opinions published in such organs as the *Harvard Business Review*.

The line of demarcation between commercial and investment banking—long- and short-term credit—is not distinct and they cannot be separated. Frequently their functions are interchangeable, such as, for example, the almost perpetual accommodations sometimes granted by banks to customers in the place of capital issues and such as instances of the conversion of short-term loans into bond issues. Commercial paper is sold in much the same way as investment securities. Market conditions are a controlling factor in the choice between these complementary means of financing.

In fact, these two forms of financing should be still more closely associated rather than separated, so that the conservation of sound banking will be reflected in higher-quality securities offered to the public. Moreover, banks, with their wide contacts with the public through their correspondents and branches, are the logical medium for selling securities. Investment houses have to resort to the expenses of traveling salesmen and costly branch sales offices.

Comment: Mere prevalence of these opinions does not prove the case against these provisions. In many instances the conversion of short-term loans into securities should never have been done nor would have except because of the connection between the two. Moreover, if banks had not been in the investment business, they would not have tended to drain so rapidly money from the small towns into the cities for speculative purposes, leaving the rates for agricultural accommodations higher than they should have been.

Another comment: Some hold the opinion that commercial and investment banking require very different types of temperament and experience. This is offered as further reason for their separation.

(c) It is untrue that many of the bank failures during 1929-31 were due to losses through security affiliates. In fact, 80 percent of the deposits in banks that failed were in banks which had neither bond departments nor security affiliates.

(d) The belief that affiliates endanger the depositor's money is contrary to fact. Affiliates are separately capitalized and generally owned in some manner by the stockholders. Deposits are not involved.

Comment: Depositors' money is lent to the affiliate, however. It is estimated that 50 percent of short-term credit to affiliates was granted by parent banks.

(e) The practice of placing securities in which an affiliate is interested into trust accounts operated by the parent bank is generally avoided by reputable bankers and should be prohibited by law. The same thing applies to the sale of a bank's stock by its affiliates, although there were some notorious cases of this. These matters therefore should be subject to regulation, but they should not be advanced as reasons for discontinuing affiliates altogether.

(f) The statement that commercial banks took advantage of their superior opportunities for selling investments by putting low-grade securities on the market is disproven by the fact that surveys show the securities they were respon-

sible for have had better records as to defaults. This is further evidence that the best interests of the investing public are served by commercial banks.

(g) Economy in the costs of financing through commercial banks is shown by a survey of the origination of \$8,000,000,000 in foreign bonds by commercial banks and investment houses. The spread, in the case of those handled by the latter, was 25 percent greater. Like figures are not available for domestic issues, but would probably indicate an equal saving.

Second. The foregoing arguments show that it is mistaken to attempt to separate investment from security banking. Next are comments as to whether the Glass bill will effectually prevent the use of Federal Reserve credit for speculative purposes.

(a) Section 3 authorizes Federal Reserve authorities to refuse rediscounts for speculative purposes when the Reserve banks shall find that their members are making such use of it. This is obviously a mild provision simply making into law a power they already had and tried, without success, to exercise in 1929. An earlier draft (S. 4115) proposed forbidding the Reserve banks from making loans to members for the purpose of lending on securities or carrying loans on them. As it stands now, this will probably have little effect, even though it is strengthened by section 8, which provides that loans to member banks shall fall immediately due if such members shall have increased, during the life of the loans, their own outstanding loans secured by investment securities. Under this section member banks to which this is applied may be declared ineligible for further loans for a period fixed by the Board.

Both of these, not being mandatory, are likely to be ineffectual and to become inoperative. Moreover, rediscounts are not the only way in which Federal Reserve credit may find its way into speculative uses. In 1929, when the System was striving to check speculation, it actually supplied important funds for that purpose by buying heavily in acceptances, trying to support them. Thus, member banks, selling acceptances to the general market, were releasing commercial paper, which, through purchase by the Reserve banks, became available money free of any control. Any such artificial attempt to make money easy for commerce and tight for speculation is bound to fail. It cannot be kept in separate compartments or distinguished by its color. I quote from the *Chase Economic Bulletin* a hypothetical case under the heading, "Blue, Pink, and Yellow Money", (Apr. 25, 1932):

When Federal Reserve authorities put out their credit, either by buying Government securities or by buying acceptances, they do not know for what purpose the money will be used. They pay for these with checks on themselves to dealers in Government securities or acceptances, who deposit these checks with their commercial banks—member banks. The member bank will redeposit these checks with the Federal Reserve bank, building up its balance there. Assume that the bank which first receives the Federal Reserve bank checks has ground to suppose that they represent an increase in Federal Reserve credit and, wishing to obey the spirit of the law, refrains from employing the money in security loans. Instead of so doing, it buys Government securities or even commercial paper. It pays for these with deposit credits or with checks on itself. These checks come in against it at the clearing house next day and the extra Federal Reserve funds are transferred to some other bank. This other bank has no notion whatever that the money which has come into it represents new Federal Reserve credit. The identity of the money is absolutely lost in the general stream of funds. The second bank, with a clear conscience, lends its excess money at the money post of the stock exchange. The money was blue when the Federal Reserve bank put it out. It became pink in the possession of the first bank, but it became definitely yellow once it got into the hands of the second bank.

(b) Not only will the measures of the bill fail to prevent the diversion of Federal Reserve credit into speculative channels but the bill does not take into consideration the fact that dangerous speculative inflation may take place in fields other than investment securities. The boom in 1919-20, ending in a crash that marked the beginning of the period of high bank mortality, was one of commodity prices. At its peak brokers' loans amounted to only \$1,750,000,000, as compared with about \$8,500,000,000 in 1929. Nothing in the bill will prevent a recurrence of this situation.

(c) These controversial measures in the Glass bill will therefore fail to achieve their primary purpose. The only way in which speculation may be kept within bounds is by control of the money market through the rediscount rate and open-market operations. By these means the Federal Reserve System may prevent the accumulation of excessive reserve credits which can be put to speculative use.

Comment: In 1929 the Federal Reserve System attempted to check speculation by selling Government securities until its portfolio was run down to within the danger point of losing all credit control whatever. It also unsuccessfully raised the discount rate. The effect these measures would have had if taken earlier is entirely a matter of conjecture, but experience does not prove them infallible.

Third. More serious than its shortcomings are the destructive effects the bill would have upon our financial structure. Some critics who have presented these arguments may have changed their views in the light of very recent developments, such as the Aldrich announcement, mentioned earlier, and the action taken by several banks in discontinuing their security affiliates. These measures were not taken, however, so much for the public interest as for private self-protection, and they need not therefore be considered to affect the validity of the following points as general propositions of public policy.

(a) Member banks, through their bond departments, or through their affiliates, represent probably about 50 percent of the machinery for handling securities in this country. To abolish new securities altogether would clearly be industrial suicide. Therefore to destroy half of the machinery for handling them and to leave the other half of it alone and free of supervision is extremely dangerous, especially at the present time when financial reconstruction will require new issues to cover many recurring maturities of short-term loans.

Comment: On the contrary, now that the so-called "new era" of the boom days has collapsed, "banks will go back to banking" and borrowers may go back to borrowing for their current needs instead of floating more issues. The private banks and investment houses will be sufficient for the demands of the security business.

(b) The existence of investment banking without commercial bank credit is impossible unless the financial machinery of the country is completely revolutionized. Investment houses depend for profits upon a rapid capital turnover. They must, therefore, operate on large loans against their security collateral. Since they perform a vital function, therefore, any attempt, futile though it may be, to deny them Federal Reserve credit, direct or indirect, must be wrong in principle and undesirable in effect.

Comment: The bill does not outlaw investment banking nor prohibit member banks from lending to investment banks and thus assisting in flotations. They may also invest in securities within the prescribed limitations of section 15. These measures are merely intended to separate the two kinds of banking and not to outlaw investments. Member banks will be able to lend on securities, but they will not be able to increase such loans unduly while borrowing from the Federal Reserve. This will make available ample credit while preventing too rapid expansion.

(c) Long-term financing of industries is a vital function of the business community. During the decade of 1922-31, \$74,000,000,000 of new securities were issued, most of them sound, despite a few abuses. In 1924 the average volume of commercial loans was about \$8,000,000,000, while new issues that year aggregated less than \$4,000,000,000. In 1929 commercial loans had only grown to \$9,000,000,000—a growth not commensurate with our commercial and industrial expansion—while new issues that year were \$10,000,000,000. Banking legislation must face the fact that this form of financing has grown relatively more important and that reform must look to its regulation rather than to turning back and opposing this trend.

(d) The dangers of the Glass bill are shown by an examination of its effect, had it been then in force, upon some of

the emergency municipal and utilities transactions of the past 18 months, by which maturing obligations were converted into securities, thus saving several large cities and utilities from disastrous insolvencies. Among these operations were credits to New York City amounting to \$251,000,000, \$62,000,000 to three Chicago power and light companies shaken by the Insull crash, \$30,000,000 to the city of Detroit, and \$27,500,000 to Toledo utilities. (Another earlier but important case in point was the offer of a \$230,000,000 bond issue for the Great Northern and Northern Pacific in 1921, in which more than 50 banks and investment houses participated.)

A typical procedure in these cases was the Chicago transaction: A group of banks extend a bank loan to meet the maturing obligations and receive as collateral a new bond issue which they underwrite. When the market is favorable they sell these, and the loans are repaid with the proceeds. The New York transaction, including practically all the clearing-house banks and the large private banks in New York, consisted of a \$100,000,000 bond issue, which the banks bought for future resale, and a \$151,000,000 revolving fund covered by warrants issued against anticipated tax revenue. Another bond issue to meet further short-term maturities is expected to be handled the same way in April.

Now, if this section of the bill had been in force, member banks could not have underwritten nor bought for resale any of the utilities issues. And purchases for own account would have been limited to 10 percent of any issue and to 15 percent of capital and 25 percent of surplus of the purchasing bank. It is doubtful, however, that the banks would have absorbed these huge issues for their investment accounts.

Some critics interpret the language of section 16 as prohibiting member banks also from underwriting or buying for resale even Federal, State, and municipal issues. They hold that, as the bill now reads, the proviso excepting these securities from its restrictions refers only to purchases for own account and does not tie back to the following prohibition:

The business of dealing in investment securities by the association.

State banks are included by section 5-b—

shall be limited to purchasing and selling such securities without recourse, solely upon order, and for the account of customers, and in no case for its own account, and the association shall not underwrite any issue of securities.

A clarifying amendment is suggested, either modifying this passage or making line 17, page 56, to read as follows:

The limitations and prohibitions herein contained as to investment securities shall not apply to obligations of the United States . . .

And so forth.

It is also suggested the obligations of the Reconstruction Finance Corporation, the Port of New York Authority, and other such Government agencies be included in these exceptions.

The purchase of these securities for resale to the public would then have been confined to nonmember banks, and it is doubtful that under those circumstances they could have made available sufficient funds to rescue these great corporate organizations from disastrous receiverships.

Moreover, even though the bill is interpreted as allowing member banks to deal in Government securities, this would not justify them in maintaining their present elaborate distributive machinery. Thus facilities for selling Federal, State, and municipal issues would be seriously curtailed.

Comment: The 2 years allowed will be sufficient for investment houses to adjust their sales organizations to the needs of the long-term market they will handle. Member banks, still dealing in Government issues, will be in a position to assist them with loans if necessary.

(e) The limitation of purchases to 10 percent of the issue of one obligor should not be in the bill merely because some bankers overbought during the inflation and subsequently took heavy losses. Frequently a large bank is justified in

buying a whole issue, as in the case of a slow loan that had better be converted into a bond issue which may be held until the market justifies its sale. Many corporations may be saved by funding debts that now threaten them with bankruptcy every time they come to maturity.

(f) By section 11 member banks are prohibited under penalty from handling brokers' loans for account of others. In view of the volume of "outside loans" which contributed to the recent inflation, this would appear a wise provision. But outside loans are not necessarily evil and were not a fundamental cause but a result of the excessive volume of money. In the past outside loans have been valuable support in a crisis, as in 1907 and 1920, when they were attracted to the market by the high rates. Moreover, if member banks are not allowed to handle these, when money again appears on the market it will come through other channels anyway.

(g) The National Banking Act prohibits loans to one obligor exceeding 10 percent of the lending bank's capital and surplus. Section 25 amends this by including within this limit all subsidiaries in which the obligor "owns or controls a majority interest." The purpose of this is to prevent the establishment of dummy subsidiaries in order to secure more credit under the law. It will work a hardship, however, upon the many organizations with several legitimate subsidiaries separately capitalized and already enjoying and deserving their own separate lines of credit. If these lines of credit are so discontinued, the subsidiaries will, in view of the present difficulties of establishing new ones, be compelled to seek money for their current needs through long-term financing. And in view of the other limitations in this bill, they will have to go to investment houses for this. This section, therefore, should be so modified that it will only apply to subsidiaries expressly organized to evade the law.

(h) The aggregate effect of these various restrictions upon member banks will be to drive many of them out of the Federal Reserve System in order to preserve their investment business. This would come at a time when it is highly desirable to strengthen the membership and to achieve a more unified control of banking. Strong State nonmember banks with affiliates will have many advantages, among them the ability to afford their customers a complete financial service under one roof; expert advice from their affiliates as to investments and in appraising securities as collateral for loans; source of new business derived from customers of the affiliate. The same advantages largely apply also to banks with highly developed bond departments.

(i) By severing all investment banking from the Federal Reserve we will be cutting it adrift from all control. Investment bankers will be given a monopoly of the kind of financing which, it has been shown, has grown in importance and is to a measure replacing the use of bank loans in financing industry. The consequences of this would be fraught with danger to the investing public, especially as investment houses, lacking the resources of affiliated banks, will never have equal stability in withstanding heavy losses and continuing service to their clients during critical periods.

(j) The objectives of any banking reform should be better regulation and examination of all financial machinery and more courageous control of the money market by the Federal Reserve System. These measures in the Glass bill attack symptoms and not causes. On the other hand, the consensus of opinion among bankers in general and such bodies as the United States Chamber of Commerce—though they are not unanimous on all the points—favors the following general provisions of other parts of the Glass bill: Section 29 providing for the removal of officers for unsound practices, sections 5-b and 26 requiring the examination of security affiliates, the open market committee under section 7 (12-A), and branch banking under section 22. These, it is asserted, are steps in the right direction. The provisions governing the investment business, treated in this chapter, however, are said to offset the other advantages of the bill.

III—FEDERAL BANK DEPOSIT INSURANCE CORPORATION

A—The provisions of the bill (sec. 8, amending 12-B of Federal Reserve Act)

First. (sub a) A corporation is established for the purpose of liquidating the assets of closed member banks and for insuring, after July 1, 1934, the time and demand deposits of all member banks which shall have become class A stockholders in the corporation.

Second. (sub b) The directors of the corporation shall consist of the Comptroller of the Currency, 1 member of the Federal Reserve Board, and 3 other members chosen by the governors of the 12 Federal Reserve banks.

Third. (sub c-e) The corporation shall be financed as follows: The sum of \$150,000,000 (approximately the amount paid into the Treasury by the Federal Reserve banks as a franchise tax) shall be appropriated for subscription to class A stock in the corporation; prior to July 1, 1934, all member banks shall subscribe to class A stock in the amount of one half of 1 percent of their net time and demand deposits, one half of this subscription being payable at once, the balance subject to call; member banks newly organized shall initially subscribe 5 percent of their paid-in capital and surplus, but at the end of 12 months their subscription shall be readjusted to equal one half of 1 percent of their deposits; the 12 Federal Reserve banks shall subscribe to class B stock in the amount of one half of their surplus, one half of such subscription being payable at once, the balance upon 90 days' notice. Class A stockholders shall be entitled to an annual dividend of 6 percent or 30 percent of net earnings of the corporation, whichever shall be greater. No dividends are payable on B stock. Stock subscription to class A by member banks shall not be accepted without certification by the appropriate examining authority as to the sufficiency of their assets to meet their liabilities. National banks that have failed to make such subscription by July 1, 1934, shall be liquidated; State member banks shall lose their charters.

Note, according to recent figures in the Federal Reserve Bulletin, these subscriptions would be as follows:

From U.S. Treasury, subscription to class A stock	\$150,000,000
Member banks, one half of 1 percent of \$25,000,000,000 total net deposits	125,000,000
Federal Reserve banks, one half of \$279,599,000 surplus	139,000,000

Total insurance fund.....\$414,000,000

Note further, as indicated in subhead 5 below, nonmember banks applying for membership and mutual savings banks may subscribe to class A stock under certain conditions, as well as the Morris Plan banks made eligible for membership under section 5-a. Mutual savings banks have aggregate deposits of about \$10,000,000,000, so that if they availed of the opportunity they would subscribe \$50,000,000 and raise the initial fund to \$464,000,000.

Fourth. (sub h-i) Class A stock held by member banks shall be readjusted annually as deposits in the stockholding banks increase or decrease, these changes to maintain their holdings at one half of 1 percent of deposits. In the case of the failure of a member bank, its stock will be surrendered and the amount of its paid subscription will be applied to its liabilities.

Fifth. (sub f-g) Nonmember banks and mutual savings banks applying for membership in the Federal Reserve System may subscribe to this stock and enjoy the benefits of the corporation, provided that if membership be not granted or, being granted, is not acted upon promptly, they shall surrender their stock. Provision is made for depositing funds with the corporation instead if State laws prohibit such stock subscription.

Sixth. The "insured deposit liabilities", under this bill, are defined as follows (sub 1): 100 percent of net individual deposits up to \$10,000, 75 percent of net individual deposits \$10,000 to \$50,000, 50 percent of net individual deposits exceeding \$50,000. Whenever a national bank shall have been closed subsequent to July 1, 1934, the corporation shall

organize a new national bank to assume its insured deposit liabilities and to take over certain banking functions temporarily, including the receiving of new deposits. To this new bank shall be made available by the corporation an amount equal to the insured-deposit liabilities of the closed bank as defined above. The corporation shall receive all dividends realized upon the assets of the closed bank until they aggregate an amount equal to the sum made available to the new national bank, after which further dividends shall be payable to the depositors. Acting as receiver, the corporation shall wind up the affairs of the closed bank as rapidly as consistent with local credit conditions and shall enforce the double liability upon the shareholders of the closed bank. The corporation shall keep a deposit-insurance account to which shall be debited the excess of sums paid out to cover insured-deposit liabilities over amounts realized on the assets of the bank. Whenever the debit balance of this account falls below one fourth of 1 percent of the aggregate deposits of member bank stockholders, they shall be assessed one fourth of 1 percent of their deposits, the same to be credited to the deposit-insurance account. The provisions regarding the liquidation of State member banks are similar, except that provision is made for conforming with State banking laws where these conflict. In their case, also, a new national bank is organized. These new national banks shall be operated by the corporation until such a time as it deems suitable to offer for sale capital stock in them and to turn them over to the new stockholders, under the regulations governing national banks. Failing such subscription to stock in the new bank, the business may be sold to another bank or the new bank placed in voluntary liquidation.

Seventh (sub m-n). The corporation may make loans to closed member banks or enter negotiations to secure their reopening, and it may purchase the assets of closed member banks and liquidate them under present regulations.

Eighth (sub o). The corporation may issue its tax-exempt bonds, debentures, or other obligations to the amount of double its capital. Subsections j, k, p-x are administrative provisions of no controversial significance.

In giving the points in favor of this measure the general ones will be briefly noted first, reserving several others as comments in rebuttal of negative arguments. Naturally a large part of the case must be defensive, in response assertions that the general idea of deposit insurance is unsound or unworkable. In this chapter the terms "guaranty" and "insurance" are used interchangeably because no clear distinction has been made heretofore, and because neither of them appear absolutely accurate in this application. The negative points are given from the general to the particular.

B. Arguments favoring the deposit-insurance section

First. Nine tenths of the money of the Nation is in the form of bank credit. The effects of the recent great number of bank failures have shown that it is essential to the economic health of the country to establish confidence in bank deposits. To this end banking reform is necessary, and most desirable is the safety of bank deposits so that deposit slips will be as safe as Government bonds.

Second. As the result of the banking crisis of the past several years, an aggregate of \$2,500,000,000 in deposits was estimated tied up in closed banks. There are more than \$2,715,000,000 in deposits in banks which have not yet been licensed to operate under the recent Emergency Banking Act, according to the Federal Reserve Bulletin for April. Although a considerable portion of this will eventually be recovered, it would otherwise be withdrawn from the uses of business during the 4½-year average period of bank liquidation. Under the terms of this bill the banks could be taken over or reopened by the corporation and the recoverable funds made available. Moreover, when the insurance provision becomes operative, such a deflationary situation will not recur.

Comment: The Federal liquidating corporation provided by the early Glass bills, and by the Beedy and Luce bills, would have served the same purpose of releasing the recoverable funds in closed banks. The present measure, however, does not require subscription to class A stock until

July 1, 1934, and therefore will be inoperative in affording immediate relief to the depositors of closed banks.

Comment further: A fund of \$414,000,000 would not be sufficient in any case to afford prompt relief to depositors with claims of two and a half billions.

Third. In January the estimated hoarded currency amounted to \$1,500,000,000. This was due to lack of confidence in the security of bank deposits. As a result, the Nation's commerce, industry, and agriculture were deprived of cash which would have been a conservative base for \$15,000,000,000 of bank credit. Under a deposit-insurance plan such a situation would not have been possible, and the disastrous effect of the present deflation would have been mitigated, with higher price levels and better credit conditions.

Fourth. A guaranty of bank deposits would relieve banks of the fear of runs which causes a constriction of credit. In 1932 it was estimated that our banks had eligible paper available aggregating \$10,000,000,000. This possible reservoir of credit was not used because banks feared unfavorable consequences of being known to be borrowing heavily. Credit was tightened in the desire to remain as liquid as possible to meet the emergencies of runs. Such an aggravation of deflation and tightening of credit would not have occurred if this bill has been in effect, as banks would have been relieved of the consequences of depositors' fears. Moreover, many banks would not have been forced to close and to liquidate at serious losses to depositors and to the business community.

Fifth. At present the depositor is at the mercy of his fellow depositors, over whom he has no control, and of the management of the bank, about which he is not usually in a position to be well informed. The depositor takes the risks, and the banks take the profits. It is only just, therefore, that his funds be made secure against panic psychology or dishonest banking, against which every precaution must be taken in the future. Such an assessment upon banks as that in this bill would simply be a tax on a privilege—that of lending other people's money.

Sixth. Insurance is based upon a universally accepted principle of distribution of risks for the protection of all. Fire and life insurance are not unsound merely because there are cases of incendiarism and suicide. Neither should deposit insurance be unsound because there are dishonest bankers or because localized economic conditions may injure local banks. It is objected that similar guaranty plans have failed in the States that have tried it. This may be partly attributed to defects in the guaranty laws, but is principally the result of localization of risks—as though a single town insured itself against fire and was then wiped out. As in the case of branch banking, Nation-wide diversification of insurance risks would secure banking against any eventuality except such a national calamity as would destroy the Government itself.

Comment: For refutation of this specious analogy of insurance, see subhead C-1.

Seventh. In 1932 there was more than \$700,000,000 on deposit on which the equivalent of an insurance premium was paid. These funds were in the Postal Savings banks, which pay only 1½ percent on savings, as compared with about 4 percent in savings banks. The rapid increase in these savings accounts, which doubled twice in 2 years, indicated a lack of confidence in our banks and a willingness to forego 2½ percent annually for the safety of Government credit.

Comment: Other deposit-insurance plans have been proposed by which depositors could secure this optional protection by paying a premium. Such plans would avoid the grave dangers of the present measures for assessing good banks for the protection of the bad.

Eighth. The assertion is frequently made that a guaranty of deposits would encourage "wildcat" banking by relieving depositors of the necessity of discriminating between banks that were soundly run and those that offered the highest interest rates or the greatest convenience; a reputation for high character would be cheapened and recklessness would be encouraged. This criticism is not valid be-

cause it assumes that a deposit guaranty would invite mismanagement. No such thing is likely, especially as the Glass bill prohibits the payment of interest upon demand deposits and authorizes the Federal Reserve Board to limit interest to be paid on time deposits—I understand that the Steagall committee amendment eliminates these limitations. Thus is eliminated the danger of competition in offering attractive rates to bring deposits to the wildcat bank. As a matter of fact, it is the stockholders in a bank that are responsible for its management, and this bill does not relieve them of their double liability. Only a guaranty of stock, not of deposits, would reduce the insistence upon sound management. To make the insurance of deposits occasion for unsound practices would be like burning down your uninsured warehouse in order to destroy the insured goods of your customers stored in it.

Ninth. The common objection that deposit guaranty removes the need for care in placing deposits is further inapplicable to the Glass bill. The small depositor is not usually in a position to know much about the condition and policies of a bank, and the large depositors with deposits exceeding \$50,000 or even \$10,000 are only partially protected. The large depositor—as I understand this section—is even discriminated against to the extent that he does not receive a pro rata share of the funds realized from assets but only receives over and above 50 or 75 percent, as the case may be, his share of what is left after all “insured deposit liabilities” have been met. This will leave every incentive to caution in the selection of a depository.

Tenth. As with branch banking, which is authorized in this bill, deposit insurance will tend to stop the flow of money from small places into the great metropolitan banks and to keep it in the place of its origin, for the uses of local business. It is fear of the instability of the local bank that drives the money to the larger ones. Thus this measure will assist the decentralization of industry.

Eleventh. The banking community, when its risks are shared under this measure, will insist upon the highest standards of inspection and regulation. Good bankers will have a direct interest in the ethics of other banks in order to minimize the possibilities of losses to them. The laxities in bank examination recently revealed will not be tolerated nor will they be expedient, as the fear of bank runs upon news of dishonesties will be eliminated. This is further refutation to the wildcat assertion.

Twelfth. Before the deposit-insurance section of this bill becomes effective, the other measures for stricter regulation will have been in force. Many of the abuses of the past will have been corrected, so that failures within the Federal Reserve System will be cut to the irreducible minimum caused by contingencies beyond the control of banking regulation. Under these circumstances the risks of deposit insurance will be small, and the benefits great, as it will close the gap between better regulation and absolute safety.

Thirteenth. The following table will show a trend away from the Federal Reserve System which deposit insurance will correct:

	National banks converted into State banks		State banks that took national charters	
	Number	Authorized capital	Number	Authorized capital
1922.....	77	\$12,590,000	129	\$13,815,800
1931.....	135	28,945,000	6	700,000
1922-31.....	1,029	293,048,700	457	101,608,300

This progressive weakening of the Federal Reserve System was a movement away from strict banking supervision to the greater freedom, or laxity, of State banking laws. That this would be reflected in the bank failures of the future is shown by the fact that between 1865 and 1931 the ratio of State banks to National was as 2.24 is to 1, but the ratio of State bank failures to National bank failures was as 4.9 is to 1. From this it is evident that any measure to strengthen the national-bank system is highly desirable.

The guaranty of member-bank deposits will eventually probably bring all State banking institutions into the Federal Reserve System. On the other hand, it will not destroy those that do not join, as it leaves them free to offer higher interest rates on deposits.

Fourteenth. At the time that the Federal Reserve Act was under consideration its most strenuous opponents were those who are now its staunchest supporters—the conservative bankers. This has been the usual case with bank-reform legislation, and rightly so, as bankers are expected to be conservative. But this indicates that predictions of ruin, if this measure is passed, need not be heeded even though they come from high authority. For many years distinguished economists and occupants of public office have advocated some form of deposit guaranty. Among them was Comptroller of the Currency John Skelton Williams who, in his 1917 report, advocated a measure similar to this section of the Glass bill.

C. Arguments in the negative

First. The term “insurance” is here misapplied to bank deposits, and the analogy insisted upon by the guaranteeists (see B-6 of this chapter) is false. In these provisions there is only a superficial resemblance to insurance, and no comparison may be made as to soundness of principle. The following points are to be noted: (1) In the case of insurance the buyer, having risks in common with others, seeks protection and pays a premium for it. Under this bill, however, such banks as are confident of their own soundness and are therefore not subject to risks are compelled to pay for the errors of their competitors; (2) the insurance underwriter selects his risks and charges premiums according to degree. Here, however, no attempt is made to classify risks as between strong and weak banks, and no differentiation is made in the amount of the premiums; (3) while insurance practice estimates probabilities within a negligible margin of error, no such estimation has been made as to the laws governing bank mortalities, which do not follow a curve that may be accurately determined. For example, in the 3-year period 1930-32, deposits involved in bank failures exceeded \$3,000,000,000, a total in excess of deposits in all failed banks during the 65 years preceding. In other words, any scientifically operated insurance scheme that would have been about twenty-two-fold inadequate during 1930-32. No fire-insurance company, for example, could have survived a 3-year period of fire losses at a rate 22 times the normal. It may be objected that these figures were deposits and not net losses which would have been borne by a deposit insurance fund. But in this case the evidence against such a plan is even more condemning; for, while losses to depositors in closed receiverships have been only about 30 percent, it is estimated that they will be much greater in the case of failures subsequent to 1929, probably as high as 50 percent.

Second. Guaranteeists—Mr. STEAGALL, Mr. SHALLENBERGER, and others—often cite the figures of only \$85,000,000 lost in national-bank failures until 1930, and assert that a sum so small would have put no strain upon a guaranty fund, had one been in existence since 1865. Ex-Senator Owen asserts that only \$55,000,000 was lost in national-bank-closed receiverships up until 1929, while national banks during that period handled \$400,000,000,000 in deposits. He declares, therefore, that a fund of one sixtieth of 1 percent would have covered them. This does not reflect the actual facts, however, as far the greater proportion of deposits were in still active receiverships. In fact in C-15 of this chapter will be shown that a similar guaranty plan would probably have collapsed in 1907, and would certainly have collapsed during the recent banking crisis. It is futile to recommend an insurance fund on the basis of experience when losses were least when such a fund is designed to meet conditions when losses are great.

Third. Guaranteeists discount the experience of States that have tried similar plans. They attribute the losses to defects in the laws, to the fact that all banks were not included, to the failure of crops, and so forth. If the laws were defective, then so is the present proposal, for it is similar in purpose and operation. Five out of the eight States

that established deposit guaranties made membership compulsory, as does the present bill. As to crop failures, not all the collapses of guaranty funds may be traced to them. Moreover, a local crop failure is not unlike a national economic depression which any permanent insurance fund would have to be sufficient to meet. The disaster which has overtaken every guaranty plan may rather, be traced to the fundamental fallacies of the idea and to the impossibility of estimating the risks on a scientific insurance basis.

Our experience with such plans is as follows: New York State adopted a safety fund banking law in 1829. The fund became bankrupt in 1837, and the law was repealed. Eight States adopted guaranty laws between 1907 and 1917: Oklahoma, Kansas, Nebraska, Texas, Mississippi, South Dakota, North Dakota, and Washington. In each case the fund went bankrupt and the laws were repealed between 1923 and 1930. In several instances the deficits of the fund exceeded the total capitalization of the insured banks. The aggregate deficit of the eight amounted to about \$110,000,000. Bank failures increased in the States during the period that the guaranty funds were in force, although this was before the height of the depression. In Kansas, for example, 134 guaranteed banks failed, and of these the depositors of 5 were paid in full out of the banks' assets, depositors in 29 were paid in full out of the guaranty fund, those in 2 were partly paid out of the fund, and by that time the guaranty law was repealed with a large deficit. In Nebraska an assessment has been levied against the banks for the next 10 years to make up the deficit in the guaranty fund, and so forth.

Comment: It is noteworthy that the strongest proponents of deposit guaranty are legislators or officials from these States where guaranty laws were tried. Senator SHEPPARD, of Texas, for example, inserted in the RECORD for May 12, 1933, an article on the Texas bank guaranty in which it is asserted that there was no deficit in the guaranty fund that was discontinued in 1926, that all depositors were paid in full, at small cost to the member banks, that capital, surplus, and profits of the guaranteed banks increased rapidly, that the percentage of surplus and undivided profits increased, during the period, from 18.3 percent to 38.5 percent; and so forth.

Fourth. An insurance of deposits is the equivalent of a guaranty of loans, an endorsement of borrowers' notes, for payment to depositors is conditioned upon the collectibility of loans. Considered in this light it is economically fallacious. The repayment of loans is conditioned generally by influences beyond the control of the Federal Reserve System, floods, droughts, world economic conditions, foreign wars affecting trade, and so forth. In a sense, then the system would be placing itself at the mercy of external eventualities.

Fifth. At a time when strenuous efforts are made to balance the Budget this bill proposes to take from the Treasury \$150,000,000 to relieve depositors who make the error of placing their money in unsound institutions. It would be no less reasonable to appropriate money for the compensation of investors who have lost on defaulted securities. Banking reform should be directed at correcting past abuses, not subsidizing them.

Sixth. It is asserted that by preventing bank runs deposit insurance will prevent the failure of sound but insufficiently liquid banks. It has frequently occurred, however, that banks which have been closed have reopened again without being liquidated through cooperation between depositors and stockholders. Under a guaranty plan the depositors would have no personal interest in the reopening of a closed bank, with the result that whenever for any reason a bank closes it will be taken over by the Corporation, regardless of its actual condition, and liquidated. Liquidation is undoubtedly more wasteful and harmful to the business community than the restoration of impaired capital. Section 11 of the recent Luce bill authorizes the liquidating corporation therein established—similar to the previous Glass bill—to underwrite new issues of preferred capital stock in national banks whose capital shall have become impaired and fallen below 10

percent of deposits. A similar preventive of unnecessary bank liquidations would be a sound measure in preference to deposit guaranty.

Seventh. The National Banking Act already provides as much protection for bank deposits as is consistent with sound principles: The capital, surplus, and undivided profits of the bank; the stock of and the reserves in the Federal Reserve banks; the assets of the bank; the double liability of the stockholders; the regulations and examinations designed to assure liquidity and sound management.

Comment: The experience of the recent years indicates that these are insufficient and that they do not protect or preserve confidence in banks which possess these necessities to an adequate degree. As for the double liability law, it is negligible insofar as dividends to the depositors are concerned. Since 1865 the stockholders in suspended national banks have been assessed 66.79 percent of their liability and of this only 47.54 percent has been collected, or about 32 percent of the stockholders' total liability. Estimating deposits at 10 times as great as capital stock, this would mean a return of only 3.2 cents on the dollar. (Mr. STEAGALL in several places gives the rate of collection from stockholders as only 16 percent. I can find no authority for this. The above figures are taken from the 1931 Report of the Comptroller of the Currency.)

Eighth. Although the fear of bank runs tends, when it is acute, to have a deflationary effect through the desire to maintain great liquidity, the total absence of it promised by guarantists would, on the other hand, tempt banks to become less liquid than they should. Without the healthy anticipation of having to meet unusual withdrawals upon short notice—which might arise not through panic but as the result of local conditions—a bank might permit its assets to become frozen beyond the danger point.

Ninth. Past experience shows that whenever deposits are guaranteed, irresponsible banking ensues. Such measures remove the need for conservative operation in behalf of the depositors and substitutes speculative action for the profit of the stockholders. Externally, the sound and the speculative bankers are put on an equal basis and the value of character is cheapened. Within the banks, however, the conservative banker is at a disadvantage, for he will instinctively observe a caution no longer required by his moral obligations toward the depositors. Deposit guaranty is undoubtedly a guaranty of reckless banking, it is usually followed by increasing bank failures, and this in turn accelerates the depletion of the guaranty fund and its ultimate bankruptcy. Safety for the depositor can best be achieved by a unified branch banking system under competent bankers, strict examination and supervision, limitations as to interest rates and dividends until large surpluses are created, and responsibility placed where it belongs—on the officers and directors of the individual banks. A guaranty fund does not supplement but defeats these purposes.

Comment: For rebuttal of this "wildcat" point, see paragraph B-8 of this chapter.

Tenth. Not only would this measure force good banks to shoulder the burdens of the bad, but geographically it would force certain States to pay for the losses in others. For example, in 1924-5, 80 percent of the bank failures were in 15 agricultural States. But 6 industrial States would have had to bear nearly 65 percent of the losses, as the following excerpt from a table showing percentage of bank deposits by States will prove:

(Source: Celler extension of remarks, RECORD, May 25, 1932.)

Percentage of Nation's bank deposits	
New York.....	31.3
Pennsylvania.....	9.9
California.....	8.0
Illinois.....	6.9
Ohio.....	4.9
Michigan.....	3.8

Percentage of deposits in 6 States..... 64.8

Eleventh. The compulsory conversion of liquid assets equal to one half of 1 percent of deposits into a completely and

permanently frozen asset will work a hardship upon member banks and will tend to have a deflationary effect. This assessment upon member banks would be about equivalent to 2 percent of aggregate capital, surplus, and undivided profits, and more than 6 percent of the aggregate reserves of member banks. Banks whose capital and surplus bear a higher ratio to deposits than the average will contribute proportionately a smaller portion of them, while banks that can least afford the assessment, those whose weakness is evidenced by a ratio of capital and surplus to deposits lower than the average, will have to pay a proportionately higher amount.

Twelfth. The initial assessment of one half of 1 percent of deposits will probably be followed periodically by others in order to maintain, as required, the insurance fund at one fourth of 1 percent of aggregate deposits. Under present unfavorable conditions this drain upon member banks will be such that net additions to profits would be wiped out. The following is an excerpt from a table supplied by the Comptroller of the Currency at House deposit-guaranty hearings, 1932: Earnings and dividends of member banks, 1923-1931—I have not the figures for 1932—

	1923	1929, peak	1931
National banks.....	\$194,382,000	\$291,384,000	¹ \$55,054,000
State member banks.....	142,504,000	265,130,000	68,553,000
All member banks.....	336,886,000	556,514,000	13,499,000

¹ Loss.

Obviously, with a net addition to profit of only \$13,499,000 in 1931, these member banks cannot well afford to pay \$125,000,000 to the fund plus further assessment of unknown extent.

The effect of assessments, under this bill, upon small member banks may be shown by using again the table given on page 6 of this report consisting of a hypothetical income and expense account of a bank with \$100,000 capital and \$1,000,000 deposits, according to an article published in *Fortune*:

Earnings:	
Discounts and interest on investments.....	\$56,000
From various other sources and services.....	6,000
	\$62,000
Expenses:	
Interest on deposits ¹	\$28,000
Taxes.....	3,000
Other running expenses.....	7,000
Losses from bad loans.....	6,000
Dividends at 6 percent.....	6,000
	50,000
Left for salaries and reserves.....	12,000

The initial assessment upon a bank of this size would be \$5,000, with the probability of others to follow. Thus, with only \$7,000 left out of a year's earnings to cover salaries, such a bank would have nothing with which to build up its reserves. As a consequence it is much more likely to fail under slightly adverse conditions.

Thirteenth. The guaranty fund would compel member banks to build up two reserves, one of which would be controlled by another agency. Liabilities would be materially increased without any addition to assets. This would tend to unsettle banking conditions and to render the insurance fund self-destructive.

Fourteenth. Such a deposit guaranty would afford only a false sense of security, likely to be shattered whenever an economic crisis occurs. With deposits of more than \$25,000,000 in the Federal Reserve System, and with an insurance fund of \$414,000,000, we actually have \$1 in the fund to insure \$60 on deposit.

Fifteenth. The most casual examination shows that this so-called "insurance fund", arbitrarily established without

¹ The Glass bill prohibits the payment of interest on demand deposits and provides for a limitation of interest on time deposits. Senator GLASS estimates that this measure would save member banks \$259,000,000 annually, or more than enough to cover any assessments. The present House bill, however, is reported not to include such limitations upon interest.

adequate analysis of bank risks and losses, would not be sufficient to meet a major banking crisis without large additional assessments at a time when sound banks could least afford to meet them. (In this connection it should be borne in mind that the portion of the fund derived from the Treasury and from the surplus of the Federal Reserve banks is not replenishable from the same sources. Additional funds in the future would come from the member banks.) For example, in 1907, bank deposits aggregated \$15,358,215,000. In the banks that failed that year there were \$226,453,000 on deposit. An insurance fund of one half of 1 percent of deposits at that time would have amounted to only \$76,790,000, or only 34 percent of the deposit liabilities to be taken over. It follows, therefore, that heavy assessments upon banks would have been necessary at the time when they could least afford it. The deposits in failed banks in 1907 amounted to 15 percent of the aggregate capital stock of all banks at that time.

The inadequacy of the fund provided by this bill becomes especially striking when we consider what would have happened had it been in existence in 1921 and during the ensuing years. Approximately \$5,000,000,000 in deposits were involved in bank suspensions during the period—for the present purpose we may assume that practically all banks in the country would have been forced by the guaranty into the Federal Reserve System. A large portion of these failures was, as shown in chapter I, among smaller banks, in which deposits of more than \$10,000 to a single account were probably rare. We may, therefore, conservatively put the "insured-deposit liabilities" that would have been taken over at about \$3,000,000,000, or an amount exceeding the capitalization of all existing banks in 1921 and nearly equal to their present capitalization. Recently reported estimates fix the probable loss upon deposits in banks recently closed at about 50 percent. Mr. STEAGALL is quoted as predicting that losses to be sustained by such a fund would probably be only 25 percent of deposits in closed banks. On several occasions he has interpreted the reports of the Comptroller of the Currency as indicating losses to depositors in closed national banks as far below 20 percent. The American Bankers' Association puts it at less than 10 percent, and the Bankers' Monthly, February 1932, puts the loss at 11.6 percent in closed receiverships.

I cannot reconcile these figures, however, with the report of the Comptroller of the Currency for 1931. Probably they include secured and preferred liabilities. The Comptroller's figures are: Deposits at date of failure, \$314,854,705; dividends, \$220,382,118. This would indicate a loss to unsecured depositors of 30 percent. And it is generally conceded that losses in banks still in active receiverships will be much higher. It may consequently be asserted that had this fund been in operation during the past few years many of the banks that have survived would have been taxed out of existence and would have dragged down with them many still stronger banks. It must be remembered that the deposits in banks that failed during a single year, 1931, about equalled one third of the capital stock of all the banks in the country. A guaranty fund would have destroyed the survivors.

Sixteenth. The bill requires the annual readjustment of stock subscriptions to keep pace with the increase or decrease of deposits. This manifestly is the reverse of what would appear desirable. Periods of increasing deposits and prosperity are those when bank failures are least likely to occur. Yet the funds are then increased. When deposits are falling, on the other hand, bank failures become more frequent; yet, paradoxically, this is the time when the deposit insurance corporation is required to retire its stock and reduce its funds.

Seventeenth. If banks are compelled to subscribe to stock in the corporation, exchanging liquid assets for a frozen one, they should at least be entitled to representation upon the governing board of the corporation, and they should have priority in dividends and in the event of the corporation's liquidation. The authors of the bill take \$150,000,000 out of the Treasury, asserting that it originated in the Federal Reserve System and should be recaptured. Yet they propose

to give the Treasury more in dividends on this subscription than the member banks will receive on their compulsory investment.

Eighteenth. Advocates of this measure assert that it will bring nonmember State banks into the Federal Reserve System. It is more probable, however, that, in the interval between its passage and the taking effect of the insurance provision in 1934, it will achieve the destruction of nonmember banks, with the consequent economic distress in every part of the country. There are 7,000 of them licensed to operate under the emergency banking legislation and 4,000 more that are still closed, according to the Federal Reserve Bulletin for April. A large number of these are ineligible for membership in the Federal Reserve System or could not afford to meet the requirements. As soon as guaranty legislation covering member banks is passed, depositors throughout the country will withdraw their funds from State nonmember banks. This, of course, will mean the rapid contraction of credit and liquidation of loans.

Nineteenth. Another probable effect of the legislation is that, while weak banks will be striving to join the System, strong banks, unwilling to bear the burden of the insurance fund, and sure of their own stability, will be leaving the System.

Twentieth. Comptroller Pole, testifying before the House Banking and Currency Committee at hearings on the Steagall bill for deposit guaranty, expressed himself as follows:

This bill presupposes that our system of country banking stands in urgent need of a pronounced reform. With that diagnosis I am in complete accord. This bill also raises an implication of unification of our country banking system under Federal supervision and control. I am in favor of that in principle. But as to the method proposed by the bill to accomplish these results, namely, a guaranty of deposits in banks, I am unequivocally and unalterably opposed.

In my opinion the enactment of this bill would destroy the Federal Reserve System by driving the strong banks from it. It would lead to the closing of thousands of small State banks which cannot qualify as members of the Federal Reserve System. It would put a premium on incompetency and irresponsibility by rendering no longer necessary for the country banker to be concerned for the safety of his depositors.

I should say that to guarantee the deposits of 7,500 banks with the possible closing of 13,700 banks would by no means be a remedy for the present banking situation.

Mr. SMITH of Washington. Mr. Speaker, the passage of this bill to insure bank deposits is the result of a contest which has been waged for two decades. When the Federal Reserve Bank Act was written into law by a Democratic administration in 1913, 20 years ago, a provision to guarantee bank deposits was sponsored by John Sharp Williams, of Mississippi, for many years a leading Member of this body, and at that time a Member of the Senate, but his efforts were defeated in the Republican Senate by the machinations of a powerful lobby of eastern bankers. It has been said that this outcome was so disappointing to John Sharp Williams that he voluntarily gave up his seat in the Senate and retired from political life to his plantation in the Southland, where he spent a beautiful old age with his books and legion of friends.

However, a few years later a young Congressman, also from the South, the present able and distinguished chairman of the Banking and Currency Committee, the gentleman from Alabama [Mr. STEAGALL], took up the fight and has labored unceasingly during all the years since and in every session of Congress for the enactment of legislation to secure and safeguard the deposits of the people in the banks of the United States. Chairman STEAGALL and his committee colleagues are entitled to all the credit and honor which can be bestowed upon them for the consummation of this great reform.

The act as finally passed today amply protects the State banks and the sections to which some Members objected have been stricken or modified, although we did not succeed in limiting the salaries of the officials of the Federal Reserve banks, which I should like to have seen done. However, lawmaking is not an exact science, and every law leaves something to be desired and to be the subject of future consideration.

When we passed the Bank Emergency Relief Act on March 9, 1933, at the opening of this special session, I said:

Mr. Speaker, we must have a Federal guaranty of bank deposits law, so that the savings of our citizens and the money of our merchants and business men in all the communities of our land will be safe and secure. Not until such a Federal statute is passed and in force will complete confidence in our banking system be restored, nor the funds of the American people placed on deposit in the banks and enable the bankers to make loans to finance the transactions of business and industry in this country.

Mr. Speaker, I am pleased and gratified and take pride in the fact that in less than 3 months from the day on which I made this expression of the wishes and hopes of the people everywhere such a law protecting their bank deposits has been passed by a Democratic House of Representatives, and will be passed by a Democratic Senate and be signed by a Democratic President, Franklin D. Roosevelt, who is leading America into a new, a better, and a happier day.

Mr. AYERS of Montana. Mr. Speaker, it is a much-indulged habit of lawmakers to include several subjects in one bill, evidently with the idea in mind that a majority of the Members will be so determined to get one provision enacted that they will vote for all. That is the way the veterans of this country were crucified in a body on the cross of economy early in this session. We all know that injustices prevail in that some men draw unwarranted compensation, but those evils can be corrected, and the veterans are willing and anxious to correct them. Congress knows that, too, so I am fortified in asserting that the provisions of the economy bill, emasculating the veterans in general, would never have become law if those provisions had been put up independently.

Now we are confronted with a like condition in this bill which provides for the guarantee of bank deposits. The primary object of the bill is to guarantee bank deposits, but in it we find many amendments to the Federal Reserve law, none of which are germane to the primary subject of the bill and many of which are beneficial only to big banks, dividend dividers, coupon clippers, and tax dodgers. However, the bill comes on for consideration before the House under a different rule than the economy bill did, and I have faith that this House will, through the process of amendments and eliminations, cure the faults which are found in these collateral subjects.

SOME OF THE FAULTS OF THE BILL

Section 3 of this bill, which has no relation to the guarantee of bank deposits, is an attempt to divert, after all of the expense of the Federal Reserve System has been paid and after the stockholders have received an annual cumulative dividend of 6 percent, all of the balance of the earnings of this System have gone into private hands, without paying the Government a penny for its right to operate.

The subscribed and actual paid-in capital stock of the Federal Reserve System is \$150,217,000. That is its entire invested capital. And it shows a gross earning since 1913, when the System was begun, of \$1,020,000,000. This earning is set up by an item of expenditures of \$472,000,000, which includes the Federal Reserve bank buildings, all of which have become an asset of the System, and a second item of \$548,000,000 as net return. This item of net return is disposed of by \$120,000,000 paid-in dividends, \$279,000,000 transferred to the surplus account, and \$149,000,000 paid the Government as a franchise tax. The total of these amounts balances the \$1,020,000,000 gross earnings. The two items of dividends and surplus total \$399,000,000, all of which goes to the stockholders under the present program, and it equals 13.3 percent annual income on the investment of \$150,217,000. This percentage of income is surely adequate. Then why should we now permit this huge private banking system, fostered and protected by the Government in its earnings of over 13 percent, to escape that franchise tax?

If we are to measure the future by the ratio of the past 19 years that this system has been in existence, then that franchise tax will average \$7,842,105 per annum in the future, and if the law requiring its payment is repealed this money is then directed to the private stockholders, and it would make the earnings of this private banking system in-

crease from 13.3 percent to 18.52 percent, and the Government would be receiving nothing for this amazingly valuable franchise.

Now, Mr. Speaker, if this section 3 is kept in this bill, it will surely defeat the bill in its entirety, for this Congress undoubtedly will not deprive the people of this country of hundreds of millions of dollars in the future by giving to the bankers of this land this fabulously valuable franchise upon which the Government is entitled to this legitimate franchise tax.

ATTEMPT TO ELIMINATE DOUBLE LIABILITY ON BANK STOCK

Section 24 repeals the double liability of stockholders of national banks. This section by all means should be eliminated. The double liability of stockholders of national banks as provided by the present law should not be disturbed. A large number of States have double-liability laws for State banks, and the repeal of such law as to national banks would be an unfair discrimination against State banks. I anticipate the argument in favor of this repeal will be that the States can and should repeal their laws on double liability for State banks. But the State legislatures will not do so. The people are not for such repeal. The people of my State would not stand for it. The Governor of my State would not stand for it, and should the legislature in an unguarded moment pass such a law he would promptly veto it. Let us not create such a palpable discrimination between national and State banks.

ATTEMPT TO GIVE PRIVATE CORPORATION FREE USE OF MAIL

Section 305, page 57 of the bill, gives the deposit insurance corporation, which is to be set up under the guaranty provisions of the bill, the free use of the United States mails. Now this corporation, according to this bill, is not a Government corporation, it is a private corporation to be operated under the direction of the Government, and therefore it is no more entitled to the free use of the mails than is the Federal Reserve or any other private corporation. I hope we will not make the mistake of leading the people to believe that this is a Government corporation, and particularly let us not lead them to believe that to be a fact by giving this corporation the franking privilege of the mail. The people have already suffered a deception by having been led to believe that the Federal Reserve System is a governmental institution instead of a private system made of and for private bankers. The proposed deposit insurance corporation is to be a dividend-paying concern, and certainly should not have the free use of the mails. The mailing privilege should be paid before dividends are paid. The money paid for the mailing privilege is a part of the item of \$472,000,000 listed as expenditures of the Federal Reserve.

It is reported that last year the Federal Reserve paid over \$1,500,000 for postage, and it is not beyond a reasonable anticipation that this deposit-insurance corporation will in time reach that annual amount. Now, the question occurs, Shall such a Government donation be made to a dividend-paying private corporation? I do not believe this House will do so. It is not right and our postal treasury can ill afford it. There was a postal deficit last year of approximately \$200,000,000. This section 305 must be eliminated. Our Government could never permit dividend checks of private corporations to be mailed to stockholders in franked envelopes.

NECESSITY OF BANK-DEPOSIT GUARANTY

There can be no resumption of normal banking in this country without the guaranty of deposits. It is an undisputed fact that at least 90 percent of the business of the country is conducted with bank credit and with checks used as the medium of exchange.

The use of bank credit has declined to such a degree that it has about reached the vanishing point. The public is afraid to deposit its money in banks, and the banks operating along legitimate lines are afraid to use their deposits in the extension of bank credit for the support of business and trade; hence we stand on the zero point in this line of business, which affects all industries of this land. Bank credit must be resumed if we are to find our way out of our present difficulties. Credit cannot be extended again until

confidence on all sides is restored. Confidence cannot be restored until, first, the people know that their money is safe when deposited in a bank, and second, until they believe their money is safe when invested. Various States have tried various plans for guaranteeing bank deposits, but they have all failed, and the people will not have confidence in banks until the strong arm of the Government, either directly or indirectly, is back of the deposits. An absolute demonstration of this fact is revealed by a glance at the footings of the Postal Savings System.

The Postal Savings deposits of America on January 1, 1932, were \$597,000,000. On January 1, 1933, 1 year later, these deposits had increased to \$900,000,000, which increase amounted to \$25,250,000 per month for the calendar year 1932. These Postal Savings deposits had increased to \$1,157,000,000 on April 30, 1933, 4 months later, which means an increase of \$64,250,000 for each of these last 4 months. These figures were furnished me today by the Postal Savings Department, and they reflect a monthly increase for these last 4 months in excess of 250 percent over the monthly increase for the year 1932. The reason for this increase is "guaranty of deposit" on the part of the Postal Department and lack of that "guaranty" on the part of the banks.

This is conclusive evidence of what the people demand and what they must have if banking is to be revived. The sudden increase of postal deposits is justified under existing laws, or lack of laws, present-day conditions, and physical examples confronting us. A considerable percentage of bank deposits, and particularly in the agricultural districts, represents borrowings of the depositors. In a large percentage of such cases, if the bank closes, the borrower and depositor, who is one and the same person, loses 100 percent. To the casual observer or the person not familiar with the conditions, that statement seems absurd and impossible, for you will say the deposit will offset the loan, but I have seen quite the contrary happen many, many times. Here is one instance where it always happens: The borrower, a farmer, goes to the bank and borrows \$5,000, giving his note secured by his farm mortgage. He leaves the money in the bank to be checked out in payment of his debts and for operating expenses; the bank immediately sells the note and assigns the mortgage to a mortgage company or an insurance company; the bank closes before the checks have cleared.

The borrower thinks his account is balanced in the closed bank, thinks that his deposit will offset his note, but not so. He does not owe the bank. His note and mortgage are in the hands of an innocent purchaser for value. He must pay the note or his mortgage will be foreclosed, and he has already lost his deposit. One could hardly expect that borrower-depositor-loser to go through that same process again, but he does. A new bank is organized, the community is reported to be back of it, and he is loyal to his institutions and he is loyal to his community, and he tries it again, with the same result as before. Indeed, I have seen them try it as many as three times out in my country. They have been gamblers. But now they have decided that they have the wrong deck; they have entirely lost faith; they will not play longer. They have been hit from in front and kicked from behind, and we must not expect them to deposit their money in a bank again, for they have been repeatedly powder burned and now they are gun-shy. Oh, they must have a guaranty before they will make deposits any more, and it must not be a "make-believe" guaranty either.

GUARANTY MUST EXTEND TO SMALL BANKS

The Government must either make the guaranty itself or set up the machinery for it and stand back of such machinery and wield its strong arm in directing it, before public confidence will or can be restored, and such guaranty must extend to the small bank and the State bank as well as the big bank and the national bank.

Mr. Speaker, that the guaranty law must apply to the small bank and the State bank is absolutely necessary if we survive this dilemma. Since this bill has been introduced I have had dozens of letters and telegrams from my

State on the subject, cautioning against discrimination, and I shall transgress upon the time of the House to read just one letter which is typical of the others.

BASIN STATE BANK,
Stanford, Mont., May 19, 1933.

Hon. ROY E. AYERS,

Member of Congress, Washington, D.C.

MY DEAR JUDGE AYERS: Will you please send me copy of proposed Steagall bank bill, also proposed Glas bank bill? From press reports, if either of these bills is enacted in its present form it will put the little banks out of the running. If Senator GLASS has his way, deposit insurance will only extend to national banks and Federal Reserve members complying with the National Banking Act, which provides a minimum capital of \$50,000 in cities of less than 6,000 population. Now, with such a minimum, that would eliminate us unless we increased our capital to \$50,000, and who in this country would desire to invest in bank stock at this time?

I feel that the guaranty of deposits or the insurance of deposits is a good thing, but I do not feel that we should be eliminated from the provisions of the law simply because of our small capital when we are in all other respects qualified. I feel that there should be provisions so that the small banks could get in on the deposit-guaranty provisions under proper examination and without having to increase their capital to \$50,000.

In this State my information is that there are 56 banks capitalized at over \$50,000, and 92 banks capitalized at under that amount.

We have been hard hit for the past 13 years, and I sincerely hope that a law will be enacted that will help the little country bank as well as the larger banks. With sincere good wishes, I am,

Yours very truly,

N. B. MATTHEWS, Cashier.

Mr. Speaker, I have been pleased to advise this constituent that the Steagall bill included banks like the Basin State Bank, of Stanford, Mont., and that the press reports had been misleading.

PROVISIONS OF STEAGALL BILL

This bill first reforms our banking laws by restricting banks and bankers in making loans for speculative purposes and in the investment of bank funds. It then makes provision for insuring deposits both in national and State banks, regardless of size, which insurance it is believed will provide absolute indemnity against loss for depositors in banks insured. The bill does not provide that the Government shall guarantee the payment of the deposits, but it does provide and require that banks shall mutually guarantee the deposits of each other through the medium of a Government-controlled instrumentality designed for that purpose, to be known as the "Federal Bank Deposit Insurance Corporation."

The banks shall make such contributions to the insurance fund provided for, from time to time, as may be necessary to provide for the payment of all deposits in banks which may be closed; and that such contributions shall be made by the banks in proportion to the amount of their deposits. This seems to be an equitable adjustment for the maintenance of the fund.

It is claimed by the parents of this bill that the guaranty of bank deposits against loss provided by it is absolute in making the protection of the deposits complete, and, to see that this guaranty is continuously maintained, the Government has complete supervision and control of the machinery of guaranty.

The bill provides that the deposit-insurance corporation shall insure all deposits of all banks, regardless of size, joining it and complying with the conditions prescribed, and they do not have to have Federal Reserve membership.

If this bill is passed it will, on going into effect, automatically close every bank that does not join. No person will leave his deposit in a bank not guaranteed when he can place it in a bank that is guaranteed; hence the law must be safeguarded so as to include all banks that can qualify, whether they be large or small, State or National, and also whether they be members of the Federal Reserve or not. It is also absolutely necessary that the order of approval going out under this law be issued for all banks of a town, city, county, locality, or State, as the case may be, at one and the same time, for if this were not done it would greatly mitigate in favor of the bank getting the first order of approval, and

it would probably wreck the other banks of that particular town, city, or locality.

This bill proposes to guarantee all deposits to the extent of 100 percent for the first \$10,000, 75 percent of the next \$50,000, and 50 percent of the amount of all additional deposits. Provision is made that when a bank is closed the amount of the deposits insured shall be immediately available to the depositors.

The Deposit Insurance Corporation provided by this act is to have a capital stock to start with which is contributed by the Federal Reserve banks to the extent of one half of their surplus on January 1, 1933, which will amount to a little less than \$150,000,000, while each member bank is required to subscribe to the stock of the Corporation to the extent of one half of 1 percent of its total deposit liabilities. This will allow an additional sum of approximately \$150,000,000, in addition to which the Government shall subscribe \$150,000,000 for stock of the Deposit Insurance Corporation, thus providing about \$450,000,000 of original capital for it; further provision is made that it may issue notes, bonds, debentures, and other similar obligations in an amount aggregating not more than three times the amount of its capital.

This makes a starting reserve and credit of \$1,350,000,000 for the Deposit Insurance Corporation; then it is to be maintained by the mutual assessment which I have mentioned and, in addition to that, it is provided that whenever a bank increases its time and demand deposits it shall subscribe at the beginning of each calendar year for an additional amount of the capital stock of the Deposit Insurance Corporation, equal to one half of 1 percent of such increase in deposits. This is an adjustment to reach the increased deposits of the big banks.

I trust that when this bill has run the gantlet of the House and Senate the objectionable features will be eliminated so that it will be a bona-fide measure which can be identified as a law requiring the insuring and guaranteeing of deposits of all banks qualifying under it.

VALLEY FORGE

Mr. WHITTINGTON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by printing an address delivered by me on May 21 at Valley Forge.

The SPEAKER. Is there objection?

There was no objection.

Mr. WHITTINGTON. Mr. Speaker, under the leave to extend my remarks in the RECORD, I am inserting an address I delivered at Valley Forge, Pa., on Sunday, May 21, 1933, as follows:

The State Sundays in the Washington Memorial Chapel, erected at Valley Forge as a memorial to George Washington and the patriots of the Revolution, are commendable and should be inspiring. This is Mississippi Sunday, and in response to the invitation of the Rev. Dr. W. Herbert Burk, the originator, the builder, and the rector of the chapel, to Gov. Sennett Conner, I am honored to represent on this auspicious occasion both the Governor and the State of Mississippi.

We are descendants of pioneers. Many of the brightest and most promising young men of the Original Thirteen States sought fortune and fame in the other 35 States as they were organized as Territories or admitted into the Union as States. We are Americans. We are citizens of the Republic. We speak the same language. We have common creeds.

Many Pennsylvanians settled in Mississippi. They traveled down the Ohio and the Mississippi Rivers to Vicksburg and to Natchez, and thence frequently into the interior of the State. Some became eminent at the bar and renowned as statesmen. Others were leaders in education and planting. Christopher Rankin, a native of Pennsylvania, died while a Member of Congress from Mississippi and is buried in the Congressional Cemetery in Washington, D.C. A native of Pennsylvania, Robert J. Walker, as a Senator from Mississippi, was one of the outstanding statesmen of his time. He was a leading contender for the Presidency of the United States. As Secretary of the Treasury in the administration of James K. Polk, he was the author of the Tariff Act of 1846, known as "the Walker Tariff Act", probably the most satisfactory and successful tariff act ever passed by Congress.

Mississippi therefore gladly joins today with Pennsylvania in perpetuating the heroism of the patriots of Valley Forge. I believe in memorials and monuments. They encourage sacrifice. They stimulate patriotism. A nation without memorials, monuments, or anniversaries is a land without liberty and without freedom. The savage has no hero, nor has he any Fourth of July.

We are on holy ground today. We are on the most famous spot in the United States. Valley Forge is the Mecca of the American patriot. As long as men love liberty, so long will the sons of freedom make their pilgrimage to Valley Forge to renew their devotion to freedom and their loyalty to country.

In this valley and among these hills was the most celebrated encampment in the history of the human race. The 6 months at Valley Forge, from December 19, 1777, to June 19, 1778, marked the turning point not only in the War for Independence but in the contest for liberty throughout the world. As Salamis prepared for Marathon, so Valley Forge prepared for Yorktown. No bloody battle was fought here, but the poverty, the privations, the sufferings, the sacrifices, and the training placed the soldiers of Washington at Valley Forge among the immortals of all time. The legions of Caesar and the followers of Cromwell won no battle comparable to the victory of Valley Forge. The fate of the War for Independence rested here. The winter quarters at Valley Forge was the pivotal bloodless battle of the Revolution. It marked the end of short-term enlistments and secured enlistments for the duration of the war. It marked the end of State control of troops and saw the centralization of authority in the Commander in Chief.

THE COMMANDER

It takes loyal and trained soldiers, and a great general, for the success of any army. George Washington was the commander. He not only led the Army, but he led the people. There were Governors and there was a Continental Congress, but Washington typified the spirit of the War for Independence.

When the idolators and the debunkers are forgotten, Washington will continue the ideal American and the national hero. He came from English stock. He was from among the first families of the Colonies. Without college or university education, largely self-educated, Washington possessed a well-trained mind. His profession of surveyor or civil engineer stood him in good stead in his mission to the Northwest. He was prepared for leadership. He was trained in both war and government. He was a great administrator, for he was familiar with large affairs and was probably the wealthiest man of his time. He saved the survivors of Braddock's army and won fame in the French and Indian War. As colonel of the Virginia militia, he was the best-known soldier in all the Colonies. It was while serving as an aide to General Braddock that he made the statement, "My inclinations are strongly bent to arms."

He did not know the meaning of fear. After the fatal wounding of General Braddock, with two horses shot beneath him and four bullets through his coat, the young Virginia colonel took command and saved the remnant of the brilliant English army.

He was widely experienced in government. Although defeated when first a candidate, he was a member of the Virginia House of Burgesses for 15 years. He was in the Continental Congress when chosen Commander in Chief of the Revolutionary Army.

King George III was not an Englishman at heart. He was of German blood and third in descent from the House of Hanover. He asserted and exercised the divine right of kings. Washington knew the tyranny of King George. The petitions of the colonists for redress were heard over and over again. The protests against the tyranny of the English King constantly rang in Washington's ears. He was familiar with the debates, the petitions, and the protests. His personality and his character largely shaped and controlled the policies of the Colonies. Patrick Henry, on being asked to name the greatest man in the Continental Congress, replied: "If you speak of eloquence, Mr. Rutledge, of South Carolina, is by far the greatest orator, but if you speak of solid information and solid judgment, Colonel Washington is unquestionably the greatest man on the floor."

In the Virginia convention, when the British closed the port of Boston, Washington said: "I will raise 1,000 men, subsist them at my own expense, and march myself at their head for the relief of Boston." He knew that war was inevitable. He realized that only bloodshed could preserve the rights for which Jamestown was settled and Plymouth was founded.

Washington was elected Commander in Chief of the Revolutionary Army on June 15, 1775. He served for 8 years without compensation and stipulated that he would expect only reimbursement for his actual expenses. He was 43 years of age, and his heart and soul were in the cause. For 6 years, although frequently within a comparatively short distance of his beloved Mount Vernon, he never visited his home. Like all great men, Washington was humble. In accepting the appointment as Commander in Chief, he said: "I beg it may be remembered by every gentleman in the room that I this day declare, with the utmost sincerity, I do not think myself equal to the command I am honored with."

The War of Independence was not popular in England. It was in reality waged by King George III. Many of the leading English statesmen protested against the tyranny and injustice to the Colonies. There were no conscriptions in the English Army, and volunteers were lacking to fight their relatives across the seas. The English armies were made up largely of alien troops. There were many Hessians from the German provinces. It was the English policy to conscript only to repel invasion.

Lexington, Concord, and Bunker Hill were followed by defeat at Long Island. The British frequently defeated the Continental Army, but they never defeated George Washington. The campaign of Washington across New Jersey excited the praise of the great Frederick of Prussia and would have done credit to Napoleon. The Trenton-Princeton campaign marked Washington as

a military genius of the highest order. It is studied in the military schools of Europe.

There were enemies within as well as without. Enlistments were few. The army was dwindling. When Washington crossed the ice-filled Delaware on a dark and stormy night in Christmas 1776 and captured 1,000 hated Hessians at Trenton, after marching 9 miles in sleet and snow, new hope was inspired in the Colonies. The Hessians had plundered and pillaged in the British marches through New Jersey. They had become as Attila to the colonists. The brutalities and the ravages of the civilian population by the foreign Hessians brought defenders to Washington's cause. The success at Trenton and at Princeton brought renewed hope to the cause of independence.

The British had planned to separate New England from the South. At Stony Point and Kings Mountain the Continentals were braver than the bravest of the British. Ticonderoga had fallen and Burgoyne had surrendered at Saratoga. The British campaign in the Mohawk and Hudson Valleys in 1777 had failed. Lord Howe decided to abandon New York City and take possession of Philadelphia, the cradle of liberty and the capitol of the Colonies. He sailed from New York. Washington prepared to check his advance. The attacks of Washington at Brandywine and Germantown were defeats for the Continental Army. It was the darkest day of the Revolution when Lord Howe, with 15,000 trained British troops, took possession of Philadelphia in December 1777. Benjamin Franklin, then in Paris, when he heard that Howe had taken possession of Philadelphia, remarked: "No; Philadelphia has taken Howe." There were many Tories in Philadelphia as well as in the Colonies.

There have been greater generals and there have been greater statesmen, but no greater character than George Washington. The contemporaries of George Washington appreciated and admired his patriotism, justice, honesty, patience, courage, unselfishness, and tenacity. John Adams said: "I know him to be only an exemplification of the American character." Thomas Jefferson expressed the estimate of his day when he said: "It may truly be said that never did nature and fortune combine more perfectly to make a great man and to place him in the same constellation with whatever worthies have merited everlasting remembrance."

There was a great leader at Valley Forge. Never was leadership so imperative. The final victory was due to the great commander. If Washington had despaired at Valley Forge, not only the Colonies but humanity would have lost. Of his leadership and skill, Von Moltke said in Berlin in 1874: "You have in American history one of the great captains of all times. It might be said of him as it was of William the Silent, that he seldom won a battle but he never lost a campaign."

THE CONGRESS

There was no central authority. The States were supreme. They were jealous of their rights and of one another. Rivalry among the States and statesmen was the order of the day. The Government was as a rope of sand. The soldiers acknowledged allegiance only to the States. The operations of the commissary departments were worse than failures. The lack of transportation was tragic. The crops in the country were abundant and the supplies were ample. There were blankets and there was clothing, but they did not reach the Army.

The Continental Congress was the only semblance of a central government. The able men had left Congress for service in the States. Hancock had resigned. Samuel Adams was in Massachusetts. Jefferson and Henry were in Virginia. The Congress was without money and without credit. Coin found its way to Philadelphia and New York, both of which were in possession of the British. The Congress issued paper currency. It depreciated so much in value that it took \$2,000 in continental currency to buy an ordinary suit of clothes. Hence the origin of the expression, "not worth a continental."

Moreover, the Government was in flight. At one time Congress went to Baltimore, and then to Lancaster and finally to York. Quorums were frequently lacking. When there were sessions the Congress was either impotent or indifferent. The commissary department had utterly broken down. The statesmen frequently undertook to direct the Army. Failure always resulted. There were intrigues in the Congress and cabals in the Army. The Continental Army was handicapped by a vacillating, meddlesome, and inefficient Congress. The British Army was supported by a strong central government. There were both money and resources. Trained officers and trained soldiers were sent across the seas to vanquish Washington. They received much help at the hands of the loyal Tories.

THE ARMY

Thomas Paine, secretary of the Congressional Committee on Foreign Affairs, whose pamphlet *Common Sense* was thought to have influenced the Declaration of Independence, said, while Washington was in the winter quarters at Morristown, N.J., in 1776 and 1777, "These are the times that try men's souls." But conditions were worse in the winter quarters at Valley Forge in 1777 and 1778. On December 23, 1777, with 11,089 troops, Washington informed Congress that he had 2,898 men "unfit for duty because they are barefoot and otherwise naked", and he further said, "For want of blankets, many feign to sit up all night by the fires instead of taking comfortable rest." Again Washington wrote, "Naked and starving as they are, we cannot sufficiently admire the incomparable patience and fidelity of the soldiery."

Chief Justice John Marshall afterward wrote, "At no period of the war had the American Army been reduced to a situation

of greater peril than during the winter at Valley Forge. More than once they were absolutely without food. In February, 3,989 men in camp were unfit for duty for want of clothes. Of this number scarcely a man had a pair of shoes. Although the total of the Army exceeded 17,000 men, the present effective rank and file amounted to only 5,012 men." No better description of the miseries and sufferings of the winter can be found than in the words of Washington himself: "Without arrogance or the smallest deviation from truth, it may be said that no history now extant can furnish an instance of an army's suffering such uncommon hardships as ours has done, and bearing them with the same patience and fortitude. To see men without clothes to cover their nakedness, without blankets to lie on (for the want of which their marches might be traced from the blood from their feet), and almost as often without provisions as with them, marching through the frost and snow, and at Christmas taking up their winter quarters within a day's march of the enemy, without a house or a hut to cover them until they could be built, and submitting without a murmur, is a proof of patience and obedience which in my opinion can scarce be paralleled."

Valley Forge is known in every American home because of the red footprints of its soldiers. Years after the encampment, Washington told Dr. Gordon: "Through the want of shoes and stockings, and the hard-frozen ground, you might have tracked the men from White Marsh to Valley Forge by the blood of their feet." As he rode in the rear of his army toward Valley Forge, Washington demanded of the first officer he met, "How comes it, sir, that I have tracked the march of your troops by the bloodstains of their feet upon the frozen ground? Were there no shoes in the commissary's stores?"

The soldiers lacked not only food but clothes. Lafayette wrote: "They had neither coats, hats, shirts, nor shoes." Baron Steuben said: "The men were literally naked, some of them in the fullest extent of the word."

With Spartan spirit the soldiers built mud huts and log cabins for their winter quarters. Disease followed exposure. Of the 11,089 men who were encamped at Valley Forge on December 19, it is said that 3,000 died from exposure and from disease. None know the place of their burial. When it is recalled that in the 26 important engagements in the War of Independence only 9,000 lost their lives, the fatalities at Valley Forge can be fully realized. There is but a single monument to mark any of the graves of the heroes who perished. Only one simple stone is to be found to mark the burial place of the probable 3,000 who died here. There is a small stone to the memory of John Waterman, of Rhode Island. Deaths were so frequent that funeral services were finally abandoned.

It took more heroism to withstand the privations and sacrifices of the fierce snows and winds of winter at Valley Forge than to face bullets and bayonets. There was no attack. There was no march or countermarch, but only grips with disease, hunger, and poverty. It was worse than the trench or the dug-out of the World War, for it was 6 months and not 48 hours at Valley Forge. It was the proud boast of the single survivor of the soldiers of Leonidas that he was at Thermopylae. So it was the boast of Washington's patriots that they were at Valley Forge.

Suffering and sacrifice make kindred spirits. The soldiers from all the Colonies at Valley Forge drank from the same canteen. There is no bond comparable to the fellowship of soldiers.

"There are bonds of all sorts in this world of ours;
Fetters of friendship and ties of flowers,
And true lovers' knots, I ween;
The boy and girl are bound by a kiss,
But there never was a bond, my friends, like this;
We have drunk from the same canteen."

It was here the Continental Army first learned the meaning of the word "comrade." There were months of patient endurance and days of active drilling. There was no fighting, but there was martial faith and dauntless courage.

During the winter at Valley Forge the scheme to replace Washington with Gates, known as the "Conway Cabal", came to naught. Washington endured criticism and complaint with patience. From every contest and over every obstacle he emerged a greater and a nobler figure.

A majority of the newly assembled troops at Valley Forge were without training and organization. During the winter of 1777-78 Washington changed all this before 6 months had elapsed.

To add to the difficulties the Tories were active. Desertions were encouraged. The British troops in Philadelphia, watched by Washington, were being wine and dined by the loyal Tories. They spent the winter in ease and luxury, while gaunt hunger and dreaded disease brought deaths every day and night at Valley Forge.

The Liberty Bell in Philadelphia on July 4, 1776, proclaimed: "Liberty throughout the land and to the inhabitants thereof." The farmers of Massachusetts on the Commons at Lexington, April 19, 1775, "fired the shot that was heard round the world", but there were despair and gloom at Valley Forge. The troops were passing through the darkest nights of the Revolution. Lord North offered conciliation. His proposals for conciliation were made early in 1778, but Washington urged Congress not to be misled by them. He asserted: "Nothing short of independence, it appears to me, can possibly do." His soldiers caught his spirit and determined to die but never to surrender.

Winter quarters at Valley Forge did not mean idleness. Howe was kept in Philadelphia. The country was protected by the

army at Valley Forge. Washington was constantly watching the British. Deaths and desertions were more than made up by enlistments. The army was increased from 11,000 to 17,000. Long-term enlistments were inaugurated. There were daily drills. There was discipline. Washington was familiar with the English system. The dependence was upon the officer in the battle. The soldier was not emphasized. His training was overlooked. Washington capitalized the weakness of the British system. The conquering army must be a trained army.

As every cloud has a silver lining, so there were rays of hope at Valley Forge. Baron Steuben, of Prussia, with a decoration at the hands of the great Frederick, joined Washington at Valley Forge. He was a skilled soldier and a strict disciplinarian. He came to the Colonies in their hour of direst need. Washington appointed him major general and inspector of the Army. Discipline took possession of the entire encampment. He transformed volunteers into a trained army. It will not be forgotten that Frederick of Prussia was in sympathy with Washington in the Revolution. He forbade the Hessians crossing the borders of Prussia as they enlisted in the English Army for service in America.

To Valley Forge there came the gallant Lafayette, at 20 years of age. He had left the vine-clad hills of his native France to join Washington in the contest for liberty. He brought strength to a despairing cause and hope to a despondent army. The admiration of Lafayette and Washington was mutual. The friendship, begun when Washington was 46 and Lafayette was 20, continued until death.

In war as in peace the statesman and the diplomat have their place. The Army must always be supported by the people and by the Government. Benjamin Franklin, the greatest of American philosophers and the greatest of American diplomats, was in France while Washington was at Valley Forge. On February 6, 1778, the alliance with France was concluded at Versailles. The news brought rejoicing to the Army at Valley Forge. It brought inspiration to soldier and commander.

In the ranks there were great men. John Marshall was there, and he became the great Chief Justice. James Monroe, a future President of the United States, was among the soldiers at Valley Forge. There were conspicuous leaders among the officers. Steuben, from Prussia, and Lafayette, from France, have been mentioned. Washington's chief engineer was Brig. Gen. Louis du Portail, of France. Alexander Hamilton was the aide de camp of Washington. Nathaniel Greene, Anthony Wayne, John Laurens, and Richard Henry Lee, of cavalry fame, known as "Light Horse Harry", were among his trusted lieutenants.

Martha Washington and the wives of the officers were a benediction to the Army. Washington had forbidden dice and cards among the men. There were but few diversions. There were more important things to do. The women sewed, knitted, and nursed. There was no American Red Cross, and there was no Knights of Columbus. There was no Young Men's Christian Association. There were no movies, but Martha Washington and the wives of the officers were angels of mercy as they ministered to the sick and nursed the dying. There were the hardest of hardships. It was like the darkness before the dawn.

Reverence was encouraged. Washington was always interested in his chaplains. Both Army and commander put their confidence in God. It may be tradition, but I like to think of it as fact rather than fiction. It is said that Isaac Potts, at whose house Washington was quartered, one day while the soldiers were in camp at Valley Forge, strolled up the creek and when not far from his dam he heard a solemn voice. He walked quietly in the direction of it. He saw General Washington's horse tied to a sapling. In a thicket nearby was the beloved Commander in Chief upon his knees in prayer, his cheeks suffused with tears. Small wonder is it that Chatham, the English statesman, said, "You cannot conquer America."

It takes a great commander and great soldiers to make a great army. Training and discipline made armies then as now. Preparation is always essential to victory.

When the British evacuated Philadelphia in June 1778 Washington left Valley Forge in pursuit of Clinton, who had succeeded Howe. There were now 17,000 soldiers. They were well-trained and disciplined. Clinton was overtaken and defeated at Monmouth, notwithstanding the perfidy, if not the treason, of Charles Lee. Lafayette said of Washington at Monmouth, "I never beheld so superb a man."

THE MEANING

Nations have their Valley Forge in peace as well as war. The United States has been in the dark valleys of another Valley Forge for the past 3 years. As leadership snatched victory from the very jaws of defeat in 1778, so is leadership imperative in the world today. The world needs leadership of the Washington mold. Other leaders with passing fame vanish like bubbles that burst on the great ocean of time, but Washington is like the rock that borders the ocean, against which the billows roll and break, without injuring the rock. Of Washington it has been justly said, "He changed mankind's ideas of political greatness." The great commander at Valley Forge became the great President of the Nation.

The road to success always traverses the hills and valleys of suffering and of sacrifice. There must be sacrifice before victory. The valley ever leads to the hills. The cross always precedes the crown.

The forces of destruction are never idle. There are those today that would destroy. The evil tree ever grows by the side of the

good tree. The forces of wickedness are always arrayed against the forces of righteousness. There are intrigues today that would destroy liberty.

It is not enough to win liberty. It is just as important to maintain freedom as it is to fight for it. The oppressor is always selfish. As our forefathers fought for liberty, we must fight to make that liberty secure. As Goethe said: "In this world it is necessary that man should not only fight for his liberty; he must fight again and again to keep his liberty. He must be vigilant for liberty."

Amid hunger and suffering the patriots did not despair. They chose the hard way. Morale is as essential in the people as morale is important in the army. Napoleon said: "Morale is to the physical as 4 to 1." The spirit of defeatism would be as dangerous today as it was at Valley Forge. As Washington and his patriots did not despair, so Americans must carry on.

Other nations were not indifferent to the cause of the Colonies. Kosciusko came from Poland, Steuben from Prussia, and Lafayette from France. Without France, Yorktown would have been long delayed if not impossible. Today no nation can live unto itself. The good neighbor is honored among nations as among people. France, England, Germany, and the United States must be friends or civilization is in danger.

There was preparedness. We know that the best way to promote peace is to be prepared for war. Oliver Cromwell expressed the thought when he said, "Trust in God, but keep your powder dry." Washington was right when he said, "To be prepared for war is one of the most effectual means of preserving peace."

There were courage, faith, and confidence at Valley Forge. The need of our day and of our age is not more education, not more learning, but more courage and more faith. The world cries today for the justice that was exemplified in George Washington and for the faith and courage of Valley Forge.

Six months at Valley Forge not only created an army but made a Nation. The need for central government and authority was fully demonstrated here. The Union was born in the huts of Valley Forge. Valley Forge is responsible, in the language of Webster, for that "unity of government which constitutes us one people." The Commonwealth of Pennsylvania is fortunate in having within its borders Valley Forge, where the Union was born, and Gettysburg, where the Union was saved.

THE GLORY

Valley Forge has a glory all its own. It little matters whether we know the places of burial of the heroes who fell here. Who knows where Caesar's legions are buried? Who knows where the soldiers of Assyria are buried?

The heroism of the patriots of Valley Forge is celebrated in song and story. The memories of the winter quarters here are cherished in every household in the land. The best monument that America can erect to the heroes of Valley Forge is to exemplify in peace as well as war the courage and the faith of Washington and his army. If Washington could speak to America today, he would say again, "Well done, my patriotic Americans. The fire that stirred your fathers to high deeds for a high cause lives on in you. In you the same soul that made this country flames on to keep it safe."

Washington and the patriots looked beyond the valley and over the hills at Valley Forge to see the greatest nation in human history. We must look beyond the valleys of the depression and the hills of economic difficulty to the victory that will bring prosperity not only to the average and forgotten man of the United States but of the world.

The importance of the individual soldier was emphasized at Valley Forge. We are emphasizing today the opportunities and responsibilities of the individual citizen. Patriotism is as imperative in peace as in war. America needs today the spirit of the heroes of Valley Forge. There is the trumpet call on every hand to the life of hardship, discipline, and denial. We can find anew in this foremost shrine in the western world our spirit and our soul.

As the soldiers of the American Revolution were at their best at Valley Forge so should the citizens of the United States be at their best in distress and depression. It will be so if we have the spirit of Valley Forge.

There is a painting entitled "The Spirit of '76." Three figures are conspicuous. An old man, with white hair, with figure erect and eye aglow, is keeping step to the sound of his drum, which he is beating with all his might. On the right there is a middle-aged man, blowing his trumpet with all the force at his command and keeping step with the aged drummer at his right. On the left is a youthful drummer looking with admiration toward the old man, and evidently he is getting inspiration from the courage of the aged hero. The color bearers with the flag are behind the three. Following the flag there is a company of patriots marching with steady step and with the same high spirit that characterizes their leaders. In the extreme right corner of the picture there is still another figure. By the side of the broken wheel of a cannon there is a mortally wounded soldier, and as he lies there he waves his cap enthusiastically as his comrades advance to meet the enemy. In the picture, youth, middle age, and old age are animated by love of country. The spirit of patriotism is perpetuated in the celebrated painting. It is symbolic of the spirit of Valley Forge. As was said by the English historian, John Richard Greene, "The camp at Valley Forge is the noblest of Washington's triumphs." His troops never lost a battle after Valley Forge. As confidence in country and faith in God were victorious at Valley Forge, so will courage, faith, and confidence conquer today. Righteousness ever exalts a nation. In this historic shrine we

renew our faith in America and in the God of our fathers. We believe with Washington, "Standeth God within the shadows keeping watch above His own." If we commit ourselves and our common country to the keeping of the Almighty, who holds the fate of nations in the hollow of His hand, our destiny will be secure unto the remotest generations.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mrs. NORTON (at the request of Mr. BYRNS), for 1 week, on account of illness; and

To Mr. BRUNNER, for 2 days, on account of important business.

A PROTEST AGAINST HITLER'S PERSECUTION OF THE JEWS

Mr. SWICK. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include a short address on the persecution of the Jews.

The SPEAKER. Is there objection?

There was no objection.

Mr. SWICK. Mr. Speaker, the cause of liberty, freedom, and justice, three of the most important parts of modern civilization, has received its most recent blow at the hands of Adolph Hitler and his Nazi dictatorship in the German Republic, and subsequent persecution of the Jews.

In this day of enlightenment the atrocities perpetrated on the Jewish people in Germany recall the Dark Ages at a time when a troubled world is endeavoring to cultivate good will and cooperation among all nations and races. No man or woman, be they Christian or Jew, who is an American can be indifferent to this menace to civilization. The pages of history record the fact that religious discrimination does not confine its attacks to one people or creed; all have at one time or another been the victims of its blind abuse.

The world looks to America for leadership. Americans everywhere recognize the right of every human being to worship God as they please; we are a God-fearing people. Such action as that of Hitler against any group of people in the world is revolting to our sense of justice. The successful culmination of our efforts for world peace depends on our ability to disperse the forces of fear and hate; we must banish intolerance and persecution if we are to draw the nations of the world together in brotherhood and fellowship; otherwise civilization will fail.

Mr. BYRNS. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

The SPEAKER. Is there objection?

Mr. McGUGIN. I object.

Mr. BYRNS. If the gentleman insists on that objection, we will have to stay here 1 hour longer tomorrow, because it is the purpose of the House to act on this bill tomorrow. I hope the gentleman, in deference not only to this side of the House but to the other side of the House, will agree that we shall meet at 11 o'clock.

Mr. McGUGIN. I insist on my objection.

ADJOURNMENT

Mr. BYRNS. Mr. Speaker, I move that the House do now adjourn, with notice that we will stay here until we finish this bill tomorrow.

The motion was agreed to; accordingly (at 6 o'clock and 33 minutes p.m.) the House adjourned until tomorrow, Tuesday, May 23, 1933, at 12 o'clock noon.

COMMITTEE HEARING

COMMITTEE ON IMMIGRATION AND NATURALIZATION

(Tuesday, May 23, 10 a.m.)

The Committee on Immigration and Naturalization will hold hearings Tuesday, May 23, at 10 o'clock a.m., at Room 305, Old Office Building, on H.R. 5630.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. RUFFIN: Committee on the Judiciary. H.R. 5690. A bill to legalize the manufacture, sale, or possession of 3.2-

percent beer in the State of Oklahoma when and if the same is legalized by a majority vote of the people of Oklahoma or by an act of the Legislature of the State of Oklahoma; without amendment (Rept. No. 154). Referred to the House Calendar.

Mr. MITCHELL: Committee on Agriculture. H.R. 3511. A bill to authorize the creation of game refuge in the Ouachita National Forest in the State of Arkansas; without amendment (Rept. No. 155). Referred to the Committee of the Whole House on the state of the Union.

Mr. AYERS of Montana: Committee on the Public Lands. S. 604. An act amending section 1 of the act entitled "An act to provide for stock-raising homesteads, and for other purposes," approved December 29, 1916 (ch. 9, par. 1, 39 Stat. 862), and as amended February 28, 1931 (ch. 328, 46 Stat. 1454); without amendment (Rept. No. 156). Referred to the Committee of the Whole House on the State of the Union.

Mr. O'CONNOR: Committee on Rules. H.Res. 156. Resolution providing for the consideration of S. 1094, an act to provide for the purchase by the Reconstruction Finance Corporation of preferred stock and/or bonds and/or debentures of insurance companies; without amendment (Rept. No. 157). Referred to the House Calendar.

Mr. CONNERY: Committee on Labor. H.R. 4559. A bill to provide for the establishment of a national employment system and for cooperation with the States in the promotion of such system, and for other purposes; with amendment (Rept. No. 158). Referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of Rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. HOWARD (by departmental request): A bill (H.R. 5739) to facilitate a more economical administration of forest and grazing lands on Indian reservations: to the Committee on Indian Affairs.

By Mr. STEAGALL: A bill (H.R. 5740) to amend section 13 of the Federal Reserve Act, as amended, approved December 23, 1913, relating to acceptances of drafts or bills of exchange by member banks and the discounting thereof by Federal Reserve banks, and for other purposes; to the Committee on Banking and Currency.

By Mrs. NORTON: A bill (H.R. 5741) to amend an act entitled "An act to incorporate the Mount Olivet Cemetery Co. in the District of Columbia"; to the Committee on the District of Columbia.

Also, a bill (H.R. 5742) to amend an act entitled "An act to provide for the expenses of the government of the District of Columbia for the fiscal year ending June 30, 1914, and for other purposes, approved March 4, 1913", and for other purposes; to the Committee on the District of Columbia.

By Mr. MARTIN of Oregon: A bill (H.R. 5743) relating to the retirement of the late senior member of the Board of Engineers for Rivers and Harbors; to the Committee on Military Affairs.

By Mr. KVALE: A bill (H.R. 5744) to promote employment of adult labor by preventing interstate commerce in the products of child labor, and for other purposes; to the Committee on Labor.

By Mr. DIMOND: A bill (H.R. 5745) granting abandoned public buildings and grounds at Sitka, Alaska, to the Territory of Alaska, and for other purposes; to the Committee on Public Buildings and Grounds.

By Mr. AYERS of Montana: A bill (H.R. 5746) for the relief of certain homeless Indians in the State of Montana, and for other purposes; to the Committee on Indian Affairs.

Also, a bill (H.R. 5747) to authorize appropriations for the completion of the public high school at Frazer, Mont.; to the Committee on Indian Affairs.

By Mr. McFADDEN: Resolution (H.Res. 154) to request certain information from the Secretary of the Treasury; to the Committee on Ways and Means.

By Mr. McSWAIN: Resolution (H.Res. 155) providing for the consideration of H.R. 5645; to the Committee on Rules.

By Mr. O'CONNOR: Resolution (H.Res. 156) providing for the consideration of S. 1094, an act to provide for the purchase by the Reconstruction Finance Corporation of preferred stock and/or bonds and/or debentures of insurance companies; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. FORD: A bill (H.R. 5748) granting a pension to Matilda Keeney; to the Committee on Pensions.

Also, a bill (H.R. 5749) granting an increase of pension to Elizabeth Gates Perry; to the Committee on Pensions.

By Mr. GRAY: A bill (H.R. 5750) granting an increase of pension to Indamora Francis; to the Committee on Invalid Pensions.

Also, a bill (H.R. 5751) granting a pension to Catherine Stout; to the Committee on Invalid Pensions.

Also, a bill (H.R. 5752) granting a pension to Hannah C. Adamson Hoke; to the Committee on Invalid Pensions.

By Mr. GASQUE: A bill (H.R. 5753) granting a pension to Rufus E. Davidson; to the Committee on Pensions.

Also, a bill (H.R. 5754) granting a pension to Coile Lynch; to the Committee on Pensions.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1140. By Mr. BEITER: Petition of Erie County committee, American Legion Auxiliary, Buffalo, N.Y., protesting against proposed reduction in strength, personnel, and training of the Army, Navy, and Marine Corps, and protesting recognition of Soviet Russia; to the Committee on Appropriations.

1141. By Mr. CARTER of California: Senate Joint Resolution No. 19 of the Senate of the State of California, relative to approval by the President of the United States of a project for the completion of the John Muir Trail under the provisions of act of Congress approved March 31, 1933; to the Committee on Roads.

1142. Also, resolution of the Senate of the State of California, relative to memorializing Congress to exempt from the provisions of legislation limiting hours of labor to 30 hours a week people engaged in the mining industry; to the Committee on Labor.

1143. By Mr. CHAPMAN: Resolution of the board of directors of Frankfort (Ky.) Chamber of Commerce, May 18, 1933, requesting the support of the Congress of a resolution to be sponsored by Sgt. Alvin C. York for the purpose of making a Federal highway from Sault Ste. Marie, Mich., to Fort Myers, Fla., a national memorial highway in memory of the late President and Chief Justice William Howard Taft; to the Committee on Roads.

1144. By Mr. CHURCH: Petition signed by members of the Women's Foreign Missionary Society of the First Methodist Episcopal Church of Fresno, Calif., protesting against citizens' military training camps and military training in schools; to the Committee on Military Affairs.

1145. By Mr. FOSS: Resolution of the City Council of Boston, Mass., opposing transfer of tradesmen from Philadelphia Navy Yard to Boston Navy Yard to work on the new destroyer now in process of construction; to the Committee on Naval Affairs.

1146. Also, resolution adopted by the City Council of Boston, Mass., favoring a study of the entire matter of veterans' legislation; to the Committee on World War Veterans' Legislation.

1147. Also, resolution of the mayor and City Council of the city of Marlborough, Mass., favoring a study of the entire matter of veterans' legislation; to the Committee on World War Veterans' Legislation.

1148. Also, resolution adopted by the City Council, Cambridge, Mass., memorializing Congress to enact House Joint

Resolution 151 and issue a special series of postage stamps in honor of Gen. Thaddeus Kosciusko sesquicentennial anniversary; to the Committee on the Post Office and Post Roads.

1149. Also, letter from the chairman, Boston congress committee, American-Jewish Congress, Boston, Mass., calling attention to the outrageous treatment and conduct against the Jews in Germany; to the Committee on Foreign Affairs.

1150. Also, resolution of the Order of Railroad Telegraphers, adopted at their convention in the city of Montreal, Quebec, opposing passage of the bill known as the "Emergency Railroad Transportation Act, 1933", submitted by the president of the Order of Railroad Telegraphers, St. Louis, Mo.; to the Committee on Interstate and Foreign Commerce.

1151. By Mr. JOHNSON of Texas: Telegram from R. L. Wheelock, J. L. Collins, W. C. Stroube, and H. R. Stroube, of Corsicana, Tex., opposing an increase in the tax on gasoline; to the Committee on Ways and Means.

1152. By Mr. KENNEY: Petition of Federation of Jewish Organizations of Bergen County, that it is the unanimous opinion of the Federation of Jewish Organizations of Bergen County that the United States Government be called upon in this critical moment, in the lives of the Jews of Germany, to act and officially use its good offices to speedily bring to an end the persecution and outrageous practices perpetrated against members of our faith residing in Germany, and to the end that they may be restored to their former status and the enjoyment of all of the privileges previously enjoyed by them and that the Congress of the United States increase the quota of German Jewish immigrants seeking admission to this country, so that they may be able to find refuge here from the intolerance they are now made to endure in Germany; to the Committee on Foreign Affairs.

1153. By Mr. KVALE: Petition of Watonwan County Legislative Committee Farm Bureau, St. James, Minn., urging refinancing of farm mortgages at low interest rate and controlled inflation; to the Committee on Agriculture.

1154. Also, petition of St. Paul (Minn.) Lodge, No. 122, Brotherhood of Railroad Trainmen, vigorously opposing legislation to establish a national coordinator for railroads in the United States; to the Committee on Interstate and Foreign Commerce.

1155. Also, petition of Waseca (Minn.) American Legion Post, No. 228, opposing the Economy Act as it affects veterans; to the Committee on Economy.

1156. Also, petition of Brotherhood of Railroad Trainmen in Minnesota, urging enactment of House bill 4876; to the Committee on Interstate and Foreign Commerce.

1157. Also, petition of Waseca (Minn.) Post, No. 228, urging economy of the United States Government through discontinuance of position of postmaster in offices under population of 25,000, of subsidies to shipping and air lines, and so forth; to the Committee on Economy.

1158. By Mr. LINDSAY: Petition of Laundryowners National Association of the United States and Canada, Joliet, Ill., approving program of intra-industry cooperation through established national trade association; to the Committee on Interstate and Foreign Commerce.

1159. Also, petition of Brotherhood of Railroad Trainmen, New Haven, Conn., opposing prospective railroad legislation; to the Committee on Interstate and Foreign Commerce.

1160. By Mr. MALONEY of Connecticut: Petition relating to the tragic situation of the Jews of Germany; to the Committee on Foreign Affairs.

1161. By Mr. RUDD: Petition of Laundryowners National Association of the United States and Canada, Joliet, Ill., favoring the President's recommendations for intra-industry cooperation with the Government through established national trade associations; to the Committee on Ways and Means.

1162. Also, petition of Brotherhood of Railroad Trainmen, New York, New Haven & Hartford Railroad system, New Haven, Conn., favoring amendments to the proposed railroad legislation as proposed by the Railway Labor Executives Association; to the Committee on Interstate and Foreign Commerce.

SENATE

TUESDAY, MAY 23, 1933

(Legislative day of Monday, May 15, 1933)

The Senate sitting as a court for the trial of articles of impeachment against Harold Louderback, judge of the United States District Court for the Northern District of California, met at 10 o'clock a.m., on the expiration of the recess.

The managers on the part of the House of Representatives appeared in the seats provided for them.

The respondent, Harold Louderback, with his counsel, Walter H. Linforth, Esq., and James M. Hanley, Esq., appeared in the seats assigned to them.

PROCLAMATION

The VICE PRESIDENT. The Sergeant at Arms will proclaim the Senate sitting as a Court of Impeachment in session.

The Sergeant at Arms made the usual proclamation.

THE JOURNAL

The legislative clerk proceeded to read the proceedings of the Senate sitting as a Court of Impeachment for the calendar day of Monday, May 22, when, on motion of Mr. ASHURST and by unanimous consent, the further reading was dispensed with, and the Journal was approved.

FURTHER CROSS-EXAMINATION OF G. H. GILBERT

The VICE PRESIDENT. Are counsel prepared to call another witness?

Mr. LINFORTH. Mr. President, the witness Gilbert was still under cross-examination when the court took a recess yesterday afternoon. I should like the cross-examination to be completed before I call the last witness for the respondent, so that we may know what, if anything, we may have to meet in that testimony.

The VICE PRESIDENT. Call the witness.

G. H. Gilbert, having been previously sworn, was further cross-examined as follows:

By Mr. Manager SUMNERS:

Q. Mr. Gilbert, will you state to the court the exact time when you got information of your appointment as receiver in the Faegol Motors Co. case?—A. To the best of my recollection it was at 1:30 or 2 o'clock p.m.; around 2 o'clock p.m.

Q. Where were you when you received that information?—A. At home; I think I was at home.

Q. How often were you paid compensation for your receivership services?—A. In the Faegol case I was paid only one time; at the termination of the receivership, about a month later than the termination.

Q. Can you indicate the exact date of that payment?—A. No; I cannot give you the exact date; it was sometime in August of 1932; about a month, possibly a little over a month, after the termination of the receivership.

Q. Mr. Gilbert, who notified you that you were to be appointed in the Faegol Motors Co. case?—A. I received a telephone call. I did not ask who was speaking, but I assumed it was Judge Louderback's secretary, Miss Berger; it was a lady talking.

Q. What did she say to you, briefly?—A. She said that I had been appointed receiver in the Faegol matter and to report to the judge's chambers.

Q. How long before that time, if at all, had you discussed receivership appointments with Judge Louderback?—A. I do not recall having any discussion with the judge on receivership matters since the Prudential Holding Co. case. That was a case I was previously in, the last case prior to the Faegol case. That is the only time I recall having any discussion with the judge on such matters.

Q. There is one matter that is not quite clear—in my mind, at least—and that is just how you came to choose Dinkelspiel & Dinkelspiel instead of John Douglas Short, who, you indicated, was your preference?—A. In the Sonora case, do you refer to?

Q. That is right. The first case you had Dinkelspiel & Dinkelspiel as attorneys.—A. Well, the circumstances were

substantially as follows: I reported to Judge Louderback's chamber and I met Mr. Dinkelspiel in Miss Berger's office, the first time I met Mr. Dinkelspiel, and he said that he was representing the Irving Trust Co. and was already in the case.

Q. Are you sure he said he was representing the Irving Trust Co.?—A. Yes, sir; I am.

Q. You cannot be mistaken about that?—A. No; I do not see how I could possibly be mistaken in that.

Q. Did you find out afterward whether, as a matter of fact, he was representing the Irving Trust Co.?—A. Yes, sir; he was. His firm had filed the petition, I believe, for the ancillary receivership at the instigation of the Irving Trust Co. I went to Mr. Dinkelspiel and qualified, and later, after a conversation with Judge Louderback, who told me that he could see no need for any additional counsel, that Mr. Dinkelspiel was already in the case. I accepted Mr. Dinkelspiel and signed the petition to the court for him to be my counsel.

Q. Do you not know, as a matter of fact, to refresh your memory, that Dinkelspiel & Dinkelspiel represented three persons who—A. Creditors.

Q. Yes; three creditors who sought to have this ancillary receivership established in that court; and that the attorneys who sent down the claims were in opposition to the attitude of the Irving Trust Co. in regard to the matter?—A. I believe that is correct, on second thought. Mr. Dinkelspiel was already identified with the case. However, I was willing to accept him on the judge's suggestion that he was already identified with the case, and he did not see any need for any additional expense of counsel in the matter.

Mr. Manager SUMNERS. That is all.

Further redirect examination by Mr. LINFORTH:

Q. Mr. Gilbert, in the 8 years that Judge Louderback was judge of the State court and the 5 years that he was judge of the Federal court, in how many matters were you appointed receiver?—A. One in a State matter and four in the Federal.

Mr. LINFORTH. That is all.

The VICE PRESIDENT. The witness will be excused.

CALIFORNIA CODE—ESTABLISHMENT OF RESIDENCE

Mr. LINFORTH. Mr. President, we now offer in evidence subdivisions 2 and 7 of section 52 of the political code of the State of California, bearing on the question of residence. I desire to read those two subdivisions.

2. There can only be one residence.

7. The residence can be changed only by the union of act and intent.

EXAMINATION OF THE RESPONDENT, HAROLD LOUDERBACK

Mr. LINFORTH. Please call the respondent, Harold Louderback.

The respondent, Harold Louderback, was duly sworn by the Vice President.

Mr. ASHURST. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	George	McGill	Sheppard
Austin	Gore	McKellar	Thomas, Okla.
Bachman	Hale	McNary	Thomas, Utah
Black	Hastings	Murphy	Trammell
Bratton	Hayden	Norris	Vandenberg
Brown	Keyes	Patterson	Van Nuys
Capper	King	Pope	Wagner
Clark	La Follette	Robinson, Ark.	White
Frazier	Logan	Russell	

Mr. ROBINSON of Arkansas. I wish to announce that the Senator from New York [Mr. COPELAND] is necessarily detained from the Senate.

The VICE PRESIDENT. Thirty-five Senators have answered to their names. A quorum is not present. The clerk will call the names of the absent Senators.

The legislative clerk called the names of the absent Senators and Mr. CAREY answered to his name when called.

Mr. ASHURST. Mr. President, I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The VICE PRESIDENT. The question is on the motion of the Senator from Arizona.

The motion was agreed to.

The VICE PRESIDENT. The Sergeant at Arms will carry out the order of the Senate sitting as a Court of Impeachment.

Mr. HATFIELD, Mr. DUFFY, Mr. CONNALLY, Mr. HEBERT, Mr. NYE, Mr. DALE, Mr. McCARRAN, Mr. HARRISON, and Mr. SMITH entered the Chamber and answered to their names.

The VICE PRESIDENT. Forty-five Senators have answered to their names. There is not a quorum present.

Mr. ASHURST. Mr. President, I move that the Sergeant at Arms be directed to compel the attendance of absent Senators.

The VICE PRESIDENT. The question is on the motion of the Senator from Arizona.

The motion was agreed to.

The VICE PRESIDENT. The Sergeant at Arms will execute the order of the Senate.

Mr. ASHURST. I desire to announce that the following-named Senators are necessarily detained on official business in a hearing before the Committee on Banking and Currency: Mr. FLETCHER, Mr. GOLDSBOROUGH, Mr. TOWNSEND, Mr. COUZENS, Mr. STEIWER, Mr. ADAMS, Mr. McADOO, Mr. BYRNES, Mr. REYNOLDS, Mr. COSTIGAN, Mr. BULKLEY, Mr. BARKLEY, and Mr. BANKHEAD.

Mrs. CARAWAY, Mr. DICKINSON, and Mr. STEPHENS entered the Chamber and answered to their names.

The VICE PRESIDENT. Forty-eight Senators have answered to their names. A quorum is present.

Do Senators desire to dispense with the further execution of the last order made by the Senate?

Mr. ASHURST. I ask unanimous consent that the order just made, compelling the attendance of absent Senators, may be vacated.

The VICE PRESIDENT. Is there objection? The Chair hears none. Counsel will proceed.

The respondent, Harold Louderback, having been sworn, was examined and testified as follows:

By Mr. LINFORTH:

Q. You are the respondent in this proceeding?—A. I am.

Q. How old are you?—A. I am 52 years old.

Q. Where were you born?—A. I was born in San Francisco, Calif.

Q. Who were your parents?—A. My father was Davis Louderback. He was born in Philadelphia, Pa.

Q. And your mother?—A. Frances Caroline Smith Louderback. She was born in San Francisco, Calif.

Q. Are they what we term pioneers of the State of California?—A. My mother was of pioneer stock, her parents being pioneers. My father was brought as a small boy to California, and arrived in San Francisco September 15, 1849; so he was of pioneer stock.

Q. Where were you educated?—A. I was educated in the public schools in the city of San Francisco up to the grammar grade, and began my course at the high school in San Francisco, when my affliction of asthma, which I have had a chronic condition of since I was about 4 years old, caused me to be sent away into the mountains. I went to Reno, Nev., where I graduated from the high school, attended the University of Nevada, and in 1905 graduated from that institution with the degree of bachelor of arts.

Q. Did you then follow any further line of education?—A. I then attended the Harvard Law School of the Harvard University, and graduated from that institution in 1908 with the degree of bachelor of laws.

Q. Subsequently to that were you admitted to practice as an attorney and counselor at law?—A. I was. I was first admitted to the Sussex County bar of Massachusetts in 1908; and the same year, in September, I was admitted to the Supreme Court of the State of California.

Q. Where did you practice your profession?—A. In San Francisco, Calif.

Q. Did you practice your profession continuously from the time of your admission to the Supreme Court of the State of California down to the time of your election as

one of the judges of the Superior Court of the State of California?—A. I did, excepting for the period of the war. The day after war was declared I volunteered my services, attended the first officers' training camp, received a commission, and remained in the service until December 1918, at which time I was discharged, a captain of artillery. I did not get across, but I was in an overseas outfit, the Fortieth Artillery. I commanded Battery F. We got as far as Camp Upton, and were within 3 days of embarking from Hoboken when the armistice was declared.

Q. During the time that you were engaged in the practice of the law, with what firms were you connected?—A. I was connected with the firm of Mastick & Partridge, which firm has furnished three United States district judges for the northern district of California—Mr. Van Fleet, Mr. John Partridge, and myself.

Q. When were you elected one of the judges of the Superior Court of the State of California?—A. In November 1920 I was elected a judge of the superior court of the city and county of San Francisco. I went into office the first Monday in January of the year succeeding.

Q. And that was for a term of how long?—A. For a term of 6 years.

Q. Were you then reelected at the end of that term?—A. Yes. In November 1926 I was elected for a further term of 6 years.

Q. How long did you serve under that term?—A. I served until April 30, 1928, when I qualified as judge of the District Court of the United States for the Northern District of California.

Q. Have you been occupying that position ever since?—A. I have.

Q. Briefly, can you state what judges, if any, recommended you to that appointment?—A. Chief—

Mr. Manager SUMNERS. Mr. President, I do not know the purpose of this testimony. The counsel for the respondent is now asking by whom he was recommended as proper material to be Federal judge of the northern district of California.

Mr. LINFORTH. May I add just a word, Mr. President? I want to be very brief. I just want the witness to state, for the information of the trial court, those who sponsored him who were judges at the time of his appointment.

The VICE PRESIDENT. It does not occur to the Chair that the Senate is particularly interested about who recommended the judge. The important fact is that he was appointed and confirmed by the Senate.

Mr. LINFORTH. Then I withdraw the question.

By Mr. LINFORTH:

Q. Would you please state, in your own way, but briefly, your relations with W. S. Leake from the time you first became acquainted with him down to the 21st of September 1929?—A. I heard my father and others speak of Mr. W. S. Leake prior to 1918, but I met Mr. Leake in that year. My aunt, who lived at the Fairmont Hotel from 1914 until her death, in 1929, made her residence at the Fairmont Hotel. I visited her in 1918, and through her was introduced to Mr. W. S. Leake. I had a casual, friendly acquaintance with Mr. Leake from that time up to about 1926, at which time I was a candidate for a second term for the position of judge of the superior court. At that time our friendship became more close. He gave me many helpful suggestions in connection with my campaign at that time. The following year I was selected by my associated judges, there being 16 departments of the superior court in San Francisco, as the presiding judge of that court, and during that year that I was presiding judge I gave Mr. W. S. Leake six or seven small receiverships. The total amount of fees which I gave, and the judges in whose departments the cases afterward went gave, was less than \$1,000. I also gave him two appraiserships, one an appraisership in connection with a homestead, in which he received \$5, and another appraisership which was the estate of Brickell, which I recall very well, as it was a contest over a will, and the estate amounted to over \$1,000,000, and I believe Mr. Leake received a fee, or, rather, received compensation of \$500 in that case.

Q. Would you state, in your own way, briefly, how you came to reside at the Fairmont Hotel, and the manner in which your bills at that hotel were paid?—A. Due to certain domestic difficulties, on September 21, 1929, I left my home at 666 Post Street, and I went up to the Fairmont Hotel with the intention of securing a room there. When I arrived at the hotel I came in contact with Mr. W. S. Leake. I told him of my difficulties, and I did not care to have my domestic affairs to become notorious at that time, and said that I was afraid that when I registered the newspapers would come out with a statement that Judge Louderback was registered at the Fairmont Hotel and his wife was still living at the family home. He said that he had a room in the Fairmont Hotel, a cheap room, in the bachelors' section, which he had been using on occasions to rest during the illness of his wife, which had been going on for some time, and he suggested that I could take that room if I wished, which was in his name; that he could arrange with the hotel authorities in that way, and that I would not, therefore, have that registration in my name. He left me and went over to the desk, and later came back with a bell boy, and told me he had arranged it, and my baggage was taken down to room 26, a room in the Fairmont which I have been—which I have had the use of ever since that time to the present day.

Q. Have you stated the full circumstances under which you started to occupy room 26?—A. I believe I have.

Q. What is the rent of room 26?—A. The rent of room 26 for me was \$75 a month. I arranged with Mr. Leake that monthly I would pay that rent to him, plus any additional amounts which were charged against the room. In other words, if I ate in the dining room, I would sign the tag in my own name for room 26. That would be charged against the room. Any washing or any other—tailoring and such matters, would be charged against the room, and I would pay for that, with the \$75, at the end of each month, as Mr. Leake requested.

Q. Did you, during your entire stay there, following the inception of that arrangement, monthly pay the full bills charged to that room?—A. I have.

Q. Did you make those payments in cash, or by check?—A. Except in a few instances, I think probably 7 or 8 during this entire time, I paid them by check, which was made out in the name of Mr. W. S. Leake for the amount charged against the room. I have the checks with me. I have 34 of them.

Q. Would you please produce those checks?

(The witness produced several checks and handed them to counsel.)

Q. Do these checks show upon the back of them the stamp of the Fairmont Hotel?—A. I think that all but three show the stamp of the Fairmont Hotel.

Mr. LINFORTH. We offer the checks as part of the testimony of the witness, but we do not insist upon them being printed in the record.

Mr. HANLEY. Photostat copies have already been furnished the managers.

The WITNESS. I might reply, in reply to the statement Mr. Hanley just made, that at the time I gave those checks to the House committee, I had not found among my papers all of those checks. I think I only gave the House committee 20, and I subsequently found the others.

(The checks referred to were handed by counsel to Senator ROBINSON of Arkansas and Senator MCKELLAR.)

Mr. LINFORTH. Senators, do you wish me to suspend while you examine the checks?

Mr. MCKELLAR. Oh, no.

By Mr. LINFORTH:

Q. Did you at any time determine to acquire a residence in a place other than San Francisco?—A. I did.

Q. When did you determine to acquire such a residence?—A. About the 1st of April 1930, I having been separated for a number of months from Mrs. Louderback, I decided that the separation probably would be permanent. I had my residence then at 666 Post Street, and from that point I was voting in San Francisco. On the 6th of April of the same

year I was invited by my brother and his wife to come over to their home, at 107 Ardmore Road, Kensington district, Contra Costa County, for the purpose of participating in a dinner upon the event of the anniversary of my brother's birthday. I went over that day, and when I arrived at their home my brother had not come back from the university. I spoke to my sister-in-law, Mrs. Clara Louderback, and asked her if it would be agreeable, did she think, to her and my brother, if I again made my home with them, I having made my home with them for 3 years in the city of Reno, Nev., when I was living up in the mountains. She told me she was sure that my brother would be pleased, and that she would be delighted to have me make my home with them.

Later in the day my brother returned, and we three took up the matter of my making my home and residence with them. My brother said it would be most pleasing indeed if I would do so. They took me into the room, one of the rooms in their home, and asked me if it would be satisfactory and suggested certain changes in there so as to be suitable for me. They also gave me a key to the house.

A few days later I sent over from San Francisco the bulk of my possessions that I had, consisting of two trunks, with personal effects. On the 17th of April I went to the registrar of voters in San Francisco, and I canceled my registration there. On the 18th I came over with an automobile trunk and some hand baggage, went over to Martinez, which is the county seat of Contra Costa County, and registered as a voter in that county at 107 Ardmore Road, Kensington district, Contra Costa County.

I returned to the home. That night I slept at my brother's home, which was then my home. During the night there came upon me a very, very severe attack of asthma, and in the morning I went to my work, went across the bay in a very bad condition. The next night I returned, and this time I had a more severe attack of asthma, so much so that for a number of days I was not able to free myself from it, and my work was sadly impaired during that period because of my condition. It followed me through my work in the daytime and even through the night, so that I did not return after that second day to the home at that time.

I thought perhaps if I could get rid of the asthma and perhaps go there in a better condition that maybe I would be able to sleep there, and about the first week or so of May I again returned and again I had this paroxysm of asthma. In the morning I remember my sister-in-law had made a breakfast especially for me, but I was not able to eat because of the condition. I then remained away for a number of days and tried it again, and again the asthma came upon me and I was unable to sleep, and I went away with the asthma upon me.

Since that time I have never slept at my brother's residence, but on a number of times I have gone over there with the intention of staying overnight, and before midnight the asthma has come upon me with such force that I have been compelled to go across the bay to San Francisco so that I would not augment the condition that I was in.

Q. Is the home of your brother surrounded by flowers and plants?—A. My brother has quite an extensive garden on one side of his home and in the rear.

Q. And are there also house plants in the house?—A. He has. He has house plants in several rooms of the house.

Q. Is there a pet cat there?—A. There is.

Q. When you went to your brother's home with the intention of making that your residence did you do that in the utmost good faith?—A. I did.

Q. Did you then and there determine to fix that place as the place of your residence?

Mr. Manager SUMNERS. Mr. President, we do not object to reasonable limitations—

Mr. LINFORTH. The question is withdrawn.

The VICE PRESIDENT. The question is withdrawn.

By Mr. LINFORTH:

Q. What was your intention in going to your brother's home?—A. To make a fixed place of abode.

Q. Of whom did your brother's family consist at that time?—A. My brother's family consisted of his wife and himself.

Q. Have you at all times since had your personal effects at the home of your brother?—A. I have.

Q. Have you on occasion, since you went to the home of your brother, registered in Contra Costa County?—A. I believe I did register a second time.

Q. I ask permission to withdraw the question. Have you voted in that county?—A. I have.

Q. On how many occasions have you voted in the county since that registration?—A. I can recall five instances.

Q. And what is the latest instance in which you have voted there?—A. The last general election. I might state that I always vote; I never recall missing an election.

Q. During the time that you have been at your brother's home, subsequent to the making of the arrangement you have referred to, have you retained the room in the Fairmont Hotel?—A. I have.

Q. And for what purpose?—A. Well, because when I first went across the bay and had the asthma I retained it to see whether it would be necessary to have a room of that kind where I could go, where I would not be subject to the asthma, and I also have retained it because not being able to sleep at home, I wanted a place where I could sleep.

Q. When you canceled your registration as a voter in San Francisco, did you do that with the utmost good faith?—A. I did.

Mr. Manager SUMNERS. We object to that, Mr. President. We suggest that counsel knows better than to ask that character of question, with all respect.

Mr. LINFORTH. I want to add, in reply to that remark, that counsel does not know better. The charge made here is that the judge willfully and fraudulently brought about the cancellation of this registration and the new registration in the county of Contra Costa. His good faith is attacked by the charge made, and I submit to you, Mr. President and the honorable Senate, that where his good faith is an issue the question is proper.

Mr. Manager SUMNERS. We suggest, Mr. President, that we have not charged any cancellation of the residence of this defendant in Contra Costa County, because we think he never had a residence there.

We submit further that in the relationship of this respondent to this investigation he ought not to be led by counsel for the respondent, regardless of the circumstances.

Mr. LINFORTH. Just one word in reply. The article of impeachment charges the respondent with acquiring a false registration in Contra Costa County as the result of a conspiracy entered into by him and Mr. W. S. Leake. We say that includes a charge of bad faith which we have a right to meet.

Mr. Manager SUMNERS. Oh, yes; we charge an absence of good faith insofar as the Contra Costa residence is concerned.

Mr. LINFORTH. I submit the question.

The VICE PRESIDENT. It seems to the Chair that he is a very capable witness. Counsel may merely ask him to state the facts, and the Senate will draw their own deduction as to whether his action was in good faith or not.

Mr. LINFORTH. We will gladly follow the suggestion of the Presiding Officer.

We offer at this time as a part of the examination of the witness a certified copy of the cancellation of the registration of the witness in San Francisco, and ask that it may be marked as an exhibit.

The VICE PRESIDENT. It will be made a part of the record.

The exhibit admitted in evidence is as follows:

MAY 23, 1930—U.S.S. EXHIBIT Q

[Office of registrar of voters, city and county of San Francisco, State of California. Official certificate of registration no. 4, precinct 69, assembly district 32]

(Canceled—own request)

Name: Harold Louderback.
Residence: 666 Post Street.
Occupation: United States district judge. Height: 5 feet 6 inches.

Nativity: California.
Became a citizen by—
a. Decree of court.
b. Marriage to a citizen.
d. Father's naturalization.
e. Citizenship of father.
f. Act of Congress.

g. By treaty.
(When) ——— (Where) ———.

Father's Name ———.
Husband's Name ———.

Can — read Constitution? Can — mark ballot?
Can — write name? Physical disability: None.

Date of registration: February 19, 1930. Political affiliation: Republican Party.

STATE OF CALIFORNIA,
City and County of San Francisco, ss:

I, C. J. Collins, registrar of voters of the city and county of San Francisco, hereby certify that the foregoing is a full, true, and correct transcript of entry of such registration on the register of said city and county in the precinct and assembly district above indicated.

Witness my hand and seal this 31st day of March 1933.

[SEAL] C. J. COLLINS, Registrar of Voters.
By J. DAWSON, Deputy.

Mr. LINFORTH. We also offer at this time a certified copy of the registration of the respondent as a resident of Contra Costa County, with his place of residence set out, 107 Ardmore Road.

The VICE PRESIDENT. The exhibit will be made a part of the record.

The exhibit admitted in evidence is as follows:

U.S.S. EXHIBIT B
(Filed May 23, 1933)

Duplicate.

Kensington precinct no. 3.

I am registered under the name of ———.

For transfer of change of name from ——— precinct no. ———, or address in this county, and I hereby authorize the cancelation of my last previous registration.

(No. 39501)

AFFIDAVIT OF REGISTRATION

STATE OF CALIFORNIA,
County of Contra Costa, ss:

The undersigned affiant, being duly sworn, says: I will be at least 21 years of age at the time of the next succeeding election, a citizen of the United States 90 days prior thereto, and a resident of the State 1 year, of the county 90 days, and of the precinct 30 days next preceding such election, and will be an elector of this county at the next succeeding election.

1. I have not registered elsewhere in the State since January 1, 1930.

(If applicant has previously registered in this county or has registered under another name, mark out word "not" and fill out transfer clause at top. If applicant is registered in another county, mark out word "not", and applicant must execute a separate affidavit of cancelation before he can register.)

2. My full name is Harold Louderback.
(Including Christian or given name, and middle name or initial; and in the case of women, the designation Miss or Mrs.)

3. My occupation is United States district judge.

4. Post-office address at Berkeley, Calif.

5. My place of residence is No. 107 Ardmore Road, between ——— Streets ——— floor. Room, Kensington precinct no. 3.

6. I intend to affiliate at the ensuing primary election with the Republican Party.

(If affiliation is not given, write or stamp "Declines to state.")

7. My height is 5 feet 6¼ inches.

8. I was born in California ——— (State or county)

9. I acquired citizenship by (underline method of acquiring citizenship) —

a. Decree of court.
b. Father's naturalization.
c. Citizenship of father.
d. Marriage to a citizen.
e. Naturalization of my husband.
f. Act of Congress.
g. By treaty.

(When) ——— (Where) ———

My father's—husband's name is (was) ———
(To be filled out when citizenship depends on citizenship or naturalization of parent or husband.)

10. I can read the Constitution in the English language.

I can write my name; I am entitled to vote by reason of having been on October 10, 1911

a. An elector,
b. More than 60 years of age

I can — mark my ballot by reason of ———.
(State physical disability, if any.)

Subscribed and sworn to before me this 18th day of April 1930.

HAROLD LOUDERBACK.
(Affiant sign here.)

By S. WELLS,
Deputy County Clerk.

ABSENT VOTER BALLOT

Election	Ballot no.	Date of delivery or mailing	How delivered

STATE OF CALIFORNIA,

County of Contra Costa, ss:

I, S. C. Wells, county clerk of said county and ex-officio clerk of the superior court therein, do hereby certify that the above and foregoing is a full, true, and correct copy of affidavit of registration of Harold Louderback, filed in my office on the 18th day of April 1930, and now remaining on file therein.

Witness my hand and the seal of said court this 4th day of April 1933.

[SEAL]

S. C. WELLS, Clerk.

By M. A. SMITH, Deputy Clerk.

By Mr. LINFORTH:

Q. Will you please state, in your own way, the circumstances concerning the appointment of Addison G. Strong as receiver and the circumstances concerning his removal?—

A. On March 11, Tuesday—formerly I thought it was Monday, the 10th, but on reflection I believe it was on Tuesday—there came to my chambers Mr. Max Thelen and Mr. Marrin, attorneys representing the petitioner; Mr. Brown, representing the firm of De Lancey Smith & Brown, representing the defendant; Mr. Lloyd Dinkelspiel, of the firm of Heller, Ehrmann, White & McAuliffe, the attorneys for the stock exchange; and Mr. Addison Strong. They presented to me a petition in equity requesting the appointment of a receiver and also an answer admitting the facts set up in the petition. I read the papers and they urged at that time that a receivership be undertaken, and recommended Mr. Addison Strong as receiver in the matter.

I stated to Mr. Strong, "If I should appoint you, you will be the representative of the court; you will not be the representative of any particular person; and although you are being proposed by these gentlemen you will be a court officer, and I expect you to confer with me and accept my advice." I asked him, "Are any of the attorneys present your attorneys?" He said, "No." "Have you an attorney?" He said he had not. I said, "Will you consult with me in the selection of attorneys?" He said he would. I said, "Then I am inclined to make the appointment."

At this time I do not know who brought it to my attention, but the information was brought to me that there was another petition filed in this matter, and I had it sent for and brought to me. I discovered that this petition was similar in the body of it to the petition which was in my department; that it preceded in number, being an earlier assignment than the petition in my department, and was assigned to Judge St. Sure. I then said to the gentlemen, "I am not willing to appoint in my department, inasmuch as this petition, preceding mine, is in Judge St. Sure's, and I will take it up with Judge St. Sure." Judge St. Sure at that time was at Sacramento, and I said that I could take it up with him by using the telephone. They then tried to urge me to act on my own petition, but I said, "If you wish me to act upon my petition, then it will be necessary to dismiss the petition in Judge St. Sure's department." They said they would then dismiss it.

Then I told them that I wanted a bond in the amount of \$50,000 running from the plaintiff in favor of any creditor who might be injured by the appointment of a receiver in this case. I also wanted a bond of \$50,000 on the part of the receiver to guarantee his acts while receiver. It was

either at that time or a short time subsequent—and I do not know who took the matter up with me—that they urged me to reduce this bond to a lower figure, as it was impossible for them to secure a bond in that size, and I consented and agreed to have the plaintiff's bond reduced to \$10,000.

After I had agreed to appoint Mr. Strong they left my chambers, and that afternoon, some time after 4 o'clock—I do not know who came to my chambers to advise me, whether it was one of the attorneys in this matter or whether I got the information from the clerk's office or my secretary—but I was advised that they had had difficulty in securing the bond and that they would not be able to qualify Mr. Strong until after the usual hour of the clerk's office, which is until 4 o'clock in the afternoon, and did I want the clerk's office kept open? I sent word by whomever it was that came to me to the clerk's office that I desired the clerk's office to remain open. Some time about 5 o'clock that afternoon Mr. Strong returned with some of the attorneys—I think all of them were there, but I am not positive—and I signed the order for the appointment of the receiver. I signed the approval of the two bonds, the plaintiff's bond and the receiver's bond, and as Mr. Strong left to go to the clerk's office for the purpose of taking the oath which qualified him as receiver I told him, "As soon as you have qualified, return here." I remained in my chambers, keeping my secretary and crier there with me until 6 o'clock, and Mr. Strong had not returned. I then sent my crier out to find out what became of him, and I was advised that the clerk's office at that time was closed; everybody was gone. I directed my secretary to call up the office of Mr. Strong at that time. She did, but got no reply.

Mr. LINFORTH. Judge, let me interrupt at this point. Was that the first instance during the time you were Federal judge where you knew of a double filing?

The WITNESS. It was the first instance I had ever heard of.

Q. Did you know personally Addison G. Strong, the receiver?—A. I did not.

Q. Did they at that time make any statement to you as to what his connection was or had been with the Russell-Colvin Co. and with the San Francisco Stock Exchange?—A. Yes; at the first conversation that I had on Tuesday they stated that Mr. Strong was the auditor, as I recall, for the stock exchange and had acted in his line of business in connection with the Russell-Colvin Co.

Q. Have you now stated, as briefly but as fully as you can, the details of the first day relating to the Russell-Colvin matter?—A. I believe I have.

Q. Will you please now state to the Presiding Officer and the members of the court what happened on the second day, Wednesday, the 12th of March?—A. On the next day I directed my secretary to call again Mr. Strong. She informed me that he was not at his office, but that she had left word that I wanted to see him. My recollection is that the first person I saw in this connection was Mr. Jerome White. It may be possible, as to the sequence, whether I saw White before I saw Mr. Strong, I may be in error, and it may be I saw Mr. Strong on two instances that day before I saw Mr. White; but my recollection is that Mr. White was at my office in the morning first.

Q. Who was Mr. White?—A. Mr. White was one of the partners of the firm of Heller, Ehrmann, White & McAuliffe, the attorneys for the stock exchange.

Q. May I interrupt and ask you up to that time had your relations with that firm always been friendly?—A. As far as I know, they were. So far as I am personally concerned they were.

Q. Please continue with your conversation with Mr. White.—A. Mr. White stated that he had in a brief case which he was carrying a petition requesting the appointment of his firm as attorneys for Addison G. Strong as receiver. I told Mr. White that Mr. Strong had been instructed by me the night before to return as soon as he qualified, and that he had not returned and I had not had an opportunity to see him. I also told him that I had in-

structed Mr. Strong that before he petitioned for any attorney he was to consult with me. He said, "Surely you would not question the standing of our firm?" I said, "I am not questioning the standing of your firm, but I am unwilling to take this matter up with you until I have taken up the matter with Mr. Strong and settled it."

Q. Was that the substance of your talk with Mr. White?—A. It was.

Q. Did you then on that day have an interview with Mr. Strong?—A. Mr. Strong came in in the morning before court, and I asked him why he had not returned the preceding evening. He told me that he did not fully understand that I wanted him to return; that after qualifying he had gone away with some attorneys, and while he was walking to his office it came to him that he ought to have an attorney, and it also occurred to him that the firm of Heller, Ehrmann, White & McAuliffe was a very desirable firm; so he went to their office and he found there Mr. McAuliffe, and he took up the matter with Mr. McAuliffe and told him about his receivership. He asked Mr. McAuliffe if he would act for him, his firm, and he said he would.

I then said to Mr. Strong, "That is just what I feared would happen," and if he had only returned the preceding evening this embarrassing situation would not have arisen. I told him that before I appointed him I had told him that he was an officer of the court and he must follow my instructions, and that I had received from him his assurance that he would consult with me before he would select an attorney, and he had not done it. Furthermore, that he had selected as his attorneys the firm of Heller, Ehrmann, White & McAuliffe, which were the attorneys for the stock exchange, and he was the auditor for the stock exchange. I said, "It looks too much like one family, and I am not willing to approve of that selection."

He urged me to permit him to have that selection, saying that he had unusual confidence in that firm and he thought the receiver should have the right to have the man as his attorney that he had confidence in, and he thought that firm was the best qualified firm for the particular kind of business which this receiver would be in.

Having reached an impasse in that way, Mr. Strong finally said to me, "Well, who do you suggest?" I said, "I suggest Mr. Strong, of Keyes & Erskine." He said, "I never heard of such a firm."

Q. Just a moment. You said "Mr. Strong." Did you mean that?—A. I meant Mr. Short—pardon me—John Douglas Short. He said, "I never heard of such a firm." He said, "There are very few lawyers that are capable of handling this type of case." "Oh", I said, "I do not think they are so limited as you think. I think there are quite a number of lawyers who are capable of handling it, and, besides that, the responsibility rests upon me." I said then, "Well, I will suggest first the firm of Pillsbury, Madison & Sutro." He said he did not wish to have them as his attorneys. I said, "What about the firm of Sullivan, Sullivan & Roche?" "No; they would not do." "What about Cushing & Cushing?" "No; he would not have anyone but that one firm, which he felt he had such confidence in and which he felt he was entitled to select."

Q. Let me interrupt at this point. Were the three firms that you have mentioned reputable, outstanding firms practicing in San Francisco?—A. I felt when I named them that they were not to be excelled by any other firm in San Francisco.

Q. Was one of the firms you mentioned the firm of which Senator Johnson is a partner?—A. He is now a partner of the firm of Sullivan, Sullivan & Roche, under a different name. I believe it is Sullivan, Roche, Johnson & Barry.

Q. Please proceed in your own way to state the rest of the conversation.—A. Mr. Strong next requested that he be given permission to think the matter over, and I told him that he could, and he went away. Sometime later in the morning Mr. Strong returned and again took the same position as before. He urged that he had a right to select his attorney, and that he had a right to have one that he had confidence

in. But we reached the same position at that conference that we had in the preceding one, and he again went away, and he did not return that day.

Q. In that connection, did you say anything to him in the way of forbidding him to consult counsel?—A. In the first meeting I had with him—no; I did not; but I may state that I left out something. In the first meeting I had with him I said to him this, he having stood firmly on the matter of his counsel. I said, "Mr. Strong, have you yet taken into your possession any of the property of the estate?" He said, "I have not." I said, "Then until this matter is settled I do not wish you to do so." I said, "I do not want you to go any farther with the employing of this firm." That is the only thing I referred to in regard to the attorney. I did not forbid him taking up the matter of the issue he was having with me.

Q. Did he at any time before you removed him as receiver suggest the name of Lloyd Ackerman or ask you if Lloyd Ackerman would be satisfactory?—A. He did not.

Q. Did you at any time say to him in words or substance, "Do you realize what a plum you have taken; that the fees will be between \$10,000 and \$80,000"?—A. I did not.

Q. When you left the courthouse on the evening of Wednesday, the 12th of March, did you have any talk with Mr. W. S. Leake about this matter; and if so, where did the talk take place?—A. I did. The talk took place in the lobby of the Fairmont Hotel.

Q. Would you please state briefly the conversation you had with Mr. Leake at that time?—A. When Mr. Strong did not return on that Wednesday afternoon I went up to the Fairmont Hotel and I met there in the lobby Mr. W. S. Leake. I talked to him about what had transpired in this case. I said to Mr. Leake, "Could you suggest to me someone who is qualified to occupy a receivership of this kind?" He said, "I cannot think of anybody at this time. How soon do you have to know?" I said, "By tomorrow morning would undoubtedly do."

Just about that time, or just at that time, Mr. Hunter—whom I afterward knew as Mr. Hunter—passed through the lobby and stopped at the desk at the hotel. Mr. Leake said, "There is a man that would suit. He has already acted as receiver in some matter across the bay. He is the head man at Cavalier & Co." I said, "Is that the H. B. Hunter that was in the Security receivership?" He said, "Yes." I said, "If that is the man, I think that would be the type of man that would do." So he crossed over and stood and talked with Mr. Hunter for something like 10 or 15 minutes and came back and said, "Mr. Hunter said that he would be willing to receive such an appointment if it was open to him, but before he could definitely state he would have to take it up with his firm, with Mr. Cavalier, and that he would do so the following morning, and that he would let me know."

Q. Is that the substance of your talk with Mr. Leake on that occasion?—A. It is as far as I recall now.

Q. Was that talk had by you after the work of the day was over and after you had gone to the Fairmont Hotel?—A. That is correct, in the evening somewhere around 5 o'clock.

Q. The next day, the 13th of March 1930, did you have any talk with Mr. Strong or with any of the attorneys that you have mentioned?—A. I did.

Q. Would you please go on in your own way and state what the conversations were and with whom they were?—A. When I arrived in the morning at my chambers, about 9 o'clock, I asked Miss Berger if she had heard anything from Mr. Strong and she said, "No; Mr. Strong was not there." I then made up my mind that the probability was that I would have to remove Mr. Strong. I said, "Notify Messrs. Thelen & Marrin and Mr. Brown so that they can be here at my chambers this morning." In the morning, somewhere in the latter part of the morning, Mr. Marrin, Mr. Thelen, and Mr. Brown appeared at my chambers.

Q. Let me interrupt at this point. What was your object in desiring to see them?—A. Inasmuch as I had appointed Mr. Strong upon their recommendation and suggestion I wanted to tell them the situation that had arisen between

me and Mr. Strong and why it was probable that I would have to remove him. I thought in fairness to them that I would give them the information and see what they would have to say.

Q. Now, please proceed with the conversation.—A. I also, I might state, at the same time notified my secretary to tell Mr. Strong to come at a subsequent appointment to my chambers. I related to these attorneys my difficulties that I had had with Mr. Strong. I told them of his failure to return, and I told them of his insistence upon retaining the firm of Heller, Ehrmann, White & McAuliffe, the attorneys for the stock exchange. I said that I had offered him other counsel, and he had refused to accept other counsel; and I said that even the signing of the petition by Strong was an affront to me.

Q. What petition did you then refer to, when you said the signing of the petition was an affront to you?—A. The petition for the employment of an attorney.

Q. What attorney?—A. The firm of Heller, Ehrmann, White & McAuliffe.

Q. Please proceed now with the conversation.—A. I told them that in the event that I retained my present attitude at that time—which I felt that I would remove Mr. Strong—that I was considering a man by the name of H. B. Hunter. They immediately stated that they had never heard of H. B. Hunter. I then advised them that Mr. H. B. Hunter, I understood, was the head man of Cavalier & Co. He was also a man that had had experience as a receiver in a case that involved transactions of a similar type. I also told them that Mr. Hunter at one time had been the assistant to the president of the stock exchange, Mr. Sidney L. Schwartz, and I felt if they referred to Mr. Schwartz that he would recommend Mr. Hunter.

Mr. Brown took upon himself the major part of urging me to retain Mr. Strong. He felt that Mr. Strong was unusually adapted for this work, inasmuch as he had familiarity in connection with the Russell-Colvin case, already having gone through their accounts; but I told him that I was unwilling to do so—that it was too much of a family affair.

I then said that I would give them an opportunity, if they wished, to dismiss the case, if it was embarrassing to them. I said it was embarrassing to me under the circumstances that had arisen. They said that they could not do that; they wanted to go ahead. I said, "Well, then, look into the standing and the qualifications of Mr. Hunter; and I will give you until 4 o'clock in the afternoon to make that investigation. If you find anything about Mr. Hunter which would disqualify him for this position, let me know"; and they went away.

Q. Let me ask you at this point, did you then or at any time tell them or any of them that Mr. Schwartz had recommended Mr. Hunter?—A. I did not. The only reference to Mr. Schwartz was as I said, and was for the purpose of indicating to them certain sources or places where they could secure information concerning Mr. H. B. Hunter, of whom they expressed an ignorance.

Q. After your interview with them, did you then see Mr. Strong?—A. I did. Immediately upon their retirement Mr. Strong came into my chambers. I asked him, "Mr. Strong, what is the situation now?" He said, "I am determined to nominate these attorneys as my attorneys." I said, "Under those circumstances, Mr. Strong, you should resign." He said, "I have been advised by Mr. McAuliffe not to resign. I have been advised by him that you cannot remove me unless for cause, and I am going to take his advice in all matters in connection with the receivership, and not your advice." I said, "Under those circumstances, Mr. Strong, I have no further use for you, and I am going to remove you at this time"; and I took from my desk an order which I had already prepared, anticipating its possible use, signed it, walked out of my chambers into the secretary's room, in which was sitting my secretary and the crier, and said to the crier, "Place this order of record removing Mr. Strong as receiver."

Q. Did you take him by the arm at all?—A. I did not.

Q. Was there any anger displayed during that interview by you?—A. There was not.

Q. Did you at that time tell him, "You are fired" or "You are canned"?

Mr. Manager SUMNERS. Mr. President, I think in the circumstances it would be well for the witness to detail what occurred.

Mr. LINFORTH. Mr. President, it has been testified that the witness upon the stand used the expressions, "You are fired", "You are canned." We surely have a right to repeat that testimony and show whether or not any such expressions were used.

The VICE PRESIDENT. The Chair understands that the managers on the part of the House object only to the leading of the witness by counsel for the respondent; but the Chair repeats that this is a very intelligent witness, and the Chair is sure he can give the facts without being led by counsel. Counsel will refrain from leading the witness.

Mr. LINFORTH. Forgive me for my offense, Mr. President, and I will try in the future to avoid it.

By Mr. LINFORTH:

Q. Was any reference made by you at that time in which the word "fired" or "canned" was used?—A. There was not.

Q. After you had signed the order for the removal of Mr. Strong did you have any communication with Thelen & Marrin's office or Smith & Brown's office?—A. I did.

Q. Will you please state what it was?—A. I had my secretary call up both those gentlemen, and I spoke over the phone with Mr. Thelen—I believe it was Mr. Thelen and not Mr. Marrin, but it was one of the two—and I spoke with Mr. Brown. They told me that they had made an investigation relative to Mr. Hunter and they had found nothing which would disqualify him from receiving the position of receiver, although Mr. Brown stated that he was unwilling to take the attitude of approving anyone else but Mr. Strong.

Q. Did you that day receive any word from Mr. Leake bearing on the subject of Mr. Hunter?—A. I did. I received word from Mr. Leake to the effect that Mr. Hunter was available.

Q. What, if any, word or message did you give to him in regard to seeing Mr. Hunter?—A. I requested him to tell Mr. Hunter to come out to my chambers, so that I might take up with him the matter of his appointment. I also told him at the same time that I had removed Mr. Addison Strong.

Q. Did you later that day see Mr. Hunter?—A. I did. He came out.

Q. When did you see him?—A. In the latter part of that afternoon. He came out accompanied, as I recall it, by a man from some bonding company; and I made the order, approved the bond, and Mr. Hunter qualified, I understand, that afternoon.

Q. In the selection and appointment of Mr. Hunter, were you influenced in any way or by any person other than you have testified to?—A. I was not.

Q. Did Mr. W. S. Leake demand of you the appointment of Mr. Hunter?—A. He did not.

Q. In the allowance of fees to Mr. Hunter as receiver, and in the allowance of fees to the attorneys, were you influenced in any way or to any extent except by the record made in open court, the papers on file, and the testimony which you heard?—A. I was not.

Q. Did you participate to the extent of a single cent in any allowance made to Mr. Hunter or to his attorneys?—A. Decidedly not.

Q. How long had you known John Douglas Short and the firm of Keyes & Erskine?—A. I knew the firm of Keyes & Erskine almost from the time that I started to practice law. I knew Mr. Keyes quite well. I knew Mr. Herbert Erskine casually. I did not know Mr. Morse Erskine at all until the Russell-Colvin matter. Mr. Short I became acquainted with after I had taken up room 26 at the Fairmont. Mr. Short I saw on several occasions, and was introduced to him. His father-in-law, Mr. Hathaway, was a resident of the Fairmont Hotel with whom I was acquainted.

Q. Did you examine the work done by those lawyers, as shown by the records of your court?—A. I had.

Q. State whether or not it met with your approval.—A. It did.

Q. Do you know G. H. Gilbert?—A. I do.

Q. How long have you known him?—A. I have known him for over 12 years.

Q. Will you please state as briefly as possible the extent of your relationship with him?—A. I met Mr. Gilbert at the Scottish Rite Auditorium, of which bodies he and I are both members. I also know that he was interested in my campaigns to the extent that when I met him at these fraternal meetings he would ask me for election cards that he might distribute them among his friends; but my acquaintanceship was most casual. It was not social. I had never been to his home. He had never been to mine. I had never had a meal with him anywhere, and I had never gone about with him or met him anywhere except in that fraternal way that I speak of.

Q. In the 8 years that you were on the trial bench, the superior court bench of San Francisco, and the 5 years that you were on the Federal bench in how many receiverships did you appoint him?—A. I appointed him in four receiverships.

Q. Did you appoint him in any while you were on the trial bench of the superior court?—A. I did not.

Q. Do you recall his appointment as one of the appraisers in the Brickell estate?—A. I do.

Q. Did you make any order for his compensation in that matter except the order settling the final account?—A. I did not, unless you allude to the order appointing him originally.

Mr. LINFORTH. We offer at this time, if the court please, a certified copy of the first and final account of the Crocker First Federal Trust Co., special administrator of the estate of Howard Brickell, deceased, and a certified copy of the order of the court settling that account; and we call attention to the following items on page 9 under date of December 1, 1927:

Paid the following for services in appraising the estate of Howard Brickell, deceased:

R. F. Morgan, \$750.

W. S. Leake, \$500.

G. H. Gilbert, \$500.

(The certified copy of the first and final account above referred to was marked "U.S.S. Exhibit S.")

Mr. Manager SUMNERS. May we see that?

Mr. LINFORTH. Certainly.

(The paper was handed to Mr. Manager SUMNERS.)

By Mr. LINFORTH:

Q. Upon whose testimony did you settle that account?—

A. Upon the testimony of the trust officer of the First Federal Trust Co., which was associated with the Crocker National Bank.

Q. Briefly, in a word, what was his testimony as to the correctness of that account?—A. His testimony was to the effect that it was true and correct.

Q. Did you believe and rely upon that testimony?—A. I did.

Q. Was there any opposition made by anyone to it?—A. There was not.

Q. At that time did you know or did you have any information at all on the subject of what service had been rendered by any one of the three appraisers?—A. I did not. The circumstance was merely this: That in those probate accounts they are properly noticed, they come before the court, you look over the account in a casual way, and where there is no opposition, and the man who goes upon the stand to verify them testifies to their truth, it is more or less a formality.

Q. Did you participate to the extent of a single cent in any fees Mr. Gilbert received in any matters in which you had appointed him?—A. I did not.

Q. Were you familiar, from the records and files of your court, with the services he rendered as receiver in the four cases to which you have referred?—A. I am.

Q. Did those services meet with your approval?—A. They did.

Q. Will you please state how long you have known the firm of Dinkelspiel & Dinkelspiel?—A. I knew Mr. Dinkelspiel, the father, casually from the time I started to practice law, but I never knew his sons, either John Walton Dinkelspiel or Martin Dinkelspiel, until the time of the Sonora Phonograph case.

Q. Has either one of them ever been a political friend of yours?—A. He has not.

Q. Do you know, and did you know at the time you appointed them as attorneys for receivers, their standing at the bar of California?—A. I knew their reputation as being one of the firms most fitted for work in regard to bankruptcy and receiverships.

Q. In how many cases during the 13 years you were on the bench did you appoint them as attorneys in any matters?—A. Four times.

Q. Can you state what the four cases were?—A. The Sonora Phonograph Co., the Prudential Holding Co., the Golden State Asparagus Co., and the Fageol Motors Co.

Q. Are you familiar with the work they did in those matters as shown by the files of your court?—A. I am.

Q. Did that work so done by them meet with your approval?—A. It did.

Q. Did you participate to the extent of a single dime in any fees allowed to them in any matters?—A. Not to the extent of a cent.

Q. Calling your attention to the Prudential Holding Co. case, so-called, will you state under what circumstances you appointed the receiver in that case?—A. There came to my chambers a Mr. Kearsley, an attorney from Los Angeles, and Mr. J. H. Stephens. They presented to me a petition requesting the appointment of a receiver. I went over the petition and read it and asked Mr. Kearsley concerning it, and he told me such facts as he had concerning the matter. He introduced Mr. J. H. Stephens as the vice president of the defendant company, and I said to Mr. Stephens, "Are you acquainted with the facts set forth in this petition?" He said, "Yes." I said, "Are they true?" He said, "They are." "Well", I said, "what do you feel about it?" He said, "I think something ought to be done." I said, "Well, do you approve of this receivership going upon your company?" He said, "Yes; I think it ought to be done."

At that time I thought it was a friendly suit in which the plaintiff and defendant were agreeable and willing to have the receivership entered into.

Q. When you made that order did you have any knowledge or information in regard to Mr. Stephens' connection with the company other than what you have narrated?—A. I did not.

Q. Were any fees ever allowed by you to either attorney or receiver in that matter?—A. They were not. My order precluded that.

Q. How long have you known Samuel M. Shortridge, Jr.?—A. I have known him for about 12 years in a very casual way.

Q. While you were State judge, during the period of 8 years, did you make any appointment to him of any kind?—A. I did not.

Q. In the 5 years you have been Federal judge in how many cases has he received appointments from you?—A. In two instances.

Q. What two?—A. In *Blanchard v. Lane* and in *Lay v. The Lumbermen's Reciprocal Association*.

Q. Will you please state how he happened to be appointed by you in those two cases?—A. In both instances the parties litigant, in writing, requested his appointment.

Q. Did you consider him competent to act as receiver in each case?—A. I did.

Q. Did you fix his compensation in either case?—A. Yes; in one case.

Q. Which?—A. *Lay v. The Lumbermen's Reciprocal Association*.

Q. At what amount did you fix his compensation?—A. With the approval and consent of the plaintiff and defend-

ant in the action, I fixed his compensation on account at \$6,000—\$3,000 in two instances, making six.

Q. Did you at that time honestly believe such amount to be the reasonable value of the service rendered?—A. I did.

Q. Did you receive one dime of the compensation received by Samuel M. Shortridge, Jr.?—A. I did not.

Q. Did you fix his fee in the Lane case, so-called?—A. I did not.

Q. You have in mind the order which has been offered in evidence of date December 15, 1931, which contains the proviso order, so-called?—A. I have.

Q. Was that order made by you after the settlement of the final account of the receiver, Mr. Shortridge?—A. It was.

Q. What order did you make or announce orally in court, if any, upon the submission of that matter?—A. There were something like 52 objections to the account as prepared and presented by the receiver. I do not recall my rulings on the various 52 propositions. I know in some instances I decided in favor of the opposition, but my final order was to the effect that the funds and properties of the estate should be turned over as directed in the mandate of the circuit court, and I settled the account on the objections.

Q. Just diverting a minute from that case, heretofore I have asked you whether or not you received any money out of any of these fees. May I ask you, in one general question, did you receive any compensation, no matter in what form, out of any of these fees which have been referred to here?—A. I have not.

Q. Would you state to the Presiding Officer and the members of the court the circumstances under which you signed that order as of December 15 in the Lay case containing the proviso order or condition?—A. The formal order in the Lay case settling the accounts was brought to me by Mr. Marshall Woodworth. I read it over and came to that part of the order which consisted of the proviso, and I asked him why that proviso appeared in the order. He told me that he had been negotiating with Mr. Guereña for some time relative to a bond which would be furnished by Mr. Guereña's client at the time the funds were turned over by the receiver to his client.

We discussed the question. I asked him if there was going to be an appeal, in his opinion, and he seemed to be in doubt as to that point, and I got the impression he thought there would not be. But he said that pending this settlement about the bond, because they had come to the conclusion there should be a bond, but not as to the amount, he would like to have this proviso in effect.

I signed the order, and after Mr. Woodworth had gone away, it occurred to me what was the purpose of the order, and I felt that that order was erroneous, and I sent for Mr. Woodworth and I said to Mr. Woodworth, "I believe that that proviso is erroneous and should be stricken from the order." He said, "Judge, I am willing to do anything you say if you feel that way, although I do not agree with you." I said, "However, since an appeal has been taken, I have grave doubts if I have authority to modify the order by striking out that proviso. Can you not arrange a stipulation for that purpose which I will approve?" He said he thought he could, and he went away, and he came back with a stipulation on the part of all parties, as I have suggested, setting aside the proviso, and I signed my order in conformity to that stipulation which he secured. I think the order was erroneous, and I at that time thought so, when I spoke to Mr. Woodworth.

Q. In the making of that order of December 15, did you have any thought or intention of defying the mandate of the court of appeals?—A. I did not.

Q. How long have you known Mr. Marshall Woodworth, and what has been the extent of your acquaintanceship with him?—A. I had heard of Mr. Woodworth prior to my selection as United States judge. In fact, I understood he was one of the candidates for the very position that I now occupy, but I never met Mr. Woodworth until after I was sworn in as United States district judge. I had only seen Mr. Woodworth as an attorney in and about the courts. He has a great deal of Federal court business in San Fran-

cisco, and I observed that he handled it in a very good manner.

Q. In how many matters have you made any appointment in his favor during the 8 years you were on the State bench and the 5 years you were on the Federal bench?—

A. Were it not for the testimony of Mr. Woodworth at this hearing, which I have not verified, in connection with the Pioneer Fruit Co., I would have said that I only appointed him in one instance, but he said that I appointed him attorney for the receiver in the Pioneer Fruit Co. case. I knew I did not appoint the receiver, and I did not think I appointed the attorney, but Mr. Woodworth probably is correct. In that event I appointed him in two cases.

Q. Did you receive or have you received, directly or indirectly, any part of any compensation that has been awarded to him in the two matters that you have referred to?—A. I have not.

Q. Do you know Mr. William C. Crook, who has been a witness here?—A. I do.

Q. Did you have any talk with him on the subject of his appointment as receiver in the Fageol case, so-called?—A. I did.

Q. When and where did that conversation take place and what was it?—A. One or two days before the petition in the Fageol case was presented to me, Mr. Crook called upon me at my chambers. I had known him from the year 1919, at which time I had met him in the Mechanics Mercantile Institute and had played draughts or checkers with him. He told me that a company in which he was employed as an accountant, that is, the Fageol Motors Co., he believed was going into an equity suit. He said that he was the choice of a Mr. Bill, the president, and, in fact, of all parties to the suit, and he wanted to know if this case came before me if I would appoint him receiver. I told him that I would make no promises in advance, but the fact of my acquaintanceship, of course, would not militate against him.

Q. Was his name presented when the application was filed and presented to you?—A. It was not, as far as I know, referred to; and I say that because the information I got was from my secretary, who advised me as to who was wanted by the various parties.

Q. Did you see him subsequently to the appointment of the receiver in that case?—A. I did.

Q. Did you at that time, in words or substance, say to him, "They double-crossed you, and I double-crossed them"?—A. I did not. The circumstances were as follows: I met him a day or so after the appointment in the corridor of the post-office building. He said to me, "What happened, Judge; what happened?" I said, "Step into my chambers, and I will talk to you." He said, "Why did you not appoint me receiver?" I said, "Mr. Crook, you were not even suggested by the parties for receiver." "Why", he said, "under those circumstances I have been double-crossed", and I said, "Apparently you have, from what you have told me."

Q. You have already said that you know Mr. Marrin. Did you at any time ever say to him, in words or substance, "These receiverships are the 'plums and sugar' in that business"?—A. I did not.

Q. Just a final question, Judge. In the discharge of your duties as judge of the superior court and in the discharge of your duties as judge of the Federal court, have you, at all times, to the extent of your ability, obeyed the oath of office which you took in each instance?

Mr. Manager SUMNERS rose.

The WITNESS. I have.

Mr. Manager SUMNERS. Wait a minute; we do not think that testimony is permissible.

The VICE PRESIDENT. The witness has answered the question.

Mr. Manager SUMNERS. Very well; let it go.

The VICE PRESIDENT. The Senate will determine whether they want to take it into consideration.

Mr. LINFORTH. I asked the question because the Judge's good faith has been attacked.

Mr. Manager SUMNERS. We will let it go.

Mr. LINFORTH. You may take the witness.

The VICE PRESIDENT. The managers on the part of the House will proceed with the cross-examination.

RECESS

Mr. LINFORTH. Mr. Manager SUMNERS, will you pardon me for a moment? The judge has been on his feet for 2 hours. Would it be out of order, Mr. Vice President, to suggest a recess of about 5 minutes?

Mr. ASHURST. Mr. President, I ask unanimous consent that the Senate sitting as a Court of Impeachment take a recess for 5 minutes.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Senate will stand in recess for 5 minutes.

Thereupon (at 12 o'clock and 7 minutes p.m.) the Senate sitting as a Court of Impeachment took a recess for 5 minutes. At the expiration of the recess the Senate sitting as a court reassembled.

The VICE PRESIDENT. Counsel for managers on the part of the House will proceed.

Cross-examination by Mr. Manager SUMNERS:

Q. Judge Louderback, directing your attention first to the matter concerning which you testified at the conclusion of your direct examination, and that is in the State court, the Superior Court of the State of California, in the matter of the Brickell estate, who suggested, if anybody, Messrs. Leake and Gilbert?—A. No one suggested them. I acted on my own initiative.

Q. Did you believe that Mr. Gilbert was a proper man and qualified to act as an appraiser of that estate?—A. I did.

Q. Upon what did you base your opinion?—A. Because I thought from talking with him that he was a man of good judgment.

Q. Did you believe him to be a man of good information with regard to matters of that sort?—A. I thought so. I know that I, myself, when I was a young attorney, was appointed by Judge Coffey in the appraisership of real property and other property.

Q. Did you regard yourself as well qualified for that service?—A. I think I performed my services to the satisfaction of the court.

Q. How do you think Mr. Gilbert performed his services in this matter, or have you any information about it?—A. Since he has made the statement that he did as he did, as I understand he did not view the property, I would not approve of him doing such a limited amount of service, but accepting the recommendation of somebody else. I think the chances are, if I had known he had not done that, he probably would not have received any further appointments from me.

Q. Do you think it would have done any good if he had gone out and looked at the property?—A. I do not know that it is necessary—it is not always necessary to go and see the property, although I have as an appraiser done so, but I do think it is necessary to make a thorough investigation.

Q. The point I am getting at is: In your judgment, if Mr. Gilbert had looked at the property, in view of his testimony and in view of the known fact that he had spent his life operating telegraph instruments and supervising those who did, how did you conclude him to be a good man and a competent man to determine the value of real estate?—A. I think any man of intelligence can find out what the value of real estate is. Whether he is acquainted with values in any particular locality or not, he can make the proper inquiries.

Q. I want to get your notion. If you had wanted to purchase some real estate and to know the value of your contemplated purchase, would you have sought a man of Mr. Gilbert's information?—A. Not unless he had made investigation for that purpose and had reached a conclusion.

Q. Judge Louderback, do you not know, as a matter of fact, that at the time you appointed him he did not have any qualifications to discharge duties of that kind?—A. I

did not know any such thing. I had met him and he impressed me as a young man of intelligence. I think the work which he has done as receiver verifies that.

Q. We will come to that a little later on. I want to get your notion about this appointment. Where do you live?—A. I live at 107—if you mean by living that that is my residence—107 Ardmore Road, Kensington district, Contra Costa County, Calif.

Q. How long have you lived there?—A. I have lived there from on or about the 17th—perhaps it is better to say the 6th of April 1930.

Q. Where do you reside, to draw a distinction between where you live and where you reside?—A. If you mean where I sleep, I sleep frequently at the Fairmont Hotel.

Q. When you are not sleeping at your brother's home and not sleeping at the Fairmont Hotel, except in those instances where you go away on vacation or hold court out of San Francisco, where do you sleep?—A. I have no regular place of sleeping except the Fairmont Hotel in San Francisco.

Q. I am not talking about a regular place of sleeping. I want to know where do you sleep?—A. I do not know what you mean.

Q. I mean when you go to sleep, when you shut your eyes, or snore, or something?—A. I have slept at the Hotel Fairmont and I do not know anything else you refer to.

Q. Did you stay at any other hotel in San Francisco?—A. I have. I have stayed at the Stewart Hotel on occasions.

Q. Was that during the time you were paying rent on room 26 in the Fairmont Hotel?—A. That is since I went over to Contra Costa County to make my home there.

Q. That is not my question. Was that since you were paying rent on room 26 in the Fairmont Hotel?—A. I believe so.

Q. Does anybody except yourself occupy room 26 in the Fairmont Hotel?—A. No. I do not know of anybody ever sleeping there except myself since the 21st day of September 1929.

Q. What was the reason or was there any reason other than those you have detailed as to why you went to room 26?—A. There was no other reason at the time I took room 26 other than I have expressed.

Q. Have you had any reason since you have been there for remaining there and remaining in a room registered in the name of Mr. Sam Leake?—A. There is no other reason for remaining in the room, but I presume what you are alluding to is some testimony I gave with regard to being registered at the hotel.

Q. No; I am just alluding to the fact.—A. I may state I presume you allude to some testimony I gave before the committee when I said that after I had secured my home in Contra Costa County I asked Mr. Leake if I could remain on in the room, using the room, without the necessity of changing the conditions where I was not registered; that I did not want to be registered there and—

Q. What rent do you pay for your room in Contra Costa County?—A. I pay nothing. My brother has never exacted anything from me.

Q. The only place where you pay anything for the privilege of living is in room 26 in the Fairmont Hotel?—A. May I have the question read?

The VICE PRESIDENT. The question will be read.
The Official Reporter read as follows:

Q. The only place where you pay anything for the privilege of living is in room 26 in the Fairmont Hotel?

The WITNESS. That is correct so far as rent goes.

By Mr. Manager PERKINS:

Q. What else do you pay other than rent? What do you mean by "so far as rent goes"?—A. I mean that is the only place I pay rent.

Q. I thought so.—A. I never have paid rent at my father's home nor do I pay rent at my brother's home and my home.

Q. You do not pay rent at your brother's home, because as a matter of honest-to-goodness fact you do not live over there, do you?—A. That is not true. If you mean by living over there, that is my domicile or my home.

Q. You have stayed there 4 nights in about 3 or 4 years, have you not?—A. Everything I have stated here regarding my presence there is true.

Q. Do you go there any more frequently now than you used to?—A. I go there once or twice a week on an average right straight along. It is necessary for me to do so because I have to go there, for instance, if I am going to use a tuxedo. My tuxedo is over there. If I wish to go away on a trip or in the summer, all my clothes are there.

Q. Why do you not keep your tuxedo where you live? It would be handier, would it not?—A. The reason why I keep my property there is because I look upon it as my home, and I have always hoped that I would be able to go over there and not have asthma. I may say very candidly I do not know what occasions my asthma at my brother's home. It may be the plants around there or it may be the fact that the hair and odor and dandruff of the cat cause it, because I know that that does cause asthmatics to have asthma.

Q. Have you discussed in your brother's family that maybe you or the cat, one or the other, cannot live there?—A. I certainly have, and the regrettable feature of it is that I do not like to change my brother's ways. The cat is a cat he has had something like 14 years, and is over there today and has the run of the house. At one time my sister-in-law thought perhaps if they had a vacuum system in the house that I would not be subject then to an asthma attack; but after they had gone to that trouble, on an evening I went there with the hope of staying overnight, asthma came on in the latter part of the evening and I went back to San Francisco.

Q. Is it not a fact, having tested the matter out over there, it was determined you could not live over there?—A. Under present conditions, apparently, I cannot.

Q. And do not?—A. I have not slept there, if you mean that. I have not slept in that place. I consider it my home. It is the only place I have to go back to; and in the event, for instance, as an example, that I was not able to pay rent at the hotel, there is the place I would go and live. I would have to whether I had asthma or not.

Q. As a judge passing on the question, would you hold it to be the home of a person who could not live at that place?—A. I understand residence once acquired remains with the person who acquires it until he acquires a new residence. In this case I did not transfer residence from the Fairmont Hotel—

Q. You do not think the tuxedo could change your residence?—A. Just a moment. I did not transfer my residence from the Fairmont Hotel to Ardmore Road. I transferred it from 666 Post Street, although I had been living more than 5 months at the Fairmont Hotel at the time.

Q. You stated the only reason you have for not registering at this hotel in the room which you occupy is because of a suit?—A. May I have the question read?

Q. May I reframe the question and ask another question? I think I will not pursue the question further. I will let it go.

Judge Louderback, is it not a fact, when you testified before the committee on the occasion that you came to Washington, you gave as one of the reasons for this arrangement and for not registering in this hotel "because registration is an element upon which to predicate residence, and I wanted to maintain residence in Contra Costa County, and I assure you gentlemen I believe that one reason why that suit was not instituted was because I have that residence, because it could have been transferred to Contra Costa County on account of the California laws"?—A. I recognize the fact that if any suit was instituted it could be transferred to Contra Costa County, and I gave the testimony—I do not know that it is exactly as you read it, but in substance along that line.

Q. In other words, if when you stopped at the Fairmont Hotel the register had shown the absolute fact, that probably could have been used to predicate a suit against you in San Francisco? Is that the fact?—A. I do not know about a suit against me, but that might have been an element on which to consider the matter of residence.

Q. And you avoided the possibility of the fact of your occupancy of room 26 becoming evidence from the hotel register, did you not?—A. The value of that thought did not become of any importance at the time I went to the Fairmont. As of that time I had no idea that the separation which had occurred would possibly become permanent, and it was for that reason that I went to the Fairmont and did not want to be registered, because I did not want undesirable notoriety.

Q. When did it become evident that the separation would probably become permanent? Did you not testify about that, too?—A. I realized about the 1st of April that that was likely to become permanent and it was necessary, instead of having a temporary home, to have a permanent one, and I thought it would be very nice indeed. Then I reached the point where, if there was any publicity to happen, it would just have to happen.

Q. That was about April of the year?—A. That is correct, 1930.

Q. After it became apparent that publicity would come, if it had to come, why did you not register this fact on the register of the hotel?—A. I think I have already explained that. I said it cannot proceed as it is. I had no reason to change. I happened to make the statement to Mr. Leake after I had made the transfer over and had the asthma and was still staying on in the room. I told him that registration was an element on which to found residence. I said that.

Q. The only value of registration—and the only object of a registration—is to show where a person is sleeping, is it not—what room he is occupying? Is there any other reason than that?—A. I can only say that that seems to be an element which is used sometimes by lawyers in connection with cases.

Q. Put it this way, Judge: I do not want to press it too far. If, in the trial of the contemplated lawsuit, evidence should be offered that you were registered at that hotel on the nights when you stayed there, you would feel that there would be a better chance to have the lawsuit tried in San Francisco than in Contra Costa County, would you not?—A. Well, not for one night.

Q. No; I did not ask you that. If the register should show, during all the nights you occupied room 26, that you were actually in room 26, that fact would give you a poorer chance, to put it that way?—A. Well, I might say this: It might be introduced as an element; but I think that the failure to register—the deliberate not registering—shows a bona-fide intent on the part of the person not to claim any place as his home but the place in which he is registered, and which he looks at as his home.

Q. And you wanted to be in a position, in the contemplated lawsuit, to be able to claim that you lived in Contra Costa County, and that there was no register in any hotel that showed that you lived anywhere else. That is what you wanted, is it not?—A. Yes; if there was a suit, I would feel inclined to look at it that way, that it ought to be in Contra Costa County. The publicity in Martinez, a little town of that county, would not be commensurate with the publicity which you would get in a city like San Francisco for one occupying my position. But if you mean by that that I made this change and established my home primarily and solely and exclusively with that in view you are mistaken. It was the intention to make a legitimate home.

Q. And you stated to the committee, I believe, that you considered that if the possible plaintiff would have to go to Contra Costa County instead of suing you in San Francisco that suit might not be brought. Did you make that statement?—A. I believe I stated that I thought the suit had not been brought because of the discovery of the fact that I was a resident other than of San Francisco County; but I am not fearing any suit at the present time.

Q. Did you make this statement:

I assure you, gentlemen, I believe the only reason why that suit was not instituted was because I had that residence; because it could have been transferred to Contra Costa County on account of the California law.

The WITNESS. That is true. I was there stating the state of mind of another person—my conclusions.

Q. You had known Mr. Leake for a good while, I believe?—A. I met Mr. Leake in 1918, when I was in the service of the United States.

Q. And Mr. Leake was active in your behalf in your second campaign for the State judgeship?—A. He was. He gave me some helpful suggestions.

Q. Mr. Leake has had for a long time an interest in politics in California?—A. I am so informed.

Q. Did you not testify on your appearance before the committee that Mr. Leake had been active in politics in San Francisco and that section of the country in California and spent a great deal of time around the legislature?—A. I did; but all those transactions that I referred to there were information that I had received to the effect that he had been so active. It was before I knew him.

Q. Had he been a lobbyist in the legislature, or what had he been doing?—A. I did not know that he was a lobbyist—only, perhaps, in his activities in defeating Dan Burns for the United States Senate. I understood he had represented the Spreckels' interests at that time.

Q. He represented the Spreckels' interests before the legislature in the defeat of this candidate for the Senate at the time when the legislature elected Senators?—A. That is correct. That is correct as far as my information is concerned. That was long before I knew him or knew about the facts that you speak of.

Q. Have you been a patient of Mr. Leake?—A. I never have.

Q. Did you ever make any contribution to Mr. Leake?—A. I have not.

Q. Did you ever loan him money?—A. I have.

Q. Was it paid back?—A. I think he has.

Q. Do you not know he has not?—A. No; I think he has.

Q. Has he paid it all back?—A. I think so.

Q. When did you make these loans, Judge?—A. Several times during the course of my acquaintance with Mr. Leake—I do not know just exactly the dates—he has asked me if he could borrow from me a certain amount of money, a couple of hundred dollars, and I have let him have it; and then in a certain amount of time he has paid it back.

Q. What is the largest amount you have loaned him?—A. I think the largest amount I ever loaned Mr. Leake was \$350, which was when I was a State judge.

Q. Will you be good enough to examine those? (Handing papers to witness.) I think those are your returns. I will state to counsel that I am now offering for the inspection of—

The VICE PRESIDENT. Counsel cannot be heard by the Senate. He is not talking into the microphone, or raising his voice.

Mr. Manager SUMNERS. That is true. I forget about the microphone. I am now offering for the inspection of the respondent his tax returns for 1930, 1931, and 1932. I do not know whether the one in hand is for 1929 or not.

Mr. Manager BROWNING. Yes; it is.

Mr. LINFORTH. Mr. President, if there is any purpose or intent of offering any tax return of the witness upon the stand, we want to make the objection that that is confidential and not a matter of court inquiry.

Mr. Manager SUMNERS. We do not offer any suggestions as to counsel's observation, but insist that there is not anything in his observation.

Mr. LINFORTH. But you cannot do indirectly that which you cannot do directly. If they cannot offer the individual tax return of a citizen, they surely cannot examine that citizen on the contents of the paper; and for that reason we object to the question.

Mr. Manager SUMNERS. We offer these papers at the moment—we do not preclude ourselves from offering them in a different way—for the purpose of refreshing the memory of the witness, and saving time.

The VICE PRESIDENT. The Chair recalls that the witness was testifying as to the number of borrowings and amounts of money borrowed by Mr. Leake from the witness.

The Chair understands that the managers on the part of the House are offering these papers to the witness to refresh his memory, in order that he may answer accurately the questions asked by the managers of the House. If that is correct, they are admissible to the witness for that purpose.

Mr. Manager SUMNERS. Mr. President, we do not offer them for that purpose. We offer them to refresh the memory of the witness, to ask the witness to what tribunal he rendered his taxes for the years 1929, 1930, 1931, and 1932, as bearing upon the question of this witness's residence.

The VICE PRESIDENT. As bearing upon what?

Mr. Manager SUMNERS. We asked the witness where he rendered his taxes—what place in the rendition of his taxes he indicated his residence to be.

The VICE PRESIDENT. What taxes?

Mr. Manager SUMNERS. His personal taxes.

The VICE PRESIDENT. For the purpose of showing his residence?

Mr. Manager SUMNERS. That is right.

The VICE PRESIDENT. The Chair thinks they are admissible for that purpose.

The WITNESS. I have viewed the four tax returns that you have shown me, and I note there is a printed statement above my oath as to how much property I own to the effect that I live in the city and county of San Francisco. I might state, regarding those returns, that I signed them without appreciating the fact that there was any statement of residence before them; and if you have the one for this year, you will find where I corrected that very point with the assessor, and wrote in—and he questioned whether I should do that—and wrote in the fact that I lived on Ardmore Road. I did not recall the fact that the affidavit appeared that way.

Why I pay my personal taxes in San Francisco is because the property which I have in Contra Costa County is exempt property. The automobile is registered to me in Contra Costa County; but I have the privilege, inasmuch as I use it now chiefly in San Francisco County, to pay it where the automobile is, or where the automobile is registered. This year it happened I paid my bill for my automobile in Contra Costa County because I found that in Contra Costa County the assessment was a valuation of \$100, and in San Francisco \$150. I took advantage of that situation.

By Mr. Manager SUMNERS:

Q. The personal tax is lower in San Francisco than in Contra Costa County?—A. It was until this year. However, the personal property which is set forth there is not the personal property which I have in my trunk and in my room. It is the furnishings of what formerly was my home at 666 Post Street, which I own, where Mrs. Louderback makes her residence; and in San Francisco they assess that particular property to some real property which my brother and I own jointly. That is the reason why it is assessed in connection with the real property; and as far as the reading of that affidavit goes, I will say candidly that I did not recall it when I signed the oath, and had no intention of making such a representation.

Q. May I ask you this question? You are a lawyer, of course, and it will save a lot of investigation, possibly. Under the laws of the State of California are not personal taxes paid at the place of residence of the payor?—A. I understand they can be, or they can be paid in the place where they actually are existing.

Q. Where the personal property happens to be?—A. Yes. At least, that is what the assessor, Mr. Walden, told me. I know that I had a controversy about that very thing the last time that I made my statement. He said to me, "You can pay for your automobile either in San Francisco County or in Contra Costa County"; and you will notice that my tax bills state, on the rear, "Registration from 107 Ardmore Road, Kensington District, Contra Costa", referring to my Buick automobile. This is the one of 1931.

Q. Where are the others?—A. And the one of 1932 says: "Buick automobile registered in Contra Costa County, but car is now in San Francisco County all the time, and wishes to have it assessed there." That appears upon those documents you have presented.

The VICE PRESIDENT. The Chair designates the senior Senator from Alabama [Mr. BLACK] as the Presiding Officer for the day.

Thereupon Mr. BLACK took the chair as Presiding Officer for the day.

By Mr. Manager SUMNERS:

Q. How much cheaper is it to register in San Francisco than in Contra Costa County?—A. In the case of my Buick, the assessed value in Contra Costa is \$100, and the assessed value at San Francisco is \$150.

Q. With regard to the Russell-Colvin Co. matter, they were members of the San Francisco Stock Exchange, were they not?—A. I was so advised.

Q. Does the San Francisco Stock Exchange bear any reputation; or did you have any information to make you believe that it would be dangerous to the interests of the creditors for the attorney employed by the stock exchange to act as the attorney for the administrator in that matter?—A. I was not operating on any general reputation of the stock exchange. I was depending upon this fact, that there might be conflicting interests. The stock-exchange rules provide that any member that has a seat there must pay off his fellow members first before any sale can be made of it and the balance given to the estate. I did not know what conflicts besides that might exist between the stock exchange and these parties, and I was impressed by the fact of the vital interest expressed by the stock-exchange attorneys in presenting this matter to me, and their endeavor, of these various attorneys, to secure the control of the receiver and his attorney.

Q. Did you not understand, Judge Louderback, that the interests of the stock exchange behind the whole matter were to bring about an equitable receivership, a cheap receivership, to save all they could to the creditors, and the plan hit upon was to get their attorney, who was familiar with the facts in the case, and the man who had been auditor for the concern?—A. I know that is their allegation, and I believe that they were interested in their own membership; but in an estate like this, there are other creditors who are not stock-exchange members.

Q. But was not the interest of the stock exchange apparent in getting for the other creditors and preserving thereby the good name of the exchange—was not the interest apparent to get for them the very most that could be gotten through an economical administration of its affairs?—A. I did not know, and I did not care to hazard the estate in that way. I was not prepared to have the stock exchange substitute its judgment for mine in the selection of the officials of the court.

Q. When you came to select the officials, as a matter of fact did you not take a man for receiver who then was what you call the headman of an important stock-exchange concern that was contributing one member to the board of control of the stock exchange?—A. I took a man who had knowledge of the stock-exchange business—

Mr. Manager SUMNERS. Mr. President—

The WITNESS. I took a man—

Mr. Manager SUMNERS. Mr. President—

The WITNESS. Who had had experience before, but I do not—

Mr. Manager SUMNERS. I should like to have the witness answer my question if he can.

Mr. LINFORTH. I maintain, Mr. President, that he is answering the question.

The PRESIDING OFFICER. The Chair does not think he was answering the question.

Mr. LINFORTH. I beg your pardon.

The WITNESS. Read the question, Mr. Reporter.

The Official Reporter read as follows:

Q. When you came to select the officials, as a matter of fact did you not take a man for receiver who then was what you call the head man of an important stock-exchange concern that was contributing one member to the board of control of the stock exchange?

The WITNESS. That may be true, but I did not consider that he was any official of the governing board of the exchange.

By Mr. Manager SUMNERS:

Q. Do you not consider that a member of the board of governors has to do with governing the stock exchange—A. I felt that Mr. Hunter would do his duty.

Q. And that Cavalier was the employer of this Mr. Hunter and also a member of the stock exchange?—A. While he was a member, I did not know he was on the governing body, and I did not think Mr. Hunter was under any such control.

Q. Did you ask Mr. Leake to find you somebody to take the place of Strong, who was connected with the stock exchange?—A. I asked him to suggest somebody who had the qualifications necessary to handle a matter of this kind.

Q. Did he know what you were talking about when you said that?—A. I have every reason to believe he did.

Q. Is not this what you asked him, and did you not so testify when you were before the managers?—

I said, "Mr. Leake, do you know anybody who has these qualifications? I must have someone who is associated with the stock exchange in some way."

A. I think that that was erroneous in the reading, because I did not mean stock exchange—in the stock business. It may so appear, but I meant the stock business.

Q. Stock-market business?—A. No; acquainted with the stock business.

Q. How would he be appointed? How does it come about that a person gets to be an expert in that sort of thing without being connected in some sort of mercantile way with stocks and bonds?—A. I imagine a man might study up the subject and become just as acquainted with it as the person who participates in it.

Q. When Mr. Hunter was suggested to you by Mr. Leake, you concluded immediately that he was such a person?—

A. I did, because I knew if he was the same Hunter who had handled the matter across in Berkeley he had had problems of a similar type he would meet with in this case, and I knew Mr. Hunter had made a good receiver in that case, although I had not appointed him in that case.

Q. What did he have to do over there in a peculiar sort of way that fitted him for this appointment?—A. He was dealing with stocks and bonds of a company which was a sort of a finance company.

Q. Was he not dealing primarily with the assets of a ranching concern?—A. He was also dealing with other questions. The reason why I particularly know it was that my mother had invested money in the company, and had bought bonds of it, and was receiving compensation from the bonds, or the interest from the bonds. My brother had interests in it, and there was very little recovered from that company because it was so mishandled, but I know Mr. Hunter's service and his conduct of it was beyond question.

Q. The point I ask is, were they not handling ranches, ranch property?—A. I presume they had that sort of property also, but there were also bonding issues.

Q. Were not those issues merely issues of bonds on these ranch properties, just ordinary ranch property about over the country?—A. I understood it was a finance and bonding company that did business.

Q. Did you understand, as a matter of fact, that this concern was engaged in buying and selling bonds not connected with the ranches they were operating?—A. I understood they had something else, over and above any ranches they were running.

Q. May I ask you this question? Did you understand that they were engaged in the business of buying and selling stocks and bonds as that business is ordinarily understood?—A. I understood they had stocks and bonds. I do not know whether they were buying and selling them, but I understood they had those issues of bonds, and they had securities in the form of bonds. They did purchase and sell bonds.

Mr. Manager SUMNERS. I wish the witness would answer this question:

By Mr. Manager SUMNERS:

Q. These stocks and bonds which you continually refer to—I ask this direct question now—did you understand that they were stocks and bonds such as are traded in on ex-

changes, or were they not the stocks and bonds secured by the ranches they were operating?—A. I think I understand what you mean. I understood it was a finance and bonding company. I did not understand it was a broker office.

Q. What is the difference?—A. I do not know whether I can explain all the differences.

Q. Is there any?—A. I thought there was some.

Q. How much?—A. Well, I presume that in one case they are operating on an exchange, and in the other case they do not operate on the exchange.

Q. In one case they sell over the counter and in the other case they sell on the exchange. Mr. Short, whom you wanted to be the attorney for this concern, I believe you say was the son-in-law of Mr. Hathaway, who lived also at the Fairmont Hotel?—A. Only one suggestion there. I suggested Mr. Short, but I was not set upon Mr. Short's being attorney. I did suggest him as the first suggestion. [To the Official Reporter:] Read the question, please.

The Official Reporter read the last question.

The WITNESS. I understood that was so.

By Mr. Manager SUMNERS:

Q. Was he not the only lawyer you suggested in dead earnest that you wanted?—A. He was not the only one I suggested in dead earnest, but from the way Mr. Strong replied to me, and the objections that he made to Mr. Short, and his determination to hold on to his own selection, I felt that when I did offer him other selections, he was not going to select them, and my expectations were realized, because when I mentioned intentionally—after his saying that he had no knowledge of Mr. Short—I then proceeded to pick some of the finest firms in San Francisco, feeling confident that he would not accept them, but being prepared to give him those firms if he had elected to take them.

Q. Before the full committee, did you not testify:

So I said to him—really, to tell you candidly, I did it to test him out as much as anything—I said, "What about the firm of Pillsbury, Madison & Sutro?"

You did not offer those firms in good faith—I wish I had another word but it does not come to me now—did you offer those firms in good faith or just to test him out, to see whether he would accept them, and have him come to a decision as to whether he would accept them or not?—A. I think the statement I made before the House committee is consistent with what I have said today; and what I have said today is correct, and if you wish me to repeat it, I will. After he had rejected Mr. Short in the manner in which he did, saying that he had never heard of such a person, and so forth, I felt that his attitude was such that he would never select any other attorney, and therefore in a way I offered them feeling confident he would not accept them; but I would have felt bound, having given him the names, had he said, "I will select that firm", to have given it to him.

Q. Putting it this way, if I may do it with some degree of—I shall not say elegance—but is not this about the mental situation? You offered this firm as a bluff; feeling, however, that if he had called your bluff you would have to answer?—A. I would hardly call it a bluff. I felt that I must meet his objection, that he did not wish to have Mr. Short because he felt he was inexperienced. I felt that he was not sincere in his rejection of Mr. Short; that his real reason was that he intended to adhere to his choice, just as he did throughout the entire transaction.

Q. Did he not say that his choice was based upon the fact that he wanted this firm of lawyers, attorneys for the stock exchange, experts in doing the thing that he would be required by the court to do?—A. He did say so.

Q. Why did you not tell Thelen & Marrin and Brown that you had offered Short?—A. I do not know that I did not tell them.

Q. Do you say that, according to the best of your recollection, you did tell them?—A. I do not recall not telling them; I do not recall telling them. The main thing that I took up with them was the fact that he was adhering to this one firm; that it was too much of a family affair; that he had violated his trust to me; that he had not come back to

consult me; and instead of that, although he said he had no attorney, he had gone out and secured one, and that he was adhering to that, and that I was not going to allow him to remain in if he did so.

Q. Did you tell either of these three gentlemen whom I have just mentioned that you had offered Short?—A. I cannot say that I told them as to any attorneys, that I had offered Mr. Strong, but I believe that I told the whole story; but I have not a recollection to know at this time.

Q. Mr. Short was an employee in the office of Erskine & Keyes, was he not, at that time?—A. I never heard of that firm.

Q. Keyes & Erskine; I may not be familiar with it.—A. Yes, sir; so I understood, with some sort of special partnership agreement.

Q. When did you understand that?—A. I understood that before I appointed him.

Q. From whom did you learn it?—A. I do not recall; I do not know. I used to talk to his father-in-law, and maybe I secured it from him. I knew Mr. Hathaway quite well.

Q. Well, the firm of Ehrmann & Erskine; is that right?—A. Keyes & Erskine.

Q. Keyes & Erskine.—A. Alexander Keyes and Herbert Erskine.

Q. Keyes is dead, but I believe Erskine & Erskine probably continue the firm.—A. They still retain the firm name despite the death of Mr. Keyes.

Q. Were they engaged as attorneys for members of the San Francisco Stock Exchange?—A. I do not know.

Q. You did not know that fact at the time of the designation of Short, did you?—A. I did not. The only thing I knew about Keyes & Erskine was that they had been attorneys for the Humboldt Savings, which subsequently merged with the Bank of America and handled all those matters in connection with the bankers. Of course, all bankers seem to go into the Stock Exchange or the bonding business to some extent.

Q. What peculiar qualification of Mr. Short attracted you to him as a proper attorney to represent the receiver in this case?—A. He seemed to be a very bright, upright young man. I met him and he impressed me favorably.

Q. I believe you said you met him at the Fairmont Hotel?—A. I did.

Q. In company with his father-in-law?—A. I think his father-in-law introduced me to him. I saw him there, with his wife, and I did not know he had 4 children; I thought he had 2; I saw 2, but it seems that he has 4 children.

Q. Do you know who notified Mr. Short that he was to be designated as attorney in this case?—A. I do not.

Q. You do not know that he was notified by either Mr. Leake or Mr. Hunter?—A. I do not.

Q. When were you first consulted by Mr. Hunter, the receiver, to ascertain whether or not John Douglas Short would be satisfactory to you?—A. It was subsequent to the day of Mr. Hunter's appointment, but I do not know when it was. It was some days later, a day or so later. I think maybe it was the next day. My recollection cannot tell me that.

Q. Do you know whether it was prior to the time that the attorneyship had been offered to Short or afterward? I mean the attorneyship had been offered to Short or afterward.—A. May the reporter read that question?

Q. I will repeat the question, because it was not very clear. Do you know whether or not Short's appointment, to determine whether it was satisfactory to you, was taken up with you prior to the time that Hunter advised Short that he desired him to represent him?—A. It was not taken up with me until the time that the petition was presented in which Keyes & Erskine and John Douglas Short were named as being those approved of by the receiver.

Q. I believe the testimony has been pretty well gone into as to the fees allowed to the receiver and the fees allowed to the attorneys in this case. The hearings proceeded for about 3 days before you under contest at first, did they not?—A. Yes; the contest was led by a man of the name of

Scompini, who represented certain creditors; and it went on, as I recall, during 3 days' proceedings.

Q. In the application for compensation, the services rendered by the receiver and the services rendered by the attorney were set out in detail, were they not?—A. Yes; they filed quite a lengthy statement of their activities.

Q. Do you know, on the basis of the compensation allowed, what these gentlemen were allowed per hour or per day for their services?—A. No; I never computed it in that way. I looked over it generally, and I followed that case with a great deal of care, and I had seen the various petitions filed by them, and so forth. Then I listened very attentively to the statements made by the attorneys who were experts in the case as to fees.

Q. Which was the next case, can you tell us, Judge, to save time, with regard to which you were examined?—A. Really I am sorry I cannot help you there. Perhaps Mr. Linforth can.

Mr. LINFORTH. Mr. SUMNERS, if I may state to you for your information, it was the Lumbermen's case.

Mr. Manager SUMNERS. That was the next case?

Mr. LINFORTH. Yes; the second one cited in the articles.

Mr. LONG. At this point I desire to submit a question.

The PRESIDING OFFICER. The Senator from Louisiana propounds an inquiry, which the clerk will read.

The Chief Clerk read as follows:

Q. Did all the attorneys of interest agree on the fee allowed attorneys and receiver?

The WITNESS. They did.

The PRESIDING OFFICER. The Senator from Louisiana submits a further question, which will be read.

The Chief Clerk read as follows:

Q. If you answer the foregoing "yes", then please say if you considered you were approving an agreement for fees?

The WITNESS. I considered that not only were the fees within the scope of what was a proper fixing of fees, irrespective of any agreement, but I also felt that I was ratifying at the same time a stipulation on the part of all parties in interest.

By Mr. Manager SUMNERS:

Q. Do you know, Judge Louderback, the amount of fees for which the receiver had applied?—A. The receiver, as I recall, although I may be in error—I do not remember the receiver—the receiver's attorneys applied for \$65,000 and they were awarded \$46,250.

Q. Do you know how much the receiver applied for?—A. I do not recall now.

Q. But those were matters that were under examination 2 or 3 days prior to the time this agreement was entered into?—A. That is correct.

Q. And this agreement was a sort of a compromise among the persons who were proposing and contesting these fees?—A. I do not know the extent of the compromising. The negotiations which resulted in offering the stipulation in open court were not in my presence; but I understand that they negotiated among themselves and then finally presented this in open court, where all creditors who desired to oppose any compensation had been asked to appear; and there was no objection on the part of any person.

Mr. KING. Mr. President, I desire to submit an interrogatory.

The PRESIDING OFFICER. The Senator from Utah submits an interrogatory, which will be read.

The Chief Clerk read as follows:

Q. Did the creditors agree to the fees allowed in the Russell-Colvin case?

The WITNESS. All creditors represented by attorneys did so, either by speaking in the proceedings or remaining silent upon inquiry by the court if they had objection to the stipulation.

There were many creditors who came into the court there and followed the proceedings from day to day; the court was crowded with creditors of this concern, and no one

raised a voice when I said, "Now is the time for anybody who has any objection to this arrangement, which I believe is within the proper scope of my authority, to make objection." I waited to see if there was any objection, but no one objected, and I assumed from that fact, and the fact that no one took an appeal from the order, that everyone was satisfied.

By Mr. Manager SUMNERS:

Q. You were not consulted in your chambers with regard to the fees during the period when the negotiation was in progress?—A. I was not consulted.

Q. I believe you stated in the absence of an agreement you would allow a larger fee, did you not?—A. I never made any such statement.

Q. You did not make any statement of that sort?—A. I did not. I made a statement to the effect that while the amount was not probably that which I would have fixed, still, it being within the proper scope of the testimony given and in the discretion of the court—that is the effect; I cannot give the exact words—that I would allow the stipulation, since everyone was satisfied with it.

Q. In reference to the Fageol Motors Co. case, that concern was engaged, I believe, in assembling and to some degree in manufacturing automobile parts, particularly the bodies for trucks?—A. So I understand, and also had a sales organization, as well, in connection with it.

Q. These sales organizations were scattered over a great deal of territory?—A. Throughout a number of States and, I believe, the Territory of Hawaii.

Q. Do you know what preliminary work had been done by those in interest before the matter was called to your attention?—A. I do not.

Q. You understood when the matter was brought to your attention that the persons who were in the attitude of ownership of this concern, the creditors of the concern, and parties in interest generally, had reached some agreement, did you not?—A. I understood at the time the petition was submitted to me that the plaintiff and defendant and some of the creditors were in favor of a certain amount.

Q. When did this matter first reach your attention?—A. I do not know the day or date, but at the time that petition was filed the first I knew of it was when it was placed upon my desk by my secretary. Do you wish me to proceed?

Mr. Manager SUMNERS. If you please; yes, sir.

The WITNESS. She told me that the attorneys for the plaintiff and defendant and one or two gentlemen who were apparently creditors or representing creditors had called at my chambers and left these papers requesting the appointment of a receiver. The papers consisted of the petition and answer showing that the defendant company admitted the allegations in the complaint or petition; that they had suggested some man whose name I do not recall—I have heard it stated as Tuller, but I do not know whether it was Tuller or not—as being a man who had been an automobile man and who was suitable, in their opinion, and a proper person to be selected as receiver in the matter. They left those papers with a blank order to be filled in with the name of the person that I might select, with a request to have him appointed, or submitting his name for appointment.

Q. I did not quite get your answer. You used the expression "person I might select", and mentioned the name of this man Fuller, who you say was suggested.—A. I might state to the managers that the matter of the selection of the receiver and the attorney, who are court officers, is, of course, inherently in the court. Many times attorneys present no names in either case, and the court's selection is done unaided by any suggestion; but every once in a while in the larger receiverships you will find attorneys coming to you endeavoring not only to control one of those positions but both, and they have candidates for both and present them with the hope and expectation possibly of having them appointed by the court.

Q. Judge Louderback, do you know of a single important receivership that has come into your court since you have been Federal judge in which the applicants for the receivership have not also indicated the names they hoped you

would include in the petition as receiver?—A. Yes; I know of cases.

Q. What are they?—A. I would have to see the list of my cases and then perhaps I could indicate one or two that were that way.

Q. Important receiverships where there was no suggestion?—A. I have had many cases where the attorney was not suggested—many cases; and I have had a number of cases where receivers were not suggested, since I have been on the Federal bench.

Q. Are they among the important cases which have come to you?—A. I would have to look up and see. I do not know.

Q. Will you be good enough, when you leave the stand, to ascertain that fact? Did you await the determination of the receivership until you could have opportunity to have a conference with the attorneys who filed the petition?—A. I did not. I thought the matter was submitted. I recall that Mr. Crook had said to me and it apparently appeared as if there might be some question about the appointment of a receivership. Instead of notifying them and delaying the receivership by having them give notice so there would be no uncertainty, I considered it would be most appropriate to put in a temporary receiver. The order which had been prepared fortunately provided for a temporary receiver who would go into possession for about 30 days, at which time the entire matter, if there was any objection on the part of anyone, might be taken up and a receiver appointed. If there was no objection, then the receiver who was in office would be continued in his position.

Q. Judge Louderback, were you not informed that the persons who brought the application for a receiver there to your chambers arrived a little before the time for adjournment, were advised by your secretary that you would probably be delayed beyond the usual period of adjournment, came back about 1:30, and were told that you had left the bench earlier than you anticipated? Were you not given that advice by your secretary?—A. I only had the matter presented to me once, and that was on my return from lunch. I understood they had been there.

Q. That they came back again about 2:30?—A. I do not know that excepting from testimony which has been given and my inquiries from my secretary, but I will say that they testified that I passed them in the hall as they were entering my chambers. I did not know the parties. I do not know why they did not speak to me then as I passed through the hall past them.

Q. You had already appointed a receiver anyhow then, had you not?—A. That is true, but I am speaking from the standpoint of the parties themselves, who said I passed them without speaking to them.

Q. Whom did you appoint receiver in that case?—A. I appointed G. H. Gilbert.

Q. Who notified Mr. Gilbert of the appointment?—A. I believe my secretary did.

Q. This is the same G. H. Gilbert whom you testified with reference to having appointed as an appraiser in a case in the State court?—A. It is the same Gilbert I appointed on four occasions in the United States court as receiver, this being the last one, I believe.

Q. What qualifications did Gilbert have to be the receiver of a going automobile concern with branches scattered over the United States?—A. Gilbert had shown that he had executive ability. He had shown he had receivership ability in the Sonora case. He had shown more than ordinary ability, because he had handled a going concern there, having arranged for property to be sent out from the domiciliary receivership so it could be sold in the ancillary receivership. I considered from reports I got and from returns I got in the Sonora case that he was a man safe to appoint in receivership matters.

Q. Do you know whether he had had any experience in the automobile business?—A. I do not know. I did not know.

Q. What was his compensation in that case?—A. I only know by hearsay. I understood he got \$4,500, which was

awarded to him in the bankruptcy court by Referee Wyman, of Oakland.

Q. Who was his attorney in that matter?—A. His attorney was the firm of Dinkelspiel & Dinkelspiel.

Q. Had they previous to that time represented him?—A. They had. They had represented him in two other matters. They represented him in the Sonora Phonograph case and the Prudential Holding case.

Q. The Sonora Phonograph Co. was a rather large concern, was it not?—A. I considered it one of the large cases.

Q. How did Dinkelspiel & Dinkelspiel come to be appointed in that case?—A. Mr. Dinkelspiel, Sr., who subsequently has passed away, came with Mr. John Walton Dinkelspiel to my chambers with a petition asking for an ancillary receivership in this case. He requested the appointment of the Irving Trust Co. as receiver and also that a local receiver be appointed, and suggested to me the name of Mr. Holland who had acted in several instances as receiver in other departments of the district court. I told him I would prefer to make my own selection, and he said, "Judge, we are not fixed upon it. We just suggest it in the event you have no choice." So I said I wanted to select Mr. G. H. Gilbert, and he said that was satisfactory.

Then Mr. Dinkelspiel, Sr., turned to me and said, "Of course, inasmuch as they had brought this petition in connection with the creditors and the Irving Trust Co., they would expect to be the attorneys for the Irving Trust Co. as they had been corresponding in the East." I said, of course, naturally I would not interfere with the domiciliary receiver being represented by counsel. He said, "Could it not be possible, to save expense in the case, that the attorneys for the Irving Trust Co. could also be attorneys for the local receiver, Mr. Gilbert?" I said, "Mr. Dinkelspiel, I will take the matter up with Mr. Gilbert and I will suggest that as the solution."

Q. Were you told that Dinkelspiel & Dinkelspiel were attorneys for the Irving Trust Co.?—A. I understood that they were.

Q. Who told you that?—A. I must have got the impression from Mr. Dinkelspiel, Sr. I believe that he conducted the conversation.

Q. Do you not know as a matter of fact that you have learned since that time that they were not the attorneys for the Irving Trust Co.?—A. I do not know that because I thought they filed the petition asking that the Irving Trust Co. be relieved within a month from that time.

Q. They appeared in your court representing three creditors, did they not?—A. They did on the petition, but as I said, later as a matter of verification I believe that they brought the petition in which the Irving Trust Co. requested to be relieved as being a joint receiver in my district.

Q. But that was after the matter had progressed very considerably, was it not?—A. Yes.

Q. I am in some confusion with regard to rule 53 and its interpretation.—A. I think rule 53 is interpreted correctly by the letter of Judge St. Sure, which has been submitted in this case. It is the interpretation of both Judge Kerrigan and myself and Judge St. Sure as reflecting the court rules which we have made.

Q. Judge St. Sure, if I may get your interpretation of this, said:

After full discussion the judges of this court were of opinion that the rule will prove a useful one and it has so proven. It gives the court discretion in the matter of the appointment of attorneys for receiver to the end that no attorney shall be appointed who, for good and sufficient reasons, is deemed disqualified—who has appeared or acted for a party or for any creditor of defendant.

The WITNESS. The only thing is that it is left to our discretion, and in this particular case it was an ancillary proceeding. We were only carrying out as it were the receivership which had been established in New York.

RECESS

Mr. ASHURST. Mr. President, I ask unanimous consent that the Senate, sitting as a court, take a recess for 15 minutes.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the Senate, sitting as a court, will stand in recess for 15 minutes.

Thereupon (at 1 o'clock and 25 minutes p.m.) the Senate, sitting as a Court of Impeachment, took a recess for 15 minutes. At the expiration of the recess, the Senate, sitting as a court, reassembled.

CROSS-EXAMINATION OF THE RESPONDENT, HAROLD LOUDERBACK—RESUMED

The PRESIDING OFFICER. You may proceed.

By Mr. Manager SUMNERS:

Q. Judge Louderback, I do not believe I got an answer to my last question. I am not certain about it. Please consider that question canceled, and I will ask the question again.

In rule 53 I believe you designated this language in explanation, dealing with the limitation upon the appointment of attorneys—

To the end that no attorney shall be appointed who for good and sufficient reasons is deemed disqualified who has appeared for or acts for a party or for any creditor of the defendant (whether intervener or not), or for any other person interested in the cause or the estate.

My question is, how under that rule you came to appoint Dinkelspiel & Dinkelspiel, who appeared in their introduction to you representing three creditors of this estate?—A. The rule gives the discretion in the court, and is a notice to the attorneys that the court is going to require them to present a petition to the court for the purpose of the selection. If, in my discretion, I wish to appoint an attorney, however, who comes under the qualification you speak of, there is no intent to prevent me from doing so.

Q. I want to ask you just one other question in that connection. The explanation is that you have the rule—and I am now quoting—

To the end that no attorney shall be appointed who for good and sufficient reasons is deemed disqualified—who has appeared for or acts for a party or for any creditor of the defendant.

A. Well, I did not think the "good and sufficient reasons" that you speak of existed.

Q. You did think that this attorney appeared for three persons who were the creditors of this estate?—A. Yes. I looked upon it that way; but, of course, in ancillary matters it is a pure formality. It is not a case of original suit. Ancillary proceedings should be allowed if there is property in any district under the original domiciliary receivership. We are simply augmenting that receivership.

Q. What is the difference between the relationship of an attorney who appears in your court representing an ancillary receiver, and who also represents creditors of that receiver, and an attorney who appears in an original suit representing creditors?—A. The difference between the two is that in the first case you must determine whether there should be a receivership primarily. It is looked upon as mere, pure, formality—the allegations—where it is an ancillary matter.

Q. Why?—A. Because that matter has been passed upon in the domiciliary jurisdiction, and you are simply attempting to assist or augment that jurisdiction outside of the district in which it was initiated and allowed.

Q. But when the ancillary receivership—I do not mean to argue—when the ancillary receivership is established, is not the relationship of the attorney for the receiver exactly the same relationship as obtains between the receiver and his attorney and a receivership in chief?—A. I do not view it as the same.

Q. Does the receiver in chief have any control over the ancillary receiver?—A. We look upon the domiciliary—

Q. Wait a minute. Will you answer that question yes or no?

The WITNESS. Read the question, Mr. Reporter.

The Official Reporter read as follows:

Q. Does the receiver in chief have any control over the ancillary receiver?

The WITNESS. He has in an indirect way.

By Mr. Manager SUMNERS:

Q. How; how would he exercise it?—A. He exercises it in this way: That if he has certain goods or property which is in the ancillary district, unless there is a good and sufficient reason for not doing so, we permit him to have the goods or property transferred to him. The only exception to that is that we are supposed to look out and protect the creditors that are existent in our particular district.

Q. Would you permit the transfer of goods away from your jurisdiction to some other jurisdiction that would imperil the status of the creditors in your own jurisdiction?—A. Where proper application is made and the facts warranted that act, I have done so.

Q. What sort of fact would warrant a judge in a district permitting the property to be depleted in his district that would otherwise be distributed among the creditors in his district?—A. Primarily, if the ancillary were closed up, there would be a balance which would go to the domiciliary. There is no other reason.

Q. You mean after all the debts have been paid 100 cents on the dollar?—A. Also a case—

Q. Wait a minute. I would like to have an answer.—A. No. If there are creditors who are being taken care of in the ancillary district, having filed their application in the domiciliary district, they are amply secured in that case. We presume that the court of domiciliary jurisdiction will do the right thing.

Q. Did you have such a situation in this case in which Dinkelspiel & Dinkelspiel were appointed?—A. We had a situation which was most unusual. We had the domiciliary district sending goods into California for the ancillary to sell, because the better opportunity for sale of those goods existed in California. That is the only case I have ever known of where it was the domiciliary jurisdiction that was sending into the ancillary district. I have in many instances sent goods from the ancillary district into the domiciliary.

Q. Was there any advantage to anybody to have this ancillary administration?—A. Yes; of great advantage to the domiciliary jurisdiction.

Q. You spoke a moment ago of Mr. Hunter having been connected with a concern that was wound up over in Oakland, I believe?—A. In Berkeley.

Q. Do you know how much the creditors got in that case?—A. I do not. I have never studied the case. My knowledge of the case entirely came from the claims of my mother and brother and the explanations I received in connection with it. I have never reviewed the papers.

Q. Did they get more than 5 percent?—A. I am sure they did, but I cannot say positively. I know there was some money that came to me in connection with my mother's claim which my brother divided with me, but I do not recall the amount.

Q. You think now—A. I know that my brother was interested in the creditors of that concern, and I got largely my views from what he told me.

Q. Judge Louderback, do you not know, as a matter of fact, that this gentleman, Mr. Gilbert, had not the slightest experience or training or qualification to be the receiver in a going phonograph and radio concern distributing over that country?—A. I did not. I did not consider him an automobile man, and I do not know if he understood the manufacture; but when a man is appointed receiver of a railroad he does not necessarily know how to run a steam engine.

Q. But you would not appoint a man to run a railroad who had been connected simply as a telegraph operator and managing other telegraph operators, would you?—A. It depends on who the man was and what I thought he knew. It would not be a question of his vocation or—

Q. Or experience?—A. Experience has its value; but I have seen men who were capable of being very desirable receivers who have never had the opportunity to exercise those powers.

Q. Would you try to find out about it by appointing such a man to see whether he made a mess of things?—A. No;

but I would rather select a man representing the court, and I believe I have been successful in all the receiverships where I have appointed the receiver. Nobody has ever made a complaint of any receiver that I have ever been given notice of, either in chambers or by petition in court, not one instance.

Q. Do you not know, as a matter of fact, that in the Russell-Colvin case, in the Fageol Motors case, and in other cases it became the subject of general controversy and general criticism in the community where you live?—A. If it has, it has been unjust, because if there was any criticism in those cases, the parties or interested persons should have brought the matter to my attention, either in chambers or in court.

Q. Of course, it may have been unjust, but I was not asking you about the matter of justice; I was asking you about the matter of fact. You said you had not been criticized.—A. I said I had not been criticized by any legal proceeding.

Mr. LINFORTH. We submit that this line of cross-examination is not proper. It is not cross-examination.

The PRESIDING OFFICER. The objection is overruled. By Mr. Manager SUMNERS:

Q. I should like to ask you, as briefly as I may, with regard to the Prudential Holding Co. Will you state, just as briefly as you can, the character of business in which that concern was engaged?—A. Well, I thought it was a financing corporation, a corporation that would take in other corporations of a like kind. It was sort of a holding company.

Q. Whom did you appoint to be receiver and attorney, respectively, in that case?—A. G. H. Gilbert and Dinkelspiel & Dinkelspiel. I appointed the attorneys at the request of the receiver.

Q. Gilbert was determined upon by you as a competent man as attorney in the Fageol Motor case and in the Russell-Colvin case. The Prudential Holding Co. case was different from either one of these other two cases, was it not?—A. I cannot understand that question because the Russell-Colvin case did not have, either as attorney or receiver, Mr. Gilbert or Mr. Dinkelspiel.

Q. That is right. The Fageol Motor Co. case had to do with the assembling, manufacturing, and distributing of automobiles and automobile parts, did it not?—A. So I understand.

Q. I will ask you this question, so as to test your attitude, if you please. If you wanted to get somebody to operate a concern like the Prudential Holding Co., which had gotten into difficulty, would you look around the Fageol Motor Co. case or a telegraph company to find him?—A. When I selected Mr. Gilbert, he was my personal selection in that same view. If that had been some business of mine, I would have felt confident that he was the proper person to act. I think he has the judgment, and I think he showed it. I think the conduct of the Fageol case was a good one.

Q. So you think—I do not want to press the matter—that in employing him to run this Prudential Holding Co., which was in distress, in his business as telegraph operator, and receiver in the Fageol Motors Co. case, he persuaded you that he could operate this Prudential Holding Co. case best?—A. No. The Prudential case followed the Sonora. It was his experience in the Sonora case, and the conduct he had in that case, that caused me to believe that in the Prudential case he would make a good receiver.

Q. What assets did the Prudential Holding Co. have?—A. What assets?

Q. Yes.—A. That matter was never brought before me officially. I could only give you what I have heard were its assets.

Q. That is all right.—A. I heard it had none except a few hundred dollars.

Q. You mean, when you say you heard it had none, that it had—A. It had no potential value, that the real property they had was encumbered by second mortgages, and that there was no equity in case the property was sold; but I did not have that matter before me in the Prudential case. It only came before me on a motion to dismiss.

Q. You granted the receivership in that case, did you not?—A. I granted a receivership in the case initially, yes; but I did that upon the statement of counsel and the statement set forth in the petition presented to me at the time of the application.

Q. How long after you granted the petition, granted the receivership in the Prudential Holding Co. case, was it before you found out that there was a serious question as to whether this man Stephens had any right to represent the company?—A. The matter was submitted to me—the matter of Stephens?

Q. Yes.—A. The only issue about Stephens came up subsequent to the dismissal, I believe. In other words, the question was not whether the court had jurisdiction to appoint a receiver, but whether the case was properly before the court, whether we had jurisdiction in the court. No question about the condition of the company was presented to me. No application to relieve the situation, as far as the receiver was concerned, was presented; only a motion to dismiss, on the ground that we had not venue.

Q. When did the question arise as to whether or not Stephens had any right or authority to represent the company?—A. That question was never litigated before the court.

Q. I mean, when did it come up to you as a judge in equity?—A. It did not come up in equity.

Q. It did not come up at all?—A. It did not.

Q. Then the statements Stephens made had no bearing upon your action in granting this receivership?—A. No; that is not correct. I supposed you meant—I interpreted your question to mean when it came up as a matter of dispute. There never was any dispute about it, as far as the proceedings of the court were concerned. But Mr. Stephens saw me prior to my appointing the receiver, if that is what you mean.

Q. You knew, of course, as a matter of law, and as a lawyer, that this vice president of the Prudential Holding Co. had no authority to represent to you with regard to whether or not a receivership ought to be appointed?—A. I did not know that he did not have authority. The two companies were intermingled in their interests. The stockholders of one were stockholders in the other. When Mr. Kearsley presented the petition, and the vice president of the defendant company was there, thinking that action should be taken, and granting his approval, I thought he was acting in behalf of the defendant company, and I thought it was an uncontested receivership.

Q. You knew, as a matter of law, however, that he could not represent his company without some action upon the part of his company, did you not?—A. I only knew his representation.

Q. Well, will you answer my question, if you please, sir?—A. I knew if he did not have authority, of course, he had no right to make representation, but I did not know he did not have the authority.

Q. The question I am trying to have answered is that the fact that he was vice president of the company did not of itself give him any authority to make the representation to you?—A. I thought it did.

Q. As a matter of law?—A. I thought he, as vice president, had the power to act or he would not be there. Nothing was suggested that Mr. Stephens was not in harmony with his company.

Q. When did you first learn that there was some question as to whether Mr. Stephens represented his company in that matter or not?—A. At the investigation of the congressional committee.

Q. That was the first time you knew about it?—A. That was the first time that any issue was raised regarding the authority of Mr. Stephens.

Q. Did not somebody come in, representing the company, and seek to have the whole proceeding dismissed?—A. On the ground—

Q. Wait a minute.—A. Yes; they did.

Q. When did they do that?—A. It came before me for a hearing about the 29th of August, following the receivership on the 15th of August.

Q. When was the petition filed in your court?—A. I did not know until I looked up the files. We have many files of papers; but I did not know about it until it was presented to me. I understand they made application in 5 days, that is because I have looked up the record. I did not know it at the time.

Q. Does not the record reveal that the petition was filed on the 15th and the papers resisting the petition were filed on Monday?—A. That is my recollection. The papers so disclosed after I reviewed them at the termination of the affair.

Q. How long after you discovered that Mr. Stephens did not have authority to represent this concern did you set aside your action in granting the receivership?—A. I never had anybody represent to me that Mr. Stephens did not have authority.

Q. Your right was based on other grounds?—A. The entire matter went on the question of whether the court had jurisdiction, the right to hear and pass upon this matter.

Q. And that grew out of the question of whether or not there was diversity of citizenship, did it not?—A. It did.

Q. And did not the papers themselves disclose that there was not diversity of citizenship?—A. I so decided, and dismissed the application on October 2.

Q. Was that after or before you granted the application for bankruptcy proceedings?—A. That was subsequent to the application on a petition to appoint a receiver in a bankruptcy matter involving the same company, which was in another department.

Q. And you sat in another department and granted the petition in bankruptcy and appointed the same persons to be receiver and attorney, respectively, did you not?—A. I did. At the time the application was made I had not decided as yet whether the court had jurisdiction. The law is, under the Wage case, that you must allow the bankruptcy court to assume jurisdiction as against the equity court, and, sitting for Judge St. Sure, I had to divest myself of the receivership and grant it to his department upon application. When I did so the applicant, Mr. Kreft, said, "Is there any objection to Mr. Gilbert and Mr. Dinkelspiel staying in office, so that it will not be necessary to have a change of administration?" I told him there was no objection, and therefore, at his request, I made Mr. Gilbert and Mr. Dinkelspiel receiver and attorney, respectively, of the bankruptcy proceeding, thereby divesting myself of right in the receivership.

Q. And did you not grant the application for a receivership in bankruptcy solely upon the ground that you had granted the receivership in equity in the other case?—A. I granted it—

Mr. Manager SUMNERS. Wait a moment—

The WITNESS. Well, may the question be read, then?

Mr. Manager SUMNERS. That question is susceptible of an answer "yes" or "no", and then the witness can explain it.

The WITNESS. May the reporter read the question?

The Official Reporter read as follows:

Q. And did you not grant the application for a receivership in bankruptcy solely upon the ground that you had granted the receivership in equity in the other case?

The WITNESS. Not in the strict sense. I should like to explain that.

Mr. Manager SUMNERS. We think the witness has a right to explain.

The WITNESS. The situation is this: It is the law that if there is a receivership in any matter—an equity receivership—and in the same matter a bankruptcy proceeding is filed, and it can be predicated upon a receivership having been granted in any equity action, you must, of necessity, if there is an application made and a receiver appointed in bankruptcy, transfer the right from the equity division to the bankruptcy division. I had not decided whether I had jurisdiction or not. I had assumed jurisdiction believing I did have it, and had appointed a receiver. How could I then refuse to transfer to Judge St. Sure's department until I had actually passed upon the question of whether I had jurisdiction or not?

By Mr. Manager SUMNERS:

Q. How long was it after the petition in bankruptcy was granted and approved until you dismissed that action sitting in Judge St. Sure's court?—A. The matter had been formally submitted on the 19th of October—

Mr. Manager SUMNERS. Wait a moment.

The WITNESS. If you do not want the history—

Mr. Manager SUMNERS. You may answer the question and then give the history.

The WITNESS. I think I could save you two or three questions if I should do it.

The PRESIDING OFFICER. Let the witness answer the question.

The WITNESS. I ask that the question be read.

The PRESIDING OFFICER. The reporter will read the question.

The Official Reporter read as follows:

Q. How long was it after the petition in bankruptcy was granted and approved until you dismissed that action sitting in Judge St. Sure's court?

The WITNESS. Two days.

By Mr. Manager SUMNERS:

Q. If you want to make an explanation, you may go ahead.—A. No; I do not.

Q. I ask why did you not demand a creditor's bond in this case as in the Russell-Colvin case?—A. The creditor's bond was demanded in the Russell-Colvin case after I had had disclosed to me that there was a double filing.

Q. What did the fact that there were double filings have to do with your determination to insist upon a creditor's bond?—A. Because I believed that it was possible to have proceeded on the first filing with Judge St. Sure, and I concluded that they did not desire to take the matter before Judge St. Sure, particularly when I suggested that I would get in touch with him in Sacramento, which I did after I learned of the double filing. I then thought I would take all precautions, and, therefore, I suggested, as a precaution, a creditor's bond.

Mr. LONG. Mr. President, I thought I heard that answer; I was listening to it, but I could not understand it.

The PRESIDING OFFICER. Will the reporter read the answer?

The Official Reporter read as follows:

A. Because I believed that it was possible to have proceeded on the first filing with Judge St. Sure, and I concluded that they did not desire to take the matter before Judge St. Sure, particularly when I suggested that I would get in touch with him in Sacramento, which I did after I learned of the double filing. I then thought I would take all precautions, and, therefore, I suggested, as a precaution, a creditor's bond.

By Mr. Manager SUMNERS:

Q. Did the explanation that on account of the fact that your cases come by assignment in some sort of rotation, and they were anxious to get this matter in action because they had a run on the Oriental branch of the Russell-Colvin matter the day before, seem a reasonable explanation, under the peculiar circumstances, for what you call a double filing, though maybe not to be countenanced ordinarily?

The WITNESS. Will you read the question, Mr. Reporter?

The Official Reporter read the question, as follows:

Q. Did the explanation that on account of the fact that your cases come by assignment in some sort of rotation, and they were anxious to get this matter in action because they had a run on the Oriental branch of the Russell-Colvin matter the day before, seem a reasonable explanation, under the peculiar circumstances, for what you call a double filing, though maybe not to be countenanced ordinarily?

Mr. Manager SUMNERS. May I add, in that connection, also the fact that the Russell-Colvin Co. had been suspended by the stock exchange?

The WITNESS. I would see no explanation in the explanation that you have offered. I see no logic in it. There is no reason in the absence of any judge for a department being suspended. We always act in the absence of a fellow judge. I have had receivers appointed in my department by Judge Kerrigan in a number of instances. We understand in the absence of a judge that that may be done, and we do it.

Q. If you do not want to answer this question, all right. But what aroused your suspicion? What did you think they were trying to put on you or somebody else or anybody else?—A. I thought they were trying to select a department which they thought they could control. I did not know what the department was, but I am satisfied it was not Judge St. Sure's department because they did not proceed with his division.

Q. Did you think, to put it plainly, that they wanted you because they thought they could control you?—A. I do not know whether they thought so, but they were disappointed if they did.

Q. Did you or did you not think they were trying to control you?—A. I thought they were trying to control the appointment of a receiver and his attorney.

Q. Did you think they took you for an "easier mark" than Judge St. Sure?—A. I had no reason to know. They had suggested Mr. Strong. I had consented to his appointment, with the proviso of being consulted as to the attorney, before the matter of the second filing was brought to my attention, and when it was brought to my attention I was ready to divest myself of the appointment by taking it up with Judge St. Sure. They were not favorable to taking it up with Judge St. Sure, and I concluded at the time it was because I had agreed to select Mr. Strong.

Q. Judge St. Sure, then, was, I believe you said, in Sacramento?—A. He was sitting at that time in his regular term at Sacramento.

Q. How often has it occurred that judges have appointed for each other in receivership matters since you have been on the Federal bench?—A. May I have that question again?

Q. I will repeat it. How often has it occurred that judges have appointed for each other in applications for receiverships since you have been on the Federal bench in equity cases?—A. I really do not know, but I know that Judge Kerrigan has acted at least twice in equity cases involving my department and Judge St. Sure has at least acted once. In the Pioneer Fruit Co. case he appointed Mr. J. Hartley Russell when I was in Sacramento.

Q. Was that an equity case?—A. I am not sure whether that was an equity or bankruptcy case, but it was a receivership case. We do not distinguish in the jurisdiction, as far as what we do for each other is concerned, between equity and bankruptcy. We treat the receivers the same.

Q. Who were the attorney and receiver, respectively, in the Prudential Holding Co. case?—A. The receiver in the Prudential Holding Co. case was Mr. G. H. Gilbert and the attorneys were Dinkelspiel & Dinkelspiel.

Q. What fees were allowed in that case?—A. There were no fees allowed.

Mr. LONG. Mr. President, before the manager leaves this point, I have a question which I desire to submit.

The WITNESS. May I finish my answer?

The PRESIDING OFFICER. The witness may finish his answer.

The WITNESS. The order which I made divesting myself of jurisdiction prohibited any fees from being given.

The PRESIDING OFFICER. The Senator from Louisiana propounds an inquiry, which the clerk will read.

The Chief Clerk read as follows:

Q. Did you tell Strong in the presence of one of McAuliffe's partners something to indicate that lawyers there at the time were not to be the attorneys, and did Strong agree?

The WITNESS. I did not put it quite in that way. I would be willing to say just exactly what I said. I asked Mr. Strong if any of the attorneys present were his attorneys, indicating the gentlemen who were present at that time, consisting of Mr. Marrin, his partner, Mr. Thelen; Mr. Brown, and Mr. Lloyd Dinkelspiel, who is of the firm of Heller, Ehrmann, White & McAuliffe, the attorneys for the stock exchange. He said that none of them were his attorneys. I asked if he had an attorney. He said he did not. I asked him if he would consult with me in the selection of an attorney, and he said he would. This was in the presence of those gentleman I have just named.

By Mr. Manager SUMNERS:

Q. In the Prudential Holding Co. case you made as a condition some provision in the order of domicile which prohibited the attorneys and receivers from getting fees in that matter, did you not?—A. The order which I made, being a jurisdictional one, by its very nature prevented any fees to be awarded to the attorneys.

Q. But what I am asking is, Did you put any peculiar wording of limitation upon their right to get fees or did their right to get fees?—A. Not in the Prudential Holding case. I made no order with any peculiar wording.

Q. But you made about the only order you could possibly make in that case, and when you say you made an order—A. Yes; under the issues presented. The issues were as to whether the court of the northern district of California had jurisdiction and venue, and I decided that it did not have such, and dismissed the case.

Q. In the Lumbermen's Reciprocal case you made a different sort of order because the circumstances were different, were they not?—A. I made a different order in that case decidedly. It was a different issue.

Q. Is that the case in which you set a condition to the mandate from the circuit court of appeals with reference to the right to appeal?—A. That is the case in which an order was presented to me by Mr. Woodworth with a proviso regarding the turning over of the property.

Q. You examined the order, did you not?—A. I did. I read the order.

Q. That order provided in substance that the mandate of the circuit court of appeals was not to go into effect provided the parties in interest appealed from your order granting compensation?—A. That is correct. As I have stated before, I gave you the representations made by Mr. Woodworth at that time to me, and I signed the order in that case in that form. I decided that it was erroneous and I called in Mr. Woodworth to have it corrected, and he corrected it according to what I directed him to do, and the incident was closed.

Q. How long a time expired between the time when you signed that order and the cancellation of the order?—A. I do not know. I presume the records will show.

Q. Have you any idea?—A. I have not.

Q. Was it anywhere in the neighborhood of a month?—A. I could not tell you. I have not verified the record to that effect, but I am sure that the testimony can be produced or has been produced in this matter.

Q. Is it not a fact that you did not cancel that order until this case was ready to go up on its second appeal?—A. It may be that I did not sign the order confirmatory of the stipulation. It is a fact that I did not sign it until after an appeal had been taken, but not perfected. There was a certain delay, I assume, during the time that the various parties to the litigation were being approached and before they consented to a stipulation. But I know the stipulation was made in accordance with my suggestion and at my request, and that I made it an order as well as a stipulation.

Q. And it was a condition of the order that this estate in litigation might be turned over to the insurance representatives of the estate provided there was no appeal taken from the fees that you had allowed Shortridge and Woodworth?—A. The order was in substance that, with an additional provision that either side might apply to me to change the order. As I told you before, Mr. Woodworth represented that both sides had agreed.

The PRESIDING OFFICER. May the Chair suggest that we have the question read? You have not answered it fully. If there is any explanation, your counsel may bring it out. I think it has already been answered.

The WITNESS. Mr. SUMNERS does not seem to understand and that is the reason why I was giving an explanation, largely for him.

Mr. Manager SUMNERS. I do not understand it. I confess I do not understand this matter of attaching a condition to the mandate of the circuit court of appeals.

The PRESIDING OFFICER. If the witness desires, he may explain further.

The WITNESS. I can only explain by repeating what my prior testimony was, that I understood that Mr. Guereña and Mr. Woodworth had reached a point where they had agreed that a bond was the proper thing to have upon the money being turned over, and that this proviso was only to be in effect until the amount of the bond should be determined. Afterwards, upon going over the matter, I realized that it was an erroneous situation and it was an erroneous order, and I corrected the order.

By Mr. Manager SUMNERS:

Q. You arrived at that conclusion, did you not, Judge Louderback, after you saw this case was on the return route to the circuit court of appeals?—A. I do not know that I was actuated by the motive you speak of, or which is inferred, but I believe that I did not act in getting Mr. Woodworth to my office until after the appeal had been noted.

Q. I believe that the laws of California make provision that the mere intention to acquire new residence without the fact of removal avails nothing, nor does the fact of removal without the intention?—A. I do not question that it takes unity of act and intent.

Mr. Manager SUMNERS. That is all; you may take the witness.

Mr. McCARRAN. Mr. President, may we have the last question and answer read?

The PRESIDING OFFICER. The Official Reporter will read the last question and answer.

The Official Reporter read as follows:

Q. I believe that the laws of California make provision that the mere intention to acquire new residence without the fact of removal avails nothing, nor does the fact of removal without the intention?—A. I do not question that it takes unity of act and intent.

Mr. LINFORTH. We have no redirect examination.

Mr. McCARRAN. Mr. President, I submit the following question.

The PRESIDING OFFICER. The Senator from Nevada submits an interrogatory, which the clerk will read.

The Chief Clerk read as follows:

Q. In the Russell-Colvin case was the double filing done by the same attorneys in each instance?

The WITNESS. Yes; the same plaintiff and same defendant and the same petition.

Mr. POPE. Mr. President, I submit three questions which I desire to propound.

The PRESIDING OFFICER. The Senator from Idaho propounds certain interrogatories, which the clerk will read.

The Chief Clerk read as follows:

Q. Did you require a plaintiff's bond in any equity receivership case other than the Russell-Colvin Co. case?

The WITNESS. I have not.

The Chief Clerk read further, as follows:

Q. Why would the pendency of other filing of the case necessitate a plaintiff's bond?

The WITNESS. Because I thought that I would take every possible precaution to defend or protect the parties in that case in view of the fact that it looked to me as if there were certain movements to control the estate.

The Chief Clerk read further, as follows:

Q. Why would a plaintiff's bond be necessary after the other filing was withdrawn or dismissed?

The WITNESS. It was only a superprecaution.

Mr. ROBINSON of Arkansas. Mr. President, I submit the following question.

The PRESIDING OFFICER. The Senator from Arkansas submits an interrogatory, which the clerk will read.

The Chief Clerk read as follows:

Q. Did the stock exchange or any of its members hold the claims against Russell-Colvin Co. of which Mr. Strong was appointed receiver?

The WITNESS. I do not know; but there was a seat there, and what adjustments were made with relation to that seat I do not know. All this transpired before any of these interrelationships might arise. Nothing was brought to my

attention during the course of the proceedings that I can recall now regarding that.

The PRESIDING OFFICER. Are there any further questions? If not, the witness may be excused.

Mr. LINFORTH. Mr. President, the respondent rests.

TESTIMONY IN REBUTTAL—EXAMINATION OF DANIEL W. MCCORMACK

Mr. Manager SUMNERS. Mr. President, we should like to ask that Mr. McCormack be called at this time.

Daniel W. McCormack, having been first duly sworn, was examined and testified as follows:

By Mr. Manager SUMNERS:

Q. Mr. McCormack, will you be good enough to state your name and place of residence?—A. Daniel W. McCormack; Washington.

Q. What is your business, Mr. McCormack?—A. I am at the present time Commissioner General of Immigration; but, of course, my appearance here is in a purely private capacity.

Q. Have you recently been connected with the Irving Trust Co.?—A. Not since June 1, of 1930, I believe—Yes; 1930.

Q. Were you connected with the Irving Trust Co. at the time it was handling the Sonora Phonograph Co. as receiver?—A. I was.

Q. Are you familiar with the transactions which took place in San Francisco with reference to the ancillary receivership there?—A. I should say not—not with particular transactions in San Francisco. I was familiar with the general plan of the case.

Q. Briefly, what was the nature of the case in chief?

Mr. LINFORTH. One minute. We object to that question as not rebuttal in any sense of the word.

Mr. Manager SUMNERS. Yes; it is.

Mr. LINFORTH. Whatever charges they made insofar as this particular matter is concerned were gone into by them in their case in chief. We have met those charges; and we submit that under the guise of rebuttal the House should not be permitted to reopen the case and try it all over again.

The PRESIDING OFFICER. May the Chair ask the manager to state the reasons for the inquiry?

Mr. Manager SUMNERS. Yes, Mr. President.

It will be recalled that in the presentation of the evidence on behalf of the respondent it was testified by the ancillary receiver in this matter, and, I think, the respondent, that Dinkelspiel & Dinkelspiel represented the Irving Trust Co. in San Francisco in connection with the ancillary receivership. It is our purpose in offering this witness to show that he was in a managerial responsibility for the Irving Trust Co., which was the receiver in chief, and that Dinkelspiel & Dinkelspiel in no sense represented the Irving Trust Co., but, on the contrary, if we may be permitted to prove it, represented a firm of lawyers there who were insisting upon these ancillary receiverships over the country, to the added expense of that receivership.

The PRESIDING OFFICER. The objection is overruled.

By Mr. Manager SUMNERS:

Q. Will you state the facts with regard to your connection with the ancillary receivership, and the connection of Dinkelspiel & Dinkelspiel with the ancillary receivership in San Francisco insofar as the Irving Trust Co. was concerned?—A. It must be understood that this matter transpired between 3 and 4 years ago, that I have had no connection with the Irving Trust Co. or its receivership department for the last 3 years, and that I cannot pretend to speak with entire accuracy upon what transpired. I will, however, endeavor to give the facts as I remember them; and if I am in any doubt, if I cannot be certain in my recollection, I will tell you.

The Sonora case came to the Irving Trust Co. as primary receiver; and when we first heard of it, a group of attorneys, resident, I believe, for the most part in New York, with among their membership Mr. Max Isaacs—who, as I recollect it, is the publisher of the Bankruptcy Review—appeared and indicated what was being done in connection with the receivership. Petitions were being filed for the primary receivership in New York, and ancillary proceedings were being filed in a number of other jurisdictions.

The PRESIDING OFFICER. Is the Chair correct in understanding that the object and purpose of this evidence is to dispute evidence which the managers stated had been given by Mr. Dinkelspiel about his representation of the Sonora Phonograph Co.?

Mr. Manager SUMNERS. Yes; primarily.

The PRESIDING OFFICER. May the Chair suggest that the witness be interrogated as to the point which the managers desire to have answered, and save going over unnecessary ground?

Mr. Manager SUMNERS. We should be very glad to do it, except we thought that possibly the Senators might like a little broader view of the case; but I will ask the direct questions and attempt to confine the testimony to the limitations indicated by the occupant of the chair.

By Mr. Manager SUMNERS:

Q. When did you first learn of Dinkelspiel & Dinkelspiel in connection with these transactions?—A. I learned not of Dinkelspiel & Dinkelspiel, because I do not remember them as a firm, but of the appointment of ancillary receivers and their counsel at the time that the case was first brought to the Irving Trust Co. on the institution of the primary receivership proceedings.

Q. Do you know with whom Dinkelspiel & Dinkelspiel were associated in connection with litigation affecting this concern?—A. I will perhaps have to answer that question somewhat indirectly.

The group of attorneys who approached us had made or were making arrangements for the appointment of receivers in the ancillary jurisdictions, and doing so through their own correspondents. I believe, although I do not know definitely, that the firm of Dinkelspiel & Dinkelspiel were correspondents of that group.

Q. Did Dinkelspiel & Dinkelspiel at any time represent the Irving Trust Co.?—A. To the best of my knowledge and belief, never.

Q. Have you had to do, to a considerable degree, with reference to the fees of attorneys for receivers in such proceedings as were had with reference to the Irving Trust Co. with regard to the Sonora Phonograph Co. matter?—A. With reference to the fees in that particular case, I should say not. With reference to receivers' and attorneys' fees generally, a great deal.

Q. What would you say would be a fair fee in the Sonora case, where the records of the attorneys show 60 hours' service?

Mr. LINFORTH. One moment. We object to the question as being, first without foundation, no showing having been made as to what the services were that were rendered during that period, and, further, not in rebuttal in any sense of the word.

The PRESIDING OFFICER. The objection is sustained.

Mr. Manager SUMNERS. That is all.

Cross-examination by Mr. LINFORTH:

Q. Just a question or two, Mr. McCormack, please. There were certain attorneys looking after the affairs of the Sonora Phonograph Co., were there not?—A. You mean attorneys representing the company itself?

Q. Yes.—A. I assume so. I have no particular recollection of that fact, but there are in all cases.

Q. And representing also the receiver appointed by the court in New York?—A. I should say absolutely not. I want to complete the answer to that question, if I may.

We took particular care not to appoint any attorney in that case, or, as far as we could, in any other case, who had any interest or connection with the case itself.

Q. What attorneys were looking after the appointment of receivers in ancillary proceedings in States out of New York?—A. I can give you, from my personal recollection, the name of only one of them. There were a group, I should say, of at least three, and possibly five, of which Mr. Max Isaacs was one, who presented to us a complete scheme drawn up for the appointment of ancillary receivers in every possible jurisdiction.

Q. Is it one of that group that was delegated to do this particular work that was in communication with Dinkelspiel

& Dinkelspiel?—A. I must only reply to that that I assume that it was one of this group. I have no personal knowledge whatsoever.

Mr. LINFORTH. We have no further questions.

Redirect examination by Mr. Manager SUMNERS:

Q. Was this group to whom you refer in any way connected with the Irving Trust Co.?—A. They most decidedly were not. They came in and attempted to get into the administration, but were, to the best of my knowledge and belief, completely shut out and entirely independent attorneys appointed, so far as the primary receivership was concerned.

Q. What was their object in taking an interest in the affairs of the Irving Trust Co. as they related to the Sonora Phonograph Co.?—A. Well, the usual interest that lawyers have in getting business.

Q. State that a little more particularly. What was their interest?—A. Well, if an attorney can arrange for the appointment of a receiver of his own choice, or of ancillary receivers of his choice and friendly to him, it means that the patronage in connection with the case will likewise, in general, go to his friends; and without attempting to interpret the motives of this particular group, that is the general statement of fact as I draw it from my experience.

The PRESIDING OFFICER. Are there any further questions? If not, the witness is excused.

EXAMINATION OF J. S. EAGAN

Mr. Manager PERKINS. Call Mr. Eagan.

J. S. Eagan, having been duly sworn, was examined and testified as follows:

Mr. Manager PERKINS. Mr. President, we desire to introduce at this time the petition of attorneys for fees on account in the case of Sonora Phonograph Co., Inc., filed April 30, 1930. The petition and exhibits are printed in the book of exhibits, copy of which has been furnished counsel, at page 878.

Mr. LINFORTH. We object to the offer upon the ground that it is not rebuttal in any sense of the word. That is one of the original charges contained in the articles. The managers, on the part of the House, have introduced their proof on those articles. We have met that proof to the extent of our ability; and we protest against this case being reopened under the guise of rebuttal, and the petition for fees being offered.

The PRESIDING OFFICER. The evidence had already been offered before counsel objected; but the present occupant of the chair is of the opinion that the evidence would be admissible even if the objection had been made in time.

By Mr. Manager PERKINS:

Q. Mr. Eagan, please state your full name, your place of residence, and your occupation.—A. J. S. Eagan; accountant, United States Bureau of Investigation; Washington, D.C.

Q. At the request of the managers on the part of the House, did you make a computation or summary of exhibit A to the petition for fees on account of attorneys for ancillary receiver in the Sonora Phonograph case, printed at page 881 of the exhibits?—A. Yes, sir.

Q. That is the petition, and appended to the petition for attorneys fees an exhibit showing the time spent in the matter of the Sonora Phonograph Co. matter?—A. Yes, sir.

Q. I hand you a statement, and ask you if this statement is the result of your computation of the time spent in that case?—A. (Examining.) It is.

Q. That indicates the time spent by Messrs. Dinkelspiel & Dinkelspiel as attorneys in the Sonora Phonograph case?—A. Yes, sir.

Q. How many hours did they spend?

Mr. LINFORTH. One minute. We object to that question on the ground that it is not rebuttal in any sense of the word, but part of the original case of the complainants.

The PRESIDING OFFICER. Is that the only ground of objection?

Mr. LINFORTH. Yes, Mr. President; we base it solely on that ground.

The PRESIDING OFFICER. The objection is overruled. (See U.S.S. exhibit 57.)

The pending question was read, as follows:

Q. How many hours did they spend?

The WITNESS. Sixty-five hours.

By Mr. Manager PERKINS:

Q. Mr. Eagan, at the request of the managers on the part of the House, did you make a recapitulation of exhibit 44, showing the financial transactions of Mr. Sam Leake with the Hotel Fairmont, which have been offered in evidence in this case?—A. I did.

Q. I show you a paper entitled "Recapitulation, exhibit 44, room 679", and ask you if that is the result of your work?—A. (Examining.) It is.

Q. Will you please state just what that recapitulation shows on its footings?

Mr. LINFORTH. We object to the question as not rebuttal in any sense of the word. Article 1 of the impeachment articles alleges a conspiracy between the respondent and Mr. Leake, and evidence has been introduced on that subject. These particular statements which are now referred to were offered during the course of the examination of witnesses on behalf of the House of Representatives in their case in chief, and we submit that subject should have been exhausted at that time. It is not rebuttal in any sense of the word. It is irrelevant, immaterial, and incompetent, and not within any issue of this case other than the one to which I have called attention, on which evidence was offered in the case in chief.

The PRESIDING OFFICER. May I see the paper?

(The paper referred to was handed to the Presiding Officer.)

The PRESIDING OFFICER. It is merely a recapitulation of the evidence which came in. I sustain the objection to it, but not on the ground which has been offered. I do not think it is admissible, because I think the papers speak for themselves.

Mr. Manager PERKINS. Mr. President, this is in the nature of convenience evidence for the trial body. I do not assume that anyone will have the time to go through all these records, and for the purpose of convenience to the trial body, we produce this in order to show just what those transactions ultimately were.

The PRESIDING OFFICER. The objection is sustained.

By Mr. Manager PERKINS:

Q. Mr. Eagan, can you tell, from an examination of the record of Mr. Leake at the Hotel Fairmont, how much money in cash he withdrew from the hotel?

Mr. LINFORTH. We object to that on the same ground.

The PRESIDING OFFICER. The objection is sustained.

Mr. Manager PERKINS. Cross-examine.

Mr. LINFORTH. No questions.

(The witness retired from the stand.)

Mr. Manager SUMNERS. Mr. President, we quite recognize the objection made to the offer, but there is a volume of testimony which has been frequently referred to, and the suggestion made that the testimony would not be reprinted because of the fact that it is contained in this document. We do not desire to make an offer or a tender in the face of objection, but it seems to me it would probably be to the very great convenience of the Senate, sitting as a court, if series 15, part III, in which have been included a great many things referred to in the testimony, should, in an official sort of way, be incorporated in the record in this case. We do not insist that it shall have any particular status before the court, but we offer it in order that it may be here for the convenience of the members of the court.

Mr. KING. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. KING. I am not quite clear, and I desire to propound a parliamentary inquiry as to the tender or suggestion of counsel. I ask the Presiding Officer whether the tender is to have printed the parts referred to or have them identified by pages, so that the members of the court, by reference to the pages, may know what parts of this large document have been incorporated in the record or made a part of this case.

The PRESIDING OFFICER. Will the manager state?

Mr. Manager SUMNERS. Mr. President, my statement is intended to go to this effect: Here is a volume in which are assembled a great many documents which have been offered in this case, some of which have been specifically referred to. We do not care a thing on earth about how it is accepted, or whether it is accepted at all; but it has struck me that before the case concludes, counsel for the respondent, the managers on the part of the House, and the Senators themselves, might, upon the suggestion made, arrive at some conclusion as to what should be the status of this volume in the record of this case.

The PRESIDING OFFICER. May the Chair ask counsel for respondent his view on that question?

Mr. LINFORTH. Mr. President, this is our position: What is in that record I do not know. I did not know of its existence until a few days ago, when Mr. SUMNERS, one of the honorable managers, called it to my attention. At that time he stated that it included certain accounts which we were then offering in evidence, and it was then understood that those pages of that volume which dealt with the matters of those accounts and petitions might be considered and referred to instead of having the same printed anew in the daily proceedings here.

What documents other than that may be contained within that volume, I do not know. Whether they are relevant or not, I do not know. Whether they are in rebuttal or not, I do not know. Therefore, I am in no position to make any agreement with reference to any paper contained within that bound volume until and unless the document is first specifically called to our attention.

Mr. Manager SUMNERS. Mr. President, I am not in a position to tender this volume as admissible testimony under the rules of evidence, and in view of the suggestions made by counsel for the respondent, about the only thing I can suggest is that this book contains documents which purport to be copies of originals, and we can leave them with the Senate for whatever use the Senate may deem fit to put them to, but certainly we are not in a position to offer them as evidence under any rule of evidence of which we know, and we do not so offer them as evidence.

The PRESIDING OFFICER. May the Chair ask the managers whether they have any more witnesses?

Mr. Manager SUMNERS. I believe there are 1 or 2 very short witnesses. I shall have no more to say with regard to this document.

Mr. KING. Mr. President, I ask unanimous consent, in violation of the rule, to make one observation relative to this matter.

The PRESIDING OFFICER. The Senator from Utah asks the court for unanimous consent to make an observation with reference to this matter. Is there objection?

Mr. LINFORTH. None whatever from us.

The PRESIDING OFFICER. The Chair hears none, and the Senator from Utah is recognized.

Mr. KING. Mr. President, as stated by counsel for the respondent when he was tendering certain documents, one of the honorable managers for the House stated that in this volume there were found a number of those documents which were offered by counsel for the respondent; and the counsel for the respondent, accepting the statement of the honorable manager on the part of the House that this volume contained a correct statement of the tendered document, agreed, as I understood, that the document tendered by counsel for the respondent need not be printed, but that reference could be made to this volume in order that members of the court might ascertain just what the document was.

I therefore suggest that the managers on the part of the House and counsel for the respondent confer and before the case is concluded indicate the pages in this volume which cover the documents in the volume which were offered by counsel for the respondent and which were accepted, so that the members of the court, by turning to the pages indicated,

may know just what part of this volume has been admitted in evidence.

The PRESIDING OFFICER. Counsel have heard the suggestion, and it can be taken up at a later date, when we have concluded with the witnesses. I suggest that the next witness be called.

Mr. LINFORTH. Counsel for the respondent will be glad to follow the course suggested.

Mr. Manager SUMNERS. We will be glad to do that.

REEXAMINATION OF HARRY L. FOUTS

Harry L. Fouts, having been heretofore duly sworn, was re-called as a witness and testified as follows:

By Mr. Manager LEWIS:

Q. You have already been sworn, have you, Mr. Fouts?—A. Yes; I have.

Q. What is your position?—A. Deputy clerk of the United States District Court, Northern District of California.

Q. You have custody of the original records which have been referred to during the trial?—A. I have.

Q. Have you prepared a summary of the fees paid and the dates on which they were paid to the receiver and to the attorneys for the receiver in the following cases: Gardner M. Olmstead against Russell-Colvin Co., being the so-called "Russell-Colvin case"; in the Sonora Phonograph Co. case; and in the Helen Lay against the Lumbermen's Reciprocal Association case—A. I have.

Mr. Manager LEWIS. I may state to the court that this is simply a summary of a lot of evidence which has been presented, which Mr. Fouts has prepared, and we should like to introduce his summary, which will be in convenient form for the purposes of argument and for the court.

Mr. LINFORTH. I submit, if the court please, that that is wholly incompetent. Counsel can cover that in their argument, and they can state what the computation is.

The PRESIDING OFFICER. The present occupant of the Chair thinks that counsel could use it in argument, and there would be no reason why either side could possibly be injured by having it placed in this convenient form, and, therefore, I overrule the objection.

By Mr. Manager LEWIS:

Q. You have that document with you?—A. Yes; I have.

Q. You prepared it?—A. Yes.

Q. Was it prepared by reference to the original instruments?—A. It was.

Q. You have the original documents in court?—A. I have.

Q. Will you identify this paper?—A. This one here? [Indicating.]

Q. Yes.—A. This is the summary we are talking about.

Q. I mean, will you identify it in some way? Identify it by your signature or initials or something, and we will then offer it.—A. The clerk informs me that it will be United States Senate Exhibit 58.

Mr. LEWIS. I offer it in evidence for the purpose indicated.

The paper admitted in evidence is as follows:

U.S.S. EXHIBIT No. 58

No. 2595-L, Gardner M. Olmstead v. Russell-Colvin Co.

PAYMENTS TO H. B. HUNTER, RECEIVER, AS SHOWN BY GENERAL REPORT AND ACCOUNT (FIRST) FILED JAN. 10, 1931

1930		
May 26	-----	\$2,112.91
May 29	-----	500.00
June 14	-----	500.00
June 30	-----	500.00
July 15	-----	500.00
July 31	-----	500.00
Aug. 15	-----	500.00
Aug. 30	-----	500.00
Sept. 15	-----	500.00
Sept. 30	-----	500.00
Oct. 15	-----	500.00
Oct. 31	-----	500.00
Nov. 14	-----	500.00
Nov. 29	-----	500.00
Dec. 15	-----	500.00

9,112.91

No. 2595-L, Gardner M. Olmstead v. Russell-Colvin Co.—Contd.

PAYMENTS AS SHOWN BY SECOND ACCOUNT OF RECEIVER,
FILED NOV. 14, 1931

Dec. 31.....	1930	\$500.00
Jan. 15.....	1931	500.00
Jan. 30.....		500.00
Feb. 14.....		500.00
Feb. 28.....		500.00
Mar. 13.....		500.00
Mar. 26.....		1,000.00
Mar. 20 (fees as receiver, Mar. 10, 1930, to Mar. 12, 1931, inclusive, \$20,000 less \$112.91 refunded on drawing account).....		19,887.09
		<hr/> 33,000.00

PAYMENTS AS SHOWN BY THIRD ACCOUNT, FILED DEC. 19, 1931

Nov. 30, 1931, balance receiver fees to Oct. 15, 1931, as allowed by court.....	7,500.00
Total.....	<hr/> 40,500.00

PAYMENTS, FEES TO KEYES & ERSKINE

Mar. 30, 1931 (attorneys' fees Mar. 13, 1930, to Mar. 17, 1931, inclusive. Check no. 536, second account cash receipts and disbursements).....	46,250.00
Nov. 30, 1931 (to Keyes & Erskine and John Douglas Short, as shown by third account of receiver filed Dec. 19, 1931).....	<hr/> 5,000.00

Sonora Phonograph Co.—in bankruptcy
RECEIVER, GUY H. GILBERT

Paid Feb. 26, 1930 (details of disbursements second report filed Apr. 30, 1930).....	1,556.00
Paid May 12, 1930 (p. 1, exhibit G, third and final report filed June 23, 1930).....	2,562.83
Paid July 30, 1930 (check no. 59, Bank of Italy, dated June 23, 1930).....	<hr/> 2,855.64
	6,974.47

ATTORNEY FOR RECEIVER, DINKELSPIEL & DINKELSPIEL	
Paid May 17, 1930 (p. 1, exhibit G, third and final report of receiver filed June 23, 1930).....	15,249.43
Paid July 30, 1930 (check no. 66, July 30, 1930, Bank of Italy).....	<hr/> 5,000.00

No. 2655. *Helen Lay v. Lumbermen's Reciprocal Association*

SAMUEL M. SHORTRIDGE, JR., RECEIVER

Paid Dec. 4, 1930 (voucher no. 121, third report of receiver).....	3,000.00
Paid Apr. 23, 1931 (list of expenditures from Apr. 1, 1931, to July 1, 1931, attached to fourth and final report).....	<hr/> 3,000.00

MARSHAL B. WOODWORTH, ATTORNEY FOR RECEIVER

Paid Dec. 4, 1930 (voucher no. 120, third report).....	3,000.00
Paid Apr. 23, 1931 (list of expenditures Apr. 1, 1931, to July 1, 1931, attached to fourth and final report).....	<hr/> 3,000.00

Mr. LINFORTH. The respondent has no questions.
The witness retired from the stand.

RECESS

Mr. Manager SUMNERS. Mr. President, may the managers on the part of the House have 7 minutes for a consultation in order to determine what shall be done with reference to the introduction of additional testimony?

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the Senate, sitting as a court, will stand in recess for 7 minutes.

Thereupon (at 3 o'clock and 1 minute p.m.) the Senate sitting as a Court of Impeachment took a recess for 7 minutes. At the expiration of the recess the Senate reassembled.

CONCLUSION OF EVIDENCE

The PRESIDING OFFICER. Are the managers for the House ready to proceed?

Mr. Manager SUMNERS. Mr. President, the managers on the part of the House are ready to announce to the Senate, sitting as a court, that they do not have additional testimony to offer; that is, with the understanding that counsel for the respondent have also finished with their testimony. I inquire of counsel if that is correct?

The PRESIDING OFFICER. Do counsel for the respondent have any further testimony to offer?

Mr. LINFORTH. Mr. President, if the managers on the part of the House rest their case, the respondent rests.

Mr. Manager SUMNERS. Then, we all rest.

Mr. ASHURST. Mr. President, I wonder if I heard aright or am I correct in understanding that both the honorable managers on the part of the House and the counsel for the respondent have rested?

The PRESIDING OFFICER. The Senator is correct.

FINAL DISCHARGE OF WITNESSES

Mr. ASHURST. I ask for an order that all witnesses may be finally excused.

The PRESIDING OFFICER. Is there objection? If not, the order is entered, and all witnesses are finally excused from further attendance on the Senate sitting as a Court of Impeachment.

REQUEST TO BE EXCUSED FROM ATTENDANCE ON IMPEACHMENT PROCEEDINGS

Mr. COPELAND. Mr. President, on account of illness, I have been away from the Chamber for a number of days. I was ill for several days before I left. I am happy to say that I am now in good health. I heard the opening speech of counsel in the Louderback impeachment case; I have heard none of the testimony, and feel myself incompetent either to vote or to continue as a member of the court. Therefore I ask unanimous consent that I may be excused from further attendance and from voting in the Impeachment Court.

The VICE PRESIDENT. The Senator from New York asks unanimous consent that he be excused from further attendance upon the court and from voting in the impeachment proceedings. Is there objection? The Chair hears none, and it is so ordered.

ALLOWANCE OF TIME FOR ARGUMENT

Mr. ASHURST. Mr. President, at this time I submit the order which I send to the desk.

The PRESIDING OFFICER. The order submitted by the Senator from Arizona will be read.

The Chief Clerk read as follows:

Ordered, That the time for final argument of the case of Harold Louderback shall be limited to 3 hours, which said time shall be divided equally between the managers on the part of the House of Representatives and the counsel for the respondent, and the time thus assigned to each side shall be divided as each side for itself may determine.

Mr. NORRIS. Mr. President, I should like to inquire, before the vote is taken on the order, whether that is agreeable to both sides?

The PRESIDING OFFICER. The Chair was just about to ask that their view be given by the managers on the part of the House, and after that the view will be obtained of counsel for the respondent.

Mr. Manager SUMNERS. Mr. President, the managers on the part of the House, both by inclination and necessity, conform to the pleasure of the Senate. This is a very difficult case to present in an hour and a half, due, in no small degree, to the fact that many Senators have been compelled by urgent matters to absent themselves frequently from attendance upon the Senate sitting as a court. It would be very agreeable to the managers on the part of the House—and I hope we do not make ourselves misunderstood—if there could be more time allowed for the narrative of the evidence in this case, but I also want it understood that we accept, with perfect submission, the judgment of the Senate in that regard, since the Senate is, from this time on, more concerned than is the House, because the responsibility is the responsibility of the Senate.

Mr. LINFORTH. Mr. President, on behalf of the respondent, we announce that we are satisfied with an hour and a half, and do not expect to take that much time. We go farther, and say that if the learned gentlemen representing the prosecution in this matter are willing to submit the case to the Senate without argument, so is the respondent.

The PRESIDING OFFICER. The Senate sitting as a court has heard the order read and the request that it be adopted.

Mr. NORRIS. Mr. President, I believe all of us who have followed the evidence and heard it realize that it is not going to be an easy matter to present the evidence and argue it logically and systematically. I think this afternoon some

evidence was ruled out that is going to make it necessary in the argument to gather together a whole lot of evidence that is strung through this case. I do not believe that the Senate ought, no matter how tired we are now, when we are so nearly through, to spoil the record and compel the managers on the part of the House or the attorneys for the respondent to limit their time, especially to an hour and a half on a side.

I presume the argument will first be made by the managers on the part of the House, to be followed by counsel for the respondent, and then concluded by managers on the part of the House. If we divide that time, I think we would very seriously interfere with the presentation of the case. It seems to me the time ought to be doubled, not necessarily to be used, but counsel ought to be given that much time.

Mr. ROBINSON of Arkansas. Mr. President, I should like to inquire what length of time the managers on the part of the House feel would be required properly to present the case?

Mr. Manager SUMNERS. Mr. President and the Senator from Arkansas, I hope the managers are putting themselves in the right attitude before the Senate. They accept whatever the Senate determines. If we were privileged to choose between 2 hours and an hour and a half, we would choose 2 hours in which to attempt to discharge the responsibility which we feel we owe to the Senate. It may be that the managers on the part of the House estimate that it will require longer than it will.

Mr. ROBINSON of Arkansas. Mr. President, if I may be permitted to make a statement, the suggestion of Mr. Manager SUMNERS is that if the managers were required to choose between an hour and a half and 2 hours, they would choose 2 hours. My inquiry was as to what length of time the managers feel would be required properly to present their case. It is inconceivable to me that there should arise here any such issue as appears to be arising as to whether an hour and a half or 2 hours would be adequate for proper argument of the issues in the case. I should be disposed to extend every possible courtesy and consideration to the managers on the part of the House. If they had a definite request or suggestion to submit, it would be my disposition to concede their suggestion; but having failed to do that and having manifested their reluctance to indicate what length of time is required, in view of the rule governing this matter and the limitation that is imposed in the rule as to certain proceedings, it has seemed to me that the suggestion of the Senator from Arizona [Mr. ASHURST] ought to be regarded as adequate. If, however, the managers on the part of the House say they cannot properly present their case within that time and would require additional time, I see no objection to granting it. I do feel, however, that the onus is upon them to indicate what length of time is required in order properly to present the matter.

Mr. Manager SUMNERS. In view of the statement of the Senator from Arkansas we would appreciate being permitted to have 2 hours in which to present the views of the managers with reference to this case.

Mr. ASHURST. Mr. President, I, therefore, take the liberty and privilege of modifying the order which I sent to the desk, so that the word "three" shall be changed to "four", and I ask that it be read as modified.

The PRESIDING OFFICER. The order as modified by the Senator from Arizona will be read.

The Chief Clerk read as follows:

Ordered, That the time for final argument of the case of Harold Louderback shall be limited to 4 hours, which said time shall be divided equally between the managers on the part of the House of Representatives and the counsel for the respondent, and the time thus assigned to each side shall be divided as each side for itself may determine.

The PRESIDING OFFICER. Is there objection to the order as modified? If not, the order is entered.

Mr. ASHURST. Mr. President, I may be out of order, but I am doing this in the interest of time. In the Archbald Impeachment case, which was the last one before this, the present senior Senator from Nebraska [Mr. NORRIS] was one of the learned managers on the part of the House.

I have followed that case as to form and procedure as best I could. At this juncture of the proceedings in the Archbald case the Senate went into executive session as jurors to pass upon certain questions merely of procedure in fixing the time for voting. I hesitate to make such a motion, because it may be the Senate will not care to adopt that procedure at this time; but if Senators wish to talk, as they have the right to do and possibly the duty is incumbent upon them to do, this is the appropriate time, because it is contemplated that argument will begin at 7 o'clock this evening. May I have the attention of the senior Senator from Oregon [Mr. McNARY]?

Mr. McNARY. Mr. President I do not know whether it is the purpose of the able Senator from Arizona to discuss the matter in open session.

Mr. ASHURST. No; I would rather discuss it in executive session.

Mr. McNARY. I simply want to apprise him of the fact that I could not consent to an order of that kind at this time, but I shall be very happy to discuss it in executive session.

Mr. ASHURST. Then I am going to take the responsibility and liberty of suggesting, if I can get a second, which is required under the rule, that we go into executive session with closed doors.

Mr. KING. I second the request.

Mr. NORRIS. Mr. President, why would it not be more appropriate to wait until argument is concluded before we take any such action?

Mr. ASHURST. Very well. I will withhold any further action. I withdraw the motion which I just made. Now, I will suggest, without making a motion, that the Senate proceed to the consideration of legislative, or, if Senators prefer, that the Senate take a recess until 7 o'clock this evening, and that the argument shall begin at that hour.

The PRESIDING OFFICER. The Senator does not make that as a motion?

Mr. ASHURST. No; I merely lay the suggestion before the Senate, sitting as a court, for its consideration.

Mr. McNARY. Mr. President, a number of Senators have been away from the Chamber today necessarily on account of the important business before committees. Two very important matters are being investigated by major committees of the Senate today. Several of those Senators have expressed a desire to read the record, particularly the testimony of the respondent himself. I thought, and I still think, that probably the fairest way, in consideration of the wishes of those Senators, would be to return to legislative session this afternoon, adjourning the court until Thursday at 10 o'clock, and in the meantime the record will be printed and all Senators will have time to inform themselves of the testimony and then hear counsel's argument and decide the case in closed executive session. That would meet the convenience of those who are unable to be present today.

I shall not combat, for any personal reason, an evening session. I am as anxious as anyone to get through with this case. I concur in much the Senator from Arizona has said, but I think if we are considering the rights of those who are necessarily forced to be absent today, we should concede that they should have some opportunity to consider the record.

Mr. ASHURST. Mr. President, I wish at this time to acknowledge, and I think the Senate appreciates, the able assistance that the senior Senator from Oregon [Mr. McNARY] has rendered to speed the proceedings as much as possible consistent with duty and with justice. I am very certain that it would not be of any utility or serve any useful purpose to prolong the case as far as Thursday. Personally, I believe the argument should begin tonight. I fancy it will be impossible to secure such an agreement, but I certainly think the argument should begin not later than 10 o'clock tomorrow morning and that voting should be had not later than tomorrow evening.

Mr. McNARY. I think that is a very fair proposal. If we would conclude our session today as a court, after some

attention is given to legislative business, and adjourn the court until 10 o'clock tomorrow morning, at which time argument would start, everyone would have the printed record early in the morning and an opportunity to read it would be afforded.

Mr. ROBINSON of Arkansas. Mr. President, may I inquire of the managers on the part of the House and of counsel for the respondent whether they would be ready to proceed with the argument this evening?

Mr. Manager SUMNERS. Mr. President and the Senator from Arkansas, the managers have no preference in regard to that matter. We would undertake to proceed this afternoon if it should be the pleasure of the Senate.

Mr. LINFORTH. Mr. President, on behalf of the respondent we announce that we are ready at any time that will suit the convenience of the Senate.

Mr. ROBINSON of Arkansas. May I inquire, then, if we may not proceed now with the argument? We can later determine when we wish to consider matters in executive session.

Mr. Manager SUMNERS. It would require some period of consultation among the managers on the part of the House to determine the allocation of time and responsibility. We would not be prepared to start at this moment anyway.

Mr. LONG. Mr. President, may I inquire of the Senator from Arkansas if he has asked that the argument be proceeded with this afternoon?

Mr. ROBINSON of Arkansas. Yes. Mr. President, I am going to make the suggestion that the Senate sitting as a court take a recess at this time, and that the Senate proceed to the consideration of legislative business for a time, and that at the hour of 7:30 o'clock this evening the court resume its sitting for the purpose of hearing argument. That will afford an opportunity to confer, and then it will necessarily carry over the conclusion of the matter, probably until tomorrow, but it will not work inconvenience to either party to the controversy. I make that suggestion.

The PRESIDING OFFICER. The Senator from Arkansas makes the suggestion.

Mr. McNARY. Mr. President, I must again state the attitude of some who are absent today. I thought that it would be a very fair proposition to recess until 10 o'clock tomorrow morning, giving Members an opportunity for a short time in the morning to read the record of the testimony of the respondent and have it before them, and the argument then proceed.

Mr. ROBINSON of Arkansas. In view of the insistence of the Senator from Oregon I suggest that the Senate, sitting as a court, now rise and resume its session at 10 o'clock tomorrow morning for the purpose of proceeding to the conclusion of the case.

The PRESIDING OFFICER. The Senator from Arkansas asks that the Senate sitting as a Court of Impeachment recess until 10 o'clock tomorrow morning. Is there objection? The Chair hears none.

Thereupon (at 3 o'clock and 30 minutes p.m.) the Senate sitting as a Court of Impeachment took a recess until tomorrow, Wednesday, May 24, 1933, at 10 o'clock a.m.

LEGISLATIVE SESSION

The Senate, pursuant to the order for a recess entered yesterday, resumed legislative session.

THE JOURNAL

On motion of Mr. ROBINSON of Arkansas, and by unanimous consent, the reading of the Journal for the calendar days of May 15 to May 20, inclusive, was dispensed with, and the Journal was approved.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of

the House to the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval, the Military, and the Coast Guard Academies.

RATIFICATION OF PROPOSED CHILD-LABOR AMENDMENT BY NEW HAMPSHIRE

The VICE PRESIDENT laid before the Senate a letter from the secretary of state of New Hampshire, transmitting a concurrent resolution, adopted by the Legislature of the State of New Hampshire, ratifying the proposed child-labor amendment to the Constitution, which, with the accompanying resolution, was ordered to lie on the table and to be printed in the RECORD, as follows:

STATE OF NEW HAMPSHIRE,
SECRETARY OF STATE,
Concord, May 22, 1933.

To the PRESIDING OFFICER UNITED STATES SENATE,
Washington, D.C.

SIR: We have the honor to submit herewith the concurrent resolution ratifying a proposed amendment to the Constitution of the United States relative to the regulation and limitation of labor by persons under 18 years of age.

Very truly yours,

ENOCH D. FULLER,
Secretary of State.

STATE OF NEW HAMPSHIRE, 1933.

Concurrent resolution ratifying a proposed amendment to the Constitution of the United States of America

Whereas both Houses of the Sixty-eighth Congress of the United States of America, by a constitutional majority of two thirds thereof, made the following proposition to amend the Constitution of the United States of America in the following words, to wit:

"Joint resolution proposing an amendment to the Constitution of the United States

"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two thirds of each House concurring therein), That the following article is proposed as an amendment to the Constitution of the United States, which, when ratified by the legislatures of three fourths of the several States, shall be valid to all intents and purposes as a part of the Constitution:

"ARTICLE —

"SECTION 1. The Congress shall have power to limit, regulate, and prohibit the labor of persons under 18 years of age.

"SEC. 2. The power of the several States is unimpaired by this article, except that the operation of State laws shall be suspended to the extent necessary to give effect to legislation enacted by the Congress."

Therefore be it

Resolved by the House of Representatives of the State of New Hampshire (the senate concurring), That the said proposed amendment to the Constitution of the United States of America be, and the same is hereby, ratified by the Legislature of the State of New Hampshire.

That certified copies of this preamble and concurrent resolution be forwarded by the Governor of this State to the Secretary of State at Washington, to the Presiding Officer of the United States Senate, and to the Speaker of the House of Representatives of the United States.

May 17, 1933.

Attest:

[SEAL]

ENOCH D. FULLER,
Secretary of State.

PROPOSED HIGHWAY CONSTRUCTION IN TEXAS

The VICE PRESIDENT laid before the Senate resolutions adopted by the directors of the Chamber of Commerce of Center, and the Commissioners Court of Van Zandt County, in the State of Texas, endorsing the program of President Roosevelt and favoring the inauguration of a public-works program for unemployment relief providing highway construction in the State of Texas, which were referred to the Committee on Finance.

PETITION FOR ABOLITION OF RAILROAD GRADE CROSSINGS

Mr. LEWIS. Mr. President, I present and ask unanimous consent to have printed in the RECORD and appropriately referred a petition from Prof. Edward T. Lee, the head of the John Marshall Law School, of the city of Chicago, who is a very distinguished man, for the abolition of railroad grade crossings.

There being no objection, the petition was referred to the Committee on Interstate Commerce and ordered to be printed in the RECORD, as follows:

"WHAT SHALL A MAN NOT GIVE IN EXCHANGE FOR HIS LIFE?"—"FIVE YOUTHS KILLED WHEN IOWA TRAIN AND AUTO CRASH"—"THREE KILLED IN INDIANA ACCIDENT" (MAN, WIFE, AND SISTER)—"THREE KILLED AS FAST TRAIN SMASHES AUTO" (A YOUNG COUPLE AND A 12-YEAR-OLD GIRL WERE KILLED)

To the Senate and the House of Representatives of the United States of America, in Congress assembled:

Your petitioner, a citizen of the United States, residing in the city of Chicago, State of Illinois, respectfully represents:

1. That the above quotations are taken from a Chicago newspaper on 2 successive days. The number might be increased by similar daily killings in various parts of our country. Statistics show that in 12 years, from 1919 to 1930, 25,354 human beings in the United States were killed, many horribly, in railroad crossing accidents, and that 72,700 were injured, many of them doubtless crippled and rendered useless for life. At that rate there will be killed in a single generation more persons than the number of the United States soldiers killed in the World War (47,949). This slaughter of the innocent (for those killed were not guilty of any crime punishable by death) pales into insignificance the number of victims of the car of juggernaut in ages and countries we choose to regard as uncivilized. The roads through the tiger-infested jungles of India and Africa are safer today than our American highways; and in those countries efforts are made to destroy the cause. No effective steps have been taken to remove the danger and to stop this useless destruction of human lives in large portions of our country. Communities have left the matter to the railroads—the railroads to communities.

2. What, then, is to be done about it? Communities and railroads today, even if they wanted to abolish these grade crossings, are not in a financial position to do so. State, county, and municipal, as well as private corporate resources, are too exhausted for such an undertaking. It is most obvious that the railroads have not the money and will never have the money to abolish these man-killing grade crossings, nor can they be compelled to do so. Many of them are bankrupt, others on the verge of bankruptcy. Eventually the United States may take over the railroads of the country. Certainly it will have to continue its present policy of assisting them in the interests of interstate commerce.

3. In this situation, and in the present state of unemployment, when the Government of the United States is considering and devising means to combat the present business depression and to start again the wheels of industry, is it not a practical suggestion that the Congress should authorize the President to undertake this humane work of saving the lives of our citizens, more precious than things material? What wakes of human sorrow and financial loss follow these unnecessary deaths no imagination can picture. Young and old, rich and poor, good and bad alike are victims. Only the fact that these killings occur a few at a time and in many different places lulls us all into a feeling of security for ourselves and ours, keeps us from rising in our might to end them, as we would if a public enemy or hostile force of nature were smiting us.

4. Would not this work be an investment on the part of the Government? Would it not, if undertaken, have the distinct advantage over all other plans of relief of reviving industry in every one of the 48 States of the Union? For in every one of these States are these deadly railroad crossings. Their removal would give employment in every locality where one exists, calling for unskilled and skilled labor, demanding the products of the mill, the mine, the factory, thus reviving industry in many of its forms and in many places.

If this work should cost \$500,000,000 or more, it would be a wise investment, for the expenditure would be for work that ought to be done, and it would in time pay for itself in the saving not only of material things but in the most precious of our possessions—the lives of our fellow citizens. It would be an appropriation that, in my opinion, would meet with the full approval of our people everywhere.

5. Your petitioner, therefore, respectfully prays that the Congress of the United States may recognize this daily and avoidable destruction of the lives of our fellow citizens and provide for the general welfare by appropriating a sufficient sum of money to abolish grade crossings along our main highways of travel lying outside the limits of municipalities in the United States.

Respectfully,

EDWARD T. LEE.

CHICAGO, ILL., May 6, 1933.

LOANS TO THE LIVESTOCK INDUSTRY

Mr. McCARRAN. Mr. President, I ask unanimous consent to have printed in the RECORD and appropriately referred resolutions of the stock growers of eastern Nevada pertaining to loans that should be granted to the stock industry from the Reconstruction Finance Corporation.

There being no objections, the resolutions were referred to the Committee on Banking and Currency and ordered to be printed in the RECORD, as follows:

Resolutions and recommendations offered at a meeting of the Elko Chamber of Commerce, held at Elko, Nev., on April 27, 1933, together with representatives of the Eastern Nevada Woolgrowers Association and prominent members of the Nevada Livestock Association, and unanimously passed and adopted at the regular meeting of the Elko Chamber of Commerce, held at Elko, Nev., on May

11, 1933; H. L. Bartlett, president of the Elko Chamber of Commerce, presiding; the same being in the words and figures as follows, to wit:

"Whereas the present economic and financial difficulties common to nearly every part of the country, which, with the closing of the oldest banking institutions of the State, place the livestock industry of this section in a most serious situation; and

"Whereas it is currently reported that the several loan agencies of the Government of the United States are to be reorganized and consolidated; and

"Whereas prompt and unrestricted action (not hampered by technicalities and so-called "red tape" and bureaucracy), fully protected by safe, sane, and common-sense business methods, is the essential need of the hour; and

"Whereas practically all Elko County cases are cited where more than 5 months have passed since application was made for needed financial aid, and this aid is still being delayed by correspondence concerning technical questions, and the attitude of said agencies seems to be one of passive resistance; and, while it is assumed that these agencies were set up for the sole purpose of assisting the livestock industry, cases exist where the entire legal battery is focused on some technical objection, without suggestion as to remedy, while practically all such cases are amenable to adjustment and correction;

"Now, therefore, this body recommends that some method be devised by the new agency to be set up for the relief of the livestock and other industries, whereby such relief may be provided with the least possible delay, consistent with good, sound business practices, and that emphasis be placed on actual rather than fine-grained technicalities.

"We, therefore, heartily approve of the reorganization and consolidation of the several loan agencies.

"We further recommend that the Federal Loan Agency Act be amended to make loans on ranch property based on the appraisal value of the ranch as a complete unit, giving due consideration to well-improved ranch properties, their ownership, leased lands, grazing rights and other established rights; such appraisal value to be based on the complete operating unit.

"We further recommend that in all cases of old and well-established outfits, who have gained recognition for efficient management and whose record and standing are above reproach, where their operations are conducted on a larger scale than the average stockmen, that the amount which they may borrow be only limited by the value of the security offered.

"We further recommend that these loans be made to corporations, copartnerships, and associations as well as individuals.

"We further recommend that these and all existing loans be reamortized on a 40-year basis, and that the rate of interest be not in excess of 3 percent per annum.

"We further recommend that, in view of the fact that Elko County is the center of one of the largest livestock districts of the State of Nevada, a loan agency be set up at Elko, Nev. for the convenience of the stockmen."

H. L. BARTLETT,

President of the Elko Chamber of Commerce.

Attest:

MILO TABER, Secretary.

REPORTS OF COMMITTEES

Mr. SHEPPARD, from the Committee on Commerce, to which was referred the bill (S. 1564) to revive and reenact the act entitled "An act authorizing the Great Falls Bridge Co. to construct, maintain, and operate a bridge across the Potomac River at or near Great Falls", approved April 21, 1928, reported it with an amendment and submitted a report (No. 89) thereon.

Mr. BULKLEY, from the Committee on Banking and Currency, to which were referred the following bills, reported them each with amendments and submitted reports thereon:

S. 1648. An act to amend the Reconstruction Finance Corporation Act, as amended, to provide for loans to closed building and loan associations (Rept. No. 90); and

H.R. 5240. An act to provide emergency relief with respect to home-mortgage indebtedness, to refinance home mortgages, to extend relief to the owners of homes occupied by them and who are unable to amortize their debts elsewhere, to amend the Federal Home Loan Bank Act, to increase the market for obligations of the United States, and for other purposes (Rept. No. 91).

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. POPE:

A bill (S. 1750) to broaden the lending powers of the Reconstruction Finance Corporation to include apiarans; to the Committee on Banking and Currency.

A bill (S. 1751) to extend the provisions of the act entitled "An act to extend the period of time during which final

proof may be offered by homestead entrymen", approved May 13, 1932, to desert-land entrymen, and for other purposes; to the Committee on Public Lands and Surveys.

By Mr. BYRD:

A bill (S. 1752) to extend certain letters patent to the Stark Car-Coupler Corporation; to the Committee on Patents.

By Mr. BULKLEY:

A bill (S. 1753) for the relief of Marcella Leahy McNerney; to the Committee on Foreign Relations.

By Mr. DICKINSON:

A bill (S. 1754) to extend the times for commencing and completing the construction of a bridge across the Mississippi River at or near New Boston, Ill.; to the Committee on Commerce.

REGULATION OF OIL PRODUCTION—CHANGE OF REFERENCE

Mr. CAPPER. Mr. President, on the 19th of May I introduced Senate bill 1736, for the regulation of the oil industry. It was first referred to the Committee on Interstate Commerce. I ask unanimous consent that that committee may be discharged from the further consideration of the bill, and that it be referred to the Committee on Finance.

The PRESIDING OFFICER (Mr. BLACK in the chair). The Senator from Kansas asks unanimous consent that the Committee on Interstate Commerce, to which has been referred Senate bill 1736, may be discharged from the further consideration of the bill, and that it be referred to the Committee on Finance. Is there objection?

Mr. DILL. Mr. President, although this bill is properly one belonging to the Committee on Interstate Commerce, I have no objection if the Senator desires to have it go to another committee. I do not know, however, what other committee would have jurisdiction of it.

Mr. CAPPER. It contains provision for the collection of a tax, and probably more appropriately belongs to the Finance Committee.

Mr. DILL. I have no objection to the reference of the bill to that committee.

The PRESIDING OFFICER. There being no objection, it is so ordered.

REGULATION OF BANKING—AMENDMENT

Mr. AUSTIN submitted an amendment intended to be proposed by him to Senate bill 1631, the banking bill, which was ordered to lie on the table and to be printed.

CONFERRING OF DEGREES UPON NAVAL ACADEMY GRADUATES—CONFERENCE REPORT

Mr. TRAMMELL. Mr. President, I ask for the immediate consideration of a conference report which I have heretofore submitted.

The PRESIDING OFFICER. The report will be read.

The Chief Clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval Academy having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill, and agree to the same with an amendment as follows: After the word "Academies", at the end of the said amendment, insert the following: "from and after the date of the accrediting of said academies by the Association of American Universities"; and the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title of the bill and agree to the same.

PARK TRAMMELL,
FREDERICK HALE,

Managers on the part of the Senate.

CARL VINSON,
FRED A. BRITTEN,

Managers on the part of the House.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the conference report?

Mr. KING. Mr. President, I should like to ask for some information in regard to this matter.

Mr. TRAMMELL. I will give a very brief explanation of it, Mr. President.

The Senate passed a bill providing that the degree of bachelor of science should be given to graduates of the Naval Academy at Annapolis. The bill went to the House, which added to it a provision that the Military Academy at West Point and the Coast Guard Academy should also be permitted to give those degrees. The Senate disagreed to the amendment of the House, and asked for a conference; and at the conference it was agreed that an amendment should be added to the amendment made by the House to the effect that the degree of bachelor of science should be granted by these institutions only when they were accredited by the Association of American Universities.

Mr. KING. Does either the amendment or the conference report provide that the Coast Guard school shall also be authorized to grant the degree of bachelor of science?

Mr. TRAMMELL. It provides that they shall be so authorized when they are an accredited institution of the Association of American Universities. At the present time I doubt if they would meet that standard; but they will have to meet the same standard that the other two institutions meet before they will be entitled to confer the degree.

Mr. KING. From the Senator's investigation as chairman of the Committee on Naval Affairs, has any information been brought to the attention of the committee that would warrant the assumption that persons who are studying in the Coast Guard school are entitled to the degree of bachelor of science or bachelor of arts?

Mr. TRAMMELL. It is claimed that the Coast Guard Academy now has about the same curriculum standard as the Naval Academy. They have a 4-year course. It has been very much enlarged. The first graduates under the 4-year course, I think, will graduate next year. The committee of conference felt willing to put a provision in the report that if they should meet the standard of requirement that is complied with by the other colleges throughout the country they could confer the degree just the same as the other two schools; but I understand that for this particular year they would not meet that standard. I do not think there is any question about that, although they claim that they have now put the curriculum on the same basis as the other institutions, covering a 4-year period.

Mr. KING. This bill, then, is designed to confer degrees by act of Congress. In other words, instead of receiving degrees from educational institutions, they are to be conferred by legislative act.

Mr. TRAMMELL. If they comply with certain standards, they can confer the degree. Of course, the Naval Academy and the Military Academy meet that requirement now. The other school probably does not.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the conference report? The Chair hears none. The question is on agreeing to the conference report.

The report was agreed to.

LONDON ECONOMIC CONFERENCE—ADDRESS BY ASSISTANT SECRETARY MOLEY

Mr. McADOO. Mr. President, I ask unanimous consent to have printed in the RECORD an address delivered over the radio by Assistant Secretary Moley on May 20 on the London Economic Conference. It is a very interesting and illuminating discussion of some very important problems.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

The World Economic and Monetary Conference, which begins next month in London, is the result of the historical conference at Lausanne a year ago. Toward the close of that conference in July of last year, a resolution was adopted suggesting that the general program of the London conference should be divided into two parts, financial and economic.

Among the financial questions were monetary and credit policy, exchange policies, the level of prices and the movement of capital.

Among the economic questions, the Lausanne resolution suggested the general subject of improved conditions of produce and trade interchange, with particular attention to tariff policy; prohibition and restrictions of imports and exports, quotas and other barriers to trade and producers' agreements.

In preparing for the conference, the nations created what was known as an "Agenda committee", charged with the duty of exploring the field in a preliminary way and of setting up a program for the consideration of the conference.

The work of this committee cannot in any restricted sense bind the conference itself and insofar as the Agenda committee expressed opinions, these cannot be binding on the conference. It did, however, set up a fairly satisfactory list of topics to guide the conference and make some helpful suggestions with regard to the consideration of each.

It may be interesting in view of the importance of the Agenda in planning the course of action for the conference to describe its essential outlines. It begins with a discussion of the conditions under which a successful restoration of a free gold standard may be considered. No positive and dogmatic conditions are laid down with regard to this. This following statement indicates the care with which the Agenda committee handled this subject:

"The time when it will be possible for a particular country to return to the gold standard and the exchange parity at which such a return can safely be made will necessarily depend upon the conditions in that country, as well as those abroad, and these questions can only be determined by the proper authorities in each country separately."

RETURN TO GOLD STANDARD AN OUTSTANDING TOPIC

It should be noted that this was said by a committee meeting some months before the United States left the gold standard. It was no doubt an expression which met with the full approval of the representatives of countries that were then off the gold standard and, presumably, represented the particular conditions to be faced by a country in such a status. No doubt the consideration and thorough exploration of this question will be one of the most useful discussions of the conference.

The agenda, moreover, suggests the importance of a joint consideration of currency policy to be followed prior to such a general restoration. It invites an examination of various practical questions related to the functioning of the gold standard, such as the relation between political authority and central banks, a question now under discussion here in the United States.

The problem of monetary reserves is also involved. The agenda suggests the lowering of cover ratios and other methods of economizing gold and, finally, in this connection, the cooperation of central banks and credit policy.

One of the very important questions to be considered will be the status of silver in world economic policy. Not only the United States but many other nations have a deep concern in this question, which will probably be centered around various methods of raising the price of silver.

In preliminary discussions, foreign governments have expressed themselves as sympathetic to this general point of view. As is pointed out by sound advocates of silver, it is not a question of remonetizing silver so much as the enhancement in the price of silver in order that oriental and South American countries may again be able to purchase American goods.

A major section of the agenda deals with the level of prices. It points out that the tremendous fall in the price level makes the position of debtors exceedingly disquieting and unpleasant. This general situation produces a world-wide distress.

Moreover, decline in prices has not proceeded at the same pace for all classes of commodities. This has caused very serious confusion in international adjustments. Here again, the majority of the representatives of the various nations participating in the conferences in Washington in the past month have favored constructive action to increase the price level.

A further section of the agenda is entitled, "The Resumption of the Movement of Capital." This covers not only the question of existing indebtedness, but suggests the possibility of new and safer methods of international lending.

Probably the most perplexing and difficult part of the conference will have to do with the restrictions on international trade. The report of the agenda committee very strongly points out the innumerable methods now used by nations to establish trade advantages, including not only tariffs but exchange restrictions, clearing agreements, measures relating to the obligation to affix marks of origin on imported goods, quotas, prohibitions, and many others. It points out the various methods of dealing with these restrictions, the difficulties and advantages in the case of each. Practical measures with respect to this subject will no doubt be presented for consideration.

The agenda suggests economic agreements with respect to specific articles like wheat, and, also, various metals. Finally, the agenda suggests some consideration of shipping and of ship subsidies.

UNITED STATES BARS WAR DEBTS AS TOPIC

The American delegates on the agenda were especially enjoined not to permit the introduction of the subject of the debts owed to the United States by foreign governments into the list of topics

to be discussed at the conference. This wise prohibition represented not only the point of view of the Hoover administration but of the present one as well.

It was the firm conviction of President Roosevelt, expressed even before his inauguration, that the subject of these debts should not be considered in connection with general economic matters of mutual interest, although they might be discussed concurrently. His contention has been that the various matters involved in the conference can, most of them, be adjusted to the mutual advantage and satisfaction of the various parties concerned and, except in unusual cases, the settlement of one need not be based upon the settlement of another.

It is, for example, exceedingly difficult to measure the relative values of a trade concession, let us say, against an agreement to stabilize currency. Any general process of trading results in an international market place rather than in an economic conference looking to the general rehabilitation of the world on a sounder and more enlightened basis.

Somewhat in the spirit of this position is the contention of the present administration that the debts are not a matter to be traded against other matters but are essentially questions to be determined in consultation with the countries concerned. The further point is that the debtor countries cannot be recognized collectively in the consideration of the debts and that each one separately and distinctly should be heard at any time that it wishes to present suggestions or requests.

It was clear very early in this present year that much of the success of the conference would depend upon the extent to which the participating governments understood each others' problems and points of view, before the conference should assemble.

Therefore, President Roosevelt invited to Washington individually representatives of various countries to discuss the considerations involved in the economic conference. This invitation resulted in individual discussions between representatives of the United States and a score of nations.

Some of the nations, notably England, France, Italy, Germany, and China, sent special representatives, accompanied by expert delegations. Others delegated their accredited representatives in this country to carry on these conversations.

In these conferences there were reviewed by the various topics in the agenda of the conference, and the points of view of the various governments were mutually and sympathetically reviewed. These preliminary conversations were not intended to be definite. Agreements were not sought, but rather mutual understanding was sought.

One thought has come to the foreground of my own mind as I have met and talked with these various representatives. It is the thought that the people of the world, as well as their own rulers, have so suffered during these years of the depression that there is everywhere a feeling of nervousness, not to say fear, in the face of the problems which are involved in recovery. It is not bitter-end chauvinism nor cold and calculated selfishness that makes the way to universal agreement so difficult. It is fear and uncertainty.

The disposition of all of these delegates to lend a willing hand to general recovery was unmistakable. The communiques of good will and hope issued by President Roosevelt and the various leaders during these conferences were not mere formal expressions of international piety but bespoke a concerted desire to be helpful. No one who came into contact with these representatives could fail to discern their sincerity.

But they were, nearly all of them, just as we have been, afraid. They had all experienced the heart-breaking burdens attendant upon participation in the governing of nations which were, for many economic reasons, deeply depressed. If the nations have taken measures to protect themselves even to the extent of shutting out contacts with others, it is largely due to this psychology. To become resentful in the face of these matters is to make them still worse.

FEAR AMONG NATIONS IS MOST SERIOUS PROBLEM

This deep fear of the nations of the world is the most serious problem which must be met at the World Economic Conference.

That it can be partially dissipated by the initial meetings can be confidently expected. But it must be remembered that each delegate in London will have come from a nation over which the icy atmosphere of economic fear has prevailed. The delegates may, as individuals, join in a common spirit of give and take, but their conclusions will always be modified by what their parliamentary bodies will be willing to approve.

This means for one thing that the thought of what reaction they will meet when they return home will act as a restraint upon what they are able to accomplish at the conference itself. And it means in addition that they will be actuated by a personal pride in achieving as much as they can—in other words, in achieving a diplomatic victory for themselves.

This suggests a competitiveness among the delegations which will reflect and intensify the larger competitiveness among the nations they represent.

One of the great problems of the conference will be to reduce to a minimum this spirit of competitiveness. It can be done in part by mutual understanding and in part by a limitation of the efforts to those suggestions that provide the opportunity for a genuine meeting of minds.

In other words, the conference will best serve the hopes and expectations of the world if it does not attempt the unattainable.

That this will be true no one can doubt after a calm review of the views of the practical men sent here by the foreign nations to discuss their problems with us.

There are, however, some problems for which solutions will probably be found. The first of these relates to the immediate monetary policy of the various governments. No doubt the establishment of better relationships between the central bank in each country and the government of that country, together with a closer cooperation between all central banks, would help recovery.

This is primarily a matter for the action of the central banks, but it might well be supplemented by an agreement among governments to synchronize policies of internal public expenditures with the aim of increasing internal trade and employment. Of course, the details of such policies of public expenditures and other action will necessarily be left to the governments themselves; but there is a great value to be derived from coordinating these policies by international understandings.

At the present time, specifically, the United States is in the act of working out its own internal policy of public expenditures. That is in part the import of the message sent by President Roosevelt to the Congress last Wednesday. Part of the philosophy behind this measure is that the Government is seeking to counteract the element of uncertainty in our economic life which makes individuals unwilling to engage in normal business activity.

It is necessary to repeat, however, that determination of such policies must in the final analysis be left to each government. But the coming conference should provide the theater for a better mutual understanding of the policies of the participating governments.

The second problem with regard to the money matters relates to exchange. It is generally agreed that out of the conference there must come progress in the removal of exchange restrictions.

These restrictions exist because of topheavy debt structures, but action with regard to this is not, however, primarily a Government problem. These debts are for the most private debts. But it is possible for governments to guide their nationals toward the finding of a solution.

TARIFF AMONG ISSUES OF DOMESTIC DIFFICULTY

Turning from the financial questions to the second class of problems, economic matters, we find questions much more difficult of solution. All of the nations, including our own, have in the past years erected tariffs and other barriers against trade, designed to secure for themselves a favorable balance of payments. The erection of such barriers has often gone hand in hand with various exchange operations.

The process by which this has happened is long and intricate and need not be gone into here. But the fact is that in the past 10 years each nation has been moving in the direction of setting up a self-contained economic life within its own borders. Thus it will be difficult to make extensive attacks upon trade barriers, however much this may be desired.

This points to a fact which should be made very plain. It should not be expected that the conference itself is going to be able to lay out a plan for a series of international measures which will bring about the alleviation of economic difficulties all over the world.

It is a popular fallacy that the depression has acted like a kind of disease which has swept over one nation after another by the process of contagion. It was argued by a number of distinguished Republicans in the last campaign that our own depression came as a result of a bank failure in Austria.

The fact is that there are many depressions in many countries, which did not come upon them at the same time and which have not affected them in the same way. It is overwhelmingly clear that a good part of the ills of each country is domestic.

The action of an international conference which attempted to bring about cures for these difficulties solely by concerted international measures would necessarily result in failure. In large part the cures for our difficulties lie within ourselves. Each nation must set its own house in order and a meeting of representatives of all of the nations is useful in large part only to coordinate in some measure these national activities. Beyond this there are relatively few remedies which might be called "international remedies."

The failure of international conferences arises from two mistakes. The first is that the general public is led to expect altogether too much from such international action.

The other mistake is that the mutual enthusiasm of those participating in conferences leads them to attempt more than can reasonably be expected in the way of accomplishment.

The clear understanding of these possibilities of danger must be had in approaching this conference. It is very important that such mistakes be avoided.

With clear understanding of the nature of the conference and its objectives, the people of the United States can place the advantages that they may expect from it in the proper proportion to their general view of their own economic recovery. Above all, they must recognize that world trade is, after all, only a small percentage of the entire trade of the United States. This means that our domestic policy is of paramount importance.

We must recognize, all of us, that common sense dictates that we build the basis of our prosperity here and direct all of our efforts to the end that our national welfare and prosperity may

lead us away from the distress into which the depression plunged us. But wise international cooperation can help distinctly and permanently.

AGRICULTURAL LEGISLATION—ADDRESS BY EDWARD A. O'NEAL

Mr. BANKHEAD. Mr. President, I ask unanimous consent to have printed in the RECORD an address by Edward A. O'Neal, President of the American Farm Bureau Federation, delivered over the radio on May 13, 1933.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

Congress has been in session a little over 2 months. During these few momentous weeks more far-reaching legislative and administrative action has been taken by the Government at Washington than in any similar period in the history of the Nation. The new deal for agriculture and the Nation is being put into effect with a speed and definiteness that is most gratifying. It is somewhat bewildering to some of the oldtimers around Washington who are accustomed to the usual deliberateness and hesitancy in legislative procedure. The remark is heard frequently here that events are moving so rapidly that it is difficult to keep up with them.

Consequently, I feel that nothing I could say today would be of more interest to you, or more timely, than to give a brief report of what has been done here at Washington during the past 2 months to end the depression and restore prosperity to agriculture and the Nation.

Last February, just before the new administration assumed office, I was one of the national leaders invited by the Senate Finance Committee to present recommendations as to the causes and cure of the depression. I presented a comprehensive program which reflected not only the conclusions of the American Farm Bureau Federation, but also the conclusions of the leaders of organized agriculture, developed through numerous conferences which I had previously called.

I asked for the adoption of a national monetary policy to raise and stabilize commodity prices at a normal level, to give us an honest dollar, so that our debts could be repaid with the same kind of a dollar that we borrowed. And I presented a concrete plan for accomplishing this purpose by changing the weight of gold in the dollar to the extent necessary to achieve such stabilization.

I asked for the rehabilitation of agriculture and the restoration of its purchasing power. To attain this end, I recommend eight constructive proposals, as follows:

- (1) The enactment of surplus-control legislation to restore price parity to agriculture with other groups.
- (2) Tariff adjustment to restore foreign trade and to give agriculture the benefits of the home market as much as industry.
- (3) Reduction of taxes and the cost of government and the redistribution of the tax burden on a more equitable basis.
- (4) Refinancing of farm debts at low interest rates and reorganization of agricultural credit agencies to provide adequate credit at rates as low as other groups enjoy.
- (5) Reduction of transportation rates on farm products to a fair and equitable basis, and the development of the cheapest and most efficient forms of transportation.
- (6) Promotion of farmers' cooperative organizations so as to reduce the cost of distribution and so as to give the farmer a fair share of the consumer's dollar.
- (7) Guaranty of bank deposits in order to restore confidence and make the banks safe for depositors.
- (8) Development of national planning for the rehabilitation of rural life by a closer coordination with the farm organizations of all governmental agencies for the aid of agriculture.

Such, in brief outline, was the broad program which I presented to the incoming administration. Now let me review for you very briefly the wonderful progress that has been made on our program.

Yesterday, by invitation from the White House, I had the honor and the pleasure of witnessing President Roosevelt attach his signature to the new farm bill. This act, in which are consolidated three different measures—the farm relief bill, the farm mortgage bill, and the inflation bill—is the most comprehensive and far-reaching economic legislation ever enacted by an American Congress—a measure of world-wide significance, especially in its monetary aspects. As I watched the President's pen add the signature making these proposals the law of the land, I could not help but be thrilled by the historic importance of the occasion. It meant the dawn of a new day for American agriculture and the whole Nation. It meant the fulfillment of years of struggle and effort which we farm leaders have put into the long battle to gain equality for agriculture. It meant the discarding of outworn shibboleths and the establishment of a new economic and social order in America which puts men above money, and which restores justice in our economic structure. It is the greatest social development of the age. It meant the death knell of the depression and the beginning of the restoration of the purchasing power of agriculture, employment for labor, and prosperity for the Nation.

Truly, it is a new day for agriculture and a great day of victory for the American Farm Bureau Federation, which has stood in the forefront of the fight for equality for agriculture for so many

years. At last the justice of our cause has been recognized. And not only has our cause been recognized, but we were called in by the administration to help formulate the measure to remedy the conditions confronting agriculture. And now we are being consulted as to the administration of the act. We feel that this is as it should be. This sort of teamwork between the Government and organized agriculture is essential if we are to have national planning for agriculture that will be on a sound basis and get effective results.

Title I of the farm bill has as its objective the relieving of the existing economic emergency by increasing agricultural purchasing power. In the case of the great basic commodities—wheat, cotton, corn, hogs, tobacco, milk, and milk products—of which, in most instances, we produce huge surpluses, there are several alternative methods whereby production can be brought more nearly in line with consumptive demands at home and abroad. This adjustment of production to consumption is to be brought about not by the compulsion of law, but by rewarding those who cooperate in adjusting their production as required and letting others take the economic consequences of their folly. The damping up of our surpluses owing to changed world conditions makes it necessary for every farmer to face conditions as they are and to adjust himself to the voluntary use of the equalization-fee principle as contained in this law. This bill goes farther than our old equalization-fee plan. Its application is voluntary for the farmer-producers but involuntary for the processors.

The farmers who adjust their production on a sound basis as required will be rewarded by the payment to them of either acreage rental payments on each acre retired from production or allotment benefits on each bushel of wheat or bale of cotton for domestic consumption. When the plan gets into full operation the amount of these payments, when added to the initial prices received by farmers, will be sufficient to give the farmers a total return equal to the pre-war purchasing power of the particular commodity on the portion for domestic consumption. No payments will be made on the portion going into export, since these products obviously must be sold at the world-market price.

In addition, the Secretary of Agriculture can negotiate marketing agreements and apply licensing powers with respect to any agricultural product. Under this provision relief can be brought to the producers of all farm products. Virtually, this gives the Secretary control over the distribution of farm products from the point of production to the point of consumption. The marketing agreements are exempted from the antitrust laws and are enforceable not only in the courts but by means of the licensing powers granted the Secretary under which he can require every processor and every distributor of any farm product to obtain a license from the Secretary of Agriculture. The scope of the powers under this licensing provision are virtually unlimited in carrying out the objective of the act, which is to restore farm purchasing power to normal. I quote from the act in this regard:

"Such licenses shall be subject to such terms and conditions * * * as may be necessary to eliminate unfair practices or charges that prevent or tend to prevent the effectuation of the declared policy and the restoration of normal economic conditions in the marketing of such commodities or products and the financing thereof."

The Secretary can suspend or revoke any license and thus stop the processor or distributor from doing business if he persists in violating the conditions laid down. This simply means that the Secretary has the power to lay down rules and regulations and prescribe such marketing agreements that will eliminate all unfair practices and profiteering in the marketing of farm products, to the end that farmers will be assured of a fair share of the consumer's dollar and the consumers will be protected from profiteering and racketeering.

This is one of the most fundamental and far-reaching parts of the bill. The lessening of the spread between the producer and the consumer is one of the greatest tasks before us. It is estimated that there is an annual waste of \$10,000,000,000 in our distribution system, not to mention the profiteering and unfair share of the consumer's dollar which is being taken by the agencies between producer and consumer. Our cost of distribution of food products in December 1932 was 147 percent of the pre-war, or 47 percent higher than the pre-war level, while farm prices are about 50 percent less than the pre-war level. It is this hand in the dark between the producer and the consumer which is taking so heavy a toll from farmers and consumers. The farmer gets too little and the consumer pays too much. The Secretary now has the power to correct this injustice and give the farmers a fair return for their products without unduly burdening consumers. I hope he will use it to the fullest extent necessary to bring this about.

Thus, under this bill, Congress has placed squarely upon the Secretary of Agriculture and the administration the responsibility of restoring farm purchasing power to normal, endowed him with broad powers, and virtually said: "Now it is up to you to do the job."

The bill carries out the main principles of farm relief legislation which the American Farm Bureau Federation and other farm organizations agreed upon at the historic farm conference held by Secretary Wallace on March 10. The Secretary is following in his distinguished father's footsteps, and has proved himself to be a true and tried friend of agriculture, one who deserves the whole-

hearted support of all of us whether or not we live on the farms of our Nation. It is announced that our old friend, George Peek, the veteran champion of equality for agriculture, will be the administrator of the act. He is a charter member of the Illinois agricultural association—the Illinois Farm Bureau. The farmers have confidence in these two leaders.

The passage of this bill represents one of the greatest legislative victories which organized agriculture ever achieved. It is the first fundamental farm relief measure advocated by organized agriculture which has ever been enacted into law.

The measure passed substantially in the form desired by the administration. To show the remarkable support which the measure commanded in Congress, the bill first passed the House by a vote of 315 to 98—more than 3 to 1 in favor of it. Later it passed the Senate by a vote of 64 to 20—also more than 3 to 1 in favor of it. Finally the conference report was approved by both Houses.

Secretary Wallace is losing no time in getting under way to administer the bill. Long before final approval of the measure was given, he and his staff of assistants were giving consideration to the problems of administration, in order to be ready to go right to work when the time came. I hope that every farmer in America will give him and his staff hearty and whole-hearted support and cooperation. No farm relief plan can succeed fully without the cooperation of the farmers themselves. To make it a complete success our farmers must give it their whole-hearted support.

The farm mortgage relief bill, which was added as title II of the farm bill, is designed to relieve the staggering debt burden of agriculture. It embodies a gigantic program for refinancing distressed-farm mortgages and other farm debts at a scale-down in principal and a sharp lowering of interest rates, and with 40 years' time in which to pay the principal of the debts.

A total of \$2,000,000,000 to refinance farm mortgages is to be provided by a bond issue of the Federal land banks. In order to get the money at low cost, the interest on these bonds is to be guaranteed by the Government. The interest on the mortgages is to be just as low as the money can be obtained in the money market and made available for this purpose, but in no event can it exceed 4½ percent. The interest rate on all existing land bank loans is reduced to 4½ percent. This will mean an annual reduction of more than 20 percent in the annual interest payments of farm debtors who obtain this relief.

In addition, \$200,000,000 is made available from funds of the Reconstruction Finance Corporation for direct loans to farm debtors in distress, to refinance short-term loans, and debts other than first mortgages.

Deserving old and new borrowers through the Federal land banks, who are unable to meet their interest payments, can obtain extensions and amortize these delinquent installments over a 5-year period.

Neither old nor new borrowers from the Federal land banks will be required to make any payments on principal for 5 years.

We Farm Bureau leaders were consulted by the administration in formulating this great debt-relief program. It carries out in the main the recommendations of our rural-credits committee and our last annual meeting in providing for refinancing of farm debts at lower rates of interest and amortizing payments over longer periods of time. We sought a maximum lower limit on rate of interest, but we are assured that the administration will seek to sell the bonds at the lowest possible rate and give borrowers the benefit of any lower rate obtainable. It will enable farmers to hold their farms and help them to carry on until farm purchasing power is restored to normal. Gov. Henry Morgenthau, Jr., who is in charge of this gigantic relief program is an able administrator and the farmers' friend.

The inflation measure which was added to the farm bill confers far-reaching powers on the President to stop the deflation and to restore commodity prices generally. It authorizes the President to expand credit through the Federal Reserve System up to \$3,000,000,000, to issue United States notes up to \$3,000,000,000, to increase or decrease not more than 50 percent the weight of gold in the gold dollar, to fix the weight of the silver dollar at a fixed ratio in relation to the gold dollar, and to provide for the unlimited coinage of such gold and silver at the ratio so fixed, to accept for a 1-year period not to exceed \$200,000,000 worth of silver at 50 cents per ounce in payment of debts owed our Government by foreign governments, and to issue silver certificates against this silver.

Following the approval of the inflation measure by Congress, the President said: "The administration has the definite objective of raising commodity prices to such an extent that those who have borrowed money will on the average be able to repay that money in the same kind of dollar which they borrowed. We do not seek to let them get such a cheap dollar that they will be able to pay back a great deal less than they borrowed. In other words, we seek to correct a wrong and not to create another wrong in the opposite direction. These high powers are being given to the administration to provide, if necessary, for an enlargement of credit in order to correct the existing wrong. These powers will be used when, as, and if it may be necessary to accomplish the purpose."

The one big thing lacking in this emergency program so far as that there is no yardstick established for our dollar. No one knows at what level its value is to be fixed, nor is there any

mandate to maintain its value at any given level. This indefiniteness doubtless has decided advantages in negotiating with foreign countries for international monetary stabilization, but uncertainty, if long continued, is perilous. Uncertainty is not only disturbing to business but it invites undue speculation, which once started is difficult to stop. We are hoping therefore that the President will go ahead and complete the job of stabilization at the earliest practicable moment. We hope he will seek permanent legislation to stabilize our dollar at a normal level of value so it will always have a constant purchasing power. We have recommended such action to the President and to Congress.

Such a permanent program is provided in the Goldsborough bill (H.R. 5160) which we have endorsed. This bill establishes an independent Government agency charged with the duty of changing the amount of gold in the dollar by varying the price of gold in terms of the dollar from time to time to the extent necessary to stabilize the purchasing power of the dollar at a normal level, so that a dollar will always purchase a constant amount of goods. This is fair to the debtor and the creditor, and to the producer, and the consumer. This measure of value for the dollar carries out the constitutional obligation upon Congress to regulate the value of our money. It will complete the program initiated by President Roosevelt in restoring and stabilizing the commodity-price level.

The cost of government here at Washington is being drastically reduced, and it is estimated that the total expenditures of the Federal Government for the next fiscal year will be nearly \$1,000,000,000 less than the expenditures this year. This action is a necessary forerunner of reduction in taxes. We are insisting, however, that economy be constructive and not discriminate unfairly against agriculture. We are fighting vigorously for the Extension Service, vocational education, and the land-grant colleges. It would be folly to destroy these fundamental agencies which are so essential to maintaining agriculture on a sound basis—so essential to national planning for agriculture. We have confidence to believe the President will not permit these agencies to be injured or destroyed.

Cooperative marketing of farm products is to be further aided by the Farm Credit Administration. A special division is to be set up to make loans to cooperative associations. The stabilization feature of the Agricultural Marketing Act, which was so costly, has been abolished and the funds that were left in the revolving fund of the old Farm Board will be used in the future exclusively for the purpose of loans to cooperative associations.

In the field of transportation most remarkable progress is being made. The Interstate Commerce Commission, in response to a joint petition filed by the American Farm Bureau Federation and four other organizations, has ordered an investigation of the general freight-rate level. We demanded a drastic reduction in the general level of rates on agricultural products and all basic commodities. The Commission moved quickly in ordering a public hearing, and we are hopeful of success.

Guaranty of bank deposits is not yet an accomplished fact, but a measure is being formulated by Senate and House leaders which is understood to provide for a guaranty fund built up by assessment of the banks, for the purpose of guaranteeing deposits. We still believe that the banks should be so regulated in their operations by the Government that the Government can stand back of the depositors, so that every depositor in the future will be sure of getting back every dollar which he entrusts to the bank. We hope that the new proposal will give the results we desire.

The great Muscle Shoals properties at last are to be put to work as a result of legislation approved this week by Congress. A Tennessee Valley Authority is to be set up by the Government to operate the gigantic hydroelectric plant at Muscle Shoals, build Cove Creek Dam, and otherwise develop the resources of the Tennessee River Valley. A great industrial expansion and development is expected in this area, providing cheaper power, cheaper fertilizer, increased employment, improved navigation facilities on the Tennessee River, and conservation of the natural resources of the valley. It is the fulfillment of a dream that has been cherished for years. We are backing the President's program for the Tennessee River Basin whereby the Government is to make Muscle Shoals a yardstick for the cost of power and a yardstick for the cost of fertilizer.

A \$3,000,000,000 public-works program is also being formulated by the administration to stimulate employment and speed up economic recovery. We Farm Bureau leaders have urged that a large part of these funds be used for highway building, and especially, farm-to-market roads. I particularly stressed the building of low-cost farm-to-market roads, which give more mileage and more employment to labor per dollar of expenditure than high-cost boulevards.

By Executive order, effective this month, President Roosevelt has ordered a reorganization and consolidation of the numerous Federal agencies extending credit to agriculture into one agency, to be known as the "Farm Credit Administration." This consolidation will get rid of the duplication and inefficiency resulting from a multiplicity of credit agencies scattered among various branches of government. It carries out, in the main, the recommendations of our rural credits committee, and our annual convention last December.

Finally, we are making rapid progress toward national planning not only for agriculture but for the Nation. The new farm bill is now a law and the measures for planning in industry are being

pushed forward rapidly. We are entering upon a new era in American life and achievement—an era of intelligent national planning. Less emphasis must be placed on rugged individualism and more emphasis on cooperation for mutual benefit. Economic justice must replace exploitation. Spiritual values must be exalted above material values. Men must be valued more than money. The old order broke down in the hour of our greatest need. It destroyed itself because it was founded upon the shifting sands of economic injustice in which the strong exploited the weak. Through this national planning we hope for a new era of prosperity and economic security, in which agriculture shall receive a fair share of the consumer's dollar, labor a fair share of the profits of industry, and capital a fair return on its investment.

We are rejoicing at the wonderful progress which has been made in these few weeks. Already there is new hope and confidence in the people such as we have not had since the depression struck us in full force. It gives us courage and hope to press forward for the completion of the task of economic reconstruction.

I am profoundly grateful for this remarkable progress and it gives me a thrill of pride in our great Farm Bureau organization, because of the prominent part which it has played and is continuing to play in bringing this new day to American agriculture.

The farmers are in the saddle in Washington. The Congress and the President are in deep sympathy with the farmers. The pledges to agriculture are being fulfilled. The success of this program to a large extent depends on its proper administration. It also depends on the whole-hearted cooperation of all farmers and all citizens. Let's all put our shoulders to the wheel and push forward on this reconstruction program.

STATEMENT BY GENERAL HINES AS TO WAR VETERANS' COMPENSATION

Mr. DUFFY. Mr. President, I ask unanimous consent to have printed in the RECORD a statement by Gen. Frank T. Hines, carried by the United Press, with reference to the previously existing and promulgated orders with reference to service-connected disabilities, showing a modification thereof.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

[From the Washington Post, May 23, 1933]

WAR ILLS PENSIONS WILL BE CONTINUED—GENERAL HINES ANNOUNCES PLAN TO PROTECT VETERANS UNDER ECONOMY BILL

Veterans who have received disability from disease directly resulting from war-time service will be continued as service-connected cases under the economy bill, Brig. Gen. Frank T. Hines, Veterans' Bureau Administrator, announced last night.

That means that a veteran suffering from a 10 percent disability of that nature will be assured of a pension, the Veterans' Bureau head said.

The customary exceptions—that the veteran shall have an honorable discharge and shall not have acquired his disease "because of misconduct"—are made.

NEW SCHEDULES MODIFIED

"It is the announced policy," the Bureau's statement read, "to afford to veterans suffering from disabilities for which the conditions of military service are responsible every consideration consistent with the law and public welfare in general."

"It is no part of such a policy to reverse former decisions regarding the service incurrence of disease where such former decision was reasonably proper and the veteran now meets the requirements regarding character and conditions of war-time service."

Hines said another order had been issued modifying in some cases the new schedules for rating disabilities. It applies particularly to gunshot wounds, arrested tuberculosis, and the other forms of severe disability.

ASSURANCE TO VETERANS

"The purpose of this order," it was said, "is to give added assurance that veterans having disability directly traceable to war service would receive a fair pension notwithstanding reductions."

"Veterans may be assured, therefore, that any determinations made in their cases which do not conform to these instructions will be corrected immediately the present review is completed."

President Roosevelt's economy bill slashed approximately \$400,000,000 from veterans' compensation, but he subsequently announced he intended to review the reduction in an attempt to avoid injustice.

JUST A DOG

Mr. SCHALL. Mr. President, since the death of my guide dog, Lux, last March the mails of this and other countries have brought me hundreds of letters of regret. So many expressions of interest have gladdened and surprised me. I now realize that Lux had many admirers and friends, and I am embarrassed as to how I may best give answer to these kind sharers in a grief that I had thought to bear alone. As my dumb friend's ready executor, I would willingly make a personal reply to each letter of this unexpected legacy of

correspondence, but a trial of this usual method has convinced me that it would be too hard.

Therefore I am asking to have printed in the *RECORD* a letter of mine to the LaSalle Kennels, of Minneapolis, as an answer to them all; and as an acknowledgment of the many newspaper tributes to Lux I ask the insertion of one of these, written by Scotty Mortland, and published in the *San Francisco Chronicle* of March 23, 1933.

If greatness is unselfish service, Lux reached the pinnacle.

I know I will not be misunderstood for taking space in the columns of the *CONGRESSIONAL RECORD* to commemorate so fine an animal—what some persons may call "just a dog." My dog Lux was a national—yea, international—figure, and in doing him this honor I am not acting without precedent.

There has stood on this floor a man who was eloquent and able, Senator Vest, of Missouri, one of that splendid trio known as the "three V's"—Vance, Vest, and Voorhees—but his right to eminence comes not alone from what he did here, for he wrote a most-noted eulogy, a eulogy of the dog. Nor was he the first to find in its qualities a thing to inspire; for since time became of record, the song of fable and the story of history have honored them.

Katmir, the famous "dog of the seven sleepers", was allotted by the Prophet Mahomet a place in the Moslem paradise. Barry, the great mastiff of St. Bernard, who saved the lives of 40 people, stands preserved in the museum at Berne. Boatswain, the favorite of Lord Byron, lies in honored rest in Newstead Abbey garden. Master McGrath, Lord Lurgan's dog, who had won three Waterloo cups, in a ceremony not all mock "made his bow" to England's Queen. Caesar, the pet of Edward VII, behind his master's charger, between the motionless lines of 30,000 British soldiers standing with arms reversed, followed to and insisted on sharing the "narrow cell" of the body of his King.

The claims of such animals to esteem came from almost human deeds of courage, or from the reflected luster of masters who were great as poets and princes. Lux knew and held among his many official friends two Presidents of the United States. The clear title to honor which I present for Lux is this: Doing his supreme best, he gave devoted service. He was indeed my "light", my eyes! No man could have served me better. The memory of him will temper the chill snows of life's coming winter, and smooth the furrowed brow with gentle thought. The heart will quicken its slackened beat, though near the verge of the silent grave, when the reflection of his aging master dwells on that fugitive but pleasant span of former life—that time when Lux did honorable duty, not only as a guide but as a companion and friend.

I ask unanimous consent to have printed in the *RECORD* the letter to which I have referred and a poem appearing in the *San Francisco Chronicle* of March 23, 1933.

There being no objection, the letter and poem were ordered to be printed in the *RECORD*, as follows:

Mr. J. L. SINYKIN,

LaSalle Kennels, Minneapolis, Minn.

MY DEAR MR. SINYKIN: Lux, my faithful friend, my patient guide, is gone. A look into my heart might tell you of my loss; words cannot.

I thought it inappropriate to take him with me on Senator Walsh's funeral cortege. He grew anxious and morose; his sensitive, untamed nature unable to follow the human precepts that combat the distance and length of absence. For this strange division from me he knew no reason or cause. He became so tense that his digestion failed, his overwrought system refusing to assimilate food, and on the 17th of March he died. No question that sorrow killed him! No doubt that he was the victim of mourning and love for me!

An autopsy confirmed this conclusion, as did his behavior whenever I had been forced to leave him for shorter intervals before. For then he'd grow sick and listless and protest with grievous moanings. And when I came home it was to know a pleasure from his enthusiastic welcome, which might well equal that of Byron's returning traveler in *Don Juan*, who said:

"Tis sweet to hear the watchdog's honest bark
Bay deep-mouth'd welcome as we draw near home;
'Tis sweet to know there is an eye will mark
Our coming and look brighter when we come."

Lux was so completely mine! None but the blind will understand the whole of what I mean; none but those who have come

to cherish a deeper love for the ever-hidden sun; none but they who have "wandered lonely as a cloud", missing the "holy pleasure" that's in an eye; none but they who "only stand and wait", wondering what may be "that thing called light."

The kindest of seeing persons grow irked at waiting; but Lux would gladly await my pleasure through long hours, without food, drink, or movement—a patient sentinel at my feet. I might tell you of the many useful things he could do and use too much of space in describing his many traits of intelligence and affection. You know his breed and what might be generally expected of it. I will take but one of the many days when Lux was with me and let you judge from its story of those things in which he excelled.

I choose a day which was fair, one on which I was much abroad. I was in my room ready to begin this day, and stood at the window of the porch, to which ran a ladder from Lux's kennel below. A word brought him scrambling up and into my room, as eager for my company and the rigors of his duty as a charger who has sniffed the smoke of battle. He reared, and, standing his great height with his paws on my shoulders, laid his noble head against my face and gave to me his greeting. Down he went, and stood with his head pressed against my knee. My word was given to assure him that our "good morning" was spoken; but something was lacking, for he jerked his head beneath my hand and clutched it between his two paws. I patted him, and then he sprang away with happy bark; his tail threshed me like a club; and in a twinkling he had pushed up the rug and created havoc generally. I had some regard for the furnishings and sent him back down the ladder.

Now, we moved off, in attendance on the day's business, but after a few ecstatic gambols Lux grew quiet and changed. He stiffened as a soldier at the word that may mean death, and I think his eye must have steadied with that look I remember to have seen in man's—the concentrated, vigilant look that's awake for danger. He knew that to him had been intrusted a heavy charge—the life of his master. And so he was wherever he led me that day, through moving traffic, on elevators, or on the subway at the Capitol. Sometimes he'd growl as we moved through crowds, a warning to those who came too near that he, though dumb, was leading the blind. And once in traffic he blocked me with his body, or else I would have stepped before the wheels of a heedless car. And if I faltered, if the hidden rush of danger for an instant appalled me, his ready nose jogged my hand in comfort, and his hearty tug on the leash or bugle banished my instinct to fear.

And thus went the day, with me safe in his companionship and protection.

The unheeded division between light and dark had passed; and again I stood at my window and felt the "meaner beauties" of the night, which I could not see. And here Lux gave an indication of his unrelenting vigilance. I knew that he was asleep at the foot of the ladder, for this was his habit on mild nights; and I was wondering how often he had kept such watch when the nights were cold, when he came scuffling his way to me. The sense of smell, which for him was the open eye in sleep, had told him that I was there. He knew that this was unusual. For him the unexplained was mystery, and mystery was danger. I spoke reassuringly, and down he went to his post below, waiting the time when I should retire and he would take his place at the foot of my bed. I heard him growl—he had circled about—and then he barked with full-throated tone that made the night fearful with sound. Perhaps the air had borne some unliked scent, or he may but have thrown this challenge to the night, to any menace that it hid.

I slept; and had I dreamed it would have been of the noble dog who watched by my bed, his live nostrils twitching to each vagrant breeze, his sensitive ears alert for sound, his eyes, that knew the night and stared its blackness down, agleam in constant vigil on my sleep.

I cannot wonder, since I have known Lux, that in medieval monuments the dog is placed at the feet of women as symbolic of affection and fidelity, and seen as a rest for the mailed feet of crusaders. I agree with that artistic choice, and with the one that pictures him carrying a lighted torch in representations of Dominic the Saint of Old Castile.

Argos, the dog of Ulysses, recognized the hero of legend when he returned from his wanderings, knew this long-gone master, and died of joy in the knowing. A happy passing—to die of joy! A greatness in such going! But Lux died of grief. Which emotion is the nobler?

I cannot say too much for Lux, for he laid down his life; and well his story pleads the cause.

"Of those dumb mouths that have no speech."

The sympathetic understanding of your letter is appreciated, and your kind offer of another fully trained German Shepherd from your kennels is accepted with gratitude. No other can take the place that Lux held in my affections or give me so much of devotion. No other dumb eloquence can tell me that I alone, of all the world, stand for happiness. But the wonderful training he had from you gives me reason to believe that what you have done with one animal you may do with a second.

Your offer has renewed my hopes. I await the arrival of Lux the Second with impatience and some skepticism, for "when comes such another?"

In deep appreciation, I am,

Cordially yours,

THOS. D. SCHALL.

[From the San Francisco Chronicle of Thursday, Mar. 23, 1933]

BLESSED BE THE MAN A GOOD DOG LOVES

[Lux, the German police dog belonging to blind United States Senator THOMAS D. SCHALL, of Minnesota, couldn't eat for sorrow when the Senator was gone for 5 days and finally lay down and died.—News item.]

For 5 long years
This faithful dog
Had been the seeing eye
And guiding footsteps
For his blind master;
And if precepts are true,
Then we can well forget the dog
And think much of the man—
Precepts that teach us
That too much familiarity
Breeds a deep contempt.
In his dog's head an almost
Human brain was placed
To let him keenly analyze
The virtues and the faults
Of this man friend of his;
In his dog's body was a heart
Whose every drop of blood
Was hot with constant love
For his man master;
In his brown eyes a mirror
To catch a true picture
Of this dependent human
And hold it firm and close.
To other men about him
This blind man might show
Bright coloring of merit
Which they might not gainsay,
But Lux saw deeper down;
And when he died in sorrow
At this short separation
His death said plainly
That his master was a man.

THE CALENDAR

Mr. ROBINSON of Arkansas. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of unobjected bills on the calendar.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Arkansas? The Chair hears none, and the Senate will proceed with the calendar for the consideration of unobjected bills.

The first business on the calendar was the joint resolution (S.J.Res. 15) extending to the whaling industry certain benefits granted under section 11 of the Merchant Marine Act, 1920.

Mr. KING. Let that go over.

The PRESIDING OFFICER. The joint resolution will be passed over.

CALL OF THE ROLL

Mr. ROBINSON of Arkansas. Mr. President, some Senators who are not present are interested in the call of the calendar. I therefore suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Kendrick	Robinson, Ark.
Ashurst	Costigan	Keyes	Robinson, Ind.
Austin	Couzens	King	Russell
Bachman	Cutting	La Follette	Schall
Bailey	Dale	Lewis	Sheppard
Bankhead	Dickinson	Logan	Shipstead
Barbour	Dieterich	Loneragan	Smith
Barkley	Dill	Long	Steiwer
Black	Duffy	McAdoo	Stephens
Bone	Erickson	McCarran	Thomas, Okla.
Borah	Fletcher	McGill	Thomas, Utah
Bratton	Frazier	McKellar	Townsend
Brown	George	McNary	Trammell
Bulkeley	Glass	Metcalf	Tydings
Bulow	Goldsborough	Murphy	Vandenberg
Byrd	Gore	Neely	Van Nuys
Byrnes	Hale	Norris	Wagner
Capper	Harrison	Nye	Walcott
Caraway	Hastings	Overton	Walsh
Carey	Hatfield	Patterson	Wheeler
Clark	Hayden	Pittman	White
Connally	Hebert	Pope	
Coolidge	Johnson	Reynolds	

The PRESIDING OFFICER. Ninety Senators having answered to their names, a quorum is present.

BILLS PASSED OVER

The bill (S. 682) to prohibit financial transactions with any foreign government in default on its obligations to the United States was announced as next in order.

Mr. KING. Let that go over.

The PRESIDING OFFICER. The bill will be passed over. The bill (S. 317) authorizing the Reconstruction Finance Corporation to make advances to the reclamation fund was announced as next in order.

Mr. KING. Mr. President, the provisions of this bill were incorporated in a measure which has passed, and I think has become law. At any rate, I ask that we pass over this bill; and if the measure to which I refer has become law, I shall move the indefinite postponement of this bill at the next calling of the calendar.

The PRESIDING OFFICER. The bill will be passed over.

The bill (S. 382) to provide for the more effective supervision of foreign commercial transactions, and for other purposes, was announced as next in order.

Mr. VANDENBERG. In the absence of the Senator from California [Mr. JOHNSON], I ask that the bill go over.

The PRESIDING OFFICER. The bill will be passed over.

EVERGLADES NATIONAL PARK

The bill (S. 324) to provide for the establishment of the Everglades National Park in the State of Florida, and for other purposes, was announced as next in order.

Mr. KING. Let that go over.

Mr. TRAMMELL. Mr. President, I should like to ask the Senator if he is not willing to give a little consideration to this matter. The bill has passed the Senate twice, is favorably reported by the House committee, and now we have it on the calendar again, and we should like very much to get some action on it.

Mr. KING. Mr. President, may I say to my friend that I have written for certain information, and if that information is along the lines which I think it may be, I shall have an amendment to offer.

Mr. TRAMMELL. I hope the Senator will be ready at the next call of the calendar with his amendment.

The PRESIDING OFFICER. The bill will be passed over.

BILL PASSED OVER

The bill (S. 1513) to amend Public Act No. 435 of the Seventy-second Congress, relating to sales of timber on Indian land, was announced as next in order.

Mr. MCKELLAR. Mr. President, may we have an explanation of this bill?

Mr. KING. Let it go over.

The PRESIDING OFFICER. The bill will be passed over.

CONVEYANCE OF LANDS TO HARRISON COUNTY, MISS.

The bill (S. 1514) authorizing the Administrator of Veterans' Affairs to convey certain lands to Harrison County, Miss., was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Administrator of Veterans' Affairs is authorized and directed to convey by quitclaim deed to Harrison County, State of Mississippi, all right, title, and interest of the United States in and to the following-described lands along the north line of the United States Veterans' Administration property at Gulfport, Mississippi: Beginning at the northwest corner of said property at the intersection of the western boundary of section 36, township 7 south, range 11 west, St. Stephens meridian, and the southern boundary of the Old Pass Christian Road; thence northeasterly along the existing northern boundary of said property a distance of 990 feet, more or less, to the northeast corner of said property; thence southerly on a line parallel to the aforesaid western line of said section 36 a distance of 15.8 feet, more or less, to a point; thence southwesterly on a line 15 feet from and parallel to the aforesaid northern boundary of said property a distance of 990 feet, more or less, to a point on the western boundary of said section 36; thence northerly along the western boundary of said section 36 to the point of beginning; and containing thirty-four one-hundredths acre, more or less.

CIRCUIT JUDGE, NINTH JUDICIAL CIRCUIT

The bill (S. 813) to remove the limitation on the filling of the vacancy in the office of senior circuit judge for the

ninth judicial circuit was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the President is authorized, by and with the advice and consent of the Senate, to appoint a circuit judge to fill the vacancy in the United States Circuit Court of Appeals for the Ninth Judicial Circuit occasioned by the death of Hon. William B. Gilbert. A vacancy occurring at any time in the office of circuit judge referred to in this section is authorized to be filled.

BILL PASSED OVER

The bill (S. 1129) to amend sections 361, 392, 406, 407, 408, 409, 410, 411, and 412 of title 46 of the United States Code, relating to the construction and inspection of boilers, unfired pressure vessels, and the appurtenances thereof, was announced as next in order.

Mr. KING. Mr. President, I note the absence of the junior Senator from Mississippi [Mr. STEPHENS]. Let the bill go over.

The PRESIDING OFFICER. The bill will be passed over.

PROSECUTION BY INDICTMENT

The bill (S. 1518) providing for waiver of prosecution by indictment in certain criminal proceedings was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That hereafter all prosecutions for capital or otherwise infamous crimes, in the courts of the United States and the courts of the District of Columbia, shall be by presentment or indictment of a grand jury unless the accused shall, in open court and in writing, and under such rules as the court may prescribe, expressly waive prosecution by presentment or indictment, and consent to the filing of an information against him, except that no such waiver shall be allowed unless the accused has had a preliminary examination before a United States commissioner or other examining magistrate, which examination has resulted in a finding of probable cause. In the event of such waiver the prosecution shall, with the approval of the court, be by information, and any judgment rendered and sentence imposed in any such case shall have the same force and effect in all respects as if the same had been rendered and imposed pursuant to a prosecution by presentment or indictment.

BILLS PASSED OVER

The bill (S. 510) to provide for the establishment of a national employment system and for cooperation with the States in the promotion of such system, and for other purposes, was announced as next in order.

Mr. ROBINSON of Arkansas. That will have to go over.

The PRESIDING OFFICER. The bill will be passed over.

The bill (S. 1577) creating the St. Lawrence Bridge Commission and authorizing said Commission and its successors to construct, maintain, and operate a bridge across the St. Lawrence River at or near Ogdensburg, N.Y., was announced as next in order.

Mr. McKELLAR. Mr. President, I should like to have an explanation of this bill. It had better go over, in the absence of an explanation.

The PRESIDING OFFICER. The bill will be passed over.

REDEMPTION OF NATIONAL BANK NOTES

The bill (S. 1634) to provide for the redemption of national-bank notes, Federal Reserve bank notes, and Federal Reserve notes which cannot be identified as to the bank of issue, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That whenever any national-bank notes, Federal Reserve bank notes, or Federal Reserve notes are presented to the Treasurer of the United States for redemption and such notes cannot be identified as to the bank of issue or the bank through which issued, the Treasurer of the United States may redeem such notes under such rules and regulations as the Secretary of the Treasury may prescribe, and the notes so redeemed shall be forwarded to the Comptroller of the Currency for cancellation and destruction.

Sec. 2. National-bank notes and Federal Reserve bank notes redeemed by the Treasurer of the United States under this act shall be charged against the balance of deposits for the retirement of national-bank notes and Federal Reserve bank notes under the provisions of section 6 of the act entitled "An act directing the purchase of silver bullion and the issue of Treasury notes thereon, and for other purposes", approved July 14, 1890 (U.S.C., title 12, sec. 122), and section 18 of the Federal Reserve

Act (U.S.C., title 12, sec. 445); and charges for Federal Reserve notes redeemed by the Treasurer of the United States under this act shall be apportioned among the 12 Federal Reserve banks in proportion to the amount of Federal Reserve notes of each Federal Reserve bank in circulation on the 31st day of December of the year preceding the date of redemption, and the amount so apportioned to each bank shall be charged by the Treasurer of the United States against deposit in the gold-redemption fund made by such bank or its Federal Reserve agent.

HOWELL K. STEPHENS

The bill (S. 879) for the relief of Howell K. Stephens was announced as next in order.

Mr. KING. Let that go over.

Mr. SHEPPARD. Mr. President, may I make a brief explanation to the Senator?

Mr. KING. I withhold the objection.

Mr. SHEPPARD. Mr. President, the man mentioned in this bill was discharged with the notation, "not honorably", because he had concealed his age at the time of enlistment in the World War. A general statute was passed at the close of the war giving honorable discharges to those who had enlisted in this way if they had served acceptably. This man joined the Regular Army when the World War closed, and placed himself beyond the reach of this statute. This bill has the effect of giving him the benefit of a general statute which was intended to apply to others in the same situation in connection with the World War.

Mr. KING. I withdraw the objection.

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Military Affairs with an amendment, on page 1, line 9, to strike out the words "bounty, back pay, pension, or allowance shall be held to have accrued prior to the passage of this act" and to insert the words "back pay, compensation, benefit, or allowance shall be held to have accrued prior to the passage of this act", so as to make the bill read:

Be it enacted, etc., That in the administration of any laws conferring rights, privileges, and benefits upon honorably discharged soldiers Howell K. Stephens, who was a private, Medical Department, United States Army, shall hereafter be held and considered to have been honorably discharged from the military service of the United States on the 25th day of October 1919: *Provided,* That no back pay, compensation, benefit, or allowance shall be held to have accrued prior to the passage of this act.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

ROGER P. AMES

The Senate proceeded to consider the bill (S. 1587) to amend an act entitled "An act to recognize the high public service rendered by Maj. Walter Reed and those associated with him in the discovery of the cause and means of transmission of yellow fever", approved February 28, 1929, as amended, by including Roger P. Ames among those honored by said act.

Mr. ROBINSON of Arkansas. Mr. President, I should like to have the Senator from Texas make a brief explanation of the bill.

Mr. SHEPPARD. Mr. President, it was most unjust that Dr. Ames' name was not mentioned among those to be honored in the original bill for participation in the yellow fever tests in Cuba. Walter Reed himself stated that the personnel of the yellow fever experimental camp included Dr. Roger P. Ames as acting assistant surgeon, United States Army, in immediate charge. Ames contracted yellow fever himself as a result of this service. This bill includes his name among those honored. He has since passed away, and no appropriation is carried, so far as he is concerned.

Mr. KING. Mr. President, I ask the Senator from Texas what is the necessity of repeating all those other names? Why not limit it to giving to Dr. Ames the same award given to the others?

Mr. SHEPPARD. In writing the bill I deemed it best to amend the existing law, so as to include Dr. Ames' name with the others, so far as honorable mention was concerned.

Mr. McKELLAR. Mr. President, I call the Senator's attention to page 3 of the bill, line 4, where this language occurs:

For this purpose there is hereby authorized to be appropriated the sum of \$5,000.

So that if the man is dead, the appropriation ought not to be made.

Mr. SHEPPARD. That was the original bill, and applied only to pensions for the others while living. It does not apply to this man.

Mr. McKELLAR. But it authorizes an appropriation to pay these people \$125 a month during their natural lives.

Mr. SHEPPARD. That is being paid to survivors.

Mr. ROBINSON of Arkansas. It is a mere repetition of existing law?

Mr. SHEPPARD. That is all.

The bill was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the act entitled "An act to recognize the high public service rendered by Maj. Walter Reed and those associated with him in the discovery of the cause and means of transmission of yellow fever", approved February 28, 1929, be, and the same is hereby, amended by inserting between the names "Aristides Agramonte" and "John H. Andrus" the name "Roger P. Ames", so that the act as amended will read as follows:

"That in special recognition of the high public service rendered and disabilities contracted in the interest of humanity and science as voluntary subjects for the experimentations during the yellow-fever investigations in Cuba, the Secretary of War be, and he is hereby, authorized and directed to publish annually in the Army Register a roll of honor on which shall be carried the following names: Walter Reed, James Carroll, Jesse W. Lazear, Aristides Agramonte, Roger P. Ames, John H. Andrus, John R. Bullard, A. W. Covington, William H. Dean, Wallace W. Forbes, Levi E. Folk, Paul Hamann, James F. Hanberry, Warren G. Jernegan, John R. Kissinger, John J. Moran, William Olsen, Charles G. Sonntag, Clyde L. West, Dr. R. P. Cooke, Thomas M. England, James Hildebrand, and Edward Weatherwalks, and to define in appropriate language the part which each of these persons played in the experimentations during the yellow-fever investigations in Cuba; and in further recognition of the high public service so rendered by the persons hereinbefore named, the Secretary of the Treasury is authorized and directed to cause to be struck for each of said persons a gold medal with suitable emblems, devices, and inscriptions, to be determined by the Secretary of the Treasury, and to present the same to each of said persons as shall be living and posthumously to such representatives of each of such persons as shall have died, as shall be designated by the Secretary of the Treasury. For this purpose there is hereby authorized to be appropriated the sum of \$5,000; and there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such amounts annually as may be necessary in order to pay the following-named persons during the remainder of their natural lives the sum of \$125 per month, and such amount shall be in lieu of any and all pensions authorized by law for the following-named persons: Pvt. Paul Hamann; Pvt. John R. Kissinger; Pvt. William Olsen, Hospital Corps; Pvt. Charles G. Sonntag, Hospital Corps; Pvt. Clyde L. West, Hospital Corps; Pvt. James Hildebrand, Hospital Corps; Pvt. John H. Andrus, Hospital Corps; Mr. John R. Bullard; Dr. Aristides Agramonte; Pvt. A. W. Covington, Twenty-third Battery, Coast Artillery Corps; Pvt. Wallace W. Forbes, Hospital Corps; Pvt. Levi E. Folk, Hospital Corps; Pvt. James F. Hanberry, Hospital Corps; Dr. R. P. Cooke; Pvt. Thomas M. England; Mr. John J. Moran, and the widow of Pvt. Edward Weatherwalks."

VETERINARY CORPS, UNITED STATES ARMY

The bill (S. 1286) to increase the efficiency of the Veterinary Corps of the Regular Army was announced as next in order.

Mr. VANDENBERG. Let that go over.

Mr. SHEPPARD. Mr. President, may I say to the Senator from Michigan that officers in the Veterinary Corps who served formerly in the Cavalry and Field Artillery are allowed credit for service in these branches. This bill enables six or seven veterinary officers who performed former service in the Quartermaster Department to have the same recognition.

Mr. VANDENBERG. I call the Senator's attention to the printed report, which includes a letter from the Secretary of War in the preceding administration, which indicates that the expenditure involved in this bill was contrary to the financial program of the last administration. Inasmuch as this administration is supposed to be even more economical than its predecessor, I assume that it must continue

to be in opposition to the financial program of the administration.

Mr. SHEPPARD. Mr. President, only a small amount is involved, and, in view of the evident fairness of the bill, I hope the Senator will allow it to pass.

Mr. KING. I ask for the regular order.

The PRESIDING OFFICER. The regular order is called for.

Mr. SHEPPARD. Mr. President, in view of the fact that the bill removes a very patent discrimination, will not the Senator from Michigan permit it to pass? It has passed the Senate heretofore.

Mr. VANDENBERG. I suggest that it go over for the day.

The PRESIDING OFFICER. The bill will be passed over.

HARRY FLANERY

The bill (S. 1548) for the relief of Harry Flanery was announced as next in order.

Mr. KING. Let that go over.

Mr. SHEPPARD. Mr. President, may I say to the Senator that the bill has passed the Senate on a prior occasion. This man was not a deserter, but was convicted by general courtmartial on a charge of being absent without leave. He served in the Philippines and China for about 3 years, saw active fighting, and was wounded in action. In view of a record of that kind, the committee felt that he should now be entitled to an honorable discharge. The case comes within the rules which we have heretofore followed.

Mr. KING. Mr. President, I ask the Senator whether this case comes within the rule for which the Senator from Massachusetts [Mr. WALSH] has contended?

Mr. SHEPPARD. I think it does, for this reason: This man saw 3 years of actual service and participated in active fighting. When a man has a record of that nature, and has conducted himself honorably since his separation from the service, I am sure the case comes within the rule suggested by the Senator from Massachusetts.

Mr. KING. Did he desert?

Mr. SHEPPARD. He did not desert.

Mr. KING. At any time?

Mr. SHEPPARD. He did not desert; he was absent without leave for a few days.

Mr. KING. Was that during the war?

Mr. SHEPPARD. It was after the Philippine insurrection. He served actively and took part in the fighting during the Philippine insurrection.

Mr. KING. I withdraw the objection, with the understanding that if, upon further investigation, I desire tomorrow to have the bill restored to the calendar, the Senator will consent.

Mr. SHEPPARD. Very well.

There being no objection, the Senate proceeded to consider the bill, which was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That in the administration of any laws conferring rights, privileges, and benefits upon honorably discharged soldiers Harry Flanery, formerly private, Troop C, Sixth Regiment United States Cavalry, shall hereafter be held and considered to have been honorably discharged July 3, 1903, from the military service of the United States: *Provided*, That no bounty, back pay, pension, or allowance shall be held to have accrued prior to the passage of this act.

GEORGE W. EDGERLY

The bill (S. 860) for the relief of George W. Edgerly was announced as next in order.

Mr. KING. Let that go over.

Mr. SHEPPARD. Mr. President, may I say to the Senator that this is another bill which passed the Senate heretofore. It enables this officer to appear before a court to endeavor to establish his claim that he was suffering under a mental condition which justified retirement for disability when he tendered his resignation. He served for about 16 years in the Army and rose from enlisted man to major. Since he was discharged the Veterans' Administration has given him a total disability rating. For that reason the Military Affairs Committee thinks he is entitled to have the matter tried out again.

Mr. KING. Mr. President, with the same stipulation which I made with respect to the preceding measure, I withdraw the objection.

There being no objection, the Senate proceeded to consider the bill, which was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the President of the United States be, and he is hereby, authorized to summon George W. Edgerly, late captain of Infantry and temporary major, Regular Army, before a retiring board, to inquire whether at the time of his resignation, September 18, 1919, he was incapacitated for active service, and whether such incapacity was a result of an incident of service, and if, as a result of such inquiry, it is found that he was so incapacitated, the President is authorized to nominate and appoint, by and with the advice and consent of the Senate, the said George W. Edgerly a captain of Infantry and place him immediately thereafter upon the retired list of the Army, with the same privileges and retired pay as are now or may hereafter be provided by law or regulation for officers of the Regular Army: *Provided*, That the said George W. Edgerly shall not be entitled to any back pay or allowances by the passage of this act.

BILL PASSED OVER

The bill (S. 1631) to provide for the safer and more effective use of the assets of Federal Reserve banks and of national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, was announced as next in order.

Mr. McCARRAN. Let that go over.

The PRESIDING OFFICER. The bill will be passed over.

PAYMENTS TO INDIAN PUEBLOS

The bill (S. 691) to authorize appropriations to pay in part the liability of the United States to the Indian pueblos herein named, under the terms of the act of June 7, 1924, etc., was announced as next in order.

Mr. BRATTON. Mr. President, Order of Business 85, House bill 4014, is identical with the bill just reached on the calendar. I move that that bill be substituted for the Senate bill.

The motion was agreed to, and the Senate proceeded to consider the bill (H.R. 4014) to authorize appropriations to pay in part the liability of the United States to the Indian pueblos herein named, under the terms of the act of June 7, 1924, and the liability of the United States to non-Indian claimants on Indian pueblo grants whose claims, extinguished under the act of June 7, 1924, have been found by the Pueblo Lands Board to have been claims in good faith; to authorize the expenditure by the Secretary of the Interior of the sums herein authorized and of sums heretofore appropriated, in conformity with the act of June 7, 1924, for the purchase of needed lands and water rights and the creation of other permanent economic improvements as contemplated by said act; to provide for the protection of the watershed within the Carson National Forest for the Pueblo de Taos Indians of New Mexico and others interested, and to authorize the Secretary of Agriculture to contract relating thereto; and to amend the act approved June 7, 1924, in certain respects.

The bill is as follows:

Be it enacted, etc., That in fulfillment of the act of June 7, 1924 (43 Stat. 636), there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sums hereinafter set forth, in compensation to the several Indian pueblos hereinafter named, in payment of the liability of the United States to the said pueblos as declared by the act of June 7, 1924, which appropriations shall be made in equal annual installments as hereinafter specified, and shall be deposited in the Treasury of the United States, and shall be expended by the Secretary of the Interior, subject to approval of the governing authorities of each pueblo in question, at such times and in such amounts as he may deem wise and proper, for the purchase of lands and water rights to replace those which have been divested from said pueblo under the act of June 7, 1924, or for the purchase or construction of reservoirs, irrigation works, or other permanent improvements upon or for the benefit of the lands of said pueblos.

Sec. 2. In addition to the awards made by the Pueblo Lands Board, the following sums, to be used as directed in section 1 of this act, and in conformity with the act of June 7, 1924, be, and hereby are, authorized to be appropriated:

Pueblo of Jemez, \$1,885; pueblo of Nambe, \$47,439.50; pueblo of Taos, \$84,707.09; pueblo of Santa Ana, \$2,908.38; pueblo of Santo Domingo, \$4,256.56; pueblo of Sandia, \$12,980.62; pueblo of San

Felipe, \$14,954.53; pueblo of Isleta, \$47,751.31; pueblo of Picuris, \$66,574.40; pueblo of San Ildefonso, \$37,058.28; pueblo of San Juan, \$153,863.04; pueblo of Santa Clara, \$181,114.19; pueblo of Cochiti, \$37,826.37; pueblo of Pojoaque, \$68,562.61; in all, \$761,954.88: *Provided, however*, That the Secretary of the Interior shall report back to Congress any errors or omissions in the foregoing authorizations measured by the present fair market value of the lands involved, as heretofore determined by the appraisals of said tracts by the appraisers appointed by the Pueblo Lands Board, with evidence supporting his report and recommendations.

Sec. 3. Pursuant to the aforesaid act of June 7, 1924, there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, a sum to compensate white settlers or non-Indian claimants who have been found by the Pueblo Lands Board, created under said act of June 7, 1924, to have occupied and claimed land in good faith but whose claim has not been sustained and whose occupation has been terminated under said act of June 7, 1924, for the fair market value of lands, improvements appurtenant thereto, and water rights. The non-Indian claimants, or their successors, as found and reported by said Pueblo Lands Board, to be compensated out of said appropriations to be disbursed under the direction of the Secretary of the Interior in the amounts due them as appraised by the appraisers appointed by said Pueblo Lands Board, as follows:

Within the pueblo of Tesuque, \$1,094.64; within the pueblo of Nambe, \$19,393.59; within the pueblo of Taos, \$14,064.57; within the Tenorio Tract, Taos Pueblo, \$43,165.26; within the pueblo of Santa Ana (El Ranchito grant), \$846.26; within the pueblo of Santo Domingo, \$66; within the pueblo of Sandia, \$5,354.46; within the pueblo of San Felipe, \$16,424.68; within the pueblo of Isleta, \$6,624.45; within the pueblo of Picuris, \$11,464.73; within the pueblo of San Ildefonso, \$16,209.13; within the pueblo of San Juan, \$19,938.22; within the pueblo of Santa Clara, \$35,350.88; within the pueblo of Cochiti, \$9,653.81; within the pueblo of Pojoaque, \$1,767.26; within the pueblo of Laguna, \$30,668.87; in all, \$232,086.80: *Provided, however*, That the Secretary of the Interior shall report back to Congress any errors in the amount of award measured by the present fair market value of the lands involved and any errors in the omissions of legitimate claimants for award, with evidence supporting his report and recommendations.

Sec. 4. That for the purpose of safeguarding the interests and welfare of the tribe of Indians known as the Pueblo de Taos of New Mexico in the certain lands hereinafter described, upon which lands said Indians depend for water supply, forage for their domestic livestock, wood and timber for their personal use and as the scene of certain of their religious ceremonies, the Secretary of Agriculture may and he hereby is authorized and directed to designate and segregate said lands, which shall not thereafter be subject to entry under the land laws of the United States, and to thereafter grant to said Pueblo de Taos, upon application of the governor and council thereof, a permit to occupy said lands and use the resources thereof for the personal use and benefit of said tribe of Indians for a period of 50 years, with provision for subsequent renewals if the use and occupancy by said tribe of Indians shall continue, the provisions of the permit are met and the continued protection of the watershed is required by public interest. Such permit shall specifically provide for and safeguard all rights and equities hitherto established and enjoyed by said tribe of Indians under any contracts or agreements hitherto existing, shall authorize the free use of wood, forage, and lands for the personal or tribal needs of said Indians, shall define the conditions under which natural resources under the control of the Department of Agriculture not needed by said Indians shall be made available for commercial use by the Indians or others, and shall establish necessary and proper safeguards for the efficient supervision and operation of the area for national forest purposes and all other purposes herein stated, the area referred to being described as follows:

Beginning at the northeast corner of the Pueblo de Taos grant, thence northeasterly along the divide between Rio Pueblo de Taos and Rio Lucero and along the divide between Rio Pueblo de Taos and Red River to a point a half mile east of Rio Pueblo de Taos; thence southwesterly on a line half mile east of Rio Pueblo de Taos and parallel thereto to the northwest corner of township 25 north, range 15 east; thence south on the west boundary of township 25 north, range 15 east, to the divide between Rio Pueblo de Taos and Rio Fernandez de Taos; thence westerly along the divide to the east boundary of the Pueblo de Taos grant; thence north to the point of beginning; containing approximately 30,000 acres, more or less.

Sec. 5. Except as otherwise provided herein, the Secretary of the Interior shall disburse and expend the amounts of money herein authorized to be appropriated, in accordance with and under the terms and conditions of the act approved June 7, 1924: *Provided, however*, That the Secretary be authorized to cause necessary surveys and investigations to be made promptly to ascertain the lands and water rights that can be purchased out of the foregoing appropriations and earlier appropriations made for the same purpose, with full authority to disburse said funds in the purchase of said lands and water rights without being limited to the appraised values thereof as fixed by the appraisers appointed by the Pueblo Lands Board appointed under said act of June 7, 1924, and all prior acts limiting the Secretary of the Interior in the disbursement of said funds to the appraised value of said lands as fixed by said appraisers of said Pueblo Lands Board be, and the same are, expressly repealed: *Provided further*, That the Secretary of the Interior be, and he is hereby, authorized to disburse a

portion of said funds for the purpose of securing options upon said lands and water rights and necessary abstracts of title thereof for the necessary period required to investigate titles and which may be required before disbursement can be authorized: *Provided further*, That the Secretary of the Interior be, and he is hereby, authorized, out of the appropriations of the foregoing amounts and out of the funds heretofore appropriated for the same purpose, to purchase any available lands within the several pueblos which in his discretion it is desirable to purchase, without waiting for the issuance of final patents directed to be issued under the provisions of the act of June 7, 1924, where the right of said pueblos to bring independent suits, under the provisions of the act of June 7, 1924, has expired: *Provided further*, That the Secretary of the Interior shall not make any expenditures out of the pueblo funds resulting from the appropriations set forth herein, or prior appropriations for the same purpose, without first obtaining the approval of the governing authorities of the pueblo affected: *And provided further*, That the governing authorities of any pueblo may initiate matters pertaining to the purchase of lands in behalf of their respective pueblos, which matters, or contracts relative thereto, will not be binding or concluded until approved by the Secretary of the Interior.

SEC. 6. Nothing in this act shall be construed to prevent any pueblo from prosecuting independent suits as authorized under section 4 of the act of June 7, 1924. The Secretary of the Interior is authorized to enter into contract with the several Pueblo Indian tribes, affected by the terms of this act, in consideration of the authorization of appropriations contained in section 2 hereof, providing for the dismissal of pending and the abandonment of contemplated original proceedings, in law or equity, by, or in behalf of said Pueblo Indian tribes, under the provisions of section 4 of the act of June 7, 1924 (43 Stat. L. 636), and the pueblo concerned may elect to accept the appropriations herein authorized, in the sums herein set forth, in full discharge of all claims to compensation under the terms of said act, notifying the Secretary of the Interior in writing of its election so to do: *Provided*, That if said election by said pueblo be not made, said pueblo shall have 1 year from the date of the approval of this act within which to file any independent suit authorized under section 4 of the act of June 7, 1924, at the expiration of which period the right to file such suit shall expire by limitation: *And provided further*, That no ejectment suits shall be filed against non-Indians entitled to compensation under this act, in less than 6 months after the sums herein authorized are appropriated.

SEC. 7. Section 16 of the act approved June 7, 1924, is hereby amended to read as follows:

"SEC. 16. That if the Secretary of the Interior deems it to be for the best interest of the Indians that any land adjudged by the court or said Lands Board against any claimant be sold, he may, with the consent of the governing authorities of the pueblo, order the sale thereof, under such regulations as he may make, to the highest bidder for cash; and if the buyer thereof be other than the losing claimant, the purchase price shall be used in paying to such losing claimant the adjudicated value of the improvements aforesaid, if found under the provisions of section 15 hereof, and the balance thereof, if any, shall be paid over to the proper officer, or officers, of the Indian community, but if the buyer be the losing claimant, and the value of his improvements has been adjudicated as aforesaid, such buyer shall be entitled to have credit upon his bid for the value of such improvements so adjudicated."

SEC. 8. The attorney or attorneys for such Indian tribe or tribes shall be paid such fee as may be agreed upon by such attorney or attorneys and such Indian tribe or tribes, but in no case shall the fee be more than 10 percent of the sum herein authorized to be appropriated for the benefit of such tribe or tribes, and such attorneys' fees shall be disbursed by the Secretary of the Interior in accordance herewith out of any funds appropriated for said Indian tribe or tribes under the provisions of the act of June 7, 1924 (43 Stat. L. 636), or this act: *Provided, however*, That 25 percent of the amount agreed upon as attorneys' fees shall be retained by the Secretary of the Interior to be disbursed by him under the terms of the contract, subject to approval of the Secretary of the Interior, between said attorneys and said Indian tribes, providing for further services and expenses of said attorneys in furtherance of the objects set forth in section 19 of the act of June 7, 1924.

SEC. 9. Nothing herein contained shall in any manner be construed to deprive any of the Pueblo Indians of a prior right to the use of water from streams running through or bordering on their respective pueblos for domestic, stock-water, and irrigation purposes for the lands remaining in Indian ownership, and such water rights shall not be subject to loss by nonuse or abandonment thereof as long as title to said lands shall remain in the Indians.

SEC. 10. The sums authorized to be appropriated under the terms and provisions of section 2 of this act shall be appropriated in three annual installments, beginning with the fiscal year 1937.

Mr. ROBINSON of Arkansas. Mr. President, this apparently is a bill of considerable importance. It carries a very large appropriation. May I ask the Senator from New Mexico the aggregate amount that is authorized?

Mr. BRATTON. Mr. President, the aggregate amount is about a million dollars, but the first payment to the Indians will be made in the fiscal year 1937.

Permit me to say to the Senator that this bill passed the Senate during the last session, and it has now passed the body at the opposite end of the Capitol. It is reported favorably by the Department of the Interior, and it has the approval of the Director of the Bureau of the Budget. It is an important measure. It concludes a long and involved controversy in New Mexico.

The principal purpose of the bill is to compensate non-Indian claimants now and to make a definite commitment to the Indians, so that a program of consolidating and blocking lands may be effected, looking forward to the appropriation for the Indians in the fiscal years 1937, 1938, and 1939. In addition to the fact that the bill has passed the Senate, has now passed the House, is approved by the Department of the Interior and the Director of the Budget, I can assure the Senator from Arkansas that it is meritorious.

Mr. ROBINSON of Arkansas. I shall not object to the present consideration of the bill.

Mr. KING. Mr. President, I should like to ask the Senator one question. Is this the measure to carry out the findings of the commission that was appointed—I have forgotten the title of the act—for the purpose of ascertaining the amount due to the pueblos of New Mexico for lands of which they have been deprived?

Mr. BRATTON. It is to carry out what that board should have done under the act. It is to correct the mistakes and omissions of the board, and to conform the situation to the purposes of the Pueblos Land Board Act, being the act approved June 7, 1924.

Mr. KING. Let me ask the Senator whether this will prevent any further litigation in the Supreme Court in order to cure what are alleged to be bad decisions, or improper decisions, of that commission?

Mr. BRATTON. It will do that, and more. In addition to that, it will result in the dismissal of certain pending cases.

Permit me to say to the Senator from Utah that the special sub-subcommittee of the Committee on Indian Affairs, over which the distinguished Senator from North Dakota [Mr. FRAZIER] presided, went to New Mexico and devoted itself to hearings there. Later hearings were conducted here. This measure has the approval of the Committee on Indian Affairs, which committee has given the subject matter long and careful consideration in that manner.

Mr. KING. Mr. President, my great confidence in the able Senator from New Mexico would prompt me to be silent even if I had some doubts.

The bill was ordered to a third reading, read the third time, and passed.

The PRESIDING OFFICER. Without objection, Senate bill 691 will be indefinitely postponed.

SALE AND DISTRIBUTION OF DAIRY PRODUCTS

The resolution (S.Res. 76) to investigate conditions respecting the sale and distribution of dairy products in the District of Columbia was announced as next in order.

Mr. ROBINSON of Arkansas. Mr. President, will not the Senator from Utah explain that resolution?

Mr. KING. Mr. President, at the last session of Congress the Committee on the District of Columbia, of which the Senator from Kansas [Mr. CAPPER] was chairman, pursuant to numerous requests made by citizens of the District, reported this resolution unanimously to the Senate, but owing to the congested condition of the calendar we were unable to secure its adoption. There has been considerable agitation during the past few weeks growing out of the alleged very unjust prices which are charged by organizations which, it is contended, form a monopoly in the sale of milk and milk products. The agitation has been so great and the demands from various citizens' associations have been so numerous that the resolution which was reported to the Senate in the last Congress was reintroduced and has been unanimously reported from the Committee on the District of Columbia.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the resolution was read, as follows:

Whereas it is claimed that price levels in dairy commodities within the District of Columbia indicate that competition in trade in such commodities has become stifled therein, and that the cost to the consumer of such commodities exceeds the cost to the producer by more than a fair margin of profit to the producer: Therefore be it

Resolved, That the Committee on the District of Columbia, or any duly authorized subcommittee thereof, is authorized and directed to investigate conditions with respect to the sale and distribution of milk, cream, ice cream, or other dairy products within the District of Columbia with a view to determining particularly whether any individual, partnership, or corporation, whether residing in the District of Columbia or elsewhere, is operating within such District under any contract, combination in form of trust or otherwise, or is a party to any conspiracy, in restraint of trade or commerce in any such dairy products, or in any way monopolizing such trade within such District. The committee shall report to the Senate as soon as practicable the results of its investigation, together with its recommendations, if any, for necessary remedial legislation.

For the purposes of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places during the sessions and recesses of the Senate in the Seventy-third Congress until the final report is submitted, to require by subpoena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures, as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution was agreed to.

The preamble was agreed to.

PROTECTION OF INVESTORS—CONFERENCE REPORT

Mr. FLETCHER. Mr. President, may I ask the indulgence of the Senate for just a moment? I am very much occupied now in the Senate Office Building, where the Banking and Currency Committee are conducting hearings, and I should like to have the Senate act on the conference report on the securities bill. The report has been agreed to by the House of Representatives, and I do not know of any opposition to it in the Senate.

The PRESIDING OFFICER. What is the Senator's request?

Mr. FLETCHER. That the Senate now consider the conference report on the so-called "securities bill."

The PRESIDING OFFICER. The Senator from Florida asks unanimous consent for the consideration of the conference report on House bill 5480. Is there objection?

Mr. McNARY. Mr. President, when this matter was presented by the able Senator on yesterday I objected because the report was not then printed. I understand it has now been printed.

Mr. FLETCHER. It has been printed.

Mr. McNARY. Of course, the Senator does not have to ask unanimous consent for the consideration of the report, but he can move to take it up at any time. I suggest, however, if he is going to do that, that we have a call for a quorum.

Mr. FLETCHER. I am entirely dependent on what the Senator from Oregon desires.

Mr. McNARY. There are some Senators on this side who would like to be present when the report comes up. I will not object to the unanimous-consent request, but I will have to note the absence of a quorum.

Mr. ROBINSON of Arkansas. May I suggest that we complete the call of the calendar?

Mr. FLETCHER. I do not think it will take long to act on the report.

Mr. ROBINSON of Arkansas. Very well; we will go ahead, although it has only been 20 minutes since there was a call of the Senate.

Mr. McNARY. I appreciate that; but that was for one particular purpose and this is for another.

Mr. FLETCHER. I suggest the absence of a quorum. I thought the Senator from Oregon had done so.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Copeland	Kendrick	Robinson, Ark.
Ashurst	Costigan	Keyes	Robinson, Ind.
Austin	Couzens	King	Russell
Bachman	Cutting	La Follette	Schall
Bailey	Dale	Lewis	Sheppard
Bankhead	Dickinson	Logan	Shipstead
Barbour	Dieterich	Loneragan	Smith
Barkley	Dill	Long	Steiwer
Black	Duffy	McAdoo	Stephens
Bone	Erickson	McCarran	Thomas, Okla.
Borah	Fletcher	McGill	Thomas, Utah
Bratton	Frazier	McKellar	Townsend
Brown	George	McNary	Trammell
Bulkeley	Glass	Metcalf	Tydings
Bulow	Goldsborough	Murphy	Vandenberg
Byrd	Gore	Neely	Van Nuys
Byrnes	Hale	Norris	Wagner
Capper	Harrison	Nye	Walcott
Caraway	Hastings	Overton	Walsh
Carey	Hatfield	Patterson	Wheeler
Clark	Hayden	Pittman	White
Connally	Hebert	Pope	
Coolidge	Johnson	Reynolds	

The PRESIDING OFFICER. Ninety Senators have answered to their names. A quorum is present.

Mr. FLETCHER. Mr. President, I ask that the conference report may be agreed to. It is quite long, and I will not ask to have it read. It is already in the RECORD of the proceedings of yesterday.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Florida for the present consideration of the conference report?

There being no objection, the Senate proceeded to consider the report.

The PRESIDING OFFICER. The question is on agreeing to the report.

The report was agreed to.

CONVEYANCE OF LANDS TO DESCHUTES COUNTY (OREG.) SCHOOL DISTRICT

The PRESIDING OFFICER. The clerk will state the next bill on the calendar.

The bill (S. 284) authorizing the conveyance of certain lands to school district no. 28, Deschutes County, Oreg., was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Interior is authorized and directed to convey, by quitclaim deed, to school district no. 28, Deschutes County, Oreg., for use for school purposes, the following-described area: The southwest quarter southwest quarter southwest quarter section 27, township 17 south, range 13 east, Willamette meridian; but if such school district fails to use such lands for the purposes herein provided, or attempts to alienate such lands, title thereto shall revert to the United States.

OCHOCO NATIONAL FOREST, OREG.

The bill (S. 285) to authorize the addition of certain lands to the Ochoco National Forest, Oreg., was announced as next in order.

Mr. KING. Mr. President, I should like to ask the Senator from Oregon if the bill now under consideration and the bill just acted upon propose to transfer Government domain to the State, and if so, for what purpose?

Mr. McNARY. Mr. President, I regret exceedingly to confess that I am not informed as to the nature of the proposed legislation. The bills were handled wholly by my colleague [Mr. STEIWER], and information concerning them is in his possession. I think, under the circumstances, the pending bill had better go over unless the Senator is willing to have it considered.

Mr. KING. If the junior Senator from Oregon is absent, let it go over.

The PRESIDING OFFICER. The bill will be passed over.

BILL PASSED OVER

The bill (H.R. 5389) making appropriations for the Executive office and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1934, and for other purposes, was announced as next in order.

Mr. KEYES. Over.

The PRESIDING OFFICER. The bill will be passed over.

DEEPS CREEK BRIDGE, DEL.

The bill (S. 1562) granting the consent of Congress to the Levy Court of Sussex County, Del., to reconstruct a bridge across the Deep Creek at Cherry Tree Landing, Sussex County, Del., was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the consent of Congress is hereby granted to the Levy Court of Sussex County, Del., its successors and assigns, to reconstruct and maintain a bridge and approaches thereunto across the Deep Creek, being a part of a navigable river from Concord, Del., to the Chesapeake Bay, at a point suitable to navigation, at or near Cherry Tree Landing, in the county of Sussex, State of Delaware, in accordance with the provisions of an act entitled "An act to regulate the construction of bridges over navigable waters", approved March 23, 1906.

SEC. 2. The right to alter, amend, or repeal this act is expressly reserved.

NORTHWEST RIVER BRIDGE, NORFOLK COUNTY, VA.

The bill (H.R. 5152) granting the consent of Congress to the State Highway Commission of Virginia to replace and maintain a bridge across Northwest River in Norfolk County, Va., on State Highway Route No. 27, was considered, ordered to a third reading, read the third time, and passed.

BRIDGE ACROSS STAUNTON AND DAN RIVERS, VA.

The bill (H.R. 5173) granting the consent of Congress to the State Highway Commission of Virginia to maintain a bridge already constructed to replace a weak structure in the same location, across the Staunton and Dan Rivers, in Mecklenburg County, Va., on United States Route No. 15, was considered, ordered to a third reading, read the third time, and passed.

SAVANNAH RIVER BRIDGE, SYLVANIA, GA.

The bill (H.R. 5476) to extend the times for commencing and completing the construction of a bridge across the Savannah River at or near Burtons Ferry, near Sylvania, Ga., was considered, ordered to a third reading, read the third time, and passed.

EARL A. ROSS

The bill (S. 1727) for the relief of Earl A. Ross was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That Earl A. Ross, of Boston, Mass., may, and is hereby empowered to, enter under the homestead laws of the United States 160 acres of land and timber along the border of any national forest in western Washington State, in lieu of lands and timber previously selected by him in Pacific County, Wash., in one or more parcels in the timber areas thereof, with the approval of the Secretary of Agriculture, and that patent be issued to said Earl A. Ross covering the land so selected and approved. Said selections shall not interfere with or include rangers' stations or buildings belonging to said reserves, nor any natural resources within said reserves, such as mineral springs or points or places generally known to be of scenic beauty, and all trails, roadways, approaches within the area taken shall remain property of the United States of America, usable and free to use as though this act had not been passed.

FRANK P. ROSS

The bill (S. 1728) for the relief of Frank P. Ross was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That Frank P. Ross, of Tacoma, Wash., may, and is hereby empowered to, enter under the homestead laws of the United States 160 acres of land and timber along the border of any national forest in western Washington State, in lieu of lands and timber previously selected by him in Pacific County, Wash., in one or more parcels in the timber areas thereof, with the approval of the Secretary of Agriculture, and that patent be issued to said Frank P. Ross covering the land so selected and approved. Said selections shall not interfere with or include rangers' stations or buildings belonging to said reserves, nor any natural resources within said reserves, such as mineral springs, or points or places generally known to be of scenic beauty, and all trails, roadways, approaches within the area taken shall remain property of the United States of America, usable and free to use as though this bill had not been passed.

REIMBURSEMENT OF EDWARD B. WHEELER

The bill (S. 1724) authorizing the reimbursement of Edward B. Wheeler and the State Investment Co. for the loss of certain lands in the Mora Grant, N.Mex., was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Edward B. Wheeler, of Las Vegas, N.Mex., and the State Investment Co., of New Mexico, who were declared by the Supreme Court of the United States (*United States v. State Investment Co.* (1924), 264 U.S. 206) to be the owners, respectively, of certain lands in the tract known as the Mora Grant, located in San Miguel and Mora Counties, N.Mex., an amount to be computed by the Secretary on the basis of \$2.25 per acre for every acre of lands embraced within the claim of any bona fide entryman on such lands holding under patent from the United States or under any entry allowed by the Department of the Interior, the recovery of which lands by the said Edward B. Wheeler and the State Investment Co. is barred by the stipulation entered into between such parties and the United States on January 23, 1918. Such payment shall operate as a full settlement of all claims of such Edward B. Wheeler and the State Investment Co. against the United States or the owners of such lands for damages for the loss of such lands.

EXPENSES OF LOUDERBACK IMPEACHMENT TRIAL

The Senate proceeded to consider the resolution (S.Res. 82) submitted by Mr. BYRNES on May 18 (legislative day of May 15) and reported by the Committee to Audit and Control the Contingent Expenses of the Senate, which was read and agreed to, as follows:

Resolved, That \$20,000 is hereby authorized to be expended from the contingent fund of the Senate in addition to the amount previously authorized to defray the expenses in the impeachment trial of Judge Harold Louderback.

BILL PASSED OVER

The bill (S. 1580) to relieve the existing national emergency in relation to interstate railroad transportation and to amend sections 5, 15a, and 19a of the Interstate Commerce Act, as amended, was announced as next in order.

Mr. KING. Over.

The PRESIDING OFFICER. The bill will be passed over.

COMPULSION OF TESTIMONY BEFORE INTERNATIONAL TRIBUNALS

The Senate proceeded to consider the bill (S. 1581) to amend the act approved July 3, 1930 (46 Stat. 1005), authorizing commissioners or members of international tribunals to administer oaths, etc., which had been reported from the Committee on the Judiciary with amendments.

Mr. McNARY. Mr. President, I suggest that a brief statement should be made of this measure.

Mr. KING. Mr. President, the report is very brief. The bill is desired by the Department and by American nationals who are prosecuting claims where evidence is required in foreign lands. It is for the purpose of obtaining testimony more readily than under existing law.

Mr. ROBINSON of Arkansas. Mr. President, the bill will afford the additional and necessary means of compelling the testimony of witnesses and the production of documentary evidence in connection with matters arising before international tribunals or commissions to which the United States is a party. Reading from the report, it is stated:

The necessity for this legislation became apparent in connection with claims pending before the Mixed Claims Commission, United States and Germany, when the American agent, prosecuting meritorious claims on behalf of American citizens, was thwarted by the lack of power under the treaty creating the Commission to compel the testimony of witnesses and the production of documentary evidence.

I take it that the statement of the Senator from Utah and my own statement just concluded are adequate to satisfy the requirements of the Senator from Oregon.

The PRESIDING OFFICER. The first amendment reported by the committee will be stated.

The first amendment of the Committee on the Judiciary was, on page 1, section 5, line 9, after the word "commission", to insert "whether previously or hereafter established"; on page 2, line 1, after the word "party" to strike out "whether previously or hereafter established"; at the beginning of line 6 to strike out "subpenas" and insert "subpenas"; and in line 9, after the name "United States" to insert "on its own behalf or on behalf of any of its nationals"; so as to make the section read:

That the act of July 3, 1930 (46 Stat. 1005), authorizing commissioners or members of international tribunals to administer oaths, and so forth, be, and the same is hereby, amended by adding at the end thereof the following additional sections:

"Sec. 5. That the agent of the United States before any international tribunal or commission, whether previously or hereafter established, in which the United States participates as a party whenever he desires to obtain testimony or the production of books and papers by witnesses may apply to the United States district court for the district in which such witness or witnesses reside or may be found, for the issuance of subpoenas to require their attendance and testimony before the United States district court for that district and the production therein of books and papers, relating to any matter or claim in which the United States on its own behalf or on behalf of any of its nationals is concerned as a party claimant or respondent before such international tribunal or commission."

The amendment was agreed to.

The next amendment was, in section 6, page 2, line 15, after the word "issued", to insert "or caused to be issued"; in the same line, after the word "such", to strike out "subpenas" and insert "subpoenas"; in line 16, after the words "issuance of", to strike out "subpenas" and insert "subpoenas"; in line 20, after the word "such", to strike out "subpenas" and insert "subpoenas"; in line 23, after the word "such" to strike out "subpenas" and insert "subpoenas"; on page 3, line 4, after the word "representative", to strike out "The" and insert "Reasonable notice thereof shall be given to the"; in line 6, after the word "proceedings", to insert "who"; and in line 10, after the word "such", to strike out "subpenas" and insert "subpoenas"; so as to make the section read:

Sec. 6. That any United States district court to which such application shall be made shall have authority to issue or cause to be issued such subpoenas upon the same terms as are applicable to the issuance of subpoenas in suits pending in the United States district court, and the clerk thereof shall have authority to administer oaths respecting testimony given therein, and the marshal thereof shall serve such subpoenas upon the person or persons to whom they are directed. The hearing of witnesses and taking of their testimony and the production of books and papers pursuant to such subpoenas shall be before the United States district court for that district or before a commissioner or referee appointed by it for the taking of such testimony, and the examination may be oral or upon written interrogatories and may be conducted by the agent of the United States or his representative. Reasonable notice thereof shall be given to the agent or agents of the opposing government or governments concerned in such proceedings who shall have the right to be present in person or by representative and to examine or cross-examine such witnesses at such hearing. A certified transcript of such testimony and any proceedings arising out of the issuance of such subpoenas shall be forwarded by the clerk of the district court to the agent of the United States and also to the agent or agents of the opposing government or governments, without cost.

The amendment was agreed to.

The next amendment was, in section 7, line 17, after the word "such", to strike out "subpenas" and insert "subpoenas", and in line 23, after the word "such", to strike out "subpena" and insert "subpoena", so as to make the section read:

Sec. 7. That every person knowingly or willfully swearing or affirming falsely in any testimony taken in response to such subpoenas shall be deemed guilty of perjury and shall, upon conviction thereof, suffer the penalty provided by the laws of the United States for that offense when committed in its courts of justice. Any failure to attend and testify as a witness or to produce any book or paper which is in the possession or control of such witness, pursuant to such subpoena, may be regarded as a contempt of the court and shall be punishable as a contempt by the United States district court in the same manner as is provided by the laws of the United States for that offense in any other proceedings in its courts of justice.

The amendment was agreed to.

The next amendment was, on page 4, after line 3, to insert the following new section:

Sec. 8. For the purposes of sections 5, 6, and 7 of this act, the Supreme Court of the District of Columbia shall be considered to be a district court of the United States.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The PRESIDING OFFICER. That completes the calendar.

CONSTRUCTION AND INSPECTION OF BOILERS

Mr. ROBINSON of Arkansas. Mr. President, I ask unanimous consent that the Senate recur to Calendar No. 68, being the Senate bill 1129.

The PRESIDING OFFICER. The Senator from Arkansas asks unanimous consent for the consideration of a bill the title of which will be stated.

The CHIEF CLERK. A bill (S. 1129) to amend sections 361, 392, 406, 407, 408, 409, 410, 411, and 412 of title 46 of the United States Code, relating to the construction and inspection of boilers, unfired pressure vessels, and the appurtenances thereof.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which was read, as follows:

Be it enacted, etc., That sections 361, 392, 406, 407, 408, 409, 410, 411, and 412, of title 46 of the United States Code be, and the same are hereby, amended to read as follows:

"Sec. 361. Every vessel subject to inspection propelled in whole or in part by steam or by any other form of mechanical or electrical power shall be considered a steam vessel within the meaning of and subject to all of the provisions of this act: *Provided, however,* That motor boats as defined in the act of June 9, 1910, are exempt from the provisions of this act.

"Sec. 392. The local inspectors shall also inspect, before the same shall be used and once at least in every year thereafter, the boilers, unfired pressure vessels, and appurtenances thereof, also the propelling and auxiliary machinery, electrical apparatus and equipment, of all vessels subject to inspection; and the inspectors shall satisfy themselves by thorough examination that the same are in conformity with law and the rules and regulations of the board of supervising inspectors, and may be safely employed in the service proposed. No boiler, unfired pressure vessel, or appurtenances thereof shall be allowed to be used if constructed in whole or in part of defective material or which because of its form, design, workmanship, age, use, or for any other reason is unsafe. At each annual inspection all boilers, unfired pressure vessels, and main steam piping shall be subjected to hydrostatic tests or such other tests as may be prescribed by the board of supervising inspectors. The ratio of the hydrostatic test to the maximum working pressure shall be determined by action of the board of supervising inspectors.

"Sec. 406. All boilers and unfired pressure vessels constructed of iron or steel plates or other approved metals for use on vessels subject to inspection shall be made of material that has been tested, inspected, and stamped in accordance with the requirements of this act.

"Sec. 407. Any person, firm, or corporation who constructs a boiler, or steam pipe connecting the boilers, or an unfired pressure vessel for use on vessels subject to inspection, of iron or steel plates or other approved metals which have not been duly tested, inspected, and stamped according to the provisions of this act and the requirements of the board of supervising inspectors; or who knowingly uses any defective material in the construction of such boiler, steam pipe, or pressure vessel; or who drifts any rivet hole to make it come fair; or who delivers any such boiler, steam pipe, or pressure vessel for use, knowing it to be defective in design, material, or construction, shall be fined \$1,000. Nothing in this act shall be so construed as to prevent from being used on such vessels any boiler, steam generator, steam pipe, or unfired pressure vessel which may not be constructed of riveted iron or steel plates: *Provided,* That scientific data and facts are submitted to enable the board of supervising inspectors to satisfy themselves that such boiler, steam generator, or pressure vessel is equal in strength and as safe from explosion as one of the best quality of iron or steel plates of riveted construction: *Provided, however,* That the Secretary of Commerce may grant permission to use any boiler, steam generator, or unfired pressure vessel not of iron or steel plate riveted construction upon the certificate of the supervising inspector for the district wherein such boiler, steam generator, or pressure vessel is to be used, and other satisfactory proof that the use of the same is safe and efficient, said permit to be valid until the next regular meeting of the board of supervising inspectors who shall act thereon: *Provided further,* That such boilers, steam generators, or pressure vessels may be constructed with seamless shells or by means of any approved method of welding governed by the rules and regulations prescribed by the board of supervising inspectors.

"Sec. 408. All iron or steel plates, or other material used in the construction of boilers or unfired pressure vessels for use on vessels subject to inspection shall be tested and inspected in such manner as shall be prescribed by the board of supervising inspectors and approved by the Secretary of Commerce, so as to enable the inspectors to ascertain the tensile strength, homogeneity, toughness, and ability to withstand the effect of repeated heating and cooling; and no plate or other material shall be used in the construction of such boilers or pressure vessels which has not been tested, inspected, and approved under the rules and regulations of the board of supervising inspectors: *Provided, however,* That small unfired pressure vessels having diameters not exceeding 30 inches and subject to a maximum allowable working pressure not exceeding 100 pounds per square inch shall be exempt from this requirement.

"The Director of the Bureau of Navigation and Steamship Inspection may, under the direction of the Secretary of Commerce, detail inspectors to inspect iron or steel plates or other

material at the mills where the same are manufactured; and if such plates or material are found in accordance with the rules of the board of supervising inspectors, the inspector shall stamp the same with the initials of his name and the official stamp of the Bureau of Navigation and Steamboat Inspection, which stamp shall be authorized by the board of supervising inspectors; and material so stamped shall be accepted by the local inspectors of the various districts as being in full compliance with the requirements of this section regarding the test and inspection of such plates and material: *Provided*, That any person, firm, or corporation who affixes any false, forged, fraudulent, spurious, or counterfeit of the stamp herein authorized to be put on by an inspector shall be deemed guilty of a felony and shall be fined not less than \$1,000 nor more than \$5,000 and imprisoned not less than 2 years nor more than 5 years.

"Sec. 409. Every plate of iron or steel, made for use in the construction of boilers, unfired pressure vessels, or riveted steam pipe shall be distinctly and permanently stamped by the manufacturer thereof, and, if practicable, in such places that the marks shall be left visible when such plates are assembled, with the name of the manufacturer, and the minimum tensile strength in pounds per square inch, and the inspectors shall keep a record in their office of the stamps upon all plates, material, and boilers which they inspect.

"Sec. 410. Any person, firm, or corporation who counterfeits, or causes to be counterfeited, any of the marks or stamps prescribed for iron or steel plates or other material tested and inspected under this act, or who designedly stamps, or causes to be stamped falsely, any such plates or material; and every person who stamps or marks, or causes to be stamped or marked, any such plates or material with the name or trade-mark of another, with the intent to mislead or deceive, shall be fined \$2,000, and may in addition thereto, at the discretion of the court, be imprisoned not exceeding 2 years.

"Sec. 411. The board of supervising inspectors is hereby empowered to prescribe formulas, rules, and regulations for the design, material, and construction of boilers, unfired pressure vessels, and appurtenances thereof, and steam piping for use on vessels subject to the provisions of this act. The maximum working pressure shall be determined by formulas prescribed by the board of supervising inspectors, and no such boiler, pressure vessel, or appurtenance thereof shall be designed or operated where the factor of safety is less than four: *Provided*, That the minimum thickness and maximum allowable working pressure of valves, fittings, and other appurtenances shall be determined by formulas prescribed by the board of supervising inspectors.

"Sec. 412. The maximum allowable thickness of shell plates and the details of material, design, and construction of externally fired boilers shall be determined by action of the board of supervising inspectors."

All laws or parts of laws which may conflict with the provisions of this act are hereby repealed.

Mr. ROBINSON of Arkansas. Mr. President, this is a bill transmitted to the Senator from Mississippi [Mr. STEPHENS] as Chairman of the Committee on Commerce and having relation to the provisions of the United States Code relating to the construction and inspection of boilers, unfired pressure vessels, and the appurtenances of the same. The bill is a departmental measure; it was unanimously reported by the committee; and I believe improves the present statute, brings it down to date, and makes certain modifications which are regarded as necessary and helpful.

Mr. VANDENBERG. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Arkansas yield to the Senator from Michigan?

Mr. ROBINSON of Arkansas. Certainly.

Mr. VANDENBERG. As a member of the committee I should like to concur in the statement the Senator has just made. The improvements are technical in nature and it is scarcely worth while to survey them in detail. The general net result is of substantial advantage to the service.

Mr. ROBINSON of Arkansas. Yes; and the report of the committee was unanimous.

The PRESIDING OFFICER. The question is on the passage of the bill.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

GREAT FALLS BRIDGE

Mr. SHEPPARD. Mr. President, earlier in the day I reported from the Committee on Commerce a bridge bill, Senate bill 1564, for the calendar. It is in the usual form and I ask that it may be considered at this time.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas?

There being no objection, the Senate proceeded to consider the bill (S. 1564) to revive and reenact the act entitled

"An act authorizing the Great Falls Bridge Co. to construct, maintain, and operate a bridge across the Potomac River at or near Great Falls", approved April 21, 1928, which had been reported from the Committee on Commerce with an amendment, in line 3, before the word "granting", to insert "heretofore amended by acts of Congress approved March 4, 1929, and May 29, 1930", so as to make the bill read:

Be it enacted, etc., That the act approved April 21, 1928, heretofore amended by acts of Congress approved March 4, 1929, and May 29, 1930, granting the consent of Congress to the Great Falls Bridge Co. to construct, maintain, and operate a bridge and approaches thereto across the Potomac River at or near Great Falls, be, and the same is hereby, revived and reenacted: *Provided*, That this act shall be null and void unless the actual construction of the bridge herein referred to be commenced within 1 year and completed within 3 years from the date of approval hereof.

Sec. 2. That the right to alter, amend, or repeal this act is hereby expressly reserved.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

WASHINGTON HOME FOR FOUNDLINGS

Mr. KING. Mr. President, I am going to submit a rather unusual request. The Senator from Maine [Mr. WHITE] introduced a few days ago a bill, being Senate bill 1659, to authorize an increase in the number of directors of the Washington Home for Foundlings. It has not been considered by the Committee on the District of Columbia, of which I am chairman, but we have reported a number of bills of a similar character. Under the procedure many years ago Congress would grant special charters to various organizations within the District, hospitals, educational institutions, and so forth, and restricted the number of directors. These organizations have no power to amend their articles of incorporation to enlarge or diminish the number of directors.

This organization is known as the "Home for Foundlings" in the city of Washington, one of the most important humanitarian organizations that is functioning in the city. The Senator from Maine has been very much interested in it. Under the old charter the number of directors is limited to 10. The bill merely enlarges the authority so it may increase the number of directors as the needs of the home may require. That is the only purpose of the bill.

I ask unanimous consent that the Committee on the District of Columbia may be discharged from the further consideration of the bill, and that it may be considered and passed. May I say there is a bill pending before our committee to amend these old charters and to give the directors authority to enlarge or reduce the number of directors as they may see fit.

Mr. NORRIS. Mr. President, I suppose the Senator realizes he is asking something that may establish a precedent which will come home to plague him? The bill has not been considered by a committee.

Mr. KING. I said it was an unusual request; and if the Senator objects, I shall not insist.

Mr. NORRIS. I am not going to object, but I simply invite attention to the fact that it is a procedure of which someone may take advantage in the way of a precedent to bring about the passage of some bill which may not be as desirable as this one.

The PRESIDING OFFICER. The Senator from Utah asks unanimous consent that the Committee on the District of Columbia may be discharged from the further consideration of the bill named by him and that the Senate proceed to its immediate consideration. Is there objection?

There being no objection, the Senate proceeded to consider the bill (S. 1659) to authorize an increase in the number of directors of the Washington Home for Foundlings, which was read as follows:

Be it enacted, etc., That the act entitled "An act for incorporating a hospital for foundlings in the city of Washington", approved April 22, 1870, as amended, is amended by striking out section 3 of said act and by inserting in lieu thereof the following new section:

"Sec. 3. The management of said hospital shall be under the control of a board of directors. The number of directors shall be fixed in the bylaws of the corporation and may be increased or decreased from time to time as may be provided in said bylaws.

The board of directors shall have power to appoint all officers and committees necessary to the proper administration of the affairs of the corporation."

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

SALARY SCHEDULES OF BANKS AND OTHER ORGANIZATIONS

Mr. COSTIGAN. Mr. President, on several different occasions I have asked unanimous consideration for Senate Resolution 75. I move at this time that the resolution be taken from the table and that the Senate proceed to consider it, as modified.

The PRESIDING OFFICER. The question is on the motion of the Senator from Colorado that the Senate proceed to the consideration of Senate Resolution 75.

Mr. KING. Mr. President, let it be read.

The PRESIDING OFFICER. The resolution will be read for the information of the Senate.

The Chief Clerk read the resolution (S.Res. 75) submitted by Mr. COSTIGAN on the 8th instant, as modified, as follows:

Resolved, That the Federal Reserve Board is requested to prepare and transmit to the Senate, as soon as practicable, a report showing the salary schedule of the executive officers and directors of each Federal Reserve bank and member bank of the Federal Reserve System; be it further

Resolved, That the Reconstruction Finance Corporation is requested to prepare and transmit to the Senate, as soon as practicable, a report showing the salary schedule of the executive officers and directors of each bank not a member of the Federal Reserve System to which loans or advances have been made by the Corporation; be it further

Resolved, That the Federal Power Commission is requested to prepare and transmit to the Senate, as soon as practicable, a report showing the salary schedule of the executive officers and directors of each public-utility corporation engaged in the transportation of electrical energy in interstate commerce, and of all other corporations licensed under the Federal Water Power Act; and be it further

Resolved, That the Federal Trade Commission is requested to prepare and transmit to the Senate, as soon as practicable, a report showing the salary schedule of the executive officers and directors of each corporation engaged in interstate commerce (other than public-utility corporations) having capital and/or assets of more than a million dollars in value, whose securities are listed on the New York Stock Exchange or the New York Curb Exchange.

For the purposes of this resolution, the term "salary" includes any compensation, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services.

Mr. ROBINSON of Arkansas. Mr. President, is the Senator moving to take up the resolution?

Mr. COSTIGAN. Yes.

Mr. ROBINSON of Arkansas. The Senator does not desire to displace the unfinished business?

Mr. COSTIGAN. Certainly there is no disposition to displace the unfinished business.

Mr. ROBINSON of Arkansas. Has the Senator asked unanimous consent for its consideration?

Mr. COSTIGAN. I shall ask unanimous consent if the motion is to have the effect indicated by the Senator from Arkansas. I now ask unanimous consent for the consideration of Senate resolution 75.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Colorado?

Mr. McNARY. Mr. President, is the resolution on the calendar?

The PRESIDING OFFICER. It is on the table calendar.

Mr. McNARY. Is it a resolution coming over from a previous day?

The PRESIDING OFFICER. It has been on the calendar since May 8.

Mr. COSTIGAN. The able Senator from Oregon has twice heretofore objected to immediate consideration of the resolution because of the absence of Republican Senators.

Mr. McNARY. Yes; and at this time I have in mind the same objection. A number of Senators who would like to be present when the resolution is brought up have spoken to me about it. On two former occasions the able Senator from Colorado has called it up just a short time before the Senate took a recess. Under the circumstances I do not feel that I should at this time grant permission. I said to the Senator the other day that some time when there is a full

attendance on a call of the calendar I shall have no objection.

The PRESIDING OFFICER. Does the Senator from Oregon object?

Mr. McNARY. For that reason I object at this time.

The PRESIDING OFFICER. The Senator from Oregon objects.

COST OF ELECTRICAL DISTRIBUTION

Mr. COSTIGAN. Mr. President, I now ask unanimous consent for the immediate consideration of Senate Resolution 80.

The PRESIDING OFFICER. The Senator from Colorado asks unanimous consent for the immediate consideration of Senate Resolution 80. Is there objection?

Mr. KING. Mr. President, reserving the right to object, I ask that the resolution may be read.

The PRESIDING OFFICER. The resolution will be read for the information of the Senate.

The Chief Clerk read the resolution (S.Res. 80), submitted by Mr. COSTIGAN on the 15th instant, as follows:

Whereas growing interest is manifest throughout the Nation on the part of householders, both urban and rural, as to present and future uses of electricity and reasonable rates chargeable therefor; and

Whereas a considerable, if not controlling, factor in the cost of rural and domestic electric service is reported to be the expense of distributing transmitted current between local substations and the customers' meters; and

Whereas it is responsibly alleged by engineers that the service companies keep no record of this important distribution cost and that the subject has never been discussed before any engineering society; that technical literature does not deal with it; and that only rarely has it been considered in electric-rate cases: Therefore be it

Resolved, That the Federal Power Commission is hereby requested to furnish the Senate with a report summarizing such information as may be available indicating the cost of electrical distribution expressed in cents per kilowatt-hour under varying service conditions, as contrasted with the more widely known costs of electrical generation and electrical transmission.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the resolution?

Mr. KING. Mr. President, in view of the fact that the Federal Trade Commission for a number of years, probably 2 or 3, have been making a very exacting, intensive, careful, and exhaustive investigation of the power companies in the United States and have submitted considerable data, I wonder if the matter ought not to be referred to the Federal Trade Commission, because it may have very much of the information the Senator seeks.

Mr. COSTIGAN. If agreeable to the Senator from Utah, I am willing to modify the resolution in effect so as to unite the information of the Federal Power and Trade Commissions, or otherwise, to meet the suggestion of the able Senator from Utah. However, I am advised that the Federal Power Commission has sufficient information with which to respond to the request.

Mr. KING. I do not wish to interfere with the course which the Senator from Colorado desires to pursue in the matter, but the thought occurred to me, in view of the great amount of testimony taken and the large amount of money expended in the investigation by the Federal Trade Commission, that that Commission would now have substantially all the information the Senator desires.

Mr. COSTIGAN. I suggest that the resolution be adopted in its present form, if agreeable to the Senate, and that if cooperation is desired between the two commissions it may be subsequently arranged.

Mr. ROBINSON of Arkansas. Mr. President, I was about to observe, when the Senator from Colorado made that suggestion, that it is not certain that the Federal Trade Commission has the data to which the resolution refers. If the Power Commission has it, there probably would be no occasion to complicate the matter by referring it to the Federal Trade Commission.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Colorado?

Mr. HEBERT. Mr. President, I understand there are some Senators on this side of the aisle who are now absent

who desire to be present when the resolution is considered. I hope, under the circumstances, that the Senator from Colorado will not press his request at this time because of the absence of those Senators on this side of the aisle, who are engaged in important committee hearings.

Mr. COSTIGAN. Will it meet the wishes of the able Senator from Rhode Island if the absence of a quorum is suggested?

Mr. HEBERT. I do not know whether the Senators are available at this time. So far as I am concerned, I personally have no objection to the resolution now being considered, but I have information that some Senators on this side of the aisle desire to be present when it is considered.

Mr. COSTIGAN. I trust the Senator will not insist on his objection. As he is aware, it is exceedingly difficult to secure the attendance which appears to be desired on the other side of the aisle for the consideration of any resolution. The resolution merely seeks information.

The PRESIDING OFFICER. Is there objection to the immediate consideration of Senate Resolution 80, as requested by the Senator from Colorado?

Mr. HEBERT. In view of the information that comes to me regarding the desire of Senators to be present when the resolution is considered and in view of their absence from the Chamber at this time, I shall have to object.

The PRESIDING OFFICER. The Senator from Rhode Island objects to the immediate consideration of the resolution.

EXECUTIVE SESSION

Mr. ROBINSON of Arkansas. Mr. President, I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

REPORTS OF COMMITTEES

The PRESIDING OFFICER. Reports of committees are in order.

Mr. GEORGE. From the Committee on Finance I report back favorably the nomination of Stephen B. Gibbons, of New York, to be Assistant Secretary of the Treasury.

The PRESIDING OFFICER. The nomination will be placed on the calendar.

FEDERAL TRADE COMMISSIONER—EWIN L. DAVIS

Mr. NEELY. From the Committee on Commerce, I report back favorably the nomination of Ewin Lamar Davis, of Tennessee, to be Federal Trade Commissioner for the term expiring September 25, 1939.

Mr. McKELLAR. Mr. President, I ask unanimous consent for the immediate consideration of this nomination. Judge Davis is a former Member of the House; and I take it that there is no opposition to him of any kind, nature, or description on either side of the aisle. I hope the Senator from Oregon [Mr. McNARY] will permit him to be confirmed, and let the President be notified.

The PRESIDING OFFICER. The Senator from Tennessee asks unanimous consent for the immediate consideration of this nomination. Is there objection?

Mr. McNARY. Mr. President, let me ask the Senator if the Committee on Interstate Commerce reported favorably on this nomination.

Mr. McKELLAR. It did.

Mr. WHITE. Mr. President, will the Senator yield?

Mr. McNARY. I yield.

Mr. WHITE. I join in the hope expressed by the Senator from Tennessee that this nomination may be presently considered, and that the President may be advised of the action of the Senate.

I served in the House of Representatives with this nominee for 12 years of time. In all that span of years I never knew a man more indefatigable in industry, I never knew a man of loftier ideals of public service, I never knew a man of higher integrity, than this nominee. I join earnestly in the hope that there may be speedy action by the Senate on the nomination, and that notice thereof may be sent to the President, because no man ever was more deserving of such consideration at the hands of this body.

Mr. McKELLAR. I thank the Senator from Maine, and concur entirely in what he has said.

Mr. McNARY. Mr. President, I realize the amenities that exist between this body and the House. I further realize the necessity of conforming, so far as we can, to the practice of referring to the calendar matters that come from the committees.

If the committee has reported this nomination unanimously today, I shall have no objection to its consideration; but I shall object to the President being notified.

The PRESIDING OFFICER. The Senator from Tennessee [Mr. McKELLAR] requests the immediate consideration of the nomination of Mr. Ewin L. Davis. Is there objection? The Chair hears none; and, the nomination is confirmed.

If there be no further reports of committees, the calendar is in order.

THE CALENDAR—THE ADJUTANT GENERAL

The Chief Clerk read the nomination of James Fuller McKinley to be The Adjutant General of the Army.

Mr. TYDINGS. Mr. President, I have no desire to hold up the confirmation of this nomination through dilatory tactics. There are some features connected with the matter which I think the Senate should have brought to its attention. If, when it is in possession of these facts, the Senate desires to confirm General McKinley, it is a matter for each Senator to determine for himself.

I desire to say at the start that I do not wish to reflect upon General McKinley as a man or as a soldier. I understand that he is a splendid man, of fine character, and has a very efficient record as a soldier. The reason for my remarks is the manner in which he has been selected.

General McKinley has 11 more years to serve. For the past 4 years he has been Assistant The Adjutant General of the Army. If he is confirmed for this post, in 4 more years he will retire at \$6,000 a year; and, although a young man in his fifties, he will probably go out, as other Army officers have gone, take a job in private industry, and continue to draw \$500 a month or \$6,000 a year as retired pay, even though he will have 7 more years to serve when the next 4 years shall have passed.

Here we are, at a time when we are cutting down the compensation of ex-service men. The man who lost a leg or was wounded in actual battle is having his compensation reduced 20 percent. The compensation paid in other cases of disability in action, in line of battle, is likewise diminished or eliminated altogether. Yet, in the face of that, we are going to take one of the most efficient Army officers in the whole Army, so I am told, elevate him at a very young age to the highest position to which he can aspire, and allow him to hold it for 4 years and then retire into private life at \$500 a month. If there is any consistency in that policy, I am unable to follow it.

General McKinley at this moment has 11 years to serve. He is a very efficient officer. Under normal conditions perhaps his nomination to the top of his profession might be justified; but now, when economy is the watchword, are we by the confirmation of this appointment to take a step which will shortly bring about the retirement from the service of one of the most efficient officers of the Army, now in the heyday of his efficiency, upon whom the Government has expended thousands of dollars to educate him in the first place and to develop his efficiency to the highest point, and upon his retirement pay him \$500 a month for the rest of his life?

That, briefly, is the reason why I have objected to the confirmation of General McKinley as The Adjutant General of the Army. It is not because General McKinley is inefficient, for he is not inefficient. He is a very efficient officer, one of the best in the Army. It is not because of any personal reflection on the general, for all that I have heard of him is commendatory in the highest degree. But I do want to ask Senators who but a few months ago voted to reduce the compensation of the man who had been wounded in actual battle, and in many cases to take away his compensation entirely, how they can do that on the one hand,

and on the other hand justify the policy of paying an Army officer in good health, who has not yet finished his tour of duty, \$6,000 a year for the balance of his life, even though he has 11 more years to serve.

I called this matter to the attention of the Secretary of War. The Secretary of War said General McKinley was a very efficient officer. I called the Secretary's attention to the fact that General McKinley would draw a pension of \$6,000 a year for 7 more years that he still had to serve, and stated that I thought we could not defend that policy in times like these, when Senators are having their compensation reduced from \$10,000 a year to \$8,500, when all Government employees are having their compensation reduced, when the Navy is about to lose three or four hundred of its officers and any number of its noncommissioned officers, and when, because of economy, several hundred Army officers are to be taken out of the service entirely, even though they are but half way through their military careers. The Secretary was much impressed with that argument, and said it offered a very grave problem for solution; but that as this had been the custom in the past, he felt that he should adhere to that policy.

Mr. KING. Mr. President—

The PRESIDING OFFICER. Does the Senator from Maryland yield to the Senator from Utah?

Mr. TYDINGS. I yield to the Senator.

Mr. KING. I ask the Senator if it is not a fact that the officer in question was lifted up—and I do not use the term offensively—over other officers whose records were just as good as his, whose service was just as efficient, and given priority over them? My information is that General McKinley was given his present position over 17 officers who were his seniors, and whose efficiency record was not only excellent but without reproach or blemish.

Mr. TYDINGS. That is a true statement. May I say to the Senator from Utah that I may not have the figures exactly correct, but they are substantially correct.

When General McKinley was promoted the last time, 4 years ago, and made The Assistant Adjutant General of the Army, he was jumped over 17 other men who ranked him in seniority. At that time his selection was said to be based on efficiency. I desire to say now that I am impressed with General McKinley's record, that he is an efficient officer, that he is a man of fine character, and nothing I am saying against his confirmation is a reflection upon him personally. I am attempting to call to the attention of the Senate the fact that at a time when we are in the midst of an economy program we are asked to permit this exception to be made of paying to an Army officer who has 11 years yet to serve a pension of \$6,000 a year for 7 years, when there is nothing wrong with his health, permitting him to go out and engage in employment in private life and yet be upon the pay roll of the Federal Government.

Mr. KING. Mr. President—

Mr. TYDINGS. Before I yield to the Senator again—and I will in just a moment—may I say, take the case of Mr. Robert C. Davis, who was also an adjutant general, a very efficient Army officer. He was promoted to the top of his particular branch, and became The Adjutant General of the Army. After 4 years of service, while only 50 years of age, having 14 years to go before retirement, he exercised the option that he had, and retired with the rank of major general, and today draws \$6,000 a year, although he is employed in private life as well. By this system we take the most efficient officer in the Army and drive him out of the service, and then, while he is out of the service, pay him for the 14 years he yet has to go before the proper retirement age.

I do not think this is sound policy in normal times; and certainly it is not fair policy in these times, when everybody else is feeling the blow of the ax of economy.

I now yield to the Senator from Utah.

Mr. KING. Mr. President, I desire to ask the Senator whether he defends a policy which permits the lifting up of one officer over many others who are his seniors and

whose records are as good as his, thus giving him priority and advantage.

Mr. TYDINGS. No; I am not defending it, although I will say that I do believe there should be some elasticity for the man who is exceedingly efficient. In applying that rule, however, action based upon efficiency ought to be confined to the men in the same class, who have the same number of years to serve, so that the Government, the taxpayers, and the Army itself will not by this policy lose the services of a man before he reaches the proper retirement age.

Mr. KING. Mr. President, will the Senator yield further?

Mr. TYDINGS. Yes; I yield.

Mr. KING. My information is that the record of Gen. Edgar T. Conley is just as good as that of General McKinley. He is a man of ability and integrity and his record as a military officer is not surpassed by that of General McKinley or any other officer in the Army. Why was General McKinley lifted up over him? General Conley was his senior. Why give General McKinley the precedence now?

Mr. McKELLAR. Mr. President—

Mr. TYDINGS. Before I yield to the Senator from Tennessee, let us take the situation which the Senator from Utah conjures up and see where we are.

Here is Col. Edgar T. Conley, who entered West Point as a young man, graduated, and served all his life in the Army without a blot on his record. He is now, I think, 59 or 60 years old. I was told by the Chief of Staff and by the Secretary of War, who had refreshed his mind from the records, that Colonel Conley is one of the two most efficient officers in the Adjutant General's department of our entire Army. If Colonel Conley had received this appointment, he would have retired at the age of 64, as he should retire under the law. He would have had the climaxing laurel placed on his brow as the result of efficient and honorable service. The Government would not have been out a penny of money. They would have kept him as long as he was useful to the Army.

On the other hand we have General McKinley. A number of years after Colonel Conley graduated from West Point, General McKinley graduated. He is a splendid man, with a very efficient record; but when he had 15 more long years to serve he was lifted up over 17 other men, many of them with splendid records by the admission of the War Department itself, and made the Assistant Adjutant General of the Army. Now, forsooth, because he is Assistant Adjutant General of the Army, it is proposed to give him the top rank, and make him Adjutant General of the Army, so that when he completes these 4 years of duty and still will have 7 years to serve he will leave the service and draw \$6,000 a year, simply because the alternative is that if he does not leave the service he must then go back to the rank of colonel, and his retirement pay as an Adjutant General would be equal to the pay he would receive as a colonel were he to stay in the Army.

I asked whether there were any exceptions where men who had gone to the top of their profession before retirement age had stayed in the Army. In reply the Chief of Staff, General MacArthur, and the Secretary of War stated that it was the almost universal custom that when a man had reached the top he retired and took his retirement pay for the balance of his life.

Mr. McKELLAR. Mr. President—

Mr. TYDINGS. I yield to the Senator.

Mr. McKELLAR. I think it might be said in behalf of General McKinley that his appointment comes here under the law we have enacted. We have permitted the President to select officers of efficiency—

Mr. TYDINGS. The President never selected General McKinley. I will say that to the Senator from Tennessee.

Mr. McKELLAR. Not only has the present President selected him, but a former President selected him, and a former Secretary of War selected him—by the way, a Republican Secretary of War and a Republican President.

Mr. TYDINGS. The Senator is in error. No former Secretary of War and no former President ever selected General McKinley to be The Adjutant General of the Army.

Mr. McKELLAR. Mr. President, his name was sent to the Senate at the last session, and it was not confirmed; and now a Democratic President and a Democratic Secretary of War have sent in General McKinley's name again. He has been chosen for this position twice, and we must assume that he has been chosen because of his efficiency as an Army officer. The Senator admits that he has made an efficient officer, and I have no doubt of it. Of course, I am not saying anything contrary to General Conley, or any other officer. I only know that here are officers whom the Secretary of War and the President have a right to choose, and they have chosen them. Two Secretaries of War belonging to different parties and two Presidents belonging to different parties have chosen one of them, and he ought to be confirmed.

Mr. TYDINGS. Mr. President, let me put to my friend, the Senator from Tennessee, rather plainly what the issue is in this case. In other words, we have cut off the rolls entirely five totally disabled service men, drawing a hundred dollars a month each as a pension, in order 4 years from now to retire General McKinley at \$500 a month, even though he is healthy, even though we spent thousands of dollars on training him up to this point, and he has 7 or 8 years more to go. We take the money away from these disabled service men just to pay his retired pay, notwithstanding he may go into private life and make another five or ten or fifteen thousand dollars.

Mr. McKELLAR. I do not understand that that is being done at all.

Mr. TYDINGS. That is what is being done.

Mr. McKELLAR. It is true compensation has been taken away from certain deserving soldiers, and, so far as I am concerned, I am ready to vote to restore it at the very earliest possible moment when the Government has the money.

Mr. TYDINGS. The Government never will get the money, may I say to the Senator from Tennessee, if we are going to spend \$6,000 a year that we do not need to spend.

Mr. CAREY. Mr. President, will the Senator yield to me?

Mr. TYDINGS. I yield.

Mr. CAREY. I should like to ask the Senator whether General McKinley is not already a brigadier general and could he not retire at this time, after 30 years' service, as a brigadier general?

Mr. TYDINGS. I think he could, but I am not certain about it. Whether or not the matter is complete or not I do not know, but the moment his successor is confirmed, then he would become a colonel, and he could not retire except upon disability. It is my understanding, though I may be wrong, that he could not retire as a brigadier general.

Mr. CAREY. I think the Senator is mistaken in that. I think General McKinley is a brigadier general now.

Mr. TYDINGS. He could not retire.

Mr. CAREY. He could retire as such after 30 years' service. He has been in the Army for 35 years, and he would have a right to retire.

Mr. TYDINGS. He has been in the Army for 35 years?

Mr. CAREY. Yes.

Mr. TYDINGS. How old is General McKinley?

Mr. CAREY. I do not know, but I know he received his commission when he was very young. I think before he was 21 he went into the Spanish War.

Mr. McKELLAR. He is about 53 years old.

Mr. SHEPPARD. He was born February 22, 1880.

Mr. TYDINGS. I am not going to make any point about General McKinley's nomination. I simply felt that, as a matter of justice, I should call the matter to the attention of the Senate. I want to reiterate what I said at the beginning, that General McKinley, as far as I know, is a man of splendid character, and a man with a very efficient record. I have no aspersion to cast on him at all. I think he has done only what anybody would do, namely, try to advance to the top in the shortest possible time. But in a Congress which has cut the ex-service man to the extent which this Congress has cut him in his compensation, in a Congress which has cut

every employee of this Government, in a Congress which has taken Army and Navy officers and Army and Navy personnel by the wholesale in the early part of their careers and turned them out, it seems to me that in such a Congress there at least might be a desire to meditate and reflect upon a policy which would allow a very efficient Army officer to retire on \$6,000 a year 7 or 8 years before the expiration of his service.

Mr. SHEPPARD. Mr. President, it seems to me that the situation alluded to by the Senator from Maryland is one which should be remedied by law. It is certainly one for which General McKinley is not responsible. It would be most unfair to penalize him by denying him a promotion which he has earned by exceptional efficiency under a system which he had no voice in establishing. Let us by legislation cure the inequalities to which the Senator from Maryland refers, and let us not make General McKinley bear the blame for an unfair system, if indeed it is unfair.

Mr. McKELLAR. Mr. President, was this nomination unanimous on the part of the committee?

Mr. SHEPPARD. The nomination was unanimously reported by the Committee on Military Affairs.

Mr. TYDINGS. Mr. President, of course what the Senator from Texas has been arguing is that if a system is wrong keep on with the system, even though it is wrong, until the whole system is changed; do not correct some injustice that may be done by an erroneous system when you have an opportunity.

Mr. SHEPPARD. Not at all. I say let us not punish an innocent individual for a system over which he has no control. The Secretary of War, after earnest consideration, decided that General McKinley was entitled to this promotion. We could change the system by law tomorrow if we should so desire.

Mr. BULKLEY. Mr. President, the argument of the Senator from Maryland is a very extraordinary one. Because of the very efficiency and merit which General McKinley has shown the Senator from Maryland would have him suffer the humiliation of having the Senate reject his nomination in order to save a few hundred or a few thousand dollars for the Government.

Congress has a right to adopt a policy that Army officers shall be promoted by seniority, and by seniority only. It has not adopted such a policy. As long as we permit the promotion of officers based on the merit of their service we run some risk that it may cost the Government in individual cases more money than the seniority system would cost.

For reasons which have seemed good to the Congress we have maintained the policy of permitting promotions based upon merit and good service to the Government. General McKinley has won this promotion. The Senator from Maryland does not seriously question that. General McKinley has been designated for this promotion on recommendation of the Chief of Staff and by the action of the Secretary of War. He has his nomination from the President of the United States, and the nomination is unanimously reported by the Military Affairs Committee of the Senate. I submit that no reason has been shown for failing to confirm the appointment.

Mr. TYDINGS. Mr. President, only because the Senator from Ohio inadvertently has misconstrued something I have said do I rise further to detain the Senate.

I do not concede for a single moment that General McKinley is any more efficient than General Conley. I happened to see the efficiency records, and looked them over with my own eyes, and I am in possession of the same facts which the Secretary of War has in his possession.

As for the humiliation of General McKinley now, how about the humiliation of those officers who ranked General McKinley when 4 years ago he was taken from number 17 on the list and jumped over all the officers in between him and the top, cutting them out of the possibility of reaching the top of their profession before the time of retirement came? How was that for an injustice? The records in the case of General Conley 4 years ago showed

that the then Adjutant General of the Army recommended him as being fitted in every way for the promotion which General McKinley got.

May I say to my friend from Ohio that it was not only efficiency, although General McKinley did have efficiency. There were certain Members of this body on the other side of the aisle who saw that that efficiency was called to the attention of the appointing power, and when I went to three of the Senators in this body and told them of the injustice that was then being done to Colonel Conley, I was told that I might as well save my legs and my breath, because those gentlemen were going to name the next Adjutant General of the Army.

When it comes down to the question of justice or injustice, my connection with this matter has been such that I happen to know that the real injustice was done 4 years ago, when certain Members of this body brought all the pressure they could bring to secure the appointment of a certain gentleman to a then very high office.

I am rising now not only because of the present injustice, but because I happen to know that 4 years ago efficiency was not the only thing that counted in making promotions in the Army.

Mr. LONG. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield.

Mr. LONG. What reason have we to think that that has been changed?

Mr. TYDINGS. What I am trying to prove to the Senate is that it has not been changed.

Mr. LONG. We have been told that 4 years ago efficiency was not the sole reason for promotion. I do not find anything here to indicate any great departure from the practice we were following in that regard at that time.

Mr. TYDINGS. General McKinley will still be Adjutant General of the Army if he does not get this promotion, if he lives. Long before his term of service is up, if he is so efficient, he would render this service at the top of his profession anyway, and in the meantime the Government would have his exclusive services for the money which is being paid. But under this policy at the end of 4 years the Government will continue to pay the money but will lose the services of one of the most efficient men it has in the Army.

Mr. LONG. Mr. President, this is one of the things which keeps the Army mysterious, which apparently is necessary.

Mr. TYDINGS. I should like to get a roll call on this matter. I have no doubt in the world but that the Senate will confirm the nomination. We are still in the goose-step period, and I am ready to take my licking, but I should like to have a roll call, so that those who vote for and against may be known.

Mr. GEORGE. Mr. President, General McKinley will draw his retirement pay if the Congress permits the retirement act to stand as it now does stand, but the Congress will have 4 years in which it may, if it wishes, provide that retirement pay shall not be due and payable until the officer who claims it has reached the regular retirement age.

Mr. McKELLAR. Mr. President, it cannot only do that but it can change the law at any time so as to make the pay any amount it sees fit to make it.

Mr. GEORGE. It can change it entirely or take it away entirely. Because General McKinley was jumped over 17 officers would, I submit, be no fair reason why we should deny him the right to promotion to this office to which he has been advanced. I suspect that has occurred at every session of the Senate since promotions have been made in the Army.

I may remind the Senator from Maryland now that something similar is occurring in the case of the Chief of Infantry, where the senior colonel is by no means given the advancement although his efficiency is beyond question and although, I dare say, in Army circles he would be regarded as entirely capable of filling that important post.

If we are to correct an evil by eliminating the retired pay in a case of this kind, it ought to be done directly by Congress, and it ought not to be done by denying promotion to

a deserving officer who has received the nomination of the President of the United States for the position to which he has been promoted.

May I say, Mr. President, that it is a very serious question whether the Congress has any right to impose a limitation upon the power of the President to appoint to public office. The term "public office" within the meaning of the Constitution, and within the meaning of the phrase as I now use it, is as applicable to military service as it is to civil life. It has been recognized that the Congress has the right, and the exercise of that right has been acquiesced in, to provide for promotion by seniority up to and through to the rank of colonel; but it is a serious question whether, under the Constitution, the power of the President to appoint anyone Adjutant General or to any office in the Army, even below the rank of colonel, might not be exercised without regard to anything the Congress might do.

However, the point is that Congress has provided for promotions on the basis of seniority up to and through the rank of colonel; but it has left to the President, unrestrained and unrestricted, the full right that is given him under the Constitution to make promotions among general officers and of general officers in the Army. If what the distinguished Senator from Maryland [Mr. TYDINGS] says should transpire, to wit, that General McKinley should elect to retire at the end of his 4 years' service as Adjutant General of the Army and receive his retired pay as of that rank, the Congress itself, if it believes that practice to be wrong in principle, would be remiss in not remedying it long before the opportunity for retirement after the 4 years' service has arisen in this case. If we are now to deny confirmation to a general officer simply and solely because he has been stepped up over other officers, his seniors, we will have instituted a practice which, had it been adhered to through the years, would have made a vastly different picture of the whole official set-up of the Army.

Mr. KING. Mr. President, will the Senator from Georgia yield to me?

The PRESIDING OFFICER. Does the Senator from Georgia yield to the Senator from Utah?

Mr. GEORGE. I yield to the Senator.

Mr. KING. Having been called from the Chamber I have not heard all the observations of my friend, but the last sentence that he uttered leads me to the conclusion that because the President, as he contends, is given authority to name the senior officers the Senate's authority to reject them is restricted. It seems to me, Mr. President—and I ask the Senator if that is not the correct view to take—that the President has no greater authority or power to name officers for the higher positions in the Army than he has to name persons for other positions in the Government where the Constitution gives him the right to nominate. The Senate has the same authority to confirm or reject military nominations as it has to confirm or refuse to confirm the nominations of persons to be ambassadors, judges, or to hold other important positions in the Government service.

Mr. GEORGE. I am sure the Senator is right, and I was not making the argument that the Senate did not have the responsibility and power to act in this case as in any other, but I was making the point that the power of the President to appoint general officers, given him under the Constitution, has not been restrained or restricted by Congress nor has there been any attempt to do so in the case of those officers beyond the rank of colonel. It would be true, of course, that the Senate would have the power to reject the nomination of an ambassador to Great Britain, for instance, solely because the majority party, or the Senate itself without regard to party, believed that someone else had seniority right or by virtue of his qualifications ought to have received the appointment; but the point is that the seniority rule does not apply, and it ought not to, I think, be argued against a worthy officer who has received his nomination any more in this case than in the case to which the Senator has referred, to wit, the nomination of any civil officer of the Government.

Mr. KING. Mr. President, will the Senator yield for another question?

The PRESIDING OFFICER. Does the Senator from Georgia yield to the Senator from Utah?

Mr. GEORGE. I yield the floor, Mr. President.

Mr. KING. I am sure the Senator is familiar with the fact that both in the Army and the Navy there have been complaints because of the alleged unfairness and favoritism in the matter of promotions. There have been many heartburnings and grounds for complaint by reason of the fact that favoritism has been exhibited in the selection of officers for promotion. In my opinion there have been abuses, by those in authority, and not infrequently political or other improper influences exerted in securing promotions and advancements. This has affected the efficiency and morale of the military branch of the Government.

I ask the Senator if it is not manifestly unfair for those in authority to select officers and promote them over many of their seniors whose records are of the highest character and against whom there can be found no blot or blemish? It seems to me—and I ask the Senator if it is not a fact—that such a procedure as that is bound to produce confusion and inefficiency? Will it not lead to discouragement, to heartburning, and criticisms, all tending to produce demoralization in the military service of the Government?

Mr. GEORGE. Mr. President, I am not called upon to answer that question because I have not the appointing power; there may be a great deal of justice in what the Senator says; but I have suffered from the application of the doctrine before, and I have just called attention to the fact that the Chief of Infantry is not the senior nor ranking colonel in the service today. While, if I had the appointing power, I might select the senior colonel for that important post, I do not concede that it would be fair to the nominee of the President to reject him solely because I might have been of the opinion that the rule of seniority should have been applied in principle, although it is not required to be applied under the law.

Mr. McKELLAR. Mr. President, of course the Congress, if it sees fit, can provide a system by which the higher-ranking officers are promoted just as are officers who are below the grade of colonel.

Mr. GEORGE. That is, if it would not infringe the Constitution, and so long as the requisite qualifications are present.

Mr. McKELLAR. So long as it conforms to the constitutional requirement; but Congress has never seen fit to take his present privilege away from the President; it allows him to exercise it; and, having allowed him to exercise it, if we should now decline to do so we would not be carrying out the law.

Mr. GEORGE. Exactly; and for very good reasons Congress never will take that power away from the President.

Mr. TRAMMELL. Mr. President, I have listened to the discussion and understand the position taken by different Senators. According to my idea, the Senate should not become a party to a system of jumping up and lifting officers up over a number of others of higher rank and equal efficiency. There is a duty upon the Senate in the matter of confirmation, just as there is in the matter of nominations upon the Chief of Staff of the Army, or upon the President for that matter.

I may be wrong, but I have been impressed with the fact that during the Hoover administration, more or less through political activities, this officer became a pet of the administration; not that he was not efficient, but he was then promoted over 17 other officers of higher rank and of acknowledged efficiency. Then, in the latter part of the Hoover administration, he still had the star of favoritism—I call it a "star of favoritism" setting over him because he was again recommended for appointment as Adjutant General over a number of officers of higher rank and of equal efficiency according to the records. So far as I am concerned, I do not care to go on record in exercising my prerogative on the question of confirmation and vote to perpetuate or to encourage any such system in our Army.

It is foolish and ridiculous and absurd for anybody to close his eyes and say that there is not more or less favoritism or more or less manipulation in the Army in regard to promotions. I do not know of anybody who is familiar with such matters who is not aware of that. I know in the case of the selection of the Chief of Infantry, mentioned by the Senator from Georgia, a senior officer, with a splendid and excellent record throughout his entire military service, was passed over and some other officer was recommended by the Chief of Staff. It is all right to retire and to retreat and to try to extricate oneself by trying to talk about the President making the appointment, but the selection is really made by the Chief of Staff, and, in a routine way, generally speaking, the President goes ahead and recommends to Congress a certain man be placed in a certain office. That is a feature of the administration of the Army that I do not approve of; it is favoritism.

It is true that we have a law that authorizes what is done, but it was never intended that that law should be abused or that that law should be utilized as a vehicle for favoritism against other worthy officers of the Army of equal efficiency; and it has been utilized in many instances in such a way, and for the purpose of promoting and advancing the cause of some officer who happened to be a pet or who happened to have the favor of those having the selecting power. I believe that the officer who has not the favor of those in power has some right and should have some consideration.

Mr. LONG. Mr. President—

The VICE PRESIDENT. Does the Senator from Florida yield to the Senator from Louisiana?

Mr. TRAMMELL. I yield.

Mr. LONG. I wish to ask the Senator if he has not heard—it has been pretty generally known here for some time—that this particular party was going to be jumped over a number of others and made the choice for this position? I have heard that around here for quite a little while.

Mr. TRAMMELL. I have heard that, and I heard during the Hoover administration when he got in The Adjutant General's office, when he got the first step-up promotion over 17 others, many of whom had just as good records as he had, that he was then probably headed for The Adjutant Generalship, because President Hoover appointed him, and the only reason that he was not confirmed during the latter part of the Hoover administration was that the Democrats, being in control, adopted a general rule that they would not confirm anyone, but now he is here again, and I think that all the circumstances fully justify me in not voting for his confirmation.

Mr. LONG. Mr. President, I had not intended to say anything except what I have contributed; but I was a member of the committee appointed by the Democratic caucus to attempt to determine the exceptions which should be made during the closing days of the Hoover administration. As I recall, this officer was one of those at that time, and there was no one who thought that this supposed-to-be routine matter justified an exception. There was not a single man, as I recall, in the entire caucus that looked upon this case as being one that justified an exception, and his nomination was held up at that time and was kept from being confirmed.

I wish to confirm what the Senator from Florida said. It has been in the brewing here. I have understood that this thing was going to be manipulated ever since I have been in the Congress. It has been generally understood that a certain gentleman who had been the object of some favoritism or had some "Knight of the Garter" standing was going to be slipped over and made Adjutant General. That has been well known. The fact of the case is we have been given notice that this thing was coming, and apparently now it is being put over, to pay a man \$500 a month for 7 years, while the crippled boys who are getting \$10 a month are being taken off the pay roll on the ground of economy.

Mr. President, I do not know that the Senator from Maryland will get a roll call on this matter. I am going to help him to get a roll call, but I want it to be known in line with the way I have been voting on these matters that the

Senate is about to advise and consent in this matter, and I think that some of the sources of our military operations need some senatorial advice. My part of the advice is going to be that this mysterious brewing that is going on in the Army is not of the solacing kind to meet with what I think is for the welfare and benefit of the country.

Mr. President, I ask for the yeas and nays.

Mr. KING. Mr. President, it is obvious we cannot get a vote tonight. There is no quorum present and I do not want to call a quorum. I ask if it is not agreeable that we pass over the nomination at this time?

Mr. McKELLAR. Mr. President, let us get through with the nomination. We can ask for a quorum. The Assistant Adjutant General has already been appointed. It will complicate matters very much unless this nomination is acted upon. I think it ought to be acted upon and I hope it will be.

Mr. KING. Let me say to the Senator from Tennessee that I do not want to call a quorum, but I shall be compelled to do so if he insists upon a vote on this nomination tonight. I suggest that we pass it over and take up the rest of the calendar and dispose of it. Then I shall move for a recess of the Senate until the conclusion of the Court of Impeachment proceedings tomorrow.

Mr. BULKLEY. Mr. President, there is no reason why we should not vote tonight, as I see it. However, if Senators desire to have a record vote on this question, I realize the difficulty of getting a quorum at this hour. There is, however, a serious complication if another executive session should go by without acting upon this nomination. The nominations of The Adjutant General and of General Conley as Assistant Adjutant General were sent to the Senate at the same time. They were reported by the Committee on Military Affairs to the Senate at the same time. General Conley's nomination as Assistant Adjutant General was confirmed at the session of the Senate last Saturday.

Mr. TYDINGS. Mr. President, I think the Senator is under the impression that the confirmation of General Conley and notification of the President would constitute an immediate confirmation. My understanding, in talking with the Secretary of War, is that even though both confirmations were made today and the President notified today, it would be at some date in the future, the 30th of June, before the actual change in place will occur, so that General McKinley, as I see the situation, would not be prejudiced by having it go over until tomorrow.

Mr. BULKLEY. I think the Senator is correct in saying that if both notifications went to the President at the same time, it would work out as the President and the Secretary of War intend. But I am advised that if the President should be advised of the confirmation of General Conley first, before the confirmation of General McKinley, it would complicate the situation. Cannot we have unanimous consent that notification of the President of the confirmation of the nomination of General Conley may be withheld until this matter is disposed of?

Mr. TYDINGS. I do not want to take any small advantage of General McKinley. I have no objection, and if the Senator from Ohio submits the request I shall not object; but let me say it will not be necessary. However, I have no objection.

Mr. BULKLEY. I feel constrained to make that request.

The VICE PRESIDENT. Is there objection to the request of the Senator from Ohio that notification of the President of confirmation of the nomination of General Conley be withheld temporarily?

Mr. KING. I hope that will be granted.

The VICE PRESIDENT. Is there objection? The Chair hears none and it is so ordered.

Mr. KING. Mr. President, I suggest that we pass over the pending nomination and take up the remainder of the calendar.

The VICE PRESIDENT. Is there objection? The Chair hears none.

Mr. BULKLEY. Mr. President, may I inquire if the consent given to withhold notification to the President of the

confirmation of General Conley will leave that matter within the disposition of the Senate as completely as if a motion was made to reconsider the confirmation at this time?

The VICE PRESIDENT. That is the interpretation of the Chair. The clerk will state the next nomination on the calendar.

ASSISTANT ATTORNEY GENERAL

The legislative clerk read the nomination of Pat Malloy, of Oklahoma, to be Assistant Attorney General.

Mr. THOMAS of Oklahoma. Mr. President, the nominee is from my State. I have known him for 20 years. I endorsed his nomination and I am glad to move his confirmation.

Mr. KING. The Judiciary Committee unanimously reported the nomination.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

Mr. THOMAS of Oklahoma. Mr. President, because there are so many vacancies in the Department of Justice and because I understand the Attorney General himself is out of the city, I ask unanimous consent that the President may be notified of the confirmation of Mr. Malloy.

The VICE PRESIDENT. Is there objection?

Mr. McNARY. Mr. President, in view of the practice that has obtained during this session and the last session, I shall have to object.

The VICE PRESIDENT. Objection is made.

JUDGE OF THE CIRCUIT COURT OF HAWAII

The legislative clerk read the nomination of Norman D. Godbold to be first judge, circuit court, first circuit of Hawaii.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

UNITED STATES DISTRICT ATTORNEY, MIDDLE DISTRICT, GA.

The legislative clerk read the nomination of T. Hoyt Davis, of Georgia, to be United States attorney for the middle district of Georgia.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

UNITED STATES MARSHAL, NORTHERN DISTRICT, INDIANA

The legislative clerk read the nomination of Al W. Hosinski to be United States marshal for the northern district of Indiana.

The VICE PRESIDENT. Without objection, the nomination is confirmed. That completes the calendar.

RECESS

The Senate resumed legislative session.

Mr. KING. Mr. President, if there is nothing further, I move that the Senate, as in legislative session, take a recess until tomorrow following the proceedings of the Senate sitting as a court of impeachment.

The motion was agreed to, and (at 5 o'clock and 23 minutes p.m.) the Senate, as in legislative session, took a recess until the conclusion of the proceedings of the Senate sitting as a Court of Impeachment on Wednesday, May 24, 1933; the hour of meeting of the Senate sitting as a Court of Impeachment being 10 o'clock a.m.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 23 (legislative day of May 15), 1933

ASSISTANT ATTORNEY GENERAL

Pat Malloy to be Assistant Attorney General.

FIRST JUDGE, CIRCUIT COURT, FIRST CIRCUIT OF HAWAII

Norman D. Godbold to be first judge, circuit court, first circuit of Hawaii.

UNITED STATES ATTORNEY, MIDDLE DISTRICT OF GEORGIA

T. Hoyt Davis to be United States attorney, middle district of Georgia.

UNITED STATES MARSHAL, NORTHERN DISTRICT OF INDIANA
Al W. Hosinski to be United States marshal, northern district of Indiana.

FEDERAL TRADE COMMISSIONER

Ewin Lamar Davis to be Federal Trade Commissioner.

HOUSE OF REPRESENTATIVES

TUESDAY, MAY 23, 1933

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Eternal God, who hast given us life with all its countless blessings and promises, we rejoice in Thee, knowing that Thou art the source of perfect peace and understanding; all good things cometh from Thy merciful and bountiful hand. We thank Thee for the kindly sunlight, for the beauty and the glory of the radiant sky. O teach us, our Heavenly Father, the joy of that life made responsive to the messages of the flowers, the songbirds, the fragrant hill-sides, and the sweet, quiet murmur of the valley. O forgive us, Lord, for only man is out of harmony. By these ministries may we be led to labor joyously and enter into helpful relations with every good thing that lives. Speak to us in the manifold voices of Thy loving creatures and allow nothing, O Lord, to preclude inward largeness, strength, and vision. In the name of Jesus. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate insists upon its amendment to the bill (H.R. 4220) entitled "An act for the protection of Government records", disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. PITTMAN, Mr. ROBINSON of Arkansas, and Mr. BORAH to be the conferees on the part of the Senate.

The message also announced that the Senate had passed, without amendment, a joint resolution of the House of the following title:

H.J.Res. 159. Joint resolution granting the consent of Congress to a compact or agreement between the State of Kansas and the State of Missouri authorizing the acceptance for and on behalf of the States of Kansas and Missouri of title to a toll bridge across the Missouri River from a point in Platte County, Mo., to a point at or near Kansas City, in Wyandotte County, Kans., and specifying the conditions thereof.

The message also announced that the Senate had passed a joint resolution of the following title, in which the concurrence of the House is requested:

S.J.Res. 48. Joint resolution authorizing the Secretary of War to receive for instruction at the United States Military Academy at West Point, Posheng Yen, a citizen of China.

CONFERRING DEGREE OF BACHELOR OF SCIENCE ON GRADUATES OF NAVAL ACADEMY

Mr. VINSON of Georgia. Mr. Speaker, I call up the conference report upon the bill (S. 753) to confer the degree of bachelor of science upon the graduates of the Naval Academy and move its adoption.

The SPEAKER. The gentleman from Georgia calls up a conference report, which the Clerk will report.

The Clerk read the conference report.

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval Academy, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment as follows: After the word "academies", at the end of the said amendment, insert the following: ", from and after the date of the accrediting of said academies by the Association of American Universities"; and the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title of the bill and agree to the same.

CARL VINSON,

FRED A. BRITTEN,

Managers on the part of the House.

PARK TRAMMELL,

FREDERICK HALE,

Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 753) to confer the degree of bachelor of science upon graduates of the Naval Academy submit the following written statement in explanation of the effect of the action agreed upon by the conferees and recommend in the accompanying conference report:

The Naval Academy and the Military Academy are now approved and listed by the Association of American Universities.

The curriculum of the Coast Guard Academy has been submitted to the association, but its approval has not yet been extended, pending further observation of the success of graduates of the Coast Guard Academy in post-graduate study.

CARL VINSON,

FRED A. BRITTEN,

Managers on the part of the House.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. VINSON of Georgia. Yes.

Mr. SNELL. As I understand, this is agreeable to the gentleman from Illinois [Mr. BRITTEN]?

Mr. VINSON of Georgia. Yes. This merely requires the three institutions to be accredited in accordance with the rules and regulations of the Association of American Universities.

Mr. GOSS. Mr. Speaker, will the gentleman yield?

Mr. VINSON of Georgia. Yes.

Mr. GOSS. What is going to happen to the degrees of bachelor of science to be conferred on the cadets of the Military Academy? That was in another bill.

Mr. VINSON of Georgia. This takes care of all of them. This takes care of the Coast Guard, the Military Academy, and the Naval Academy. They may each issue the degree of bachelor of science to the cadets when the institutions qualify in accordance with the regulations of the American Association of Universities.

Mr. GOSS. That is, all three of them?

Mr. VINSON of Georgia. Yes. The Naval Academy and the West Point Academy have already qualified. The Coast Guard Academy has not yet qualified, and until it does the degree cannot be issued to the Coast Guard cadets.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

PURCHASE OF PREFERRED STOCK OF INSURANCE COMPANIES BY RECONSTRUCTION FINANCE CORPORATION

Mr. O'CONNOR. Mr. Speaker, I ask unanimous consent to proceed for a few minutes.

The SPEAKER. Is there objection?

There was no objection.

Mr. O'CONNOR. Mr. Speaker, yesterday I introduced in the House H.Res. 156, providing for the consideration of S. 1094, a bill from the Committee on Banking and Currency authorizing the Reconstruction Finance Corporation to purchase the preferred stock of certain insurance companies.

Public confidence in American insurance companies, particularly fire and casualty companies, has been shaken by rumors and also by rehabilitation proceedings against the third largest American fire company and one of the great American casualty companies, namely, Globe & Rutgers Fire Insurance Co. and the National Surety Co.

The result of this loss of confidence has been to cause more or less serious runs on American insurance companies similar in nature to runs on banks; that is, policyholders cancel policies and demand payment of unearned premiums. The effect is to seriously threaten the ability of the insurance companies to continue in business because of the cash drain, irrespective of whether their assets at a fair value exceed their liabilities.

There are many unfortunate effects flowing from such wholesale cancellations of policies. In the first place, the insurance companies throw into the securities market their best securities in order to provide cash to meet the demands for return of unearned premiums, and this has a depressing effect upon the market.

Moreover, just as in the case of banks, the insurance companies have a vast network of interlocking credits and debits; that is to say, each reinsures in other companies. Accordingly, if one substantial company is threatened, it injures the credit of a number of other companies, and the danger pyramids as in the case of the failure of a large metropolitan bank.

Another effect of rehabilitation or other proceedings against a fire or casualty company is to tie up funds of American industries and institutions which have insured in the company and also to tie up the funds of home owners and other mortgagors and add one more burden to their effort to carry their property.

Legal proceedings against such a company also throws out of work a large number of employees and threatens the solvency and the ability to carry on of thousands of individuals throughout the country acting as agents and brokers who have written business in such a company.

One of the most unfortunate results of the present lack of confidence in American fire and casualty companies is the flow of business to foreign companies operating in this country. This flow of business and premium money is enormous, and is a serious permanent damage to American business institutions. It is, naturally, most difficult to obtain accurate figures as to the volume of this flow of premium money and business. However, it is known that one of the British companies, the operations of which in this country have been on a smaller scale than those of the other British companies, and which expected to do a current annual business of only \$5,000,000 in premiums, did approximately \$23,000,000 in premium business during the first few weeks after the low point of the depression evidenced by the bank moratorium. It is also known that one of the great American universities ordered all of its insurance canceled in American companies and replaced in foreign companies.

The reason for this confidence in foreign companies, as compared with the lack of confidence in American companies under present conditions, is that the foreign companies are fortified by their resources in their home countries. Thus they may draw on funds at home to meet obligations here, and the liquidity of these home funds are not affected by bank failures, by bank moratoria, and by the holding up of inflow of premiums from agents.

On the other hand, the liquidity of American companies is damaged by the tying up of deposits in closed banks, by the depression in value of their holdings of securities in American railroads, industrials, and mortgages, and by the slow payment of premium balances owed by agents throughout the country, whose funds in turn are tied up in closed banks and in depressed investments.

The difficulties of the American companies are not due in any degree to bad underwriting practices but solely to the banking and mortgage situation and the extreme depression in the market prices for American securities and by their faith in American investments and institutions.

Accordingly the American companies are suffering solely from their confidence in American investments and institutions, and unless they are given assistance and stabilized and sustained by the Government through the Reconstruction Finance Corporation they will become more and more subject to inroads of competition from foreign fire and casualty companies.

It is freely stated by important insurance agents and brokers that unless the important companies which are now in rehabilitation are put in a position to resume business it will be a black eye to all the American fire and casualty companies and a severe blow to that field of American business.

There are not only these large and imponderable effects of a failure to rehabilitate these companies through a lack of legislation permitting the Reconstruction Finance Corporation to purchase their preferred stock, but there is a direct effect through the freezing of assets of other American insurance companies which have direct claims against the companies in present difficulties.

If this bill permitting the Reconstruction Finance Corporation to purchase preferred stock in insurance companies is passed and the purchase is made in a few cases, in all probability confidence in American companies will be restored by the belief in the determination of the Government to stabilize and protect them, and there will be no need for further purchases.

The Reconstruction Finance Corporation funds will be fully protected in the purchase of preferred stocks, and the Reconstruction Finance Corporation will not be asked to contribute any funds to make up any deficiency in assets. The companies will first be made solvent by the conversion of claims against them into an issue of preferred stock junior to that offered to the Reconstruction Finance Corporation. The Reconstruction Finance Corporation will then get a prior claim on the assets, not in the form of a secured loan but in the form of a prior stock. To repeat, the Reconstruction Finance Corporation will not be asked to contribute money so as to bring the assets up level with or above liabilities, but simply to take a prior position, at the same time freeing the pledged assets so as to make the companies liquid. This will enable the companies to carry on in business and take advantage of their enormous good will. The argument has been made that the good will of the companies against which proceedings have been taken has been destroyed. However, careful inquiry has been made among insurance men, and they have estimated that not less than 75 percent of the advantageous agency relationships of these companies are still intact. It is known that when the new National Surety Corporation resumed it received a flood of new business. In fact, the opposite is true. When a company has been rehabilitated and it is seen that the Government intends to sustain it, confidence in the company is more than restored, particularly in a case where claimants against a company convert their claims into stock. The result is customer ownership, and the claimants have every motive to place new business with that company.

Furthermore, in the case of Globe & Rutgers Fire Insurance Co., which is now in rehabilitation proceedings, if the law is passed, the Reconstruction Finance Corporation will not be asked to put new money into the company, but simply to convert all or a portion of its already existing \$10,000,000 loan into a prior preferred stock of a company already made solvent. The Reconstruction Finance Corporation will be given controlling voting power which it may exercise when and as it sees fit and thus insure the prompt retirement of the stock it receives after the emergency passes.

If, on the other hand, this, the third largest American fire-insurance company, is permitted to go into liquidation, the record shows that 5 years will probably elapse before any payment whatever is made to claimants. This has been the history of the liquidation of stock companies in New York State in the past. This long freezing of credits is not due to any incompetence or laxity on the part of the insur-

ance department officials, but simply to the necessity for reducing all the claims to definite amounts before any distribution can be made. It would be most unfortunate to freeze the \$20,000,000 of claims of policyholders against Globe & Rutgers Fire Insurance Co. for this long period.

Furthermore, the liquidation of this company would have a disastrous effect upon the credit abroad of American insurance companies. The company had a vast amount of foreign business all over the civilized world, in addition to approximately 400,000 policyholders in the United States. This company has had a distinguished record of over 34 years, particularly marked by its patriotic achievements during the war. Before the Government established other means of insuring shipment of American goods abroad, Globe & Rutgers time and again increased its maximum risks under marine policies and thus enabled American manufacturers and shippers to protect their shipments to Europe at a time when they were unable to obtain protection in substantial amounts from other companies.

At a meeting of over 100 insurance brokers and agents in New York City last week a resolution was unanimously adopted urging the rehabilitation of the company, and the management has been flooded with letters urging rehabilitation from all parts of the country. Furthermore, the plan for the reorganization of the company has had the endorsement and formal assent of leading American industrial concerns, banking institutions and individuals, who are claimants.

The passage of this law and its consequent immediate rehabilitation of Globe & Rutgers and these few other pressing situations will restore confidence in American fire and casualty companies and do away with any further need of action in this field by the Government, and stop the flow of business and premium money to foreign companies.

(By unanimous consent, Mr. O'CONNOR was granted permission to extend his remarks.)

THE ECONOMY ACT

Mr. KLEBERG. Mr. Speaker, I ask unanimous consent to extend my own remarks concerning the regulations affecting the administration of the Economy Act.

The SPEAKER. Is there objection?

There was no objection.

Mr. KLEBERG. Mr. Speaker, study of the new regulations providing for benefits to veterans under the provisions of the Economy Act has convinced me that they are going to cause grave injustices in many cases, and in fairness to the former service men, as well as to the other citizens of the country, I feel that immediate revision of the new orders and regulations is imperative.

ADMINISTRATION SHOULD CORRECT ALREADY APPARENT INJUSTICES

I am firmly convinced that neither the Congress nor the President had any desire to work any injustice on any veteran to whom the country owes a great debt that must be repaid as best we can. It has been my consistent practice to support the Executive in his recommendations for emergency legislation to bring the Nation out of the critical economic situation that confronted it. I supported him in his request for power to readjust the schedule of benefits to veterans, and voted for the economy bill. President Roosevelt, in discussing the farm-relief legislation, frankly admitted that it was experimental in character; and he asserted that if it failed to achieve the desired results, he would be the first to admit its faults and seek changes in it. I am confident, therefore, that this same attitude of honesty and fairness will characterize his attitude toward the veterans legislation.

SERIOUS ABUSES OF JUSTICE MUST BE AVOIDED

Laws affecting the former soldiers of the Nation form a bulky volume of statutes, and there are many intricate details in them. In sweeping alternations, therefore, it is not surprising that some mistakes have been made, but my hope is that those charged with the administration of the laws will be quick to accept suggestions for modifications and

that they would not hesitate to make such changes when it can be clearly shown that they are necessary if serious abuses of justice are to be avoided.

NARROW, UNFAIR, AND ARBITRARY INTERPRETATIONS

There are thousands of former service men in the Fourteenth Congressional District of Texas, and I have corresponded with many of them concerning the details of their cases. From evidence submitted to me by these veterans, I have come to the conclusion that some of the new regulations must be altered if the intent of the Congress is to be followed in administration of the Economy Act. Some of these injustices have been caused by the regulations themselves and others have been occasioned by what I consider harsh, arbitrary, and unfair interpretations placed upon them by officials of the Veterans' Administration.

SERVICE-CONNECTION AND CAUSATIVE-FACTOR REQUIREMENTS

One of the phrases that is depriving many worthy men, with service-connected disabilities, of fair benefits is that in Regulation No. 5, which provides that emergency officers will continue to receive retirement pay for their service-connected disabilities as long as "the causative factor therefor is shown to have arisen out of the performance of duty during such service." According to letters from the Veterans' Administration to retired officers in my district, it is apparent that the Administration is placing a literal interpretation upon this phrase that is not warranted by the terms of the act itself. Obviously it is often impossible for a man, who was injured or who incurred disease in the service, to point to the explicit causative factor which originated his trouble. In fact, my observation of cases which have thus far come to my attention leads me to the conclusion that very few disabled men can submit such evidence.

I have numbers of cases of officers who have served for periods of from 10 to 30 years and who were finally discharged after the World War with a surgeon's certificate of disability by reason of tuberculosis; yet they have been removed from the rolls because they cannot point to the exact hour and date when such tuberculosis began. It appears that few, if any, tuberculosis cases in this category will remain on the rolls despite the fact that the men affected were discharged with statements showing that they had the disease. A similar situation exists with regard to other diseases and to many injuries. The veteran became disabled while in service, it is apparent, and the records disclose the fact that it was admitted that he was disabled when he was discharged. Yet lack of technical evidence prohibits establishment of the exact "causative factor" in the case. No one could possibly believe that this was the intent of the Congress or of the President in the enactment of this legislation.

SOLICITOR'S DECISION OF APRIL 21 AND RETROACTIVE EFFECT

Another example of the miscarriage of justice in the interpretation of these regulations is seen in the action of the Administration in actually making some of them retroactive. The act provided that payments should continue for 3 months after its passage. Naturally, it would be assumed that in cases where an award had been made by the Administration the beneficiary would receive payment for those 3 months. However, the officials of the Administration, in numbers of cases affecting my constituents, have ruled that payment must have actually been started to the beneficiary; in other words, if the award had been made, but the payment held up through the inevitable delays of the Administration so that the check was not forwarded prior to March 20, 1933, the beneficiary is wrongfully deprived not only for 3 months after the enactment of the act but in actuality payment from the date of application, which in several cases dates as far back as December 1932. Is there any justifiable reason for depriving a claimant of benefits for December, January, and February under which he was entitled and had been awarded because of an act of March 20, 1933, and a department decision of April 21, 1933?

DISCHARGE FROM HOMES AND HOSPITALS MINUS TRANSPORTATION

Attention should be given immediately to the provisions of the new rules requiring discharge of certain veterans

from hospitals and veterans' homes. In many instances the Government moved these disabled veterans hundreds of miles to these homes; the least it can do now is to return them to their places of residence, and I feel that neither the Congress nor the Executive intended that these veterans be put out into the street with no place to go. I recall the case of a veteran who resides in my home city of Corpus Christi, Tex. He was admitted to the Veterans' Administration home at Leavenworth, Kans. He has now been notified that he will be dismissed; and despite the fact that the Government took him from south Texas to Kansas to place him in the home, it is not going to provide transportation back to Corpus Christi for him. Of course he is without funds to pay for such travel. The Administration states: "There are no funds available to pay return transportation for beneficiaries discharged." If he, and the thousands of other veterans in his situation, are to be turned loose at the homes, a great burden will be placed upon the local charity institutions in the cities where these Government institutions are located, and a gross injustice will be done the veterans. Furthermore, if these veterans attempt to go home on foot or by soliciting rides upon the highways, they are going to expose themselves to needless suffering. I fear that grave results will be apparent in their health; it is not improbable to suppose that this action might even result in fatalities.

VETERAN CANNOT BE HEARD. WHY NOT CHANGE PROCEDURE?

A further change should be made in the method of reducing the allowances and benefits given to service-connected cases of disability. In no instance should the veteran be penalized without the opportunity of presenting his side of the case in an attempt to establish once more the service-connected nature of his disability to the satisfaction of the Government. The Administration advises me the approved procedure does not contemplate affording the veteran or his representative a personal appearance. I earnestly hope that immediate provision will be made for hearings on all of these cases.

SERVICE-CONNECTED CASES NOT REDUCED BY 20 PERCENT BUT MORE OFTEN BY 60 TO 70 PERCENT

I have noted instances where veterans have been reduced in their allowances far more than the percentage specified in the Economy Act. This has been done by the Administration's revising the schedule of ratings of disability and at the same time paying a reduced allowance for each rating. The veteran is thus cut two ways, and the percentage of reduction in some cases under my personal observation will amount to as much as 70 percent. The intent of Congress, clearly shown in the act, should be followed by the Administration in this matter.

INJUSTICES MUST BE POINTED OUT AND REMEDIAL ACTION TAKEN

It is my intention to do all in my power to bring these injustices to the attention of the proper authorities here in order that remedial action can be taken at once. The present crisis is no less serious than that which confronted our Nation in 1917. The same high order of patriotism is needed now as was essential in those critical days. No citizens realize this more than the former service men. They have made sacrifices for the country before, and they are willing to make them again. They should not be called upon to suffer, however, and I hope and believe that the persons who are charged with the administration of the Economy Act should not cause them to do so.

VETERANS WITH SERVICE-CONNECTED DISABILITIES

Mr. KVALE. Mr. Speaker, I ask unanimous consent to address the House for 2 minutes.

The SPEAKER. Is there objection?

There was no objection.

Mr. KVALE. Mr. Speaker, sufficient cases of veterans with service-connected disability have now been reviewed so that we can begin to see how the Economy Act is actually going to operate. Fifteen regional offices have reviewed and analyzed a total of 14,227 cases.

Mr. Speaker, I want this record to show that of these cases receiving service-connected compensation of an aver-

age of \$46 per month, service connection has been broken on 6,253, or 44 percent of them. Two percent, or 289, are getting the monthly statutory award of \$20 for total and permanent disability; 7,427 are still on the rolls, but now, instead of \$46 a month, they are receiving an average of \$20 a month.

This means an actual average cut on these 14,227 cases of 75 percent.

Mr. Speaker, we will not even need the \$65,000,000 which is carried for service-connected cases in the independent offices appropriation bill in place of the \$221,000,000 previously carried.

Mr. GIBSON. Mr. Speaker, will the gentleman yield?

Mr. KVALE. Yes.

Mr. GIBSON. I understand, from the statement made by the gentleman, that of these cases that have been reviewed, the service-connected disability men will get an average of only 25 percent of what they had received.

Mr. KVALE. The average is 25 percent. The gentleman is entirely correct.

THE RECORD

Mr. McGUGIN. Mr. Speaker, I rise to call the attention of the Chair to what I think should be a correction in the RECORD. I think the correction is necessary unless the RECORD is to carry a deception to the country. On page 3939 the RECORD states:

The Clerk read as follows:

Then included within the portion read by the Clerk are section 15 and subsections (a) and (b). They were not read by the Clerk. Thereby amendments were shut off. I think the RECORD should be corrected to speak the truth.

The SPEAKER. The Chairman held yesterday that the sections had been read. That is the only information the Chair has.

REGULATION OF BANKING

Mr. STEAGALL. Mr. Speaker, I move that the House now resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H.R. 5661) to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H.R. 5661, the banking bill, with Mr. CANNON of Missouri in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose yesterday an amendment offered by the gentleman from Wisconsin [Mr. BOILEAU] was pending.

Without objection, the Clerk will again report the amendment.

There being no objection, the Clerk again reported the Boileau amendment.

Mr. BOILEAU. Mr. Chairman, I ask unanimous consent to proceed for 1 minute to explain the amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin [Mr. BOILEAU]?

There was no objection.

Mr. BOILEAU. Mr. Chairman, the amendment I have offered is to strike out section 24 of the bill, which appears on pages 30 and 31.

At the present time national-bank stock has what is known as the "double-liability feature." In other words, if a person has a thousand dollars' worth of stock and a bank fails or goes into the hands of a receiver to liquidate the bank there is an assessment of \$1,000 against the owner of the stock. To my mind, that is a just and fair provision of the law. This section of the present bill would repeal that double-liability feature. If we vote in favor of my amendment it will leave the situation just as it is at the present time, leaving the double-liability feature so far as national banks are concerned.

Most of the States have this double-liability feature in connection with State-bank stock, and it would be unfair to those State banks which have that double-liability feature if we were to remove that feature from the national-bank stocks.

I believe this is not the proper time to further weaken the financial structure. I believe the depositors should have that additional guaranty, and I hope the Members will support my amendment.

The CHAIRMAN. The time of the gentleman from Wisconsin [Mr. BOILEAU] has expired.

The question is on the amendment offered by the gentleman from Wisconsin [Mr. BOILEAU].

The question was taken; and on a division (demanded by Mr. BOILEAU) there were—ayes 31 and noes 83.

So the amendment was rejected.

The Clerk read as follows:

SEC. 202. Section 9 of the Federal Reserve Act, as amended (U.S.C., title 12, secs. 321-331; supp. VI, title 12, secs. 321-331), is amended by adding at the end thereof the following new paragraphs:

"Each bank admitted to membership under this section shall obtain from each of its affiliates other than member banks and furnish to the Federal Reserve bank of its district and to the Federal Reserve Board not less than three reports during each year. Such reports shall be in such form as the Federal Reserve Board may prescribe, shall be verified by the oath or affirmation of the president or such other officer as may be designated by the board of directors of such affiliate to verify such reports, and shall disclose the information hereinafter provided for as of dates identical with those fixed by the Federal Reserve Board for reports of the condition of the affiliated member bank. Each such report of an affiliate shall be transmitted as herein provided at the same time as the corresponding report of the affiliated member bank, except that the Federal Reserve Board may, in its discretion, extend such time for good cause shown. Each such report shall contain such information as in the judgment of the Federal Reserve Board shall be necessary to disclose fully the relations between such affiliate and such bank and to enable the Board to inform itself as to the effect of such relations upon the affairs of such bank. The reports of such affiliates shall be published by the bank under the same conditions as govern its own condition reports.

"Any such affiliated member bank may be required to obtain from any such affiliate such additional reports as in the opinion of its Federal Reserve bank or the Federal Reserve Board may be necessary in order to obtain a full and complete knowledge of the condition of the affiliated member bank. Such additional reports shall be transmitted to the Federal Reserve bank and the Federal Reserve Board and shall be in such form as the Federal Reserve Board may prescribe.

"Any such affiliated member bank which fails to obtain from any of its affiliates and furnish any report provided for by the two preceding paragraphs of this section shall be subject to a penalty of \$100 for each day during which such failure continues, which, by direction of the Federal Reserve Board, may be collected, by suit or otherwise, by the Federal Reserve bank of the district in which such member bank is located. For the purposes of this paragraph and the two preceding paragraphs of this section, the term 'affiliate' shall include holding company affiliates as well as other affiliates.

"State member banks shall be subject to the same limitations and conditions with respect to the purchasing, selling, underwriting, and holding of investment securities and stock as are applicable in the case of national banks under paragraph 'Seventh' of section 5136 of the Revised Statutes, as amended.

"After 2 years from the date of the enactment of the Banking Act of 1933, no certificate representing the stock of any State member bank shall represent the stock of any other corporation, except a member bank, nor shall the ownership, sale, or transfer of any certificate representing the stock of any such bank be conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank.

"Each State member bank affiliated with a holding-company affiliate shall obtain from such holding-company affiliate, within such time as the Federal Reserve Board shall prescribe, an agreement that such holding-company affiliate shall be subject to the same conditions and limitations as are applicable under section 5144 of the Revised Statutes, as amended, in the case of holding-company affiliates of national banks. A copy of each such agreement shall be filed with the Federal Reserve Board. Upon the failure of a State member bank affiliated with a holding-company affiliate to obtain such an agreement within the time so prescribed, the Federal Reserve Board shall require such bank to surrender its stock in the Federal Reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section. Whenever the Federal Reserve Board shall have revoked the voting permit of any such holding-company affiliate, the Federal Reserve Board may, in its discretion, require any or all State member banks affiliated with such holding-com-

pany affiliate to surrender their stock in the Federal Reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section.

"In connection with examinations of State member banks, examiners selected or approved by the Federal Reserve Board shall make such examinations of the affairs of all affiliates of such banks as shall be necessary to disclose fully the relations between such banks and their affiliates and the effect of such relations upon the affairs of such banks. The expense of examination of affiliates of any State member bank may, in the discretion of the Federal Reserve Board, be assessed against such bank and when so assessed shall be paid by such bank. In the event of the refusal to give any information requested in the course of the examination of any such affiliate, or in the event of the refusal to permit such examination, or in the event of the refusal to pay any expense so assessed, the Federal Reserve Board may, in its discretion, require any or all State member banks affiliated with such affiliate to surrender their stock in the Federal Reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section."

Mr. RAMSPECK. Mr. Chairman, I move to strike out the last word. I wish to ask the Chairman of the Committee on Banking and Currency to explain what effect this section which has just been read will have upon a group system of banks, where a holding company owns three or four banks in a State. Will it be necessary for the banks affiliated in this group to become separate institutions, or can they continue to operate under the group system?

Mr. STEAGALL. There is not anything that prevents their continued operation.

Mr. RAMSPECK. Then what is the effect of this section on them? If the different elements of a group are separate members of the Federal Reserve System, as I understand it, they lose their vote?

Mr. STEAGALL. It regulates their right to vote and limits the vote, but it does not in any way interfere with their operation.

Mr. RAMSPECK. Is there any change in this act as to their rights to become branches?

Mr. STEAGALL. There is not anything in this section, nor in this bill, that deals with branch banks, except in one trivial manner, namely, that State banks having branches and joining the Federal Reserve System may continue to operate their branches if a national bank in the same territory or city is permitted to continue to operate. There will be so few occurrences of that kind that it is not regarded as of any importance.

Mr. DIRKSEN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DIRKSEN: Page 33, line 21, after the word "after", strike out the word "two" and insert the word "one."

Mr. DIRKSEN. Mr. Chairman, I ask to be heard very briefly on the amendment to substitute the word "one" for the word "two" in line 21 on page 33.

You are familiar with the fact that this section provides for the divorcing of affiliates from national banks, and 2 years is provided to accomplish that end. In the first bill that was introduced in the last Congress, as I understand, 5 years were provided in which to accomplish this divorcement. The present bill recites 2 years, but I submit some reasons why I believe 1 year is ample.

In the first place it occurs to me that 1 year is sufficient for any bank to get its house in order. In the second place, I think the gentlemen on the Democratic side anticipate we are going to have a boom season one of these days. We are at least hoping so. We hope there will be an upturn in all forms of markets and industrial and commercial enterprises, and if that upturn should come within the space of a year, and we provide 2 years for the divorcement of the affiliates from banks, it still gives them an additional year in such a new lush, boom period in which to connive and operate to the detriment of the investors of the country.

The third reason I submit for the change from 2 years to 1 year is this: The distinguished Senator from Virginia, former Secretary of the Treasury, only a few days ago expressed and uttered the hope in the Senate of the United States that perhaps the body at this end of the Capitol would reduce the 2-year period to 1 year. I do not believe

any more conclusive or cogent logic is necessary to show the advisability of reducing that period.

Mr. STEAGALL. Mr. Chairman, I think we are all agreed in purpose. We are agreed as to the desirability of remedying of what is generally regarded as a serious evil. The only question is the manner in which we shall go about the task. The Senate has considered this provision and discussed it at great length, and it has been agreed among those who have given most thought to this provision and who are responsible for its origin, that in the present condition of the country and the existing disturbance in economic affairs, reasonable time should be allowed for bringing about this reform.

I think perhaps if I had been asked to draw this section I should have agreed with my friend in the thought he has. I should probably have written it 1 year, but having heard the matter discussed as I have and having witnessed developments in the centers where the evil at which this section is aimed exists, I am convinced no harm will result in giving 2 years to bring about this reform.

We need not be unduly hard. We just want to clean up and straighten up if we can. I can understand how in some communities there might be a division of interests, commercial, industrial, and agricultural between two banks. Half the interests of the community would gather around one institution, a State bank having an affiliate. Across the street is a national bank of similar size serving the other half of the community. Everybody is satisfied in both cases. We have instances like this.

To call upon one of those institutions at this time to put this into effect might result in some instances in hardship and in cases where there never has been criticism against the operation of these institutions.

So, in order to be scrupulously fair and considerate we thought 2 years should be allowed.

Mr. DIRKSEN. Mr. Chairman, will the gentleman yield for an observation?

Mr. STEAGALL. I yield.

Mr. DIRKSEN. For the benefit of the House I want to read from the RECORD of May 19, about four sentences. Senator GLASS in debating this section said:

We have modified that provision of the bill, however, changing it from 5 years to 2 years rather with the expectation, if not the confident hope that the other branch of Congress, or the Senate, may reduce it to 1 year.

I submit this simply for the purpose of showing what has been taking place in the other body and their probable attitude toward it.

Mr. STEAGALL. I am aware of the attitude of the Senator to whom the gentleman refers.

Mr. Chairman, I ask unanimous consent that debate on this section and all amendments thereto do now close.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois.

The question was taken; and on a division (demanded by Mr. DIRKSEN) there were—ayes 45, noes 76.

So the amendment was rejected.

The Clerk read as follows:

SEC. 203. The Federal Reserve Act, as amended, is amended by inserting between sections 23 and 24 thereof (U.S.C., title 12, secs. 64 and 371; supp. VI, title 12, sec. 371) the following new section:

"Sec. 23A. No member bank shall (1) make any loan or any extension of credit to, or purchase securities under repurchase agreement from, any of its affiliates, or (2) invest any of its funds in the capital stock, bonds, debentures, or other such obligations of any such affiliate, or (3) accept the capital stock, bonds, debentures, or other such obligations of any such affiliate as collateral security for advances made to any person, partnership, association, or corporation, if, in the case of any such affiliate, the aggregate amount of such loans, extensions of credit, repurchase agreements, investments, and advances against such collateral security will exceed 10 percent of the capital stock and surplus of such member bank, or if, in the case of all such affiliates, the aggregate amount of such loans, extensions of credits, repurchase agreements, investments, and advances against such collateral security will exceed 20 percent of the capital stock and surplus of such member bank.

"Within the foregoing limitations, each loan or extension of credit of any kind or character to an affiliate shall be secured by collateral in the form of stocks, bonds, debentures, or other such obligations having a market value at the time of making the loan or extension of credit of at least 20 percent more than the amount of the loan or extension of credit, or of at least 10 percent more than the amount of the loan or extension of credit if it is secured by obligations of any State, or of any political subdivision or agency thereof: *Provided*, That the provisions of this paragraph shall not apply to loans or extensions of credit secured by obligations of the United States Government, the Federal intermediate credit banks, or the Federal land banks, or by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Federal Reserve banks. A loan or extension of credit to a director officer, clerk, or other employee or any representative of any such affiliate shall be deemed a loan to the affiliate to the extent that the proceeds of such loan are used for the benefit of, or transferred to, the affiliate.

"For the purposes of this section the term 'affiliate' shall include holding company affiliates as well as other affiliates, and the provisions of this section shall not apply to any affiliate (1) engaged solely in holding the bank premises of the member bank with which it is affiliated, (2) engaged solely in conducting a safe-deposit business or the business of an agricultural credit corporation or livestock loan company, (3) in the capital stock of which a national banking association is authorized to invest pursuant to section 25 of the Federal Reserve Act, as amended, or (4) organized under section 25 (a) of the Federal Reserve Act, as amended; but as to any such affiliate, member banks shall continue to be subject to other provisions of law applicable to loans by such banks and investments by such banks in stocks, bonds, debentures, or other such obligations."

Mr. CELLER. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I rise only to call attention to a provision which advertently or inadvertently was left out of the next section on page 38, so-called "section 5144", of the House bill.

I have examined the companion bill in the Senate, S. 1631, and I find that this section provides for what is known as cumulative voting for directors of banks.

I shall not offer an amendment, but I do hope the leaders of the Committee on Banking and Currency in the House, and the conferees thereof, having received notice of the fact that at least one Member is anxious to have the bill in the House conform to that in the Senate, will provide for cumulative voting for bank directors in the conference report of both Houses. Indeed, Chairman STEAGALL said he reviewed the matter with great favor and pledged support to have it inserted. In the light of that pledge I shall not embarrass the committee now and press an appropriate amendment.

I rise at this time to point out what cumulative voting is. You will find that in most corporations, usually nonbanking corporations, provision is always made, or ought to be made, in charters for cumulative voting so that minority interests shall have a voice in the management and operation of the corporate entity.

There are some very flagrant situations arising in various banking institutions where substantial, large minority interests are kept out in the cold, have no voice whatsoever in the management of the bank. In one particular instance in New York City, of which I have actual knowledge, there are some 5,000,000 shares of stock outstanding. It concerns one of the largest banks in the world. One individual controls about 10 percent of that entire stock, and through another entity controls another 10 percent. So we might say that gentleman—and, incidentally, he is a very upright, honest, righteous, and efficient banker—himself controls about 20 percent of the stock of this very large institution; but the persons in majority control thereof, freeze him out, and refuse to let him have anything to do or say in connection with the operation of this bank. This bank lost a vast sum of money. One of its officials is on trial in New York today for utter disregard and violation of income-tax laws. He has offended in many other respects. He never was a respecter of law or persons. Had this man controlling this 20 percent of stock been on the board—and he would have been on the board had there been cumulative voting—he would have prevented many of the excesses, many of the abuses, much of the malfeasance and misfeasance that occurred in that bank by its officers.

He would have been in the nature of a brake upon the wild and extravagant practices of that institution in New

York; and I do now implore that the Members give some consideration, as the Senate has, at least in its Banking and Currency Committee, to the principle of cumulative voting for directors of banks. So that, for example, if anyone here had, say, 30 shares of stock in a bank, and there were 10 directors to be voted for, he then would have the equivalent of 300 votes. The number of shares is multiplied by the number of directors to be voted for. These votes can be concentrated on one or more directors. So in this way the minority can have at least a chance for their "white alley." As it is today, in these large banks and in many smaller ones, a small coterie cabal together keep out the minority, and, if there are wise counsels and prudence in the minority, the stockholders of the institution and the depositors thereof never get the benefit of such wise counsel and such prudence.

[Here the gavel fell.]

Mr. KVALE. Mr. Chairman, I rise in opposition to the pro-forma amendment.

Mr. Chairman, yesterday when section 21 was being discussed, page 28 of the bill, I sought by amendment to reduce the requirements for directors, as to holdings of stock, from \$2,000 to \$1,000.

We were told at that time by members of the committee—and I know the misinformation was not intentional—that the present law provided for a minimum of \$1,000, and that they saw fit, for good and valid reasons, to lift the requirement to \$2,000.

I have looked up the law, and I find that title XII, section 72, of the code places requirements upon directors as follows:

Every director must own in his own right at least 10 shares of the capital stock of the association of which he is a director, unless the capital of the bank shall not exceed \$25,000, in which case he must own in his own right at least five shares of such capital stock.

In other words, instead of a requirement of \$2,000 worth of stock, the present law requires each director of the \$25,000 bank to have \$500 worth of stock.

Now, I envision the many business men, professional men, retired farmers, and others, as I said yesterday, who make up the directorates of these small banks.

Mr. SNELL. Will the gentleman yield?

Mr. KVALE. Yes.

Mr. SNELL. As I understand, if this bill goes through in its present form, there will be no more of these \$25,000 banks. They will all be at least \$50,000.

Mr. KVALE. That is true, but that applies to banks that are going to be organized in the future, and does not apply to banks that already exist.

If it is the intention of the bill, if it is the intention of the committee, if it is the intention of the leaders to kill off all the \$25,000 banks that now exist, in addition to preventing their organization in the future, let us say so and let us understand that now, because that is exactly what will happen unless unanimous consent is given to return to this particular section and modify this requirement.

You cannot find enough men in these towns of under 6,000 population to make up a board of directors with men who have \$2,000 blocks of stock. Common sense will tell this to every member of the committee here, and I hope the committee will permit us to return and reduce the figure, or, preferably, to leave the law as it is now written.

It is just as ridiculous to require a small bank to live up to this requirement as it would be to say that every director of every bank, regardless of its size, should own 3 percent of the capital stock. Think what such a provision would mean if you applied such a provision to the \$100,000,000 banks, and yet that would be no more unfair than the provision to which I am calling your attention.

Common sense seems to me to warrant the request, and I hope it may be granted, so that we can return to section 21 for the purpose of offering and considering such an amendment. Therefore, Mr. Chairman, I do now ask unanimous consent to return to section 21 of the bill for the purpose of offering the amendment suggested.

Mr. BYRNS. May I ask the gentleman to withhold that request until after the reading of the bill is completed? I am sure the gentleman can then be accommodated.

Mr. KVALE. Then I withdraw the request for the present, Mr. Chairman.

The pro-forma amendment was withdrawn.

Mr. LUCE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LUCE: Page 37, line 3, after the word "banks" where it first appears, strike out the word "or" and insert after the word "banks" as it secondly appears the words "or any other Federal corporation."

Mr. LUCE. Mr. Chairman, the purpose of this amendment is to secure that the securities of the Federal Mortgage Corporation that we are in process of creating, shall be put on a level with those of the Federal farm banks.

This change was made in committee on the previous page and the insertion of it at this place was overlooked. I am sure there is no opposition to the amendment.

The amendment was agreed to.

The Clerk read as follows:

Sec. 204. Section 5144 of the Revised Statutes, as amended (U.S.C., title 12, sec. 61), is amended to read as follows:

"Sec. 5144. In all elections of directors and in deciding all questions at meetings of shareholders each shareholder shall be entitled to 1 vote on each share of stock held by him; except (1) that shares of its own stock held by a national bank as sole trustee shall not be voted, and shares of its own stock held by a national bank and one or more persons as trustees may be voted by such other person or persons, as trustees, in the same manner as if he or they were the sole trustee, and (2) shares controlled by any holding company affiliate of a national bank shall not be voted unless such holding company affiliate shall have first obtained a voting permit as hereinafter provided, which permit is in force at the time such shares are voted. Shareholders may vote by proxies duly authorized in writing; but no officer, clerk, teller, or bookkeeper of such bank shall act as proxy; and no shareholder whose liability is past due and unpaid shall be allowed to vote.

"For the purposes of this section shares shall be deemed to be controlled by a holding company affiliate if they are owned or controlled directly or indirectly by such holding company affiliate or held by any trustee for the benefit of the shareholders or members thereof.

"Any such holding company affiliate may make application to the Federal Reserve Board for a voting permit entitling it to cast 1 vote at all elections of directors and in deciding all questions at meetings of shareholders of such bank on each share of stock controlled by it or authorizing the trustee or trustees holding the stock for its benefit or for the benefit of its shareholders so to vote the same. The Federal Reserve Board may, in its discretion, grant or withhold such permit as the public interest may require. In acting upon such application, the Board shall consider the financial condition of the applicant, the general character of its management, and the probable effect of the granting of such permit upon the affairs of such bank, but no such permit shall be granted except upon the following conditions:

"(a) Every such holding company affiliate shall, in making the application for such permit, agree (1) to receive, on dates identical with those fixed for the examination of banks with which it is affiliated, examiners duly authorized to examine such banks, who shall make such examinations of such holding company affiliate as shall be necessary to disclose fully the relations between such banks and such holding company affiliate and the effect of such relations upon the affairs of such banks, such examinations to be at the expense of the holding company affiliate so examined; (2) that the reports of such examiners shall contain such information as shall be necessary to disclose fully the relations between such affiliate and such banks and the effect of such relations upon the affairs of such banks; (3) that such examiners may examine each bank owned or controlled by the holding company affiliate, both individually and in conjunction with other banks owned or controlled by such holding company affiliate; and (4) that publication of individual or consolidated statements of condition of such banks may be required;

"(b) After 5 years after the enactment of the Banking Act of 1933, every such holding company affiliate (1) shall possess, and shall continue to possess during the life of such permit, free and clear of any lien, pledge, or hypothecation of any nature, readily marketable assets other than bank stock in an amount not less than 12 percent of the aggregate par value of all bank stocks controlled by such holding company affiliate, which amount shall be increased by not less than 2 percent per annum of such aggregate par value until such assets shall amount to 25 percent of the aggregate par value of such bank stocks; and (2) shall reinvest in readily marketable assets other than bank stock all net earnings over and above 6 percent per annum on the book value of its own shares outstanding until such assets shall amount to such 25 percent of the aggregate par value of all bank stocks controlled by it;

"(c) Notwithstanding the foregoing provisions of this section, after 5 years after the enactment of the Banking Act of 1933, (1)

any such holding company affiliate the shareholders or members of which shall be individually and severally liable in proportion to the number of shares of such holding company affiliate held by them, respectively, in addition to amounts invested therein, for all statutory liability imposed on such holding company affiliate by reason of its control of shares of stock of banks, shall be required only to establish and maintain out of net earnings over and above 6 percent per annum on the book value of its own shares outstanding a reserve of readily marketable assets in an amount not less than 12 percent of the aggregate par value of bank stocks controlled by it, and (2) the assets required by this section to be possessed by such holding company affiliate may be used by it for replacement of capital in banks affiliated with it and for losses incurred in such banks, but any deficiency in such assets resulting from such use shall be made up within such period as the Federal Reserve Board may by regulation prescribe;

"(d) Every officer, director, agent, and employee of every such holding company affiliate shall be subject to the same penalties for false entries in any book, report, or statement of such holding company affiliate as are applicable to officers, directors, agents, and employees of member banks under section 5209 of the Revised Statutes, as amended; and

"(e) Every such holding company affiliate shall, in its application for such voting permit, (1) show that it does not own, control, or have any interest in, and is not participating in the management or direction of, any corporation, business trust, association, or other similar organization formed for the purpose of, or engaged principally in, the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail or through syndicate participation, of stocks, bonds, debentures, notes, or other securities of any sort (hereinafter referred to as 'securities company'); (2) agree that during the period that the permit remains in force it will not acquire any ownership, control, or interest in any such securities company or participate in the management or direction thereof; (3) agree that if, at the time of filing the application for such permit, it owns, controls, or has an interest in, or is participating in the management or direction of, any such securities company, it will, within 5 years after the filing of such application, divest itself of its ownership, control, and interest in such securities company and will cease participating in the management or direction thereof, and will not thereafter, during the period that the permit remains in force, acquire any further ownership, control, or interest in any such securities company or participate in the management or direction thereof; and (4) agree that thenceforth it will declare dividends only out of actual net earnings.

"If at any time it shall appear to the Federal Reserve Board that any holding company affiliate has violated any of the provisions of the Banking Act of 1933 or of any agreement made pursuant to this section, the Federal Reserve Board may, in its discretion, revoke any such voting permit after giving 60 days' notice by registered mail of its intention to the holding company affiliate and affording it an opportunity to be heard. Whenever the Federal Reserve Board shall have revoked any such voting permit, no national bank whose stock is controlled by the holding company affiliate whose permit is so revoked shall receive deposits of public moneys of the United States, nor shall any such national bank pay any further dividend to such holding company affiliate upon any shares of such bank controlled by such holding company affiliate.

"Whenever the Federal Reserve Board shall have revoked any voting permit as hereinbefore provided, the rights, privileges, and franchises of any or all national banks the stock of which is controlled by such holding company affiliate shall, in the discretion of the Federal Reserve Board, be subject to forfeiture in accordance with section 2 of the Federal Reserve Act, as amended."

Mr. ARENS. Mr. Chairman, I move to strike out the last word. I do this for the purpose of getting an opinion of those in charge of the bill whether my contention is right or not. I came to the conclusion in reading the bill that in order for a State bank to come under the operation of this bill it will have to have a capital stock of \$25,000 or more. I want to ask the chairman of the committee whether my contention is correct or not.

On page 23 is a paragraph, which says that—

No applying bank shall be admitted to membership in the Federal Reserve bank unless it possesses a paid-up, unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National Bank Act as amended.

Now, I have the National Bank Act here, and it provides in relation of the conversion of State banks into national banks.

It reads as follows:

Sec. 5154. Any bank incorporated by special law of any State, or of the United States, or organized general laws of any State, or of the United States, and having an unimpaired capital sufficient to entitle it to become a national banking association under the provisions of the existing laws may, by the vote of the shareholders owning not less than 51 percent of the capital stock of such bank or banking association, with the approval of the Com-

troller of the Currency, be converted into a national banking association, with any name approved by the Comptroller of the Currency.

Under that same act, section 217, provides:

No national banking association shall be organized with a less capital than \$100,000, except that such association with a capital of not less than \$50,000 may, with the approval of the Secretary of the Treasury, be organized in any place the population of which does not exceed 6,000 inhabitants, and except that such association with a capital of not less than \$25,000 may, with the sanction of the Secretary of the Treasury, be organized in any place the population of which does not exceed 3,000 inhabitants.

So my contention is that under the National Banking Act a national bank must have \$25,000 capital or more in places where there is a population of less than 3,000 people and a State bank to become a national bank must have the same capital.

Mr. GOLDSBOROUGH. It is true that no State bank can become a member of the Federal Reserve System unless it has a minimum amount of capital stock.

Mr. ARENS. That is \$25,000.

Mr. GOLDSBOROUGH. Yes; but that is not true as far as the insurance provision of this bill is concerned. There is no prescribed capital a State bank shall have in order to be admitted to the insurance fund.

Mr. ARENS. It says that it must have the same capital as a national bank.

Mr. STEAGALL. There is no prescribed amount of capital in the bill which a bank is required to have to become a member of this insurance fund.

Mr. ARENS. I think according to the bill it must have \$25,000, at least.

Mr. STEAGALL. The gentleman is mistaken.

[Here the gavel fell.]

Mr. GOLDSBOROUGH. Mr. Chairman, I ask for recognition.

Mr. BLANCHARD. Mr. Chairman, will the gentleman yield?

Mr. GOLDSBOROUGH. Yes.

Mr. BLANCHARD. It was my understanding that in order to become eligible to participate in the insurance fund they had to qualify under the Federal Reserve Act.

Mr. GOLDSBOROUGH. That is a mistake.

The Clerk read as follows:

Sec. 205. After 2 years from the date of the enactment of this act, no member bank shall be affiliated in any manner described in section 1 (b) of this title with any corporation, association, business trust, or other similar organization engaged principally in the issue, flotation, underwriting, public sale, or distribution at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities.

For every violation of this section the member bank involved shall be subject to a penalty not exceeding \$1,000 per day for each day during which such violation continues. Such penalty may be assessed by the Federal Reserve Board, in its discretion, and, when so assessed, may be collected by the Federal Reserve bank by suit or otherwise.

If any such violation shall continue for 6 calendar months after the member bank shall have been warned by the Federal Reserve Board to discontinue the same, (a) in the case of a national bank, all the rights, privileges, and franchises granted to it under the National Bank Act may be forfeited in the manner prescribed in section 2 of the Federal Reserve Act, as amended, or, (b) in the case of a State member bank, all of its rights and privileges of membership in the Federal Reserve System may be forfeited in the manner prescribed in section 9 of the Federal Reserve Act, as amended.

Mr. FISH. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment by Mr. FISH: Page 44, line 1, after the word "after", strike out the word "two" and insert the word "one."

Mr. FISH. Mr. Chairman, I would like to hear some discussion of the reason why these security affiliates should be permitted 2 years in which to divorce themselves from national banks. My amendment eliminates the word "two" and substitutes the word "one", so as to compel them to be separated in 1 year. I am not sure but 1 year is more than sufficient. Perhaps 90 days would be better. According to my way of thinking, the Congress should have acted a number of years ago and passed legislation to prohibit national

banks from having these security affiliates. Why should we now give them 2 years to divorce themselves from the national banks? I can remember back in 1928 and 1929, during the boom times, when these bank presidents, Mr. Charles Mitchell, of the National City Bank, and Mr. Wiggin, of the Chase National Bank, which are the two worst offenders, as far as affiliates are concerned, said to the Congress, "We don't want any interference with business by the Congress; we know how to handle our own business and we want to be left alone." The only fault that I find with Congress as I look back is that we listened to this call from the big business men, Mitchell and Wiggin and others in Wall Street, and let business alone. They got us into this inflation largely through these security affiliates connected with the big banks. The banker, instead of looking after the deposits of his own depositors, was paying more attention to the security affiliate, where he got his money from. Only in the last year we found out that Charlie Mitchell, of the National City Bank, obtained in 1 year \$3,000,000, whereas his pay as bank president was \$100,000 a year.

Probably the same thing applied to the other banks, particularly to the Chase National Bank and to Mr. Wiggin. Those were the men who said to Congress at that time that there must be no interference with business. No wonder when these two bank presidents were making enormous profits for themselves largely at the expense of their depositors. All the time they were saying to their depositors, "You have got money in our banks, and you ought to take it out of our banks and invest it. We will sell you some foreign bonds, some A B C bonds, some South American bonds." The depositors would reply that they did not know anything about the bonds and the bank presidents, and their associates would then advise them that these bonds pay 7 and 8 percent, and would say, "Don't leave your money idle in our banks, you should take it out and invest in these bonds." When the depositor again said that he did not know anything about the bonds the bankers said, "Of course our bank is behind them, and that is enough, for we have investigated them", and then the depositor took his money out and he bought Argentine, Chile, and Brazilian bonds paying 7 and 8 percent, and, of course, the commissions went to the presidents of those banks and their associates. Those security affiliates did more harm in promoting the inflation and the resulting deflation that caused the financial ruin of hundreds of thousands of bank depositors than any other agency in America. So why should we give them 2 years more to divorce themselves from national banks and to carry on this unethical and vicious practice in case of better times and renewal of investment activity.

Mr. SNELL. Mr. Chairman, will the gentleman yield?

Mr. FISH. I am sorry, but I have only 5 minutes. There is nothing new about this depression, as far as the principle involved. It is exactly the same as any other. There was an enormous inflation brought about because of the mass overproduction of stocks, bonds, and other securities largely emanating from these affiliates, which were sold to the American people often without much investigation, and as a result it meant a mass overproduction of factories, commodities, real estate, and everything else—an enormous inflation that sooner or later had to crash, and when it did crash and the pendulum swung back, it did not stop at normalcy but went right on down into the depths where we are now. I do not indict the big bankers alone. The American people were also responsible. They went into an orgy of gambling and speculating and extravagance. But the big business and banking leadership was at fault. These international bankers and the biggest bankers in America were making all kinds of money. They naturally said that they did not want interference from Congress. They wanted to grab off all the money they could while the going was good, regardless of consequences to their depositors or anyone else. The Congress should have acted long before this to protect the American public. We should have told the big bankers long ago to get rid of these affiliates, and should not permit them now more than 1

year to put an end to their security affiliates. I think this amendment should be agreed to. [Applause.]

Mr. STEAGALL. Mr. Chairman, I move that all debate upon this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment of the gentleman from New York.

The question was taken; and on a division (demanded by Mr. FISH) there were—ayes 44, noes 64.

Mr. FISH. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed Mr. STEAGALL and Mr. FISH to act as tellers.

The Committee again divided; and the tellers reported there were ayes 64 and noes 68.

So the amendment was rejected.

The Clerk read as follows:

TITLE III

FEDERAL DEPOSIT INSURANCE CORPORATION

SEC. 301. (a) There is hereby created a Federal Deposit Insurance Corporation (hereinafter referred to as the "Corporation"), whose duty it shall be to purchase, hold, and liquidate as hereinafter provided the assets of national banks which have been closed by action of the Comptroller of the Currency, or by vote of their directors, and the assets of State member banks, and to make loans to State banks and trust companies as hereinafter provided, which have been closed by action of the appropriate State authorities, or by vote of their directors.

(b) The management of the Corporation shall be vested in a board of directors, consisting of 5 members, 1 of whom shall be the Comptroller of the Currency, 1 a member of the Federal Reserve Board designated by the Board for the purpose, and 3 citizens of the United States appointed by the President, by and with the advice and consent of the Senate, who shall hold their offices during a term of 6 years. Not more than two of the appointive members of the board shall be members of the same political party. The terms of the appointive members first appointed shall be for 2, 4, and 6 years, as designated by the President. The appointive members of the board shall receive compensation at the rate of \$10,000 per annum, payable monthly out of the funds of the Corporation, but no other member of the board shall receive additional compensation for service as a member.

(c) There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$150,000,000, which shall be available for payment by the Secretary of the Treasury for capital stock of the Corporation in an equal amount, which shall be subscribed for by him on behalf of the United States. Payments upon such subscription shall be subject to call in whole or in part by the board of directors of the Corporation. Such stock shall be in addition to the amount of capital stock required to be subscribed for by Federal Reserve banks and member and nonmember banks as hereinafter provided and the United States shall be entitled to the payment of dividends on such stock to the same extent as member and nonmember banks are entitled to such payment on the class A stock of the Corporation held by them. Receipts for payments by the United States for or on account of such stock shall be issued by the Corporation to the Secretary of the Treasury and shall be evidence of the stock ownership of the United States.

(d) The capital stock of the Corporation shall be divided into shares of \$100 each. Certificates of stock of the Corporation shall be of two classes, class A and class B. Class A stock shall be held by member and nonmember banks only and they shall be entitled to payment of dividends out of net earnings at the rate of 6 percent per annum on the capital stock paid in by them, which dividends shall be cumulative, or to the extent of 30 percent of such net earnings in any one year, whichever amount shall be the greater, but such stock shall have no vote at meetings of stockholders. Class B stock shall be held by Federal Reserve banks only and shall not be entitled to the payment of dividends. Every Federal Reserve bank shall subscribe to shares of class B stock in the Corporation to an amount equal to one half of the surplus of such bank on January 1, 1933, and its subscriptions shall be accompanied by a certified check payable to the Corporation in an amount equal to one half of such subscription. The remainder of such subscription shall be subject to call from time to time by the board of directors upon 90 days' notice.

(e) Every member bank shall subscribe to the class A capital stock of the Corporation in an amount equal to one half of 1 percent of its total net outstanding time and demand deposits on January 1, 1933, as computed in accordance with regulations of the Federal Reserve Board governing the computation of reserves. One half of such subscription shall be paid in full within 90 days after receipt of notice from the chairman of the board of directors of the Corporation, and the remainder of such subscription shall be subject to call from time to time by the board of directors of the Corporation.

(f) The amount of the outstanding class A stock of the Corporation held by member banks shall be annually adjusted as hereinafter provided as of the last preceding call date as member banks increase their time and demand deposits or as additional

banks become members, or subscribe to the stock of the Corporation, and such stock may be decreased in amount as member banks reduce their time and demand deposits or cease to be members. Shares of the capital stock of the Corporation owned by member banks shall not be transferred or hypothecated. When a member bank increases its time and demand deposits it shall, at the beginning of each calendar year, subscribe for an additional amount of capital stock of the Corporation equal to one half of 1 percent of such increase in deposits. One half of the amount of such additional stock shall be paid for at the time of the subscription therefor and the balance shall be subject to call by the board of directors of the Corporation. A bank admitted to membership in the Federal Reserve System at any time after the organization of the Corporation shall be required to subscribe for an amount of class A capital stock equal to one half of 1 percent of the time and demand deposits of the applicant bank as of the date of such admission, paying therefor its par value plus one half of 1 percent a month from the period of the last dividend on the class A stock of the Corporation. When a member bank reduces its time and demand deposits it shall surrender, not later than the 1st day of January thereafter, a proportionate amount of its holdings in the capital stock of the Corporation, and when a member bank voluntarily liquidates it shall surrender all its holdings of the capital stock of the Corporation and be released from its stock subscription not previously called. The shares so surrendered shall be canceled and the member bank shall receive in payment therefor, under regulations to be prescribed by the Board, a sum equal to its cash-paid subscriptions on the shares surrendered and its proportionate share of dividends not to exceed one half of 1 percent a month, from the period of the last dividend on such stock, less any liability of such member bank to the Corporation.

Mr. GOLDSBOROUGH. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. GOLDSBOROUGH: On page 49, in line 20, after the word "President", insert "one of whom selected by the vote of the three shall be chairman of the Corporation."

Mr. GOLDSBOROUGH. Mr. Chairman, that amendment was adopted by the Committee on Banking and Currency, but through inadvertence of the clerk it was not inserted in the new bill as it was introduced.

Mr. PATMAN. Mr. Chairman, I offer a substitute for the amendment just offered by the gentleman from Maryland.

The Clerk read as follows:

Amendment offered by Mr. PATMAN as a substitute for the amendment offered by Mr. GOLDSBOROUGH: On page 49, in line 17, after the word "Currency", strike out the following language in lines 17, 18, and 19: "one a member of the Federal Reserve Board designated by the Board for the purpose, and three citizens of the United States appointed by the President" and insert the following: "and four citizens of the United States appointed by the President."

Mr. PATMAN. Mr. Chairman, I would not oppose the amendment offered by the gentleman from Maryland, and I should like to have that adopted first, and then offer my amendment as an amendment.

The CHAIRMAN. As a matter of fact, the amendment offered by the gentleman from Texas is not a substitute at all.

Mr. McFADDEN. I should like to ask the gentleman from Maryland a question. The usual provisions in the Federal Reserve Act or other pieces of legislation which have been enacted provided that a choice should be made between the two political parties.

Mr. STEAGALL. That is provided in this bill.

Mr. McFADDEN. That is what I wanted to know.

Mr. STEAGALL. As to the 3 members appointed by the President, not more than 2 shall be of the same political party.

The CHAIRMAN. The substitute amendment offered by the gentleman is not in order at this time.

The question is on the amendment offered by the gentleman from Maryland [Mr. GOLDSBOROUGH].

The amendment was agreed to.

Mr. PATMAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PATMAN: On page 49, line 17, after the word "Currency", strike out the following language: "one a member of the Federal Reserve Board designated by the Board for the purpose, and three citizens of the United States appointed by the President" and insert in lieu thereof the following: "and four citizens of the United States appointed by the President."

THE FEDERAL DEPOSIT INSURANCE CORPORATION—BOARD OF DIRECTORS

Mr. PATMAN. Mr. Chairman, I wish to be heard on the amendment.

This is a board set up for the purpose of determining who will be permitted to take advantage of this law. There are 6,000 national banks and 12,000 State banks in this country. It occurs to me that this board should be a fair board, one that would administer the law fairly and impartially. It should not be composed of representatives of the State banks, neither should it be composed of representatives of the Federal Reserve banks. It should be composed of citizens of the United States who are not directly interested in either State or National banks. If the bill is passed as proposed by the committee, the set-up of 5 members will be 2 members of the Federal Reserve Board, another member of the opposite party, and 2 of the party in power. So if a State bank comes before members of that board asking for admission there will probably be 2 votes on the board immediately influenced against their admission. In other words, the committee did not intend it, but it looks very much like a stacked board. I do not say that to reflect on the committee. I do not impugn their motives. I have the utmost confidence in those gentlemen, and I know they do not propose it to be a stacked board, but nevertheless, 2 members of the 5 will be particularly interested in Federal Reserve banks and naturally will be opposed to State banks coming into the system.

May I suggest that unless this law is fixed in some way so that it will be administered in a manner that is lenient toward State banks, it is likely to cause at least five or six thousand State banks in this country to fail.

SQUARE DEAL FOR STATE BANKS

I say it is not fair for every national bank and every member bank of the Federal Reserve to automatically come within the terms of this law, without so much effort as the turning of a hand. Every one of them will automatically come in, whereas the State banks are excluded and will have to pass an examination and submit themselves to this board, which I say is somewhat of a stacked board. Unless they can convince that board they will have no opportunity to come in. So we certainly should have a fair board, and if the board is arranged as I want it we will have the Comptroller of the Currency as a member of the board. He is also a member of the Federal Reserve Board. We will have a representative of the Federal Reserve Board on the board, as I propose it. Then the President can appoint four other citizens of the United States. They should not be directly interested in the Federal Reserve System nor in the State banking system, but in a position to fairly and impartially pass upon the facts as presented to them.

I hope this amendment will be adopted.

There is a good reason why this should be done. This is an insurance corporation guaranteeing the deposits in banks. Ordinarily, if you insure your own property, you pay the insurance premium. Ordinarily any corporation that insures its own property will pay the insurance premium, but in this case two thirds of the insurance premium is paid by the Government of the United States and the other one third is paid by the banks participating.

The CHAIRMAN. The time of the gentleman from Texas [Mr. PATMAN] has expired.

Mr. STEAGALL. Mr. Chairman, it was my purpose in the preparation of this provision to safeguard State non-member banks against any possible discrimination by the board administering the deposit insurance corporation. Of course, there are differences of view at this point. It was my thought that we should give recognition to the Federal Reserve System by having a member of the Federal Reserve Board serve on the insurance deposit corporation board, and that it was necessary and wise to have the Comptroller of the Currency serve on the board, not because he happens to be an ex-officio member of the Federal Reserve Board but because he is Comptroller of the Currency and possesses a vast store of information that would be useful in the administration of the deposit guaranty corporation.

The provision of the bill is for three members to be appointed by the President—citizens to represent all public interests involved. Now, I had no thought whatsoever of politics in writing that provision in this bill except that in a hurried manner I did attempt to provide for political division so that the minority party would not get an unfair deal. For that reason provision is made for the appointing of three members, not more than two of whom shall belong to the same political party.

The gentleman is quite correct when he says the board will be made up of two members of the Federal Reserve Board and one Republican, but if his amendment is adopted there will be two Republicans instead of one.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I am not saying that there is anything destructive in that or that it is unfair or hurtful. I merely call his attention to what his amendment would accomplish, since he seems to attach importance to the political complexion of the board.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. PATMAN. I have another amendment, providing that not more than three shall be of one political party. So we can change it if the gentleman desires, if this amendment is adopted.

Mr. ARENS. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. ARENS. Could not the other member be appointed from the Farmer-Laborite Party? That would be the proper way to construe it.

Mr. STEAGALL. After all, Mr. Chairman, this is not a seriously controversial matter. I simply desired to explain the amendment and let the Committee understand just what we are voting on.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas [Mr. PATMAN].

The amendment was agreed to.

Mr. STOKES. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. STOKES: Page 51, line 12, strike out the word "not", and in line 13, after the word "dividends", insert "to the same extent as the member banks."

Mr. STEAGALL. Mr. Chairman, there will be no objection on the part of the committee to the adoption of this amendment.

Mr. PATMAN. Is this the amendment dealing with dividends to Federal Reserve banks?

Mr. STOKES. It is.

Mr. PATMAN. That they shall be paid dividends on the amount of money—

Mr. STOKES. I will explain it to the gentleman from Texas.

Mr. PATMAN. I want to rise in opposition to this amendment. I did not know this amendment was up for consideration.

Mr. STOKES. Mr. Chairman, this amendment merely permits Federal Reserve banks to receive the same amount of dividends which the member banks and the Treasury Department will receive on their stock subscriptions. This is only fair.

The Federal Reserve banks are the fundamental basis of our whole banking system and we do not want to weaken them in any way. The Federal Reserve Bank of the City of Philadelphia, whence I come, has a surplus of \$29,000,000. Of this surplus it must take, under the provisions of this bill, \$14,500,000, or one half, to be advanced toward this guaranty fund. At the present time it is receiving an income on this \$14,500,000. According to the provisions of this bill, this money would be invested in this stock and no dividends would be received thereon. My amendment merely authorizes them to receive the same dividends as the Treasury Department and as the member banks, which I think will be agreed is only fair and just.

FEDERAL RESERVE NOT ENTITLED DIVIDENDS ON SURPLUS FUNDS

Mr. PATMAN. Mr. Chairman, I rise in opposition to the amendment. The way this fund is made up is in the first

place by a contribution of \$150,000,000 from the Treasury of the United States. The other \$150,000,000 is taken from the Federal Reserve funds and Federal Reserve banks. The remainder of the \$150,000,000 is taken from the depositors by levying an assessment of one half of 1 percent against their deposits. There is no question but that the Government is entitled to 6-percent dividends on the part it appropriates directly from the Treasury.

NOT FEDERAL RESERVE FUNDS

The member banks which subscribe to the \$150,000,000 are also entitled to 6-percent dividends. That will be the law, and it is right.

But now the gentleman comes in and wants the Federal Reserve banks to have a 6-percent dividend on money that they do not own, are not entitled to, and which the House yesterday said they should not receive. That is not the Federal Reserve banks' money.

Why give the Federal Reserve banks a dividend on money they are not entitled to receive? It is not their money. It belongs to the Government. That is in the Reserve fund, a surplus fund that the law says does not belong to the Federal Reserve banks, but belongs to the people of the United States. That is what it says.

CONVINCING EXAMPLE

Now, in order to convince absolutely the gentleman, suppose a member bank decides to withdraw from the System. It can get the amount of capital stock that it pays in, but it does not get a penny of the surplus. Why? Because this surplus does not belong to the Federal Reserve bank. This surplus belongs to the people. It is written into the law. There cannot be any mistake about it when it is written into the law itself.

Another convincing example is that in the event a Federal Reserve bank is liquidated, voluntarily or otherwise, after the creditors are paid, the law says that the remainder, the surplus, shall go into the Treasury of the United States. Why should it not go to the member banks, if the gentleman is correct in his statement that it belongs to them? No. Everywhere throughout this bill it is written in coal-black letters that this surplus does not belong to the Federal Reserve banks. They are not entitled to it. It belongs to the Treasury of the United States; and certainly the gentleman would not have the Government, or this insurance corporation, pay dividends on money the Federal Reserve banks do not own and are not entitled to receive.

SECTION 3 OF PRESENT BILL

On yesterday the committee agreed to strike out of this bill section 3. I offered the amendment, and it was accepted. Section 3 attempted to give these surplus earnings to the Federal Reserve banks, but we made such a hard fight on it I think we convinced the committee that the Federal Reserve banks are not entitled to this surplus. Now, are we here today, just 1 day later, going to turn around and say that although they are not entitled to the surplus, we are going to give them a 6-percent dividend on an investment paid out of that surplus? It is unreasonable. I cannot see why the gentleman would even argue that the Federal Reserve banks are entitled to it. The amount of money that the member banks put up they will get dividends on, and the amount of money that the Government puts up the Government will get dividends on, and this money, really, the Government of the United States should get dividends on instead of the Federal Reserve banks; and I respectfully submit that this amendment should be defeated.

Mr. STEAGALL. Mr. Chairman, I do not regard this amendment as in any sense vital to this legislation.

This is the situation. The present law provides that the 12 Federal Reserve banks shall set aside in a surplus fund all their net earnings until the fund equals the amount of its subscribed capital stock. This amount they have on hand. They paid this year into the Treasury something over \$2,000,000, as I remember.

The bill provides that the amount of one half of the surplus of the 12 Federal Reserve banks shall be subscribed by the Federal Reserve banks for stock in the deposit insurance corporation. Originally the bill was drawn so as to

omit the Federal Reserve stock from the provision which permits the payment of dividends on stock in the deposit insurance corporation. This was done because of the fact that we formerly provided that hereafter all the earnings of the Federal Reserve banks should go into a surplus fund, leaving nothing for the Treasury. At the instance of gentlemen who opposed this, and without the slightest violence to my own feeling about the matter—and to be frank about it, without the slightest effect whatever on the practical results—I agreed to this amendment and it was adopted.

I may say, in passing, that at the rate which the 12 Federal Reserve banks are now earning profits under existing law, it will be sometime before there will be anything left for the Treasury, but having taken half of the surplus of the Federal Reserve banks which they were permitted to accumulate under unqualified, lawful authority, having taken away their surplus, I do not think it is unreasonable or destructive to permit them to share in the earnings of the deposit insurance corporation and receive dividends on the amount of the stock invested by them if, happily, we are to have substantial dividends to the stockholders of the deposit insurance corporation.

Mr. PATMAN. Will the gentleman yield for a question?

Mr. STEAGALL. Certainly.

Mr. PATMAN. I will ask the gentleman if it is not a fact that if the Federal Reserve member banks had paid their 6-percent assessment or had paid in the amount they are required under the law to subscribe, they would now have \$321,000,000 capital stock instead of \$160,500,000, and this surplus would not be needed at all, and the only reason they ask that this surplus that has been accumulated be arrested or captured before it gets to the Treasury is that they have not paid in the other half of their capital stock and they are using the Government's money to take its place?

Mr. STEAGALL. I will say to the gentleman that I have never believed that the Federal Reserve banks needed the entire amount of surplus they have been permitted to acquire. I may say to my friend that for 10 years I have introduced bills providing for an administration upon the earnings of the Federal Reserve banks and the payment into the Treasury of such portion of the earnings as of right ought to go into the Treasury, and to distribute the balance of the earnings of the Federal Reserve banks among their member banks, out of which the profits of the System are made. But that subject is broad enough for a separate bill.

I regard it all as an insignificant detail in connection with the bill now under consideration.

Mr. ROGERS of Oklahoma. Will the gentleman yield?

Mr. STEAGALL. Certainly.

Mr. ROGERS of Oklahoma. I just want to ask the gentleman this question. Since it is not vital, will it not be all right to leave it in, because it will not affect the bill very much one way or the other?

Mr. STEAGALL. It will not destroy the bill if it is changed, and it will not harm anybody if it remains as it is.

Mr. ROGERS of Oklahoma. I was quite sure the gentleman felt that way about it, and that is the reason I asked the question.

Mr. MARTIN of Colorado. Mr. Chairman, I should like to be recognized for 1 minute to ask the gentleman a question.

Mr. STEAGALL. I yield to the gentleman.

Mr. MARTIN of Colorado. What becomes of the dividends on this class B stock? Is it a donation to the insurance fund?

Mr. STEAGALL. If there are no dividends allowed, half of the surplus of the Federal Reserve banks will go into the deposit insurance corporation as a contribution. In other words, it is a subscription to stock that stands without any right of revocation or any right to dividends.

Mr. MARTIN of Colorado. In other words, this class B stock is a pure donation to the insurance system.

Mr. STEAGALL. Yes.

Mr. PATMAN. Will the gentleman yield?

Mr. MARTIN of Colorado. Yes.

Mr. PATMAN. May I say that the \$150,000,000 will be a donation from the surplus fund of the 12 Federal Reserve banks, which really belongs to the Treasury.

The CHAIRMAN. The time of the gentleman has expired, and the question is on the amendment offered by the gentleman from Pennsylvania.

The question was taken, and the amendment was rejected.

Mr. HOEPEL. Mr. Chairman, I offer the following amendment.

The Clerk read as follows:

Page 50, line 9, strike out the figures "\$150,000,000" and insert in lieu thereof "\$1,000."

Mr. HOEPEL. Mr. Chairman, if gentlemen will read this section they will see that it takes \$150,000,000 from the Public Treasury. When we voted to protect the national credit, we were told that the house was on fire. We voted to cut the veterans, and the wages of Federal employees, and yet here we are providing \$150,000,000 to be taken from the Treasury in order to give the private bankers of America a guaranty on bank deposits.

If the Government is justified in entering the guaranty-deposit business, it is equally justified in entering the banking business. I understand from the gentleman from Texas that the Government is providing two thirds of the guaranty. In other words, the Government is going to guarantee deposits. Why should not the Government have some stock in the banks? If it did, there would be no necessity of a guaranty provision.

We have been exceptionally liberal to the banks of America, and that liberality has been reflected parsimoniously on the people of the country.

The first bill I voted for was to give the banks \$2,000,000,000 at practically no interest, on the urge of the President that an emergency existed. We have in addition given to the banks through the Reconstruction Finance Corporation \$1,122,000,000; and through the Postal Savings we have given the banks another billion or more.

All we are doing is making contributions to the bankers and doing nothing for our unemployed citizens.

Congress is not the only one culpable—the various legislatures of the States seem to be doing the same thing. I have a letter from California, my own State, advising me that the legislature enacted a law protecting building-and-loan associations.

Under the new law I may be compelled to wait 8½ years before I can secure the return of my modest passbook account.

We are doing everything to protect the bankers and nothing to relieve the mortgagors and men out of employment. If we wish to do the proper thing for the people, we should give the bankers a fair deal; but at the same time we should enact a moratorium so that the unemployed and others will be protected against the loss of their homes.

The building-and-loan associations state that the provisions with relation to the recently enacted home-loan bank will be of no benefit to them. The mortgagees will not accept the benefits of the act. Our citizens are going to lose their homes.

I hope that the chairman of the committee will be a little more liberal in this matter and help protect the taxpayer and bring relief to the unemployed.

I may vote for this guaranty bill, although it seems to me like a nice, rosy, well-polished apple. It looks nice, but I am afraid that there are defects inside—that it is rotten at the core. [Laughter.] I may vote for it, but it will be a strain on my conscience to do so. [Laughter and applause.] I am hoping that the time will come when the chairman of this committee will bring in a humanized bill which will protect the interest of all the people and not one solely for the bankers.

Mr. FULLER. Mr. Chairman, it certainly is amusing to hear such an argument as that just listened to. It is absolutely ridiculous for men who claim to be business men, who claim to represent constituencies that are composed of busi-

ness men, to listen to such utter absurdities. It is said that we are giving the big bankers of the country a big benefit because we allow these bankers to act as depositories for post-office money.

Mr. HOEPPPEL. Mr. Chairman, will the gentleman yield?

Mr. FULLER. In a moment. There is not a bank in the United States that is making any money by reason of being a depository for post-office money. I will tell you how it happens. I happen to be the president of a small bank. It was wished on me after I came here. The banks were failing over all the country and the boys elected me president of this bank, and I have never found an opportunity to resign. I do not know much about banking, but mine is standing up. This bank has stood the acid test. We wanted to be a depository for post-office money.

Mr. HOEPPPEL. I wish the gentleman would advise us what ladies' aid society he belongs to.

Mr. FULLER. None. Banks make no money off postal savings. They buy bonds, mostly Government, drawing a small rate of interest, and these are deposited as security for the postal savings. Then these banks must pay 2½ per cent on the postal savings, and thus make nothing out of these Postal Savings deposits.

Mr. HOEPPPEL. I am not speaking for the banks, I am speaking for the American people. If you examine the records, you will find that postal deposits have increased over 1,100 percent since the bank holiday.

Mr. FULLER. And they have a gentleman like you in Congress who just got out of a Republican post office and came here on the Democratic landslide and occupies a seat on the Democratic side. You do not know what it is to go along with this Democratic administration. The only time anybody ever knew of you voting with the administration was when you voted for beer; and if you did as you should, you would go over to the Republican side where you rightfully belong. [Laughter and applause.]

Mr. HOEPPPEL. Mr. Chairman, will the gentleman yield?

Mr. FULLER. No; I do not want to hear any more. I cannot spend a lot of time in 5 minutes shooting cannon balls at a canary bird. [Laughter and applause.]

Mr. HOEPPPEL. But I have a cannon ball to shoot at you. Why do not you yield?

Mr. FULLER. It is not the big banks that want security or guaranty. None of them wants it. It is the people who are demanding this law.

Mr. HOEPPPEL. Will the gentleman yield?

Mr. FULLER. No.

Mr. HOEPPPEL. What about Dawes getting charity?

Mr. FULLER. Who?

Mr. HOEPPPEL. Dawes, the man with the friendly pipe. He borrowed \$90,000,000, and we will lose at least \$30,000,000 on the securities.

Mr. FULLER. I expect that is true, but it has nothing to do with the merits of this bill. What we are trying to do is to correct the American banking system so that we can regulate the banks. I am amused at other Members on this side of the House who make every objection and every argument they can in criticism of this bill, especially the guaranty system. The gentleman from Texas says in his own State two thirds of the banks cannot qualify under this law. This is an acknowledgment of their insolvency. If they cannot pass inspection and examination, they should not be permitted to take advantage of the guaranty feature. If they are not solvent, they should not be permitted to operate. Yet the people of his State and the people of America everywhere are demanding at the hands of Congress that we give them a guaranty bank system. The only way that we can do that is for the Federal Government to get back of it all. I say to you that two thirds of this money is not being contributed by the Federal Government.

Mr. HOEPPPEL. Will the gentleman yield? Mr. PATMAN is a Democrat.

Mr. FULLER. Yes; and he is a good one, and he is going to be regular, and he will vote for this bill. He is all right. You need not worry about PATMAN. He will go along with

this measure and the administration. They say that these little banks are insolvent and cannot come into this System. Then they should cease to operate. The Government cannot afford to guarantee insolvent banking institutions. If it did, the guaranty would prove a failure and almost bankrupt the Government. The deposits should not be guaranteed in any bank which cannot stand examination.

This panic, causing general bank failures, has caused the people to lose confidence in banks. The best way to restore that confidence is to examine strictly and regulate banking and guarantee the deposits of all banks sufficiently solvent to pass a rigid examination. We should make it impossible for banks to accept deposits, fail, and pay only a small percentage. [Applause.]

The CHAIRMAN. The time of the gentleman from Arkansas has expired. The question is on the amendment offered by the gentleman from California.

The amendment was rejected.

Mr. GOLDSBOROUGH. Mr. Chairman, a few moments ago an amendment was adopted which read like this:

One of whom, selected by the third, shall be chairman of the Corporation.

Since that time, by an amendment offered by the gentleman from Texas, which was adopted, that no. 3 has been changed to 4, so that the previously adopted amendment has no meaning. I ask unanimous consent that that previous amendment which I have just read be stricken out.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. GOLDSBOROUGH. I offer an amendment, Mr. Chairman.

The Clerk read as follows:

Amendment offered by Mr. GOLDSBOROUGH for the committee: Page 49, line 20, after the word "President", insert: "one of whom shall be chairman of the Corporation."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maryland [Mr. GOLDSBOROUGH].

The amendment was agreed to.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

Mr. MCGUGIN. Mr. Chairman, I move to strike out the enacting clause.

Mr. Chairman, before we get to the next section of this bill and before the gentleman from Texas [Mr. PATMAN] will have an opportunity to offer his amendment thereto there are some things I wish to bring before the Membership of this House.

There seems to be a prevailing idea that those of us who are opposing this bill or parts of it in its present form are unduly stubborn in our position.

I have some communications which I should like to bring to the attention of this House. Our position is based upon the proposition that we believe sincerely that this bill, placed in operation, is detrimental to the welfare of the country banks.

I hold in my hand a letter from Hon. H. W. Koenke, bank commissioner of the State of Kansas. The banks out in the agricultural section have become very apprehensive in this matter. Mr. Koenke tells me that as a result of a certain conference of Kansas bankers, a meeting was called in Des Moines, Iowa, and at that meeting there attended as representatives from the various agricultural States bank commissioners, representatives of the State banking departments, presidents, secretaries, and chairmen of the legislative committees. Mr. Koenke would have been here at this time as a representative of the State banking departments of 14 agricultural States, except that he met with an automobile accident on his way to Washington.

Speaking of the Des Moines meeting, he has this to say:

This meeting was attended by more than 40 representatives from 14 Midwest States, consisting of the following States: Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, and Wisconsin.

At this meeting the proposed national legislation was thoroughly discussed, and the consensus of opinion of the entire group was that we should not stand idly by and permit the enactment of Federal legislation which would be detrimental to the individual unit banks throughout these agricultural States.

I hold in my hand a telegram which I received this morning from the president of the Kansas Bankers Association:

Kansas bankers, State and National, in convention at Salina, May 17, expressed by resolution strong opposition to the features of the Glass-Steagall bill. One being concerned chiefly over provisions which would inevitably operate to annihilate fully 400, or more than half, of existing Kansas banks now opened and serving well their respective communities. The convention urged strongly the preservation of the dual system and maintenance of present capital limitations for existing banks and admission of State banks thereunder to the Federal Reserve System.

Now, under the present law, State banks in towns of under 3,000 people can enter the Federal Reserve with \$25,000 capital. When you pass this bill any bank in any size town, even if it only has a hundred people, must have a minimum capital stock of \$50,000. Pass this bill; and if a bank is located in a town of over 6,000, it must have a capital of \$100,000 in order to enter the Federal Reserve. Study this bill as you may, and you can reach but one logical conclusion, and that is that in the end no bank is safe unless it ultimately qualifies and enters the Federal Reserve System. In fact, it is the purpose of the bill to force all banks into the Federal Reserve.

I should like to go along on a bill which would provide for the guaranty of deposits. The country bankers of Kansas want to do that. The banking departments of the 14 agricultural States want to do that, but you have not given them that kind of bill. This bill discriminates against them. I protest against the wrong about to be done to the small country unit banks.

The CHAIRMAN. The time of the gentleman from Kansas [Mr. McGugin] has expired.

Mr. STEAGALL. Mr. Chairman, I have been in this fight for 15 years to accomplish this reform on behalf of independent community banking in the United States, and the passage of the legislation during all these years has been defeated by messages flooding Congress from bankers such as those just read. Many of those bankers, guided by short-sighted, selfish interests, did not even understand at times the purport of the legislation under consideration. No doubt the messages that have been read were predicated upon the bill introduced in the Senate.

Some of the advocates of bank-deposit insurance at this time favor restricting such insurance to member banks of the Federal Reserve System. I am as much opposed to that as is the gentleman from Kansas [Mr. McGugin]. The Congress passed last year a bill setting up a plan for insuring bank deposits, and we incorporated in that bill a method for the admission of State banks upon the same terms and conditions that had to be met by member banks of the Federal Reserve System. This bill has incorporated in it almost every suggestion that any advocate of the interests of State nonmember banks has seen fit to offer to safeguard the System against discrimination as between the two classes of banking.

I know the service that has been rendered by the small community banks. They constitute the pillar of the financial and economic structure of this country.

Mr. McGUGIN. Will the gentleman yield?

Mr. STEAGALL. And the figures that have been read on this floor by the gentleman from Kansas [Mr. McGugin] and by others relating to the number of bank failures in the United States, and the comparative figures relating to the two systems in the reports of bank failures, do not tell the whole story.

The records show while there is a far greater number—practically one and one half times as many—of State nonmember banks than there are member banks of the Federal Reserve System, and while deposits in State nonmember banks far exceed the deposits in member banks, the records show that there is slight difference between the amount of deposits that have been tied up by bank failures in member banks and nonmember banks of the Federal Reserve System.

Mr. McGUGIN. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. Not for the moment; I will a little later. I have the figures which show during the 10-year period from 1921 to 1931 that the total number of deposits tied up in nonmember banks were a fraction less than the deposits tied up in member banks that failed. I have the figures for 1931. They tell the same story, comparatively. I have the figures showing the distress that has come upon the country and the conditions that have arisen because of the failure of large banks, of chain banks, and branch banks. I am not going to take the time to read these figures.

[Here the gavel fell.]

Mr. STEAGALL. Mr. Chairman, I ask unanimous consent to proceed for 2 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. STEAGALL. I shall incorporate the figures in my statement.

No man is more concerned about preserving the independent community banks in the United States than I am. The same statement is true of the members of this committee, who have stood together in this House and defeated for years all efforts to undermine independent community banks. We have beaten back the effort that has been made to unify the banking system and to set up centralized banking. We have made this fight through the years, and this bill is the culmination of that struggle.

This bill will preserve independent, dual banking in the United States to supply community credit, community service, and for the upbuilding of community life. That is what this bill is intended to do. That is the purpose of this bill; that is what the measure will accomplish.

In addition to the deposits insurance provisions which have been discussed and which I think the Members of this House favor, and which I know the citizenship of this country desires, I may say that the measure represents years of effort of a great Senator who wishes to restrict commercial banking and the great Federal Reserve System to service of the public interest. Everybody now regards these regulatory provisions as wise and constructive.

Besides these provisions and the plan for insuring deposits, we are setting up a great fund with resources of something like \$2,000,000,000 to be used for the purpose of relieving the distress caused by the wave of bank failures that has come upon us in recent years. We pray God these experiences will never be repeated in the United States, and they will not be repeated if the Congress is alive to the responsibilities and duties of this hour.

If there were nothing else in this bill, the plan for making loans upon the assets of closed banks for the purpose of enabling communities that have their deposits tied up in failed banks to realize a portion of the value of those deposits would alone make this bill one of supreme importance.

Mr. Chairman, I think I know that it is unnecessary to argue with this House against the motion to strike out the enacting clause of this bill. [Applause.]

The CHAIRMAN. The question is on the motion of the gentleman from Kansas.

The question was taken; and on a division (demanded by Mr. Goss) there were—ayes 1, noes 148.

So the motion was rejected.

The Clerk read as follows:

Sec. 302. (a) Any State bank or trust company, not a member bank of the Federal Reserve System, with the approval of the State authority having supervision of such bank or trust company and certification to the Corporation by such authority that such bank or trust company is in solvent condition, after examination by, and approval of, the Corporation, shall be entitled to the privileges of this title upon agreeing to comply with this title and upon subscribing to the same amount of stock as would be required if such bank or trust company became a member bank. The Corporation is authorized to prescribe rules and regulations for the further examination of such bank or trust company and fix the compensation of examiners employed for such examination. All the provisions of subsections (e) and (f) of section 301 and of section 303 shall apply to such State bank or trust company and to its holding of such stock as if it were a member bank. If

at any time the board of directors of the Corporation is of opinion that any such State bank or trust company has failed to comply with the provisions of this title applicable to such State bank or trust company or that the continued participation by any such State bank or trust company is detrimental to the safe and economical carrying out of the duties of the Corporation under this title, the board shall give notice thereof to such State bank or trust company and, after hearing, the board may by order require the withdrawal of such State bank or trust company from participation in the benefits of this title, which order shall become effective at such time, not less than 30 days after the issuance thereof, as the board may fix, and the Corporation shall pay to such State bank or trust company the amount paid for stock held by it (and its stock shall be retired and canceled).

(b) In case any State bank or trust company, not a member of the Federal Reserve System, is prohibited by State law, or by the State authority, from complying with the requirement of subscribing for stock in the Corporation pursuant to subsection (a) of this section, it shall be entitled to the privileges of this title upon complying with the other requirements of such subsection, and upon making a deposit in lawful money with the Corporation equal to the face amount of stock which it would be required to subscribe for if it became a member bank. The Corporation shall pay interest on any such deposit to the bank or trust company making such deposit at a rate equal to the rate of the dividend paid on stock of member banks. Such deposit shall be adjusted in like manner as holdings of stock in the Corporation by member banks are adjusted under subsection (f) of section 301. Upon insolvency of the State bank or trust company making the deposit, such deposit and accrued interest thereon shall be applied in the same manner as cash-paid subscriptions and dividends are applied under section 303. The provisions of the last sentence of subsection (a) of this section shall apply to any bank or trust company making such deposit, except that in lieu of payments by the Corporation to the bank or trust company of amounts paid for stock the Corporation shall return to such bank or trust company the amount of the deposit.

Mr. GOLDSBOROUGH. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Mr. GOLDSBOROUGH, for the committee, offers the following amendment: Page 55, add a new sentence between what are now lines 3 and 4, as follows: "It is not the purpose of this subsection to discriminate in any way or manner against State nonmember and in favor of national or member banks, but the purpose is to provide all banks with the same opportunity to obtain and enjoy the benefits of this title. No bank shall be discriminated against because its capital stock is less than the amount required for eligibility for admission into the Federal Reserve System."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Maryland [Mr. GOLDSBOROUGH].

The amendment was agreed to.

Mr. PATMAN. Mr. Chairman, I offer an amendment. The Clerk read as follows:

Amendment offered by Mr. PATMAN: Page 54, line 2, after the word "condition", strike out the following language in lines 2 and 3: "after examination by and approval of, the corporation"; and on page 54, line 13, after the word "time", insert the following: "After 1 year."

NATIONAL BANKS HAVE ADVANTAGE

Mr. PATMAN. Mr. Chairman, under the terms of this amendment all State banks will automatically come into this insurance system in the same way and manner that national banks and member banks of the Federal Reserve System have come in.

When this law is passed there will be no examination of national banks or member banks. I see no reason why we should not permit the State banks to come in under the same terms and conditions, with the understanding that they shall have a year before any examination of any kind will be required. We are hopeful that during this period of time commodity prices will come back and other prices will come back and the State banks can qualify under this system the same as the national banks can qualify. If they do not, no bank will be any good. It is all dependent entirely upon this condition.

REASONABLE AMENDMENT

So I see no reason why this amendment should not be adopted. It is reasonable. We are using the Government's money in order to pay an insurance premium for banks. Should the Government spend money to pay two thirds of the insurance premium just to protect 6,000 banks or should we pay the premium for all the 18,000 banks in the country, the State banks as well as the national banks?

I invite your attention to the CONGRESSIONAL RECORD of Saturday. I inserted a table which gives the number of State banks in each State in the United States and also the deposits in the banks of each State. This is shown at page 3841 of the RECORD.

There are 6,011 national banks and there are 12,379 State banks.

In order that you may know how it will affect certain States, for instance, the State of the gentleman from Wisconsin has 654 State banks that cannot go into this system unless and until they are certified by the supervisor and an examination is made and this board passes upon them. Until that time 127 national banks in the gentleman's State will have every advantage.

In the State of Kansas there are 209 national banks, but 625 State banks. Maryland, 140 State banks and only 68 national banks; in Kentucky 108 national banks, but 362 State banks; in Alabama 77 national banks, but 158 State banks; Texas, 483 national banks and 540 State banks.

Will it be right to say to the 77 national banks in Alabama, the gentleman's home State, that they shall automatically come into this system and the Government is going to pay their premium, except what the depositors pay, but that twice that number of banks, or 158 State banks, are going to be excluded unless and until they can qualify according to the rules and regulations that are laid down by this board of five members.

In the State of Arkansas there are only 52 national banks, but 220 State banks.

If you pass this bill as it is, you will use the Government's money to protect deposits in national banks aggregating \$16,000,000,000, but you will exclude from any protection of any kind whatsoever deposits in State banks amounting to \$25,541,000,000.

I should like to know what excuse can be given for using the Government's money to pay an insurance premium just for the protection of one third of the banks of this country.

Mr. GOSS. Will the gentleman yield?

Mr. PATMAN. I will be pleased to yield to the gentleman.

Mr. GOSS. If the gentleman's amendments are adopted, does the gentleman think the sum of \$150,000,000 will be large enough?

Mr. PATMAN. It will be much more than that. It will be \$150,000,000 from the Government, it will be \$150,000,000 from the Federal Reserve banks' surplus fund, which really belongs to the Government, and then it will be one half of 1 percent of the deposits, which will amount to from \$200,000,000 to \$350,000,000, instead of just the \$150,000,000, if you put in only the national banks.

[Here the gavel fell.]

Mr. TRUAX. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I want to say to you that in my State of Ohio the State banking department has not only the little bank to supervise but many of the large financial institutions as well.

But during the past 2 years no more sordid tales have been written on the pages of history than that of mismanagement, criminal blindness by the State bank departments in examinations of our banking and financial institutions.

In the campaign of 1932 the Governor of our State, George White, boasted that at last they had secured the greatest, most efficient State superintendent of banks in the world. They said that this man had not been selected for political preferment, but that his name had been suggested by the big bankers of Cleveland.

And that was true, but now the chickens have come home to roost. The failure that rocked the State was that of the Union Trust Co., of Cleveland, and the Guardian & Savings Trust Co., of Cleveland. These men had suggested the name of Ira G. Fulton as the man to be named as State superintendent of banks.

Woven into this tale is the story of the Van Sweringen brothers, owners of many railroads, and Cyrus K. Eaton, the man who started Sam Insull on the downward path—all dreamed of a world empire.

The projects of these super crooks of the twentieth century were financed by the Union Trust Co. That is typical of their selfishness and greed—they wanted a world empire which emanated in the minds of Eaton and the Van Sweringens—they wanted it to become their own little baby. They wanted it all, and after the crash, or rather before it, the holding company was born, known as the Western Reserve Mortgage Co. They pooled all their mortgages in that holding company—many of them of no market value and not worth the paper they were written on.

Thanks to the former Speaker of this House, JACK GARNER, and the present Speaker, HENRY T. RAINEY, publicity had to be given to all loans made by the Reconstruction Finance Corporation, and these gentlemen borrowed \$25,000,000 under the name of the Western Reserve Mortgage Co.

I want to tell you gentlemen that this company which robbed widows and orphans of trust funds which had been left to them were under the supervision of this banking superintendent, Ira G. Fulton.

When the gentleman from Kansas was talking about the State bank department of Ohio objecting to this provision in this bill it made me stronger than ever for the bill. I want to commend this committee for their labor on the bill, and for having the courage and the guts to at last recommend to Congress a bill that will guarantee deposits of people's money in these banks. [Applause.]

Gov. George White's indifference to the cry of robbed depositors of defunct banks was first registered when the Standard Trust Co. of Cleveland, Ohio, closed its doors in December 1931. This institution was founded upon the savings of the members of the Brotherhood of Locomotive Engineers throughout the United States and Canada, and the savings of the members of kindred labor organizations in northern Ohio.

Shortly after the failure of this institution, through the influence of Governor White, one Maurice Bernon, an ostensible power in the Democratic organization of Cleveland was appointed liquidating agent in charge of this bank, despite the fact that the records disclosed at the time that Mr. Bernon and his brother had secured from the Standard Trust Co., shortly before it failed, the sum of \$25,000 on a nonsecured note. As liquidating agent, this individual drew several thousands of dollars in fees before he resigned, about 6 months ago, not one cent of which was applied to offset his indebtedness to this bank.

A trail of ruined homes and suicides followed as a result of the defalcations of the president and officers of this bank.

During the process of liquidating a certain law firm in Cleveland, contrary to all established law, by court action set off certain fees due them for legal services performed for this bank against their double liability as stockholders due to this institution under the law.

This action was so reprehensible that protests from the newspapers and depositors were forwarded to Governor White urging him to cause an independent investigation of the action of this law firm. Instead of responding to the appeal of the robbed depositors, Governor White passed the buck by asking the Cleveland Bar Association to make the investigation. To date no report has been made.

At the present time the members of the Brotherhood of Locomotive Engineers and other depositors are eagerly waiting action by the prosecutor of Cuyahoga County looking to the indictment of those who were responsible for the failure of this institution, and who long ago should have been behind prison bars.

In Ohio the State banking department for the past several years has been nothing but a political machine for the Governor who happens to be in power. During the third term of Governor Vic Donahey, 1927-28, it was discovered that all was not well with the State banking department, and the resignation of the superintendent was "accepted." An efficient and faithful employee of the department was then elevated to the superintendency by Governor Donahey. With the retirement of Governor Donahey on January 14, 1929, the incoming Governor reverted to the spoils system and a political appointment was made. Governor Cooper's

administration lasted one term only, being followed by Gov. George White, a Democrat, who was inaugurated in January 1931.

The political set-up in the State banking department under Governor White was intensified to the 7th degree for the sole purpose of building up a political vehicle in which Governor White could ride into a second term as Governor and thence to the United States Senate, George White, himself the head of a large banking institution in his home city of Marietta and a director of the Tidewater Oil Co.

During the first term of the Governor many State banks collapsed, but thanks to his political henchmen, appointed to positions of trust and responsibility, the mess was covered up so that a good front could be made in the election campaign of November 1932. During that campaign Governor White and his high priest of banking and finance, Hon. Theodore Tangeman, director of commerce, traveled around the State in State-owned airplanes and automobiles and boasted that in Ohio the banks had been saved—the crisis was over—the banking problem had been solved for all time because of the masterful judgment and unexampled executive ability of George White, the Governor, and Theodore Tangeman, the director of commerce, and Ira G. Fulton, the State superintendent of banks.

So great was the egoism of the first two named that they boasted in public addresses of the unique manner in which their scintillating jewel of all State bank superintendents, Mr. Ira G. Fulton, had been discovered. Admitting that practically all other appointments, including the cabinet members, had been named by the political bosses, Brunner, Gongwer, Pyke, Leonard & Co., they fearlessly asserted that Ira G. Fulton was selected by the big bankers of Cleveland as the outstanding bank expert in Ohio, the one man to bring light out of darkness, who could bring order out of chaos, and who could, as if by magic, clear the muddy waters of the tangled and stinking bank cesspool in Ohio.

So elated did the pair, White and Tangeman, become because of the glib mess of pottage that had been swallowed by the unsuspecting voters at the November 8 election, hook, line, and sinker; so swollen did the head of the governor then become and so pronounced his well-known asininity manifested itself, that forthwith and then did he declare himself to be a full-fledged candidate for President of the United States. No more amusing picture has ever imprinted itself on the pages of history, no more ludicrous was the attempt of Don Quixote to charge the windmill, than was the abortive campaign of George White for the presidency of the United States, climaxed by the now-famous caucus of the Ohio delegation in the Chicago convention after nomination had been made of the greatest President this country has ever known, Franklin D. Roosevelt.

Now the chickens are home to roost, the biggest bank collapse in Ohio is that of the Union Trust Co., of Cleveland. The officials of this bank were among those who recommended Ira G. Fulton for State banking superintendent. With the collapse of this huge financial institution it now develops that no greater example of twentieth century piracy, no more shining illustration of banks' being looted by bankers themselves will ever befoul the pages of banking history than the looting of the sacred funds and trusts of fathers and widows to their children and their children's children than the sacking and pillaging of the Union Trust Co. by those who were supposed to be the watch dog of its funds.

Like a story from the Arabian Nights it unfolds: The Van Sweringen brothers, originally smooth-tongued real-estate operators, after successfully developing the Shaker Heights addition to Cleveland, like Napoleon, longed for new and bigger worlds to conquer. They directed their attention to two streaks of rust, a right of way, a few cars and antiquated locomotives, officially known as the Nickel Plate Railroad, and amazing though it seems, transformed this line into a modern, profitable enterprise. Then, commendable as it is, the Van Sweringen boys dreamed of a new and greater Cleveland to be known as the Union Terminal Development, the hub of which was a mighty skyscraper

containing hundreds of offices. The Union Trust Co. was the white angel that made these vast projects of the Van Sweringens possible by financing the project with not only depositors' money, but those who had left their all with this supposedly Gibraltar of finance to administer safely, honestly, and wisely, their incomes to their posterity.

Then along came Cyrus K. Eaton, who in dreams of world power and wealth towered above the puny Van Sweringens, as Saul towered above his brethren. Eaton it was who conceived the creation of Continental Shares, Inc., a bucket shop extraordinary, having as one of its directors the young David S. Ingalls, Assistant Secretary of the Navy under President Hoover, and defeated Republican candidate for Governor of Ohio in 1932. Eaton, Ingalls, and their Continental Shares Co. started that supercrook of all times, Samuel J. Insull, on the downward path to ruin. They bought so many shares of Middle Western Securities, an Insull subsidiary, that Insull was forced to go into the open market and buy them back at enormously advanced prices.

Cyrus Eaton and David Ingalls controlled Otis & Co., the largest investment and speculative brokers in Ohio, who were also drawn into the net and now are compelled to confine their business strictly to the handling of legitimate investment securities. Eaton, still dreaming of a world empire, reached out his greedy hand and tried to corner the stock of the Youngstown Sheet & Tube Co., but the directors of these two great corporations, craftier than Eaton, and guided by the great legal mind of the Hon. Newton D. Baker, immediately announced a coming merger with Bethlehem Steel Co. and Charlie Schwab. Eaton was forced to go into the open market and buy stock for as high as \$180 a share to prevent the merger with Bethlehem.

During the melee and mad spree with other peoples' money, the Allegheny Corporation, a holding company, was formed to pool stocks and assets for the Van Sweringens' railroads, terminal development projects, and real estate. The point which interests us is the Union Trust Co., with characteristic hoggishness and greed of the big bankers, wanted this sweet little child of world empire, conceived in the minds of the Van Sweringens and Eaton, for their own baby. They financed these modern Captains Kidd to the limit.

In the meantime, directors of the Union Trust Co. had borrowed huge sums upon their personal unsecured notes. The financial institutions were milked and the depositors ruined.

The sequel to this gruesome story of frenzied finances is known to every American citizen who reads the newspapers. Insull fled to Greece with his ill-gotten millions, Eaton took what was left of Continental shares to Canada, where he has a holding company in the name of his wife and family. There his ill-gotten millions repose to enable him, like Insull, to live like a king upon the spoils stolen from broken-hearted men and women, who were once high in the financial and industrial world, and helpless widows and orphans who hold the bag.

Do not forget that the Union Trust Co., Guardian Trust Co., and more than 200 State banks have collapsed and fallen down under the administration of Governor George White and under the mismanagement of his superintendent of banks, Ira G. Fulton. Protests and complaints have poured in to the governor by hundreds. Demands for Fulton's removal reach him by the score. Threats of impeachment are heard freely, yet the governor moves on, unperturbed, serenely, apparently secure in the thought that is typical in the mind of all big bankers, namely, government of, by, and for bankers.

Mr. STEAGALL. Mr. Chairman, I am sure the gentleman from Texas [Mr. PATMAN] does not want to destroy the results of the enormous labors expended in connection with this bill and which have brought us to this moment where victory and success seem about to crown our efforts. I am sure the gentleman understands that there have been many differing views as to the methods to be employed in setting up this plan for insurance of bank deposits. I desire to say to my friend that if we tear down the reasonable safe-

guards that are provided for the soundness and success of this plan, we shall endanger ultimate success. If this board, which is to be selected in accordance with the wishes of the gentleman himself and in accordance with the wishes of all of us who view this problem from the standpoint of utmost consideration for State banks, cannot be trusted to examine a bank honestly and fairly and decide whether it should be permitted to join other banks in the benefits of this corporation, we may as well abandon the undertaking. Who will say that a bank that cannot pass a fair examination, whether its difficulties were due to crookedness, or incompetency, or unavoidable insolvency, should be imposed upon others who are to bear the burden? Banks that come in automatically are examined now under Federal authority.

If the amendment were adopted, it would automatically exclude banks in a number of States that could not qualify at all and that the Board would have no right to admit, because some States have no examining authority. I cannot call the list now, but there are some.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. Certainly.

Mr. PATMAN. I wonder why the gentleman inserted in the bill the language:

With the approval of the State authority having supervision of such bank or trust company.

Mr. STEAGALL. We require that in States where they have examining authorities. Of course, any bank in a State that has examining authorities should prepare to submit a certificate of good character, but a number of States cannot submit those certificates and the banks of those States would be automatically excluded under the gentleman's amendment.

Mr. PATMAN. Would it not be all right then if this amendment—

Mr. STEAGALL. I did not yield except for a question.

Mr. PATMAN. Should provide, where they have no supervising authority, that then the board can pass upon them.

Mr. STEAGALL. Mr. Chairman, I do not think the gentleman ought to keep splitting hairs and chasing shadows in an effort to delay the passage of this bill. This House, if I know its temper, desires this legislation. This problem has been worked out as best it can be worked out. I do not say that claiming the credit to myself, but it represents the combined judgment of the men who desire an honest-to-God system of mutual bank-deposit insurance in this country that will admit every bank that is worthy of admission and that will give us a new start with a clean slate and dignify and elevate banking to a plane worthy of the banking system of this great Republic. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas.

The question was taken; and on a division (demanded by Mr. PATMAN) there were—ayes 20, noes 88.

So, the amendment was rejected.

Mr. DIRKSEN. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment by Mr. DIRKSEN: Page 54, line 6, after the word "bank", at the end of the sentence, strike out the period and insert: "Provided, That any State bank or trust company not a member bank of the Federal Reserve System which shall have been certified by the State authority having supervision of such bank or trust company as in solvent condition and which shall have agreed to comply with this title and have subscribed for the amount of stock required by this title, shall be entitled to the privileges of this title pending examination by and approval of the Corporation."

Mr. DIRKSEN. Mr. Chairman, under the existing language of the bill, there are three requirements for membership under the benefits provided by the bill. First of all, a bank must get a certificate from the banking authority of its State. Second, it must be examined and approved by the corporation set up by this act. Third, it must subscribe to its quota of stock under this act. The amendment I propose does not take away any one of those requirements. This amendment does require, first of all, the certification of

the banking authority in the State; second, the subscription to the required amount of stock; and then provides that such bank shall be entitled to the benefits of the act pending an examination and approval by the corporation.

I am not insensible to the arguments against this amendment. It will be said that this is a proposal to bring banks within the provisions of this act and give them the benefits and privileges of this act before having been examined by the corporation herein set up. That is absolutely true; but I am just a little alarmed by this fact: The former Secretary of the Treasury indicates that it will take approximately 12 months or more for the corporation to make all the necessary examinations, before all banks that may apply can be properly approved. You can readily understand that in a town which has four or five banks it is quite possible to examine one bank and approve it and then go on to some other town and leave three or four banks in the first town that have not been approved under the provisions of this act. The result will be what? If you were a depositor in one of the other banks and the first bank was insured, you would take your money out of the uninsured banks and place it in the insured bank, because there is a transition period of 1 year, and perhaps more, before the corporation can approve banks that will come under the purview of this title. I say there is a bit of danger, and I am alarmed about it.

I confess that my dilemma is about the same as yours. I have a score of State banks in my district. On the other hand, I have 60,000 or 70,000 depositors who are clamoring for bank insurance. Incidentally, we have been using the words "insurance" and "guaranty" interchangeably. I think we should be more careful about that. I do not look upon this as a guaranty but, rather, as insurance. But I say here are depositors on one hand and State banks on the other, serving agriculture, serving mining districts in my district, and I like to be a little solicitous about the State banks in my district. However, I am more interested in this transition period which will be set up when they start approving the various banks under this title, because it is possible for depositors to rush from an uninsured bank to a bank that has been previously insured under this act and thereby possibly disrupt the banking fabric in a great many cities.

Mr. BROWN of Michigan. Will the gentleman yield?

Mr. DIRKSEN. I will.

Mr. BROWN of Michigan. Has the gentleman's attention been called to section 311 of the bill on page 75, in which it is provided that surveys shall be made by the President before the act goes into effect?

Mr. DIRKSEN. That is not very conclusive.

Mr. BROWN of Michigan. Well, that provision is made for a survey. It means a survey of State banks.

Mr. DIRKSEN. But it does not make it particularly mandatory to confer the benefits of this act on any bank that has met two requirements and is willing to meet the third requirement as soon as the corporation can examine that bank.

Mr. BROWN of Michigan. Does not the gentleman think the President will be fair to the State banks?

Mr. DIRKSEN. Yes; but it is nothing more than lip service, as a matter of fact.

I yield back the balance of my time, Mr. Chairman.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

Mr. McGUGIN. I hope the gentleman will give me an opportunity to offer an amendment.

The CHAIRMAN. The question is on the motion of the gentleman from Alabama [Mr. STEAGALL].

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois [Mr. DIRKSEN].

The question was taken; and on a division (demanded by Mr. DIRKSEN) there were ayes 28 and noes 51.

So the amendment was rejected.

Mr. McGUGIN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. McGUGIN: Section 302 (a), page 53, line 22, strike out subsection (a) and insert in lieu thereof:

"(a) Any State bank or trust company, not a member of the Federal Reserve System, with the approval of the State authority having supervision of such bank or trust company and certification to the Corporation by such authority that such bank or trust company is in a solvent condition, shall be entitled to the privileges of this title upon agreeing to comply with this title and upon subscribing to the same amount of stock as would be required if such bank or trust company became a member bank. Such State bank or trust company shall thereafter continue to be entitled to the privileges of this title upon semiannually supplying the Board with a certificate of solvency from the proper State authority. All the provisions of subsections (e) and (f) of section 301 and section 302 shall apply to such State bank and trust company and to its holding of such stock as if it were a member bank. Any such State bank or trust company that fails or refuses to furnish such semiannual certificate of solvency from the proper State authority shall by the Board be ordered to withdraw from participation in the benefits of this title, which order shall become effective at such time, not less than 30 days after the issuance thereof, as the Board may fix, and the Corporation shall pay to such State bank or trust company the amount paid for stock held by it (and its stock shall be retired and canceled)."

Mr. GOSS. Mr. Chairman, I reserve a point of order. I want to ask the gentleman if in reality the language of this amendment—

Mr. STEAGALL. Mr. Chairman, a point of order. All debate on this section and all amendments thereto have been closed.

Mr. GOSS. Very well. I am reserving the point of order. I want to ask if this amendment—

Mr. BYRNS. Well, Mr. Chairman, I make the point of order that that is getting around just what the House did a moment ago.

Mr. GOSS. I am willing to make a point of order and take a chance on it. I make the point of order that the House has already passed upon this question, that the gentleman from Texas [Mr. PATMAN] made a motion to strike out line 2, "after examination by and approval of the corporation"; and if I heard the reading of the gentleman's amendment correctly, it seeks to do the same thing by indirection which the House has already passed upon directly.

Mr. McGUGIN. Mr. Chairman, I wish to be heard on the point of order.

The CHAIRMAN (Mr. McMILLAN). The Chair is ready to rule. The point of order is overruled.

The question is on the amendment offered by the gentleman from Kansas [Mr. McGUGIN].

The amendment was rejected.

The Clerk read as follows:

Sec. 303. If any member bank shall be declared insolvent, the stock held by it in the Corporation shall be canceled, without impairment of the liability of such bank, and all cash-paid subscriptions on such stock, with its proportionate share of dividends not to exceed one half of 1 percent per month from the period of last dividend on such stock shall be first applied to all debts of the insolvent bank or the receiver thereof to the Corporation, and the balance, if any, shall be paid to the receiver of the insolvent bank.

Mr. McCLINTIC. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment by Mr. McCLINTIC: Page 56, add at the end of the section the following: "Provided, That in case of a bank failure no official connected with such institution shall in the future be eligible to obtain a bank charter or to be employed in any department that has jurisdiction over banking activities."

Mr. LUCE. Mr. Chairman, I make the point of order that the amendment is not germane.

The CHAIRMAN. The Chair will hear the gentleman on the point of order.

Mr. McCLINTIC. Mr. Chairman, we are dealing with banking matters. We are trying to place in the bill provisions that will safeguard the people's money. If this amendment is not germane, I do not see how one can be written that will be germane, because it deals specifically with the subject matter of this section and refers to insolvent banks.

The CHAIRMAN. Does the gentleman from Massachusetts desire to be heard on the point of order?

Mr. LUCE. No, Mr. Chairman; I rely upon the good judgment of the Chair.

The CHAIRMAN. The Chair feels that the amendment offered is not pertinent to the section under consideration.

The Chair sustains the point of order.

The Clerk read as follows:

Sec. 304. Upon the appointment of all the appointive members of the board of the Corporation, the Corporation shall become a body corporate and as such shall have power—

First. To adopt and use a corporate seal.

Second. To have succession until dissolved by an act of Congress.

Third. To make contracts.

Fourth. To sue and be sued, complain and defend, in any court of law or equity, State or Federal.

Fifth. To appoint by its board of directors such officers and employees as are not otherwise provided for in this section, to define their duties, fix their compensation, require bonds of them and fix the penalty thereof, and to dismiss at pleasure such officers or employees. Nothing in this or any other act shall be construed to prevent the appointment and compensation, as an officer or employee of the Corporation, of any officer or employee of the United States in any board, commission, independent establishment, or executive department thereof.

Sixth. To prescribe by its board of directors, bylaws not inconsistent with law, regulating the manner in which its general business may be conducted, and the privileges granted to it by law may be exercised and enjoyed.

Seventh. To exercise by its board of directors, or duly authorized officers or agents, all powers specifically granted by the provisions of this section and such incidental powers as shall be necessary to carry out the powers so granted.

Mr. McFARLANE. Mr. Chairman, I offer an amendment. The Clerk read as follows:

Amendment offered by Mr. McFARLANE: On page 57, in line 2, strike out the period after the word "employees" and insert the following: "Provided, That no such officer or employee shall be paid more than \$10,000 per annum: And provided further, That in no case shall any such officer or employee receive a salary at a rate in excess of the rate of salary paid for like or similar positions which are subject to the provisions of the Classification Act of 1923, as amended, and the Civil Service laws and regulations."

LET US LIMIT THE SALARIES OF THE OFFICERS AND EMPLOYEES OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

Mr. McFARLANE. Mr. Chairman, this is an amendment similar to the amendment offered on yesterday to limit the pay or salary to be received by the officers or employees of the corporation set up under title I of the Federal Reserve Board.

I want to call to your attention section 301 on page 50 wherein you are limiting the pay to be received by the officers of this corporation to \$10,000 per annum, one of whom is a member of the Federal Reserve System, and to call your attention further to the fifth paragraph of section 304 on pages 56 and 57 of the bill, the authority under which the board set up herein appoints and selects officers and employees to administer the act.

Then I wish to refer you back to paragraph (L), section 248, of the United States Code, which sets up the same provision under which the Federal Reserve Board selects the officers and employees under the act under which you voted on yesterday by a close vote to decide against adopting this same amendment.

DO YOU FAVOR ECONOMY IN GOVERNMENT?

Now, there is not any half-way ground about it, Mr. Chairman. If the membership is in favor of limiting the pay to be received by the officers and employees in the administration of this act, let them say so by their votes. Do not be misled. You are spending Government money. Many of the officers and employees under the Federal Reserve Act draw as high as \$50,000 a year. I submit in all fairness that we ought to regulate the salary of these employees for that money comes out of the Treasury of the United States, and when they are paid exorbitant salaries it cuts down the profits that would go to the United States Treasury if we do not encourage the squandering of the people's money.

Mr. GREEN. Mr. Chairman, will the gentleman yield?

Mr. McFARLANE. I yield.

Mr. GREEN. Is there any other place where a limitation can be put on salaries?

Mr. McFARLANE. This is the place where it should be done. There is no other place where it can be done. If you are in favor of paying these high salaries, if you believe these employees of the institution we are setting up under this bill should receive from \$20,000 to \$50,000 a year of

the people's money, if you believe they are justified in having it, then just vote against this amendment, but do so fully realizing that you are saying by your vote that you are unwilling to fix the salaries of these employees, many of whom are receiving anywhere from \$20,000 to \$50,000 a year.

SURPLUS EARNINGS OF THE FEDERAL RESERVE BOARD SHOULD GO INTO UNITED STATES TREASURY

Under the law, after the necessary expenses of the Federal Reserve System have been paid and the stockholders paid 6 percent on the paid-in capital stock, the remainder of the profits, under the law, should be placed in the Treasury of the United States as a franchise tax after a surplus fund of 100 percent of the subscribed capital stock has accumulated.

The bank records show they have accumulated about two hundred and eighty millions surplus, and this large sum, regardless of the reckless expenditure of the Federal Reserve System, which is annually expending about \$27,000,000, salaries of officers and employees of the 12 Federal Reserve banks combined.

Officers	Number		Annual salaries	
	Dec. 31, 1931	Dec. 31, 1930	Dec. 31, 1931	Dec. 31, 1930
Chairman and Federal Reserve agent.	12	12	\$289,000	\$278,000
Governor.....	12	12	360,000	355,000
Other officers.....	246.1	247	2,064,540	2,070,840
Employees by departments:				
Banking department.....	8,366.7	8,623.5	12,947,313	13,112,875
Federal Reserve agent.....	236.4	233.4	695,692	691,833
Auditing department.....	190.5	192.5	436,055	439,400
Fiscal agency department.....	226.3	228.6	447,175	453,942
Total.....	9,340	9,609	17,239,825	17,401,890

This Congress has cut the disabled war veterans more than 50 percent, and the Federal employees, most of whom receive very meager salaries, 15 percent.

It seems to me we should take advantage of this opportunity to save the taxpayers money and to stop this flagrant and extravagant abuse of enormous salaries being doled out to these big bankers. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas.

The question was taken; and on a division (demanded by Mr. GOLDSBOROUGH) there were—ayes 54, noes 70.

Mr. McFARLANE. Mr. Chairman, I ask for tellers.

Tellers were refused.

So the amendment was rejected.

The Clerk read as follows:

Sec. 305. The board of directors shall administer the affairs of the Corporation fairly and impartially and without discrimination. The board of directors of the Corporation shall determine and prescribe the manner in which its obligations shall be incurred and its expenses allowed and paid. The Corporation shall be entitled to the free use of the United States mails in the same manner as the executive departments of the Government. The Corporation with the consent of any Federal Reserve bank or of any board, commission, independent establishment, or executive department of the Government, including any field service thereof, may avail itself of the use of information, services, and facilities thereof in carrying out the provisions of this section.

Mr. PATMAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. PATMAN: Page 57, line 21, strike out the sentence beginning with the words "The Corporation" and ending with the word "Government", in line 23.

FRANKING PRIVILEGES

Mr. PATMAN. Mr. Chairman, this corporation is a private corporation. It will be allowed to use a corporate seal. It will exist until dissolved by Congress, which makes it a perpetual character. It can make contracts, sue and be sued, complain and defend in any court, State or Federal, in the United States.

I believe that this will be the only donation that the Government of the United States will have to make to it. I think it will be self-sustaining by reason of the assess-

ments on the depositors of the banks under this system. Therefore, it should not be allowed the franking privilege.

USE OF MAILS FREE

This bill gives this corporation the right to use the mails free of charge. At the same time it allows dividends to the stockholders. Can you defend giving dividends to stockholders and then allow the corporation to have the free use of the United States mails?

Certainly they should not be allowed dividends and the free use of the mails. The mailing privileges should be paid before dividends. Last year the Federal Reserve banks spent over \$1,600,000 for postage. I venture to say that if this corporation is organized it would spend \$1,500,000 for postage. The Federal Reserve banks are not allowed the franking privilege.

Are you willing to take \$1,500,000 out of the taxpayers' pockets and pay 6-percent dividends to holders of the stock of this private corporation? I do not believe you can defend this.

Mr. O'MALLEY. Will the gentleman yield?

Mr. PATMAN. Yes.

Mr. O'MALLEY. Under this provision they could mail out the dividend checks in franked envelopes, could they not?

Mr. PATMAN. Certainly they could, and when they have a lawsuit they can communicate with their witnesses by using the mails free. They can use the mails free for any purpose on earth, defending lawsuits or suing people.

INVESTMENT TRUST

This is an investment trust. It is not just an ordinary corporation; it is an investment trust. It is going into the business of buying and selling stocks and bonds, and under this privilege it can use the mails to transport the stocks and bonds that they buy.

I do not think the Members of the House want to do this. The franking privilege has probably been abused too much already, and certainly we should not give them this privilege and pay dividends to stockholders on the stock.

Last year we had a postal deficit of about \$200,000,000 by reason of the users of the United States mails not paying a sufficient sum for the use of the privilege. The postage on newspapers and magazines alone amounted to \$102,000,000, and on third-class parcel-post matter it amounted to about \$36,000,000.

Certainly we have extended the franking privilege too far already, and there is no excuse or reason why we should pay dividends to private stockholders on private stock in an investment trust at the expense of the taxpayers of the United States, and I ask that this section, which allows this privilege, be stricken out.

Mr. REILLY. Will the gentleman yield?

Mr. PATMAN. I yield.

Mr. REILLY. Will not the Government of the United States make money out of this corporation?

Mr. PATMAN. If it does, it is entitled to it. It has stock in it, and while the Government would get 6 percent on the \$150,000,000, all the private banks will get dividends on their stock, and I say do not pay the Government, the private banks, or anybody else any dividends if you have to take it out of the pockets of the taxpayers, because for every dollar the Government gets, the private bank also gets a dollar.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this amendment and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas.

The question was taken, and on a division, demanded by Mr. STEAGALL, there were—ayes 88, noes 75.

Mr. STEAGALL. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chair appointed as tellers Mr. PATMAN and Mr. STEAGALL.

The Committee again divided, and the tellers reported that there were—ayes 90, noes 88.

So the amendment was agreed to.

Mr. COCHRAN of Missouri. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. COCHRAN of Missouri: On page 57, line 23, after the word "Government", strike out all down to and including line 2, on page 58.

Mr. COCHRAN of Missouri. Mr. Chairman, I request the committee to read the sentence that I desire stricken out. I should like the attention of the members of the Banking and Currency Committee. The sentence reads:

The corporation, with the consent of any Federal Reserve bank, or of any board, commission, independent establishment, or executive department of the Government, including any field service thereof, may avail itself of the use of information, services, and facilities thereof in carrying out the provisions of this section.

Mr. Chairman, this is wide open. If I understand the English language it means, whether you want it to mean it or not, that this private corporation can avail itself of the services and facilities of any Government institution or agency, if a Federal Reserve bank or any branch of the Government says so.

Do you think this is good business? If you think it is good business to turn over to this private corporation the services and facilities of all Government agencies, well and good. If this is not what the sentence means and someone can show me that it is not what it means, then I shall withdraw my amendment.

I should like for the chairman of the committee to advise us if he can make anything out of this sentence other than what I have just stated.

Mr. STEAGALL. I will say to the gentleman that there is no provision for the corporation to avail itself of anything except with the consent of the Federal Reserve bank or any board, commission, independent establishment, or executive department of the Government.

Mr. COCHRAN of Missouri. That is what I have just explained. In other words, if the Federal Reserve bank in St. Louis, a private institution under Government control, says to this corporation, "Avail yourself of the facilities of the Department of Agriculture or the Department of Commerce or any other Government department", under the terms of this sentence the corporation will have authority to do it.

Mr. STEAGALL. The purpose of the language is to try to supply the new corporation with the benefit of any information or aid that may be extended from other departments without attempting to set up a separate personnel to do the work.

Mr. COCHRAN of Missouri. Why should you do that? Let the corporation hire its own help and set up its own facilities.

Mr. STEAGALL. This is the customary language used in every bill of this type I have ever read.

Mr. COCHRAN of Missouri. Well, it should not be in any bill.

Mr. STEAGALL. It requires the consent of each separate agency and is the customary language employed in bills of this kind.

Mr. COCHRAN of Missouri. I do not see where there is provision for the consent of any separate agency. One agency can say, Use another agency. It even goes so far as to include the language "including any field service thereof." If any field service of a department gives its consent to this corporation to avail itself of Government facilities, it may do so. It also uses the word "services", and the first sentence of the section provides that—

The board of directors shall administer the affairs of the corporation fairly and impartially and without discrimination.

If the word "services" means anything, it means that this corporation can employ Government agencies to carry out the purposes of this section.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Missouri [Mr. COCHRAN].

The question was taken, and the amendment was rejected.

Mr. ZIONCHECK. Mr. Chairman, I am in a peculiar position. I came here promising my constituents that I would not represent the bankers, big and small, and I am, therefore, opposed to the measure before us at the present time, for the reason that it is a bankers' bill pure and simple. In doing this I realize that I will be one of very few who will vote in the negative.

Before going into my reasons for opposing this bill generally I want to refer to a statement made upon the floor of this House yesterday by the gentleman from Maine which I do not think should be allowed to go unchallenged. He stated that every Member who had taken the solemn oath to support the Constitution of the United States before the bar of this House was in duty bound to serve both classes. I have better than a bowing acquaintance with the Constitution, and I reread it to ascertain whether there was any foundation for the statement made and I was unable to find anything to bear out that position. I for one have come to this Congress solemnly believing that it is impossible to represent all of the people. My position is that you cannot represent the oppressed and the oppressors, the robbed and the robbers, the poor and the rich, at the same time. It just cannot be done because of the absolute conflict of interests. I took the position during the campaign that there had been too many congressional representatives of bankers, power companies, and chambers of commerce, and that, if elected, I would not in any respect or particular represent them in any manner where it conflicted with the interest of the workingman, the farmer, or the small business man. I intend to do this and I hope that, contrary to the opinion of the gentleman from Maine, I will not be rendering myself an unconstitutional Representative in the Congress of the United States of America.

Some may think that one cannot be a good Representative taking such a position, but I would rather be a bad Representative, in their opinion, working for the interests of those who produce all the wealth, than be such a good Representative that I would enter the category of the man who was so good that he was good for nothing.

The bankers in my district took me at my word and believed me, for I have not received a letter or a telegram from any of them suggesting how I should vote on any matter. So in order to determine whether the bankers were for this bill I made inquiry among several other Representatives to ascertain whether or not they had received any protests against this measure from any bank of an appreciable size. I learn that no such protests were received, but that, on the contrary, they received many communications from their bankers asking them to vigorously support this measure. To my mind that is the best proof that this bill is not for the interests of the people, generally speaking.

I have tried to carefully study this measure, which is 76 pages long, and as a lawyer I must confess that I do not entirely understand its provisions, so, therefore, must depend to some extent upon my intuition and negative line of reasoning. In the first place, the whole measure seems to be drawn so as to fool the public into believing that all the wrongs of our banking system will be rectified as soon as we get branch banking. I am not so sure of this, for here are the results of our experience with branch banks in the United States.

I insert the following excerpt from volume 136 of the Financial Chronicle on page 51:

In Canada we have an undeveloped country, due without doubt to the banking system. The portfolios of the Canadian banks indicate that the major portion of their funds are invested in Government securities or in securities of industries controlled by the Government, leaving very little to loan to the individual and none for real-estate loans. The citizens of Canada do not use banks to any extent, therefore runs on banks are not common and after all, the real way to compare systems is to put them to the same test. Is there anyone who really believes that the Canadian branch-banking system could have stood the test to which our 19,000 banks have been subjected, and which are paying 100 cents on the dollar when a dollar has now the purchasing power of \$1.30, whereas the Canadian dollar is worth about 90 cents and the English pound \$3.30, when a year ago it was worth \$4.85.

Is there safety in branch banking? Witness the closing of the branch-banking systems in the United States when they were

put to the test. The most disastrous failures we had were branch, group, and chain failures, such as the following:

	Branches
Bank of United States, New York	59
Federal National, Boston	8
Banco Kentucky Group	7
A. B. Banks, American Chain	27
Manley Chain, Georgia	87
Bain Banks, Chicago	12
Bankers Trust Co., Pennsylvania	20
United States National, Los Angeles	8
Security Home Trust, Toledo	10
Peoples State Bank, South Carolina	44
Arizona State Bank	5
Foreman National Group, Chicago	6

To this rather impressive group, with deposits running into hundreds of millions of dollars, of branch and chain bank collapses, which were due to many of the same abuses that weaken unit banks, we could name important branch, group, and chain banking systems in Detroit, Boston, San Francisco, and other cities which got into trouble and merged or were supported by other banks or United States credit until the crisis was past.

The weakest links in our banking system proved to be the "branch banks," and they went down comparatively early in the depression; it was their failures that caused public confidence to be shaken so badly that runs were precipitated on and closed many well-managed small independent banks.

The so-called "attractive" feature of the bill—yes, one may say the "enticing" feature—is the provision for bank insurance, the fund to be created to amount to approximately \$2,000,000,000 to set up a private insurance corporation to insure the deposits of the depositors of the member banks against further loss. I confess that I am unable to see how you can insure against losses under our present banking set-up, for the deposits aggregate approximately \$45,000,000,000 and all the money and currency and gold in the vaults of the private banks today amount to less than \$1,000,000,000.

This statement has been made on innumerable occasions on this floor and has not been challenged. Even with a \$2,000,000,000 fund in this insurance corporation, there would be only approximately \$3,000,000,000 to pay off \$45,000,000,000, and I am unable to see how that can be done, and I think that it is the worst form of deception to lead the public to believe that they will have security in the future and that the Government stands behind the security. Some may say that the people will know better, but I say that 95 percent of the people yet believe that the Federal Reserve System is a governmental institution and not a private bank for private bankers. I for one will not lend myself or become a party to such deception.

Another feature of this bill which I dislike very much is the further sanctioning by a Government measure high and exorbitant interest rates, for, in my humble opinion, high interest is one of the primary reasons for this depression. The total public and private debts of the country today amount to approximately \$200,000,000,000. This sum at the modest rate of interest of 6 percent per annum brings the annual interest, without compounding, to the huge sum of \$12,000,000,000 annually. The last estimate of our national income was approximately \$36,000,000,000, which brings interest to one third of our national income. We talk about putting labor on a 6-hour day, 5-day week, and many other measures, but nobody seems to work to rectify one of these gravest of wrongs which still draws wages upon capital 365 days a year, 24 hours a day, and does not even take a Sunday off.

Another reason why I will not vote for this bill is that it provides for a \$150,000,000 raid on the Treasury as a contribution to this private insurance company, which will have a few governmental officials to supervise it. We all know, or should know, that any time you start to supervise these legalized larcenists they immediately commence to supervise their supervisors in a very effective manner. Is there anyone here who will deny that the national bank supervision has been a farce and that the national bankers have had the determinative voice among most of our governmental officials, and particularly so in the framing and passage of legislation in their behalf?

I am thoroughly convinced that commercial banking, the issuance of currency and the regulation of its value are abso-

lutely governmental business and that we will never approach the banking situation intelligently in the interests of the people until we remove private bankers from commercial banking and confine them to speculative and investment financing. This act merely gives the bankers a greater stranglehold upon the legitimate governmental business of banking and currency and control of credit, and will make it more difficult for us to bring about a safe and sane national banking system owned and operated by the Government for and in the interest of the people of the United States.

Another reason why I will not vote for this measure is that it is not a part of the President's program; and I, for one, will not vote for any measure which he does not ask for during this special session, particularly such a measure as this, which I am of the opinion is full of dynamite and might embarrass the President in the event of its passage; for I feel certain that he would not relish the necessity of exercising his veto power at this time, for this bill may not harmonize with his complicated emergency program.

Mr. Chairman, at the proper time I shall offer a motion to recommit with instructions to the Committee on Banking and Currency to limit the excessive salaries of the officers under this act.

The Clerk read as follows:

SEC. 306. (a) The Corporation shall insure the time and demand deposits of all member banks which are class A stockholders of the Corporation as hereinafter prescribed. Notwithstanding any other provision of law, whenever any national bank which is a class A stockholder of the Corporation shall have been closed by action of its board of directors or by the Comptroller of the Currency, as the case may be, on account of inability to meet the demands of its depositors the Comptroller of the Currency shall appoint the Corporation receiver for such bank. As soon as possible thereafter the Corporation shall organize a new national bank to assume the insured deposit liabilities of such closed bank, to receive new deposits, and otherwise to perform temporarily the functions provided for in this paragraph. For the purposes of this subsection the term "insured deposit liability" shall mean with respect to the owner of any claim arising out of a deposit liability of such closed bank the following percentages of the net amount due to such owner by such closed bank on account of deposit liabilities: 100 percent of the amount by which such net amount does not exceed \$10,000; and 75 percent of the amount, if any, by which such net amount exceeds \$10,000 but does not exceed \$50,000; and 50 percent of the amount, if any, by which such net amount exceeds \$50,000: *Provided*, That, in determining the amount due to such owner for the purpose of fixing such percentage, there shall be added together all net amounts due to such owner in the same capacity or the same right, on account of deposits, regardless of whether such deposits be maintained in his name or in the names of others for his benefit. For the purposes of this subsection, the term "insured deposit liabilities" shall mean the aggregate amount of all such insured deposit liabilities of such closed bank. The Corporation shall determine as expeditiously as possible the net amounts due to depositors of the closed bank and shall make available to the new bank an amount equal to the insured deposit liabilities of such closed bank, whereupon such new bank shall assume the insured deposit liability of such closed bank to each of its depositors, and the Corporation shall be subrogated to all rights against the closed bank of the owners of such deposits and shall be entitled to receive the same dividends from the proceeds of the assets of such closed bank as would have been payable to each such depositor until such dividends shall equal the insured deposit liability to such depositor assumed by the new bank, whereupon all further dividends shall be payable to such depositor. Of the amount thus made available by the Corporation to the new bank, such portion shall be paid to it in cash as may be necessary to enable it to meet immediate cash demands and the remainder shall be credited to it on the books of the Corporation, subject to withdrawal on demand, and shall bear interest at the rate of 3 percent per annum until withdrawn. The new bank may, with the approval of the Corporation, accept new deposits, which, together with all amounts made available to the new bank by the Corporation, shall be kept on hand in cash, invested in direct obligations of the United States, or deposited with the Corporation or with a Federal Reserve bank. Such new bank shall maintain on deposit with the Federal Reserve bank of its district the reserves required by law of member banks, but shall not be required to subscribe for stock of the Federal Reserve bank until its own capital stock has been subscribed and paid for in the manner hereinafter provided. The articles of association and organization certificate of such new bank may be executed by such representatives of the Corporation as it may designate; the new bank shall not be required to have any directors at the time of its organization, but shall be managed by an executive officer to be designated by the Corporation; and no capital stock need be paid in by the Corporation; but in other respects such bank shall be organized in accordance with the existing provisions of law relating to the organization of national banks; and, until the

requisite amount of capital stock for such bank has been subscribed and paid for in the manner hereinafter provided, such bank shall transact no business except that authorized by this subsection and such business as may be incidental to its organization. When in the judgment of the Corporation it is desirable to do so, the Corporation shall offer capital stock of the new bank for sale on such terms and conditions as the Corporation shall deem advisable, in an amount sufficient in the opinion of the Corporation to make possible the conduct of the business of the new bank on a sound basis, but in no event less than that required by section 5158 of the Revised Statutes, as amended, for the organization of a national bank in the place where such new bank is located, giving the stockholders of the closed bank the first opportunity to purchase such stock. Upon proof that an adequate amount of capital stock of the new bank has been subscribed and paid for in cash by subscribers satisfactory to the Comptroller of the Currency, he shall issue to such bank a certificate of authority to commence business, and thereafter it shall be managed by directors elected by its own shareholders and may exercise all of the powers granted by law to national banking associations. If an adequate amount of capital for such new bank is not subscribed and paid in, the Corporation may offer to transfer its business to any other banking institution in the same place which will take over its assets, assume its liabilities, and pay to the Corporation for such business such amount as the Corporation may deem adequate. Unless the capital stock of the new bank is sold or its assets acquired and its liabilities assumed by another banking institution, in the manner herein prescribed, within 2 years from the date of its organization, the Corporation shall place the new bank in voluntary liquidation and wind up its affairs. The Corporation shall open on its books a deposit insurance account and, as soon as possible after taking possession of any closed national bank, the Corporation shall make an estimate of the amount which will be available from all sources for application in satisfaction of the portion of the claims of depositors to which it has been subrogated and shall debit to such deposit insurance account the excess, if any, of the amount made available by the Corporation to the new bank for depositors over and above the amount of such estimate. It shall be the duty of the Corporation to realize as rapidly as possible upon the assets of such closed bank, having due regard to the condition of credit in the district in which such closed bank is located; to enforce the individual liability of the stockholders and directors thereof; and to wind up the affairs of such closed bank in conformity with the provisions of law relating to the liquidation of closed national banks, except as herein otherwise provided, retaining for its own account such portion of the amount realized from such liquidation as it shall be entitled to receive on account of its subrogation to the claims of depositors and paying to depositors and other creditors the amount available for distribution to them, after deducting therefrom their share of the costs of the liquidation of the closed bank. If the total amount realized by the Corporation on account of its subrogation to the claims of depositors be less than the amount of the estimate hereinabove provided for, the deposit insurance account shall be charged with the deficiency and, if the total amount so realized shall exceed the amount of such estimate, such account shall be credited with such excess. With respect to such closed national banks, the Corporation shall have all the rights, powers, and privileges now possessed by or hereafter given receivers of insolvent national banks and shall be subject to the obligations and penalties not inconsistent with the provision of the paragraph to which such receivers are now or may hereafter become subject.

Whenever any State member bank which is a class A stockholder of the Corporation shall have been closed by action of its board of directors or by the appropriate State authority, as the case may be, on account of inability to meet the demands of its depositors, the Corporation shall accept appointment as receiver thereof, if such appointment be tendered by the appropriate State authority and be authorized or permitted by State law. Thereupon the Corporation shall organize a new national bank, in accordance with the provisions of this subsection, to assume the insured deposit liabilities of such closed State bank, to receive new deposits and otherwise to perform temporarily the functions provided for in this subsection. Upon satisfactory recognition of the right of the Corporation to receive dividends on the same basis as in the case of a closed national bank under this subsection, such recognition being accorded by State law, by allowance of claims by the appropriate State authority, by assignment of claims by depositors, or by any other effective method, the Corporation shall make available to such new national bank, in the manner prescribed by this subsection, an amount equal to the insured deposit liabilities of such closed State bank; and the Corporation and such new national bank shall perform all of the functions and duties and shall have all the rights and privileges with respect to such State bank and the depositors thereof which are prescribed by this subsection with respect to closed national banks holding class A stock in the Corporation: *Provided*, That the rights of depositors and other creditors of such State bank shall be determined in accordance with the applicable provisions of State law: *And provided further*, That, with respect to such State bank, the Corporation shall possess the powers and privileges provided by State law with respect to a receiver of such State bank, except insofar as the same are in conflict with the provisions of this subsection.

Whenever any State member bank which is a class A stockholder of the Corporation shall have been closed by action of its board of directors or by the appropriate State authority, as the

case may be, on account of inability to meet the demands of its depositors, and the applicable State law does not permit the appointment of the Corporation as receiver of such bank, the Corporation shall organize a new national bank, in accordance with the provisions of this subsection, to assume the insured deposit liabilities of such closed State bank, to receive new deposits, and otherwise to perform temporarily the functions provided for in this subsection. Upon satisfactory recognition of the right of the Corporation to receive dividends on the same basis as in the case of a closed national bank under this subsection, such recognition being accorded by State law, by allowance of claims by the appropriate State authority, by assignment of claims by depositors, or by any other effective method, the Corporation shall make available to such new bank, in accordance with the provisions of this subsection, the amount of insured deposit liabilities as to which such recognition has been accorded; and such new bank shall assume such insured deposit liabilities and shall in other respects comply with the provisions of this subsection respecting new banks organized to assume insured deposit liabilities of closed national banks. Insofar as possible in view of the applicable provisions of State law, the Corporation shall proceed with respect to the receiver of such closed bank and with respect to the new bank organized to assume its insured deposit liabilities in the manner prescribed by this subsection with respect to closed national banks and new banks organized to assume their insured deposit liabilities, except that the Corporation shall have none of the powers, duties, or responsibilities of a receiver with respect to the winding up of the affairs of such closed State bank. The Corporation, in its discretion, however, may purchase and liquidate any or all of the assets of such bank.

Whenever the net debit balance of the deposit insurance account of the Corporation shall equal or exceed one fourth of 1 percent of the total deposit liabilities of all class A stockholders as of the date of the last preceding call report, the Corporation shall levy upon such stockholders an assessment equal to one fourth of 1 percent of their total deposit liabilities and shall credit the amount collected from such assessment to such deposit insurance account. No bank which is a holder of class A stock shall pay any dividends until all assessments levied upon it by the Corporation shall have been paid in full; and any director or officer of any such bank who participates in the declaration or payment of any such dividend may, upon conviction, be fined not more than \$1,000, or imprisoned for not more than 1 year, or both.

The term "receiver" as used in this section shall mean a receiver, liquidating agent, or conservator of a national bank, and a receiver, liquidating agent, conservator, commission, person, or other agency charged by State law with the responsibility and the duty of winding up the affairs of an insolvent State member bank.

For the purposes of this section only, the term "national bank" shall include all national banking associations and all banks, banking associations, trust companies, savings bank, and other banking institutions located in the District of Columbia which are members of the Federal Reserve System; and the term "State member bank" shall include all State banks, banking associations, trust companies, savings banks, and other banking institutions organized under the laws of any State, which are members of the Federal Reserve System.

In any determination of the insured deposit liabilities of any closed bank or of the total deposit liabilities of any bank which is a holder of class A stock of the Corporation, for the purposes of this subsection, there shall be excluded the amounts of all deposits of such bank which are payable only at an office thereof located in a foreign country.

The Corporation may make such rules, regulations, and contracts as it may deem necessary in order to carry out the provisions of this section.

Money of the Corporation not otherwise employed shall be invested in securities of the Government of the United States, except that for temporary periods, in the discretion of the board of directors, funds of the Corporation may be deposited in any Federal Reserve bank or with the Treasurer of the United States. When designated for that purpose by the Secretary of the Treasury, the Corporation shall be a depository of public moneys, except receipts from customs, under such regulations as may be prescribed by the said Secretary, and may also be employed as a financial agent of the Government. It shall perform all such reasonable duties as depository of public moneys and financial agent of the Government as may be required of it.

(b) Nothing herein contained shall be construed to prevent the Corporation from making loans to national banks closed by action of the Comptroller of the Currency, or by vote of their directors, or to State banks closed by action of the appropriate State authorities, or by vote of their directors, or from entering into negotiations to secure the reopening of such banks.

(c) Receivers or liquidators of State banks which are now or may hereafter become insolvent or suspended shall be entitled to offer the assets of such banks for sale to the Corporation or as security for loans from the Corporation, upon receiving permission from the appropriate State authority in accordance with express provision of State law in the case of State banks, or from the Comptroller of the Currency in the case of national banks. The proceeds of every such sale or loan shall be utilized for the same purposes and in the same manner as other funds realized from the liquidation of the assets of such banks. The Comptroller of the Currency may, in his discretion, pay dividends on proved claims at any time after the expiration of the period of advertisement made pursuant to section 5235 of the Revised

Statutes, and no liability shall attach to the Comptroller of the Currency or to the receiver of any national bank by reason of any such payment for failure to pay dividends to a claimant whose claim is not proved at the time of any such payment.

(d) The Corporation is authorized and empowered to issue and to have outstanding at any one time in an amount aggregating not more than three times the amount of its capital, its notes, debentures, bonds, or other such obligations, to be redeemable at the option of the Corporation before maturity in such manner as may be stipulated in such obligations, and to bear such rate or rates of interest, and to mature at such time or times as may be determined by the Corporation: *Provided*, That the Corporation may sell on a discount basis short-term obligations payable at maturity without interest. The notes, debentures, bonds, and other such obligations of the Corporation may be secured by assets of the Corporation in such manner as shall be prescribed by its board of directors. Such obligations may be offered for sale at such price or prices as the Corporation may determine.

(e) All notes, debentures, bonds, or other such obligations issued by the Corporation shall be exempt, both as to principal and interest, from all taxation (except estate and inheritance taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. The Corporation, including its franchise, its capital, reserves, and surplus, and its income, shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority, except that any real property of the Corporation shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

(f) In order that the Corporation may be supplied with such forms of notes, debentures, bonds, or other such obligations as it may need for issuance under this act, the Secretary of the Treasury is authorized to prepare such forms as shall be suitable and approved by the Corporation, to be held in the Treasury subject to delivery, upon order of the Corporation. The engraved plates, dies, bed pieces, and other material executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Corporation shall reimburse the Secretary of the Treasury for any expenses incurred in the preparation, custody, and delivery of such notes, debentures, bonds, or other such obligations.

(g) The Corporation shall annually make a report of its operations to the Congress as soon as practicable after the 1st day of January in each year.

(h) Whoever, for the purpose of obtaining any loan from the Corporation, or any extension or renewal thereof, or the acceptance, release, or substitution of security therefor, or for the purpose of inducing the Corporation to purchase any assets, or for the purpose of influencing in any way the action of the Corporation under this section, makes any statement, knowing it to be false, or willfully overvalues any security, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than 2 years, or both.

(i) Whoever (1) falsely makes, forges, or counterfeits any obligation or coupon, in imitation of or purporting to be an obligation or coupon issued by the Corporation, or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited obligation or coupon purporting to have been issued by the Corporation, knowing the same to be false, forged, or counterfeited, or (3) falsely alters any obligation or coupon issued or purporting to have been issued by the Corporation, or (4) passes, utters, or publishes, or attempts to pass, utter, or publish, as true, any falsely altered or spurious obligation or coupon, issued or purporting to have been issued by the Corporation, knowing the same to be falsely altered or spurious, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than 5 years, or both.

(j) Whoever, being connected in any capacity with the Corporation, (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to it or pledged, or otherwise intrusted to it, or (2) with intent to defraud the Corporation or any other body, politic or corporate, or any individual, or to deceive any officer, auditor, or examiner of the Corporation, makes any false entry in any book, report, or statement of or to the Corporation, or without being duly authorized draws any order or issues, puts forth, or assigns any note, debenture, bond, or other such obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof, shall be punished by a fine of not more than \$10,000, or by imprisonment for not more than 5 years, or both.

(k) No individual, association, partnership, or corporation shall use the words "Federal Bank Deposit Insurance Corporation", or a combination of any 3 of these 5 words, as the name or a part thereof under which he or it shall do business. No individual, association, partnership, or corporation shall advertise or otherwise represent falsely by any device whatsoever that his or its deposit liabilities are insured or in anywise guaranteed by the Federal Bank Deposit Insurance Corporation, or by the Government of the United States, or by any instrumentality thereof; and no class A stockholder of the Federal Bank Deposit Insurance Corporation shall advertise or otherwise represent falsely by any device whatsoever to extent to which or the manner in which its deposit liabilities are insured by the Federal Bank Deposit Insurance Corporation. Every individual, partnership, association, or corporations violating this subdivision shall be punished by a fine

of not exceeding \$1,000, or by imprisonment not exceeding 1 year, or both.

(1) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U.S.C., title 18, ch. 5, secs. 202 to 207, inclusive), insofar as applicable, are extended to apply to contracts or agreements with the corporation under this section, which for the purposes hereof shall be held to include loans, advances, extensions, and renewals thereof, and acceptances, releases, and substitutions of security therefor, purchases or sales of assets, and all contracts and agreements pertaining to the same.

(m) The Secret Service Division of the Treasury Department is authorized to detect, arrest, and deliver into the custody of the United States marshal having jurisdiction any person committing any of the offenses punishable under this section.

The CHAIRMAN. May the Chair call the attention of the gentlemen to page 57, line 19, where there is a typographical error? Without objection, the Clerk will be authorized to make the correction.

There was no objection.

The CHAIRMAN. Also, on page 73, line 19, the word "to" should apparently be "the."

Mr. STEAGALL. I ask unanimous consent that that correction be made.

The CHAIRMAN. Without objection, the Clerk will be authorized to make the correction.

There was no objection.

Mr. LUCE. Mr. Chairman, on page 62, line 17, I move to strike out the words "as rapidly as possible."

Mr. STEAGALL. Mr. Chairman, that amendment was made in committee, but by oversight it was left in the bill.

The amendment was agreed to.

Mr. STEAGALL. On page 58, I move to strike out the word "member", in line 4. It makes the meaning a little more clear.

The CHAIRMAN. The Clerk will report the amendment. The Clerk read as follows:

Page 58, line 4, strike out the word "member."

The amendment was agreed to.

Mr. STEAGALL. And I move the same amendment on page 63, line 18.

The Clerk read as follows:

Page 63, line 18, strike out the word "member."

The amendment was agreed to.

Mr. STEAGALL. On page 65, line 3, the same amendment.

The Clerk read as follows:

Page 65, line 3, strike out the word "member."

The amendment was agreed to.

Mr. BEEDY. Mr. Chairman, for the information of the House I should like to call attention to one or two provisions. I think this is a matter all the Members should understand. I should like to call the attention of the chairman to one or two provisions of the bill and ask him to tell the House whether, in his opinion, this deposit-insurance corporation would not be obligated under the bill to insure deposits in every member bank in the Federal Reserve System now closed.

Before the gentleman answers, let me call these facts to his attention, because I think before the bill becomes a law some corrections must be made or the proposed insurance corporation will find itself in trouble.

At the bottom of page 51 in the bill, paragraph (e), it is provided that every member bank shall subscribe to the class A capital stock of the corporation in an amount equal to one half of 1 percent of its total net outstanding time and demand deposits on January 1, 1933, and so forth.

Suppose this bill becomes a law. Suppose at the time there are 50 closed Federal Reserve member banks. The moment the act becomes effective, as a matter of law they would be compelled to come into the system. They must buy class A stock, whether they are closed or not. Even closed banks have outstanding time and demand deposits. Any receiver or conservator of a closed bank would of course find it to his advantage to pay to the insurance corporation one quarter of 1 percent of his outstanding time and demand deposits and thus insure the deposits in the closed banks. Now let us turn to page 58, section 306:

The Corporation shall insure the time and demand deposits of all member banks which are class A stockholders of the Corporation as hereinafter prescribed.

Therefore, in the case of Federal Reserve member banks, now closed but which become holders of class A stock, the insurance corporation is obligated, under the mandatory provisions of this bill, to insure their deposits. I present this point of view because I think there is a good deal in it. I am interested to have the Chairman's explanation.

Mr. STEAGALL. Mr. Chairman, there is not the slightest thought of attempting to insure deposits in banks that are closed. The provision applies insurance to all banks subscribing for the stock of the insurance corporation. Of course no bank in the hands of a receiver, a liquidator, or a conservator could subscribe for stock unless there were a specific provision authorizing such subscription.

Mr. BEEDY. May I interrupt at that point to say that there is not merely authority here, but that it is mandatory upon every member bank to purchase stock.

Mr. STEAGALL. A closed bank could not do that after it was in the hands of a receiver or liquidator or conservator.

Mr. BEEDY. Why not?

Mr. STEAGALL. Because it would have no power. The directors are supplanted in authority by the receiver.

Mr. BEEDY. The power is given it under the law, when they are compelled to act.

Mr. STEAGALL. It applies to class A stockholders, and no bank becomes a stockholder except as a bank. There is no provision by which a conservator or a liquidating agent or a receiver can subscribe for stock.

Mr. BEEDY. My thought is this. When a bank is closed, it is none the less a bank.

Mr. STEAGALL. I have no objection, if the gentleman desires, to an amendment which will provide that this title insuring deposits shall be construed to apply to deposits that are subject to withdrawal at the time the title becomes effective, though I do not regard it as at all necessary.

The CHAIRMAN. The time of the gentleman from Maine has expired.

Mr. BEEDY. Mr. Chairman, I ask unanimous consent to proceed for 2 minutes more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. STEAGALL. I am quite definite of the idea that no amendment is necessary, but I should not object to such an amendment if the gentleman desires it.

Mr. BEEDY. I think the insurance fund ought to be protected in that way.

Mr. STEAGALL. I know the gentleman understands the practical situation is such that this bill will never come from conference if there is the slightest danger that the language used would be construed to insure deposits in a closed bank. I do not think it is necessary at all.

Mr. BEEDY. I am not going to offer the amendment, but I wanted to get this into the Record, because I think it might be helpful, and I want to help the gentleman make this insurance provision effective.

Mr. McCLINTIC. Mr. Chairman, I ask unanimous consent to return to page 25 for the purpose of offering an amendment.

The CHAIRMAN. Is there objection?

Mr. STEAGALL. Mr. Chairman, I suggest to the gentleman that he defer his request until we conclude the reading of the bill.

Mr. McCLINTIC. The gentleman knows that I have been tied up in the Ways and Means Committee morning, night, and afternoon.

Mr. STEAGALL. I do not want to be stubborn about the matter, but there are several such requests, and I again ask the gentleman to defer his request until we come to the end of the bill, and if I can do it, I shall be very glad to take care of the gentleman.

Mr. McCLINTIC. Very well. I withdraw my request.

Mr. CHRISTIANSON. Mr. Chairman, I ask unanimous consent to proceed for 2 minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. CHRISTIANSON. In line 22, page 73, I suggest that the word "corporations" should be changed to the singular, "corporation", to conform to the rest of the language.

Mr. STEAGALL. The gentleman is quite correct. I ask unanimous consent that the correction may be made, Mr. Chairman.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. CLAIBORNE. Mr. Chairman, I move to strike the last word from the section.

Mr. Chairman, on yesterday the gentleman from Massachusetts [Mr. LUCE] said he would support this bill, but he reminded us that the bill was an administration measure, and if not a success the Democratic Party would be held responsible. The gentleman spoke wisely. He can support the bill, for if it is a success, he participates in the success, and if it is a failure it will be the failure of the Democratic leadership.

If we are to pass this bill, we might just as well take down the statutes of Benjamin Franklin throughout the country. We might just as well tell the youth of the country to cease saving. We might just as well tell the strong to load on their backs the weak and carry them, because this act seeks to penalize those banks which in the last few years have practiced sound banking and come through, in favor of those that did not, and who are now suffering.

On yesterday I asked the distinguished chairman of the Committee when he arose to make his opening statement if any of the strong banks of the country were in favor of his insurance plan. The gentleman seemed to be a bit surprised at the interrogation. He could not tell me of any banks that were in favor of it. Now, I would ask the Committee if they would be so generous as to permit me to read a resolution adopted by the American Bankers Association. It is as follows:

The American Bankers Association has long been opposed to the compulsory guaranty of bank deposits in any form, and is on record by the following resolution setting forth its position on this subject:

Resolved, That the American Bankers Association is unalterably opposed to any plan looking to the mutual guaranty of deposits either by a State or the Nation for the following reasons:

1. It is a function outside of State or National Government.
2. It is unsound in principle.
3. It is impractical and misleading.
4. It is revolutionary in character.
5. It is subversive to sound economics.
6. It will lower the standard of our present banking system.
7. It is productive of and encourages bad banking.
8. It is a delusion that a tax upon the strong will prevent failures of the weak.
9. It discredits honesty, ability, and conservation.
10. A loss suffered by one bank jeopardizes all banks.
11. The public must eventually pay the tax.
12. It will cause and not avert panics.

Resolved, That the American Bankers Association is unalterably opposed to any plan looking to the mutual guaranty of deposits either by a State or the Nation, believing it to be impractical, unsound, misleading, revolutionary in character, and subversive to sound economics, placing a tool in the hands of the unscrupulous and inexperienced for reckless banking, and knowing further that such a law would weaken our banking system and jeopardize the interest of the people.

I say to you as a lawyer that if a question came before a law court which an ordinary man was not familiar with, and if an expert witness was called, the witness would first have to qualify as knowing more about the subject than the ordinary man knows. In this matter I call as my witnesses the members of the American Bankers Association to testify as expert witnesses as to the worth in their opinion of the insurance features in this bill. On their testimony I rest my case and my vote. I accept their judgment in the matter. Hence I shall vote against the bill.

The CHAIRMAN. The time of the gentleman from Missouri [Mr. CLAIBORNE] has expired.

Mr. LEHR. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. LEHR. My colleague [Mr. DINGELL] is unavoidably absent from this session, being confined to his home on account of illness. The gentleman has prepared an amendment to paragraph (a) of this section. My inquiry is, may I interpose that amendment at this time in his behalf?

The CHAIRMAN (Mr. CANNON of Missouri). Amendments may not be proposed by proxy. The gentleman may offer the amendment himself.

Mr. LEHR. I wish to offer this amendment, Mr. Chairman. The Clerk read as follows:

Amendment offered by Mr. LEHR: Page 58, line 22, after the word "liabilities", insert "100 percent of the amount by which such net amount does not exceed \$2,500. This provision shall take effect not later than July 1, 1933."

Mr. LEHR. Mr. Chairman, I may say in behalf of the gentleman who prepared and drafted this particular amendment that the purpose and intent thereof was to conform to a similar amendment which we understand will be presented in the Senate by Senator VANDENBERG, of Michigan.

Those of us who came here with the idea and intention of supporting a bill insuring deposits in banks were hopeful that a real, 100-percent insurance deposit bill would be passed. I am not insensible to the argument that will be raised, that it will be physically impossible for an examination of the banks to be made by the 1st day of July 1933 in order to determine what banks may take advantage of this act; but I just want to make this suggestion to the members of this committee, that all the banks, so we have been informed, whether they be State banks or national banks, or State member banks of the Federal Reserve, have undergone during the past 3 months a very stringent examination, and I have been told by the Secretary of the Treasury and by other high officials of the administration that today there are no banks open except those which are sound and which are solvent. If that be true, then the policies of this bill can be put into effect by July 1. In that connection, I just want to say that with the upturn in business, with the increase in commodity prices, with the apparent return to happier days that seems to be the hope of all of us at this time, one thing remains, particularly in the State of Michigan, for us to attempt to accomplish to bring back this confidence 100 percent in the hearts of the people of this country, and that is to make it possible for these banks to be reopened; to make it possible for the people to place back their deposits in the banks.

In this connection may I read from a letter I received only this morning from the editor of a small-town newspaper in the State of Michigan in which he says this:

I am neither a banker nor a bank stockholder. I am only one of the small-depositor class who feels this great need.

I know that no amount of money will be returned to the care of the banks unless there is some form of guaranty. The guaranty may be restricted to a certain amount or to some certain class of deposits, but the small depositor, the man with active money and a little surplus, is just not going to use the bank until he can get this kind of assurance. All this takes money out of circulation and slows up the wheels of progress to recovery.

The purpose and intent of this amendment is simply to place into immediate effect on the 1st day of July 1933 this insurance provision insofar as it affects 100 percent of the deposits up to \$2,500.

I submit that if this bill is the bill which we have been told it is, the sooner we do this the quicker we are going to bring back the confidence of the depositors of this great country. [Applause.]

Mr. STEAGALL. Mr. Chairman, the gentleman from Arkansas has very clearly pointed out certain of the chief defects in this amendment.

If a provision is inserted to make the bill immediately operative as to deposits up to a certain amount, it follows that banks that are in the Federal Reserve System and have their examinations by Federal authority down to date would probably encounter very little difficulty in securing admission. But State banks which have most of the small deposits would probably be delayed in securing admission, and hardships result. That is one reason why the amendment ought not to be adopted.

There is still another difficulty. I will say to the gentleman I am just as anxious as he is to bring the relief to be afforded by this legislation, but I have not the power to write a deposit guaranty bill and declare it law, nor has the gentleman on my left any such power.

It has been a task of major proportions to secure this legislation and to make the progress we have made down to this hour. The Treasury Department insists that there shall be time for a survey and for an investigation of conditions respecting banks that are to come into the system; and a further cleaning-up process may be had before this law is put into final operation. While I am anxious and impatient to have the law become operative, I can appreciate the reasons for the delay provided for.

The safe, prudent thing to do is to stand on what we have and await a time with patience, let the administration conduct its survey, set up the organization, and have the corporation prepare necessary rules and regulations and take proper preliminary steps to put the system into operation.

I know the views that will dominate and control this insurance corporation. We must trust these powers, we must trust the administration, we must trust the President of the United States to go along with this undertaking or it cannot be accomplished.

I should like to have the law become operative tomorrow. I should like to have done this 10 years ago and covering all deposits in every solvent State bank in the United States, but I have not been able to accomplish these results in my own time. Such things have to be worked out by consultation and conference and by agreed judgment. That is what has been done, and I beg the House not to disturb this provision of the bill, and if you will not, we will at no very distant day have an effective insurance-deposit system for banks in the United States.

Mr. FULLER. Will the gentleman yield?

Mr. STEAGALL. I yield?

Mr. FULLER. In conversation with the gentleman from North Carolina [Mr. HANCOCK], a member of the Banking and Currency Committee, he stated that my objections were sought to be covered by the committee in section 311, which provides that "the foregoing provisions of this title shall take effect at such time as the President by proclamation declares that such surveys have been made" and so forth. Is it the understanding of the chairman of the committee that it is expected the President will see that such surveys are made not only as to members of the Federal Reserve System, but the State banks as well?

Mr. STEAGALL. That is the very purpose of the provision. The member banks of the Federal Reserve System are examined already under Federal authority, and there would be no delay so far as they are concerned, but it is desired that the cleaning-up process go further.

[Here the gavel fell.]

Mr. McFADDEN. Mr. Chairman, I rise in opposition to the pending amendment.

Mr. Chairman, we are coming to the final stages of this particular piece of legislation. I am of the opinion that there are comparatively few Members of this House who realize what is going to happen when certain sections of this bill are put into operation.

I made some observations yesterday in regard to the open-market provisions of this bill and the authority that is given to the Federal Reserve Board in this connection. I stated there was a broadening of the uses of the open-market operations to the extent of the financing of millions of dollars' worth of foreign transactions in which the people of the United States are in no wise interested. Now we have a confirmation of this in today's papers. If you have noted them you have seen that they confirm what I stated here yesterday that Prof. O. M. W. Sprague, of the Bank of England, is back here again and is to be put in charge, apparently, of the inflationary program which was attached to the farm bill.

It is clearly indicated in press reports that what I stated yesterday is true, that the money to be issued under the inflation program is going to be handled under the direction of Professor Sprague, of the Bank of England, and the notes that are issued, instead of being circulated here freely, are to be used for the purchase of foreign open-market paper and for the so-called "purpose of stabilizing foreign ex-

change." These notes are to be shipped out of this country and held by the foreign countries as first mortgages against everything in the United States. These notes, whether United States or Federal Reserve, are obligations of the United States, and we are to get this open-market paper, representing British, German, or Chinese, or Japanese, or whatever bills they may be—any kind of paper that gets in the open-bill market.

I want to call your attention to the fact that notwithstanding the fact that many of these banks have been opened, there are hundreds of millions of dollars' worth of this foreign—mostly German—paper, frozen as solid as a cake of ice, in the banks of this country today. You are now going to put more of it in the banks under this authority.

I want to appeal to the Members of the House not to pass this bill, but to return it to the committee and have the House appoint a committee to study what has caused the situation that you are trying to correct by a guaranty of deposits.

On the opening day of Congress, when we passed the banking bill and when there was no opportunity given to men who were against it to vote against it, I stated I was against it, and I tried to vote against it; and I stated on the floor of this House at that time that I would never support a bill proposing to guarantee the deposits in the banks that have been looted by the bankers of this country unless you first fixed their responsibility and they were dealt with properly under the laws of the land.

You are now guaranteeing the deposits in these banks when the assets of the banks have been looted by these international bankers; and, today, at the other end of the Capitol, you have exhibit A. The members of the Morgan group are there. They are the ones who introduced a lot of these investments into these banks and they are now answering over there.

I want to now suggest to you that instead of passing this bill you wait until the examination of these bankers is completed. You are going to find, unless I miss my guess, much of the skulduggery unearthed, if this committee does its duty; and you are going to find how they have affected Federal Reserve operations and are now asking for an extension of the right to further use Federal Reserve credit to finance foreign obligations in the United States.

I beg of you that before you do this you look into the causes of the situation which you are trying to cover up by guaranteeing deposits in these banks. You are still dealing with results.

Of course, the bankers of the type of Albert H. Wiggin and Charles E. Mitchell want the deposits in their banks guaranteed. Of course they do, and you are not guaranteeing simply the deposits of the little banks of the country. You are guaranteeing the deposits of the Chase National Bank, the National City Bank, and the Chicago banks that hold Insull securities, as well as all the other banks.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan.

The question was taken, and the amendment was rejected.

Mr. BEEDY. Mr. Chairman, without any further discussion, in order to make assurance doubly sure that we do not wreck the insurance portions of this bill, I offer the following amendment.

The Clerk read as follows:

Page 68, line 2, after the word "country", insert a new paragraph, as follows:

"The insurance provisions of this section and the right to subscribe to class A stock shall not apply to any bank closed by competent authority or whose deposits are not subject to withdrawal by reason of insolvency."

Mr. STEAGALL. Mr. Chairman, there is no objection to that amendment, and I ask that it be adopted.

The CHAIRMAN. The question is on the adoption of the amendment.

The question was taken, and the amendment was agreed to.

Mr. TABER. Mr. Chairman, I move to strike out the last two words. Yesterday afternoon, on page 28, line 25, the gentleman from Minnesota [Mr. KVALE] offered an amendment reducing the amount of par-value stock which a director in a bank would be required to hold.

Now, I do not believe the House when it passed on that situation had in mind what the situation now is or what the effect of this provision would be, nor do I believe the committee understood what effect it would have.

The requirement to hold \$2,000 par-value stock makes it practically impossible for the \$25,000 bank, which we have permitted the organization of over the last 10 years, to continue. The requirement for a director in that bank was only \$500. It makes it exceedingly difficult for a bank with \$50,000 capital, which formerly required 10 shares to operate, to continue. I believe that this provision will result in the closing of thousands of small banks of the country. I hope when the proper time comes that the committee will permit a return to that section for a corrective amendment.

Mr. KVALE. Mr. Chairman, in thanking the gentleman for his interest in the matter, I consulted with several members of the committee, and have drawn a modified amendment which several members of the committee have assured me they will not oppose, and I trust that I shall have unanimous consent at the proper time to return to that section.

The pro forma amendment was withdrawn.

The Clerk read as follows:

Sec. 308. Section 9 of the act entitled "An act to establish Postal Savings depositories for depositing savings at interest with the security of the Government for repayment thereof, and for other purposes", approved June 25, 1910, as amended (U.S.C., title 39, sec. 759), is amended by striking out the period at the end thereof and inserting in lieu thereof a colon and the following: "Provided, That no such security shall be required in case of such part of the deposits as are insured under title III of the Banking Act of 1933."

Mr. BROWN of Michigan. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. BROWN of Michigan: Page 74, line 24, after "Sec. 308," insert "The second sentence of."

Mr. BROWN of Michigan. Mr. Chairman, the purpose of this amendment is to correct an error made in the drafting of this section. As the section now reads, the language after the "Provided", in line 5, page 75, is placed at the end of the paragraph. It should be after the second sentence in the section amended. This amendment is agreed to by the committee.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan.

The amendment was agreed to.

Mr. HOEPEL. Mr. Chairman, I offer the following amendment, which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. HOEPEL: Page 75, after line 8, insert the following as an addition to section 308 of the bill: "Provided, That section 4 of the act entitled 'An act to establish postal-savings depositories', approved June 25, 1910 (U.S.C., title 39, sec. 754), is hereby amended by adding at the end thereof a new paragraph to read as follows:

"Deposits in any such account may be of two classes: (1) Savings deposits as provided for in this act prior to the date of the enactment of this paragraph; and (2) circulating deposits. Circulating deposits shall not bear interest, and no such deposit may be maintained except in amounts of \$1 or multiples thereof. Receipts for any circulating deposit shall be furnished to the depositor in such denominations of \$1 or any multiple thereof as the depositor may request. Such receipts, when countersigned by the depositor, shall be a lawful circulating medium and shall be negotiable in such manner as the Board of Trustees may by regulations prescribe, except that such regulations shall conform as nearly as may be practicable to the law governing the negotiation of express money orders or travelers' checks. Any such receipt shall be redeemable at any post office upon proper identification of the bearer under such rules and regulations as the Board of Trustees may prescribe, and upon redemption, the amount of the receipts redeemed shall be charged against circulating deposits of the depositor."

"Provided further, That section 2 of the act entitled 'An act to amend the act approved June 25, 1910, authorizing the Postal

Savings System, and for other purposes', approved May 18, 1916 (U.S.C., title 39, sec. 759), is hereby amended to read as follows:

"Postal Savings funds shall be deposited in solvent banks to the credit of the United States Treasury, or remitted direct to the United States Treasury, under such rules and regulations as the Board of Trustees may prescribe, for the purchase of United States bonds or other United States securities and/or for deposit in a special fund for repayment to depositors."

"Provided further, That the first sentence of section 6 of such act, as amended (U.S.C., title 39, sec. 756), is hereby amended by striking out the figure '\$2,500' and inserting in lieu thereof the figure '\$5,000.'"

Mr. LUCE. Mr. Chairman, I make the point of order that the amendment is not germane.

The CHAIRMAN. Does the gentleman desire to be heard upon the point of order?

Mr. LUCE. Simply to say that because we amend one section of a law, I had not understood that we would amend other sections of the law.

The CHAIRMAN. Does the gentleman from California desire to be heard upon the point of order?

Mr. HOEPEL. Mr. Chairman, I do, on the point of order. This amendment is an amendment to the Postal Savings Act approved June 25, 1910, and is intended to give banking facilities to the American public where there will be guaranty of deposits which will result in the savings of millions of dollars to the American people and the Treasury. This section 308 is an amendment offered by the Banking Committee, which is framed primarily to protect the interest of the American banker. I am going to concede the point of order and I ask unanimous consent to present another amendment.

The CHAIRMAN. The point of order is sustained.

Mr. HOEPEL. Mr. Chairman, I offer another amendment which I send to the desk.

The Clerk read as follows:

Amendment offered by Mr. HOEPEL: Page 74, line 24, strike out all of section 308 beginning on line 24, page 74, and continuing to include line 8 on page 75.

Mr. HOEPEL. Mr. Chairman, when I took the floor a little while ago my banker friend from Arkansas [Mr. FULLER] got up and berated me for speaking in the interest of the people. I admit that he has a perfect right to be a banker, but he brought out facts in his remarks which pertain to this section of the bill which I should like to call to your attention. First, let me preface my remarks with the statement that he criticized me for one time being a Republican and not supporting the administration. I have voted for the administration measures 50 percent, and probably shall vote for this measure. The gentleman's efforts to criticize me for one time being a Republican and today being a Democrat is ill-advised. No one can deny that the Republicans elected our President. Mr. Hearst in his editorial in today's Herald stated that the Republicans have the brains and the Democrats have a heart. I concede that the Democrats have a heart, but their heart is pulsating every day primarily in the interest of the bankers, so graciously provided for in this bill, and not in the interest of the common man, which is my concern.

Mr. BULWINKLE. Mr. Chairman, I rise to a point of order. The gentleman is not speaking to his amendment.

Mr. HOEPEL. I shall come back to the subject. This gentleman banker from Arkansas, Mr. FULLER, who berated me—

Mr. BULWINKLE. Mr. Chairman, I make the point of order that the gentleman is not speaking to his amendment.

Mr. HOEPEL. Mr. Chairman, I am speaking on this motion and bringing up his statements. The gentleman from Arkansas stated that the Postal-Savings business was not making any revenue for the bankers.

Mr. BULWINKLE. Mr. Chairman, I insist upon my point of order. The gentleman is not speaking to his amendment.

Mr. HOEPEL. I am speaking to my amendment in furtherance to the statement which Mr. FULLER made in reference to the Postal Savings. He said they did not return any profit to the bankers. This is one point I should like to call attention to in this bill, to which Mr. FULLER re-

ferred. The present law makes it mandatory for the banks of America to put up bonds or securities whenever they receive deposit of Government funds. This section of this bill relieves the banks from depositing with the Government security for the postal funds they receive from the Post Office Department at 2½ percent and which they relend to us at 7 percent.

I have observed the gentlemen on the Democratic side, and I notice that is where all the noise comes from.

If you have ever been on a farm and saw them tie a hog, you know that the hog squeals. I am not tied. I am speaking my convictions. Some of you gentlemen may be tied, but I am not and am speaking as an American citizen. [Applause and laughter.] I am speaking on this amendment, and I am speaking specifically. The Government provides two thirds of the money which is to go into this guaranty fund, yet we are making it possible for the bankers to get over \$1,000,000,000 of American funds without any security. I say it is unfair for the American people to put up a guaranty to protect their own money. That is the reason I have presented this amendment.

The CHAIRMAN. The time of the gentleman from California [Mr. HOEPEL] has expired.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. HOEPEL].

The amendment was rejected.

Mr. DOBBINS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DOBBINS: On page 75, line 8, after the figures "1933", add the following: "Provided further, That no post office which has within its delivery limits a bank or banks whose deposits are insured under the provisions of said title III shall accept or maintain deposits for an aggregate balance of more than \$500 from or to the credit of any individual who resides within the same delivery limits."

Mr. LUCE. Mr. Chairman, I make the point of order against the amendment that it is not germane.

The CHAIRMAN. Does the gentleman from Illinois [Mr. DOBBINS] desire to be heard?

Mr. DOBBINS. Will the gentleman from Massachusetts withhold his point of order?

The CHAIRMAN. Does the gentleman insist on his point of order?

Mr. LUCE. I understand all debate on this section and all amendments thereto is closed.

The CHAIRMAN. The point of order is sustained.

MEETING OF WAR VETERANS OF THE HOUSE

Mr. GIBSON. Mr. Chairman, I ask unanimous consent to proceed for one half minute to make an announcement.

The CHAIRMAN. Is there objection to the request of the gentleman from Vermont?

There was no objection.

Mr. GIBSON. There will be a meeting of all war veterans of the House in the caucus room of the old House Office Building at 10:30 o'clock tomorrow morning.

REGULATION OF BANKING

The Clerk read as follows:

SEC. 309. A national bank, reserve bank, or other member bank as defined by section 1 of title I of this act, or any bank or trust company whose deposits are guaranteed in any respect under the provisions of this title, or any employee of any such bank, shall not either directly or indirectly act as an agent or broker for any partnership, association, or corporation engaged in the business of writing or selling any form of insurance. Any individual, partnership, association, or corporation violating this section of this act shall be guilty of a misdemeanor and shall be punished by a fine not exceeding \$1,000 or imprisonment not exceeding 1 year, or both.

Mr. HANCOCK of North Carolina. Mr. Chairman, I offer an amendment, which is at the desk.

The Clerk read as follows:

Amendment offered by Mr. HANCOCK of North Carolina: Insert the word "individual" between the words "any" and "partnership" in line 14, page 75; and on page 75 strike out the period

in line 20, insert a semicolon, and add the following proviso: "Provided, That this section shall not become effective until 2 years after the date of the enactment of this act."

Mr. GOSS. Is this by direction of the committee?

Mr. HANCOCK of North Carolina. By direction of the committee.

Mr. Chairman, the first word, "individual", is inserted in line 14 in order to correct an omission.

The remaining portion of the amendment is a proviso which places the effective date of divorcing banks from the insurance business at 2 years and thus in this respect alone places them on an equality with affiliates. Section 309 divorces banks from the insurance business; and, in case this amendment is adopted, that provision would not become effective until 2 years after the date of the enactment of this act. In the light of other provisions of the bill, this seems right and consistent. To accomplish this reform suddenly might work undesired hardships.

Mr. WHITTINGTON. Will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. WHITTINGTON. Is there anything in the section or in the amendment that would prevent the director of a bank from writing insurance?

Mr. HANCOCK of North Carolina. There is nothing in the section that would prevent a director. It applies only to employees actively connected with the bank.

Mr. WHITTINGTON. Nor in the amendment?

Mr. HANCOCK of North Carolina. No, sir.

Mr. Sisson. Will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. Sisson. I want to ask the gentleman from North Carolina if it was not understood in the committee or in conversation between the gentleman and myself today that the effectiveness of this provision should be postponed for only 1 year?

Mr. HANCOCK of North Carolina. I told the gentleman I would register no objection to such an amendment, but that I would offer my amendment and the gentleman could offer his as an amendment to my amendment and I would interpose no objection. Though I strongly favor the principle or reform sought in this provision, I felt we should approach it gradually, and especially in consideration of the problems facing the banks in small communities.

Mr. MARTIN of Colorado. Will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. MARTIN of Colorado. At the danger of repetition I wish to ask the gentleman if the cashier of a small State bank, for instance, writes applications for insurance, is that practice prohibited by the language of this section?

Mr. HANCOCK of North Carolina. I think it would be.

Mr. MARTIN of Colorado. I should like to make an explanation to the gentleman preliminary to asking a question. I received a letter from the cashier of a small State bank who explained that during this depression he has been able to eke out a livelihood by writing applications for insurance, and thereby to some extent relieve the bank.

I wrote back to him for an elucidation of his views on this section, but have not had time to get his answer. Now, the question is, Would that man be prevented from writing applications for insurance?

Mr. HANCOCK of North Carolina. That involves the meaning of the word "employee" as related to a bank's personnel. It is intended to cover him.

The reason this amendment has been offered is because there are a great many small banks in the smaller communities of the country which combine insurance with the regular banking work in order to supplement the meager salaries of their employees and augment the bank's income. They should have time to work out. That is the chief reason for the second portion of this amendment.

Mr. MARTIN of Colorado. Mr. Chairman, if the gentleman will yield further, in the case to which the gentleman referred, was the bank itself an agent of the insurance company?

Mr. HANCOCK of North Carolina. It varies; sometimes the bank and sometimes an employee.

Mr. MARTIN of Colorado. I am just asking a question that fits the case where a bank employee or officer, merely as a side line, writes applications for insurance.

Mr. HANCOCK of North Carolina. Is the gentleman asking me a question?

Mr. MARTIN of Colorado. Yes; whether that is prohibited.

Mr. HANCOCK of North Carolina. I think under the language of this section it would apply regardless, whether it was a side line or his main activity and especially if his success was due to the fact that he had the bank's support.

Mr. MARTIN of Colorado. If the gentleman will permit a further question, To what abuses is this section directed?

Mr. HANCOCK of North Carolina. In the first place, there were some members of the committee who did not believe that insurance was a proper banking function. In the second place, they recognized that it was unfair competition because there is always more or less an element of credit coercion. There were other objections which all familiar with this practice admit. Of course there are isolated cases where it might work fairly and without abuses. They would seem to be exceptions, however.

Mr. BULWINKLE. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. BULWINKLE. And in the third place, is it not true that in many instances loans are refused unless the policies of insurance are written at the particular bank?

Mr. HANCOCK of North Carolina. I have heard of such cases.

Mr. BEEDY. Mr. Chairman, may I ask what is the amendment now before the House?

The CHAIRMAN. Without objection the Clerk will again report the amendment.

There was no objection.

The Clerk again reported the Hancock amendment.

Mr. BEEDY. Mr. Chairman, I do not care to take up the time of the House with a speech at this hour, but I hope the gentleman from North Carolina, for whom I have a very high regard, will agree to drop that portion of his amendment which would authorize a continuance, for 2 more years, of this practice by banks of selling insurance. We discussed it quite thoroughly in the committee and I think the majority of us felt that it is unfair to a poor man who wants to borrow some money on his home, to be very adroitly held up by the inquiry, "Where do you carry your insurance?" To this question the would-be borrower replies, "Well, I am insured in such and such a company." Whereupon the bank replies, "We are sorry but our bank is interested in such a company. If you should see fit to cancel your present policy and take out a policy through our agency, we shall be glad to talk over a loan to you."

All banks do not operate this way, but as the gentleman from North Carolina knows, a great deal of injustice has been worked, and much unfair competition practiced by banks which sell insurance. And it certainly is unfair to the man in the insurance business. It is just as reasonable to have insurance men authorized to do a banking business as it is to have the banks invade the insurance field.

Mr. MORAN. Mr. Chairman, will the gentleman yield?

Mr. BEEDY. I yield.

Mr. MORAN. In regard to the danger involved from the standpoint of increased income to the bank, the same argument might be applied to putting a filling station in front of the bank. Another danger involved that was not pointed out by the gentleman from North Carolina, in addition to coercion, is that the banker is putting the commissions in his own personal pocket. Therefore, the banker who loans the money might be induced to loan other people's money for the sake of a personal commission to himself. This is a reason why banking and insurance should be divorced in the interest of the depositors of the country.

Mr. BEEDY. Mr. Chairman, to save time let us consider a division of the pending amendment. There are two propositions involved in it. One is the inclusion of the word "individual." The other deals with a 2-year period of

extension. Let us have this amendment divided so we can vote down the 2-year extension proposal but give the gentleman the other amendment he desires. I ask that the amendment be divided.

Mr. HANCOCK of North Carolina. Mr. Chairman, will the gentleman yield?

Mr. BEEDY. I yield.

Mr. HANCOCK of North Carolina. May I call the attention of the House to the fact that if you make this provision preventing banks from doing business as agents of insurance companies effective at once, it will be the only provision in this bill that is effective immediately upon the enactment of the bill. Is not this right?

Mr. BEEDY. Oh, no!

Mr. HANCOCK of North Carolina. In other words, we are extending the time for the separation of affiliates 2 years, holding company affiliates so many years. Why not extend the effective date of the insurance feature to 2 years? Would it not then be more in harmony with the other sections? If one is done now, all might be done.

Mr. PEYSER. Mr. Chairman, if the gentleman will permit, I wish to ask the gentleman from North Carolina a question.

Mr. BEEDY. I yield.

Mr. PEYSER. I merely wanted to state that the extension of 2 years in this particular class is not necessary because if an insurance man who is now connected with a bank is under contract he is not deprived of any commissions which he might have earned in the past. His contract continues.

There is nothing in there in my judgment that shows any reason why it should be extended 2 years for the same reasons that applied to other sections.

Mr. HANCOCK of North Carolina. Does not the gentleman agree that they should have some time within which to adjust themselves to the reform sought?

Mr. PEYSER. I do not think they should have any time.

Mr. HANCOCK of North Carolina. Is it not true that many of them will have a very difficult time disposing of their insurance agencies immediately under existing conditions?

[Here the gavel fell.]

Mr. KOPPLEMANN. Mr. Chairman, in the first place, I should like to know whether we are dividing the pending amendment; and if so, what part are we to vote upon first?

The CHAIRMAN. The amendment consists of two substantive propositions, either one of which would stand without the other.

Mr. KOPPLEMANN. I understand that.

The CHAIRMAN. At the request of the gentleman from Maine [Mr. BEEDY], the vote will be on the first portion of the amendment and then the vote will come on the remaining portion.

The question is on the first portion of the amendment, which the Clerk will report.

The Clerk read as follows:

First portion of the amendment offered by Mr. HANCOCK of North Carolina: Insert the word "individual" followed by a comma between the words "any" and "partnership", in line 14, page 75.

The first portion of the amendment was agreed to.

The CHAIRMAN. The question now recurs on the second portion of the amendment, which the Clerk will report.

The Clerk read as follows:

Second portion of the amendment offered by Mr. HANCOCK of North Carolina: Strike out the period, in line 20, page 75, insert a semicolon and add the following proviso: "Provided, This section shall not become effective until 2 years after the date of the enactment of this act."

Mr. Sisson. Mr. Chairman, I had intended to offer an amendment making the effective date of this section 1 year. It has been called to my attention by the gentleman from Maine [Mr. BEEDY] that this is unnecessary, because it does not become effective until 1 year after the enactment of the Banking Act of 1933.

As a member of the committee, I may say that I am not questioning the veracity or the good faith of the gentleman from North Carolina [Mr. HANCOCK], but I think there was some misunderstanding when he said that it was agreed in committee that this should be deferred for 2 years.

From my conversations with insurance agencies and with their policyholders I believe it is entirely unnecessary, and even in fairness to the banks themselves, that we should postpone this prohibition for 2 years.

The CHAIRMAN. The question is on the second portion of the amendment.

The second portion of the amendment was rejected.

Mr. BOILEAU. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BOILEAU: Page 75, line 13, after the word "any" strike out the word "such" and insert in lieu thereof the words "national bank or reserve."

Mr. BOILEAU. Mr. Chairman, this amendment would mean that employees of a State bank could sell insurance.

I do not believe it is good policy for the National Government or the Federal Congress to say that the employees of a State bank cannot sell insurance, and this is exactly what this section now provides so far as these banks that will come under the provisions of this guaranty provision are concerned, and I presume that practically all banks will hope to get some of the benefits of this insurance of deposits.

My amendment would limit the operations of the bill in this respect to employees of national banks and reserve banks. In other words, the employees of small State banks in the small rural communities could continue carrying on the business they have been engaged in during these years.

As a Representative from a rural community, I may say that there is no evil in connection with the selling of insurance by the small-town bankers. There may be some evils so far as the larger banks are concerned, but I am not prepared to say that there is or that there is not. I want to call your attention to the fact that we have a lot of small State banks capitalized at \$10,000 or \$15,000 or \$20,000 and the employees of these small banks are necessarily working for a small salary. The cashiers who have the responsibility of these small banks are getting salaries around \$125 or \$150 or \$175 a month. They are responsible business men of these small communities, and because of their experience many of the farmers, as well as other people in their communities, ask them to assist in providing fire insurance and other kinds of insurance, and I do not believe it is the intention of the Members of this House to say that the Federal Congress is going to prohibit these small bankers from carrying on this business and giving this service to their communities.

Mr. BYRNS. Will the gentleman yield?

Mr. BOILEAU. I gladly yield to the distinguished gentleman from Tennessee.

Mr. BYRNS. I know of towns of 200,000 inhabitants which have State banks. The gentleman's amendment would permit the State banks in towns of this size, as well as the smaller towns, to sell insurance while prohibiting a national bank across the street from having the same privilege.

Mr. BOILEAU. I want to make this distinction.

Mr. BYRNS. I think the gentleman should limit his amendment, if he wants it to go into the bill, to the small towns to which he has referred.

Mr. BOILEAU. I want to call the gentleman's attention, as well as the attention of all State-rights Democrats, to the fact that we have State banking systems and that we should let the State authorities have something to say about the system. I have no fault to find if the Congress wants to restrict the national banks, because that is within our province, but I do say that we should not restrict the operations of the small State banks. We should leave these banks to the banking departments and the State legislatures of the various States.

I would gladly move to strike out the entire section, but I know that would be futile, but I do ask, in behalf of these

small-town bankers and in behalf of the small banks for this consideration, and I believe every Representative from every rural community in this country should vote for this amendment.

Mr. BEEDY. Mr. Chairman, just a word so that we may clarify the situation.

The law now forbids national banks to sell insurance on the ground that it is not a legitimate banking function. The evils that have grown up from the sale of insurance, and the complaints that have come to us is the result largely of this practice on the part of State banks, and in this bill we are trying to remedy it.

Mr. BOILEAU. Are all national banks prohibited from the sale of insurance?

Mr. BEEDY. All except those in places of 6,000 inhabitants or less. The provision in this bill would forbid all banks, State and national alike, to sell insurance.

Mr. BOILEAU. If you feel that the national banks should be prohibited that is the function of Congress, but I do not think that you ought to prohibit it in State banks—that is the function of the State legislatures.

Mr. BEEDY. Well, the House can decide for itself whether it is proper for us to forbid any bank which seeks to come under the insurance of deposits provision, to stop selling insurance. I think it is wise and proper for us to adopt such a provision.

Mr. McGUGIN. Mr. Chairman, I offer the following as a substitute for the amendment of the gentleman from Wisconsin.

The Clerk read as follows:

Page 75, line 20, insert, after the word "both", the following: "Provided, That this section shall not apply to any bank located in a town or city of less than 5,000 population."

The CHAIRMAN. The Chair does not think that is a substitute. The question is on the amendment offered by the gentleman from Wisconsin.

The question was taken, and the amendment was rejected.

Mr. McGUGIN. Now, Mr. Chairman, I offer the amendment which has been read.

The Clerk read as follows:

Page 75, line 20, insert, after the word "both", the following proviso: "Provided, That this section shall not apply to any bank located in a town or city of less than 5,000 population."

Mr. McGUGIN. Mr. Chairman, I was in sympathy with the amendment offered by the gentleman from Wisconsin. I think he is right. I realize from the argument suggested by the gentleman from Tennessee [Mr. BYRNS] that when you limit it to State banks it may go to those banks of \$100,000 capital or more. My amendment, irrespective of whether it is a State or a national bank, provides that it shall not apply to towns of less than 5,000 population.

Mr. BYRNS. I want to say that I am opposed to a bank going into the insurance business in either the large or small towns. [Applause.] My objection was due to the fact that the gentleman from Wisconsin was talking in favor of small towns, whereas his amendment would have permitted it in large cities. I am opposed to it in any event.

Mr. McGUGIN. Here is the situation: Why should gentlemen want to insist throughout the bill on putting in provisions that work a hardship on the small rural country communities of this country?

Mr. PEYSER. Will the gentleman yield?

Mr. McGUGIN. Yes.

Mr. PEYSER. If it is an evil, and I believe it is, why have it in towns where small banks are, because these banks cannot fight the evil as well as the big banks?

Mr. McGUGIN. The answer is that the big banks create most of the evils.

I do not believe there is one country bank in a hundred which says to its customers, "You cannot borrow from this bank unless you buy insurance in this bank." It is a matter of convenience, it is a matter of business in these small communities.

Mr. BULWINKLE. Mr. Chairman, will the gentleman yield?

Mr. McGUGIN. Yes.

Mr. BULWINKLE. The gentleman fails to recognize that in some of these small towns there is one man who is being paid as a cashier or employee of the bank who is making in addition to his salary these commissions on the insurance that he sells, and that at the same time in the same town there is some other man who is trying to eke out a business writing insurance, but who cannot compete successfully with the bank.

Mr. McGUGIN. In these small banks the cashiers are drawing small salaries, \$75 or \$100 a month, and if they carry on a little insurance business and add to their income in that way, it is of benefit to the community.

Mr. BOILEAU. Mr. Chairman, will the gentleman yield?

Mr. McGUGIN. Yes.

Mr. BOILEAU. This section will prohibit the employee of the small State bank from entering into the insurance business, but I can find nothing in the language that will prohibit the directors of a big bank from doing the same thing, because it prohibits employees and not officers.

Mr. McGUGIN. This bill will prevent the janitor of a little country bank from making a little on the side by selling insurance.

Mr. McCLINTIC. Mr. Chairman, I had hoped it would be possible for me to offer a perfecting amendment. I realize that the temper of the House at this hour of the day is such that it is hardly possible to get any kind of an amendment adopted unless it be offered by a member of the committee. I appreciate the strategy of the chairman of the committee in asking that I refrain from asking permission to return to a section of the bill to offer an amendment until after the bill had been read and practically completed. I am in favor of this legislation, but I wanted to offer an amendment with the hope that it would prevent officials who might be termed crooked from absolutely destroying a bank from inside. I wanted to offer an amendment that had been adopted already in at least one State, but I realize it is practically impossible to get Members of the House to consent to go back 25 or 50 pages at this late hour of the day for the purpose of offering that amendment.

I have been interested in this subject possibly as long, if not longer than any other Member on the floor. Many years ago I introduced the first bill that was ever presented to either House of Congress providing a system for the guaranty of bank deposits. I see there the chairman of the committee, who granted me a hearing on that bill, and the hearing still remains in typewritten form, because there was no sympathy for a measure of this kind. However, year after year I have continued to introduce a bill, hoping the time would finally arrive when the people would realize that unless something is done to give people confidence in banking institutions they would not patronize them to the extent of putting their money in them. I hope this bill will cause money to cease going into Postal Savings, and thus be carried away to some sections of the country, denying legitimate institutions from having that which they should have to take care of normal business.

At this time, Mr. Chairman, I ask unanimous consent that I may include as a part of my remarks the statements that have never been printed, made by me before the Banking Committee 12 years ago. It will be interesting to note that some of the members of this committee participated in the hearing, and for the reason there has been a complete upheaval in banking since that date I am convinced that this legislation will do more to cause our citizens to take their money out of hiding than any other measure, if enacted into a law. On account of being otherwise engaged as a member of the Ways and Means Committee in holding a hearing on the so-called "public works bill", which caused the committee to remain in session morning, afternoon, and night, it was not possible for me to be on the floor during the early consideration of this measure. Therefore I have been denied the opportunity of offering an amendment that, in my opinion, would have caused further safeguards to be thrown around this measure.

The CHAIRMAN. The gentleman from Oklahoma asks unanimous consent to extend his remarks in the manner indicated. Is there objection?

There was no objection.

The matter referred to follows:

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Thursday, January 20, 1921.

The committee at 12 o'clock noon proceeded to the consideration of H.R. 15012, Hon. LOUIS T. McFADDEN (chairman) presiding.

The CHAIRMAN. Gentlemen of the committee, Representative McCLINTIC wants to be heard for a few minutes on the bill he introduced in connection with the guaranty of deposits of banks and, if there is no objection, we will hear Mr. McCLINTIC at this time.

STATEMENT OF HON. JAMES V. McCLINTIC, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. McCLINTIC. Mr. Chairman and gentlemen of the committee, I want to respectfully direct your attention to H.R. 15012, a bill I have introduced, which provides for the protection of deposits in national banks. I take it that it is the object of every committee to legislate as much efficiency as possible in the various branches of government over which they have a certain amount of jurisdiction. I am not a banker, and yet it has been my privilege to serve as a member of a banking committee in the State Senate of my State, and I had a little to do with the present State laws which regulate and govern State banks in Oklahoma.

The subject of guaranteeing deposits in national banks is not a new proposition. A number of States already have this law and, up to the present time if I am correctly informed, no depositor in any State bank has ever lost one dollar because of a bank failure. If you will read the report recently made by the Federal Reserve Board, you will note that every Federal Reserve district has indirectly been carrying on a campaign to get as many member banks to join their System as possible. You will find that there is a certain amount—I do not want to use the word "jealousy", but there is a certain amount of rivalry between the national banks and the State banks.

In other words, the systems that are in operation at the present time bring about a great deal of duplication, in that the State banks maintain separate machinery in order to take care of their institutions, and the national banks do likewise. There are at present approximately 8,000 national banks in comparison with some 22,000 other banking institutions. There are 160 bank examiners which cost the Government approximately \$750,000. In my opinion, the time will come when there will be no necessity for State banks. In other words, there is no more need for a separate system of State banks and national banks than there is for two street-car systems in the same city. But until that question has been solved, or until those interested in this subject can meet upon a common basis, we will continue to have this duplication which brings about a great increase of expenditures to the taxpayers of the country.

I have prepared a bill here which establishes a separate guaranty fund in each Federal Reserve district in the United States; yet I have placed the supervision of the same under one head so that uniform rules and regulations can be put into effect for carrying on the plan. The bill which I have introduced provides for amending the law which makes disposition of the profits made by the Federal Reserve Banking System. It would be amended so that after the dividends are taken care of to those who own stock in the various Federal Reserve banks, 10 percent of the profits each year will be set aside in each Federal Reserve district into a guaranty fund and this, with an additional assessment against each national bank, will provide sufficient money to take care of the needs of any bank that might be so unfortunate as to fail in the future.

In States where they have guaranty laws, when a bank becomes impaired to the extent that it cannot meet its obligations, instead of closing the door and waiting for a receiver to be appointed, the bank examiner quickly makes some kind of an arrangement with other persons to take charge of the bank and, instead of the assets being unloaded or forced to be sold at such a price as they will bring, the bank changes hands; the assets are collected in the regular manner and, as a rule, the loss is reduced to a very low minimum. In other words, in speaking before the House the other day, I made the statement that in Oklahoma, when there was a bank failure—that is, a State bank failure—there was no more excitement over the same than there was over an ordinary swapping of a horse. By having a law of that kind, we have reduced our losses to a very low figure, and at present we have a very large fund, which is sufficient to take care of the needs of all of those who are affiliated in that system.

It is my hope that this committee will feel warranted in allowing a hearing to be held at a later date so that those who are interested in this subject may have the opportunity to come before this body and offer such suggestions as they would care to offer in order to perfect the legislation. I realized that the bill I have introduced possibly should be changed in some places. In other words, national banks with whom I have talked and who have written me, have made certain suggestions which meet my approbation.

I am thoroughly of the opinion that whenever we can establish a guaranty fund for the protection of depositors in national banks, that it is only a matter of time when practically all of the State banks will feel warranted in becoming nationalized. And when that condition has been brought about, then we will have the trust companies, who will operate in a separate way and who are granted more liberal provisions than the national bank to go ahead and take care of certain kinds of business on the one hand and the national banks on the other. I am thoroughly of the opinion if a bill similar to the one I have introduced can be put into effect, that instead of having disasters brought about by the crash of a national bank, which seriously disturb every condition in every community when a happening of this kind occurs, that in the future we can reduce their heavy losses to a minimum and, at the same time, wind up the affairs of any defunct organization in such a way as to save to the depositors all the money they have placed in the bank.

Originally a bank was considered a private institution; but as time has rolled on the opinions of the people have become more liberal, until today they are declared to be public institutions. And it is for this reason the different States in the Union have come to the conclusion that banks, being public institutions, it is right to protect the depositors or to protect the public. And while this Congress may not have sufficient time to pass a bill of this kind, yet I am thoroughly of the opinion that it is only a question of time until a bill will be passed protecting depositors in national banks.

This bill provides that one half of 1 percent shall be levied against the average daily deposits of a national bank as an assessment fee when it goes in as a member or when it is entitled to participate in this fund. I am of the opinion that if we can assess the profits that are made by the Federal Reserve Bank System each year, thereby setting aside 10 percent to the credit of this fund, that this amount as carried in my bill can be decreased probably to one tenth of 1 percent. And if that would meet the approbation of the committee and those who are interested in this subject, then the expense of a national bank becoming a member or becoming a participant in this fund would be very, very small.

Mr. SCOTT. Then in the last analysis if it reached that Utopian stage where there were no bank failures throughout the country the amount of reserve carried in this guaranty fund might be taken out and utilized in other ways?

Mr. McCLINTIC. It was my intention to write a new amendment to this bill which would give the Comptroller of the Currency the right to decrease the assessments whenever he saw fit. The Federal Reserve Banking System made \$55,000,000 in 1918 and some \$80,000,000 in 1919. This money does not belong to the member banks, yet they are indirectly responsible for it. It is by the cooperation, support, assistance, and patronage they give to the reserve banks that made these results possible.

Mr. LUCE. The member banks are stockholders, are they not?

Mr. McCLINTIC. They are stockholders and, for that reason, they are entitled to participate in the profits that are made by the Federal Reserve bank. I cannot see how any person can say it would not be fair and right to take 10 percent of those profits, after the stockholders had been taken care of, and to put it into one of these funds in each Federal Reserve district to be used as a guaranty, so that when you put your money in a national bank you would know, if that bank failed, that your deposit would be safe.

Mr. STEVENSON. Should not you provide there that when that fund reached a certain figure, so many million dollars, there should be no more assessments made until there should be some impairment of it?

Mr. McCLINTIC. I am very glad you made that suggestion. It meets with my approbation.

Mr. STEVENSON. We established the system of State insurance of all public buildings in South Carolina in 1899 and provided that all collections of premiums and all appropriations should go into a fund until it amounted to \$2,000,000, and then there should be no further premiums over and above reinsurance—there should be no further profits accumulated until there was an impairment. It reached the \$2,000,000 fund in about 6 years and the State insurance on all public buildings has been carried for practically nothing except just a small reinsurance since that time, and the \$2,000,000 stands there as a guaranty.

Mr. McCLINTIC. The suggestion of the gentleman meets my approval.

Mr. KING. Suppose in some manner that Congress should wake up to the fact that all this money should be turned into the Treasury (this \$2,000,000 you speak of is really nothing after all but a form of taxation of the people) and should limit those earnings, then where would we get your fund from, if legislation of that kind should be passed?

Mr. McCLINTIC. If the Federal Reserve banks of the country did not make any profits, then there is a provision in this bill which would allow the Comptroller of the Currency to increase the assessment, provided it was necessary to take care of the losses of any defunct bank. In other words, this bill provides that the Comptroller of the Currency may increase the assessment provided it does not reach any more than 1 percent of the daily average bank deposits, based upon the daily average in 1 year, not including the deposits of State funds and national funds.

Mr. LUCE. I take a personal interest in these proposals and am very glad to consider them seriously, because of a personal consideration. I am one of 80,000 citizens of Boston who, at the

present moment, are deprived of the use of about \$30,000,000 of money—my share of it being pretty small—by reason of the failure of four trust companies. My own deposit came to me; I did not put it in myself, but it came into my possession too late for me to pull out the money before they went to smash. Now those four trust companies were new, comparatively; they had been organized by men without much experience in banking; they were rashly conducted, their loans being tied up and not liquid, so that when depositors began to worry and to withdraw their accounts they could not get in their loans. Some of their troubles were due to that Napoleon of finance, Ponzi. Now, I should like to have that money right off. They tell me probably I will get mine sooner or later, but I should like to have it at once.

Mr. McCLINTIC. I should like to see the gentleman get his money.

Mr. LUCE. But there are a good many banking institutions in Boston that are safely conducted, prudently conducted, and honorably conducted; they are prosperous and make money. If I should vote for this proposal, they would ask me, "Why should we, who are cautious, who are prudent, and who have spent our lives in learning how to run this business and who feel we are trustees for our depositors and try to be honorable men—why should we be mulcted in order to pay somebody else who was foolish enough to intrust his money to men apparently unfitted to care for it?"

Mr. McCLINTIC. I shall be very glad to answer the gentleman. In the first place, this bill will not cost those national banks you refer to in Boston very much money.

Mr. LUCE. It will cost them some.

Mr. McCLINTIC. It will cost them some, for the reason they have all indirectly contributed toward a line of business which has produced a sufficient amount of profits in order to maintain this kind of protection. And, in addition to that, it is to their advantage, for this reason: Whenever their institutions comply with the provisions of this bill, according to section 6, which says—

"As soon as a bank has complied with the provisions of this section, the Comptroller shall furnish to said bank a certificate which shall recite that said institution has complied with the provisions of the National Depositors' Guaranty Act, and the bank receiving the same shall be permitted to advertise that its depositors are protected by the national depositors' guaranty law."

A bank's success, to a large extent, always depends upon the patronage it receives. A bank without any deposits cannot do very much business. It simply means its business will be increased to that extent that it will more than recompense them for the small amount they have paid in order to be protected by this fund; and their business will be so much larger than the ordinary trust company, who will probably not be allowed to participate in this fund, that the expenditure it costs them will amount practically to nothing.

Mr. STEAGALL. Is not this true, also, that bank failures often are brought about by periods of depression that nobody in the world can anticipate and by psychological developments that cannot be anticipated; so that really a big bank, a strong one, prudently managed, can never be said to be exempt from the dangers that attend banking as faced by the smaller institutions, all being in one inseparable system?

Mr. McCLINTIC. The statement of the gentleman is quite true, and I will cite you a condition that exists in the South (and I do not wish to draw any sectional lines, because this bill applies to every section of the United States), where during the last 5 or 6 months the spinners were out of the market, and while the price of cotton remained fairly high, yet the man who had 200 bales of cotton on hand could not find a market for it. The bank that advanced the money to the buyers, in order to take care of the farmers, was unable to collect its loans, and this situation caused some of them to fail. The same condition was true up in the Northwest with relation to the price of wheat. The object of this bill is to provide a system that will furnish this kind of protection to the banks located in every section of the United States, so that emergency conditions like the gentleman has spoken about can be taken care of in the future. And when you take into consideration a bill drawn along this line will practically cost the member bank only a very small amount, I do not believe that anyone engaged in this business would object to paying that small amount, when you take into consideration the added advantages it gives.

A short time ago a bank went broke in my own county. What happened? The banking department sent a man from away up in the northern part of the State that knew nothing about the situation in that part of the county to wind up its affairs. An attorney was appointed. A whole set of machinery was put in operation in order to wind up the affairs of that bank. They had to get their information relative to the assets from people on the outside. I have known a bank that failed to run along for 12 months before the business was finally settled up and all the cost of closing up the affairs of that bank had to come out of the amount of money that was collected and this caused the depositors to receive a correspondingly smaller amount. I might go back and give you some personal experiences, but I dare say every member here knows that whenever a bank fails in any community and the sign is put up on the door "This bank is in the hands of the Federal Government", then runs begin to be made on the other banks; and unless they stick together and furnish capital to take care of that situation, in many cases a great many of the institutions go down in a crash. Inasmuch as we have prepared a system which is working successfully at the present time and we have the money already in hand, why would it not be right to place a small percentage of that into a

fund and thus charge each bank only a small amount for this kind of protection? You might reduce it to one twentieth of 1 percent. It simply means, gentlemen, in a few years from now, these State banks of the country would gradually come over and be nationalized and then we will only have two systems, thereby decreasing the cost to the taxpayers of maintaining these different kinds of businesses and, at the same time, furnish the kind of protection the people want.

Mr. SCOTT. Mr. McClintic, is it not actually true that the failure of a large industrial enterprise in a community is a great misfortune; but the failure of a bank in a community is a calamity that reaches very much further than the failure of any particular concern in a community?

Mr. McCLINTIC. That is true. And it is further true that, as a rule, the person who loses money in a bank failure is the one who is not able to lose the money; it is the poor unfortunate, nine times out of ten.

Mr. McCLINTIC. In many instances it brings about runs on other institutions in the immediate centers and thereby affects every kind of business.

The CHAIRMAN. In other words, you mean no bank can fall without affecting some other bank in some certain degree?

Mr. McCLINTIC. That is true.

The CHAIRMAN. And as I understand your argument, the well-managed banks could well afford to pay a small minimum amount of insurance against that sort of thing?

Mr. McCLINTIC. That is it exactly.

The CHAIRMAN. Because whenever any bank fails it affects some other bank?

Mr. McCLINTIC. That is it exactly.

Mr. PHELAN. How many bank failures have you had there in the past year in State banks?

Mr. McCLINTIC. I could not answer that question; not very many. We have had, possibly, about the same number as national banks; possibly a few more. But there is a section in the Oklahoma statutes which provides that "no person who has been convicted for a violation of the banking laws of this or any other State shall be permitted to engage in or become an officer or official in any bank organized in this State."

That section was put in the law in order to keep wildcat bankers who had failed in other States from coming to Oklahoma and engaging in the banking business. In other words, the guaranty law of my State has been greatly tightened up until we have done away with many of the risks we had to go up against in the early days following statehood. A guaranty bank law in a new State has to run many more risks than in an old State, for the reason that the people are not acquainted with the different characters who seek to engage in this kind of business, and oftentimes men who should not be granted charters are placed in charge of institutions.

Mr. PHELAN. There is a possible objection to a bank guaranty system that I think is of more importance than any I have heard mentioned here yet. The average man today endeavors, perhaps not always successfully, when he deposits money in a bank, to put it in a bank which he feels is well managed. In other words, he intrusts his money to men in whom he has confidence. In the long run, public opinion will, I think, pick out the men who are superior, rather than the men who are inferior, to handle their money.

Mr. McCLINTIC. I think that is true.

Mr. PHELAN. The better class of men, therefore, will be handling the banks that are doing the largest amount of business; and, since all industry and commerce depends on efficient management of the banks, it is extremely important that the institutions which grow and have more and more power and resources shall be managed by capable men. Now there is this objection—perhaps it is not fatal, but there is this objection—to bank guaranty of deposits, that when a guaranty system is evolved and put into execution, it takes away entirely from the depositor any caution as to where he deposits his money, because he feels secure in any bank, with the possible result that bank deposits will be made in banks through friendship, politics, or what not, and not on the judgment of the depositor—deposits will be made in banks managed by men of the type who ought not to manage banks.

That goes right to the essence of the whole banking system, and I think it is one reason why men who have been successful in the banking business, who can see something besides their own business, who can see the necessity for proper and efficient bank management to the whole community, to the whole country, object to a bank guaranty bank system.

Mr. McCLINTIC. But I do not think the public should be penalized because national or State bank authorities allow someone to engage in that business who should not have been granted the privilege. Under our present system, when an application is made, it is referred to an inspector in that particular section; and he makes an exhaustive report as to the financial condition of the men, their character, and all other facts possible to be obtained as to their business capacity.

Mr. LUCE. In the cities, these banks are often transferred from their original owners to other owners.

Mr. McCLINTIC. That is true, and that is the reason our present law provides that when an inspector finds any official connected with a bank who is not satisfactory, he has the right to remove that official and to place somebody else in charge who will be satisfactory to the Government. In other words, we have advanced from the old days up to the present time where we have adopted a sufficient amount of machinery to get the very best class of people in the banking business; and it is my hope, in the interest

of humanity, in the interest of good Government, that some legislation like this can be put into law so as to take care of emergency conditions in the future.

Mr. PHELAN. I have noticed this about the advocates of a guaranty bank system—I have an open mind on the thing and I want to get the argument, but I have noticed this—that they center the whole attention on the depositor, as if the depositor were the important person to be looked after in the banking system. Now it is a question whether that is the important thing.

Mr. McCLINTIC. I am very glad the gentleman raised that point—

Mr. PHELAN. For example, although many people in Boston have been held up, on money deposited in banks—and they were all State banks, keep that in mind; they were all State banks that have failed, that have closed their doors—that may be simply an individual inconvenience or it may go a little farther, it may inconvenience a man's business; but if a bank is put in a position where it has to stop making loans or it is put in a position where it is obliged to contract credits, it can do ever so much more damage to the country, or to a particular community—ever so much more damage—than can be done to the depositors who cannot get their money. In other words, when we are looking at the banking system, we want to keep in mind that the bank not only serves the depositor—and, so far as we can do, properly and equitably, should be made to consider him fairly—but the bank must also be in a position where it can properly take care of borrowers.

Mr. SCOTT. Where does the bank get the money to loan to the borrowers?

Mr. McCLINTIC. That is what I was going to ask. The gentleman must take into consideration that the banking institution cannot operate unless it has the confidence of its depositors, and the bank must do business on the money furnished by the depositors.

Mr. SCOTT. It depends on the depositor for its working capital.

Mr. McCLINTIC. Yes; and the only privilege he gets is the checking system and to borrow money in case he can furnish sufficient collateral or is rated high enough to obtain the confidence of those in charge of the bank.

I am glad you raised that point, because I have introduced a bill here which is not perfect and will probably need amending, and it is my hope we can have a hearing to strengthen the various features that should be strengthened in a law of this kind; and on the point you have raised there, we ought to strengthen the regulations which have to do with the question of policies of our banks, which probably ought to receive some attention.

Mr. PHELAN. Just to take an example—I do not mean to imply there is any connection between the two things, and yet there may be some—you have a State guaranty system in Oklahoma.

Mr. McCLINTIC. Yes; and in Kansas and in Texas.

Mr. PHELAN. But in Oklahoma, I am talking about particularly. There was no State in the Union that was more severely criticized by the Comptroller of the Currency a few years ago than your State for what he deemed excessive interest rates charged by the banks down there.

Mr. McCLINTIC. Yes, sir.

Mr. PHELAN. I do not know there is any connection between the two things, perhaps not, but it is conceivable, possible, and even probable, that your borrowers down in Oklahoma can lose a great deal more by excessive interest rates than your depositors would suffer by failure of the banks to pay their obligations to the depositors in case of failure. That is my point.

Mr. McCLINTIC. I want to answer your point. Oklahoma, or a larger portion of it, was opened for settlement 18 years ago. It was possibly the newest country in the United States where there was a large rush of immigrants. When those people came into that country and settled in that country and in that community, those who engaged in the banking business knew very little about them, except that they came from some other section of the country. That being the case, the risk was greatly increased. I mean by that when a man was given a loan, they did not know anything about the moral part of the risk. And while he may have had a certain amount of collateral, the moral risk was not known; the banker did not know him in the same degree it could have known him in the older States. That being the case, the bankers felt it was necessary to increase the rates in order to take care of the percentage of losses because of that fact. As the time has rolled on and we have weeded out many of those who might be classed as undesirables, the interest rates have gone down until today they compare favorably with those in the older States.

Mr. PHELAN. Wasn't it decided to change them after the publicity given by the Comptroller?

Mr. McCLINTIC. I could not say as to that part.

Mr. STEVENSON. Those were national banks anyhow he was criticising, not banks under the guaranty system at all.

Mr. McCLINTIC. That is true; they were national banks. But that is the reason; it is because of the moral risk.

Mr. PHELAN. I said, in my question, there might be no connection between the two at all; but, of course, the State banks charge the same amount of interest.

Mr. McCLINTIC. Approximately.

Mr. PHELAN. My point was that you can do greater damage to a community in other ways than by losses to the depositors.

Mr. McCLINTIC. I cannot agree with you, because there is nothing on earth that will demoralize a community like a bank failure; and if you have lived in a small community where everything is

taken care of by one bank and that bank has failed, you can appreciate this particular fact.

Mr. PHELAN. But do not beg the question. This bill provides a means to relieve depositors in failed banks, whereby they can be taken care of.

Mr. MCCLINTIC. That is true.

Mr. PHELAN. If you can prove the adoption of this system will result in fewer failed banks, you are making some progress, but you have not contemplated that and your bill does not propose to do it; so that when you say the failure of a bank in a community is disastrous, we all agree to that; but you are not taking care of that; you are taking care of the depositor after the failure. If your system will result in fewer failed banks, it is a very strong factor.

Mr. STEVENSON. Let me make this suggestion: My experience with a failed bank is that it ties up everything. Here is a bank with \$500,000 of deposits in a community. They shut their doors. It is absolutely certain it will be 12 months and probably 15 before a dollar is paid out to the depositors. That \$500,000 is taken right out of the commercial life of the community and tied up, and the result is the manufacturer over here who has a large deposit, and the merchant over there who has a large deposit and who expected to pay his bills with it, he has got his money tied up, and the next thing you know the merchant has gone to the wall. And then the depositor begins to get suspicious and he says "Here is my neighbor tied up down in this bank; I am going to take my money out of this other bank."

That is what broke 4 of the 5 trust companies in Boston, the loss of confidence that comes after a failure like that Napoleonic crash of Ponzis. And if you fix it so that whenever a bank closes its doors the commercial life goes on and the depositors can all have their money available and their business can go right along, then the other banks will have the money with which to finance the usual functions of banking in that community and it keeps business moving. And the whole thing turns on that proposition. That is my experience.

Mr. MCCLINTIC. Let me add this, and then I am through: In addition to what my friend, Mr. Stevenson, from South Carolina, has said, if this bill becomes a law, instead of tying up the capital of the bank that fails and causing runs on a great many other banking institutions, it will be possible simply to turn that bank over to or place it in the hands of some other person, or some other set of officers, and then the assets of the bank can be collected without having their value depreciated, and there will be no more excitement over that failed bank than there is over the change of the control in any other kind of a business institution. A little State bank went broke in my town, and I dare say there were not 25 people in the town who knew it. If we can protect our financial system without increasing the cost to any great extent by providing this kind of protection to those who furnish the working capital of a bank and, at the same time, strengthen the regulations relative to the officers and to the business plans of the bank, then it does seem to me that this committee would be willing to set a date ahead for a hearing and let everyone that wants to come before it and offer any kind of suggestions that they cared to, in order that a bill of this kind might be perfected. And that is the reason I have brought a bill here relating to this subject. I realize there are some amendments that ought to be offered. In fact, I have some here that I have thought of since introducing the bill that I wish to offer in case the bill is allowed to be perfected. My only interest in presenting this plan is that it will do something to create a more efficient plan of taking care of the business of the country and, at the same time, protect our people and all other kinds of industries and institutions in case there are bank failures in the future.

Mr. BROOKS. The best feature I see in this bill is that it may have the result of preventing runs on banks.

Mr. MCCLINTIC. Mr. Chairman, I am very grateful to you and the other members of this committee for the opportunity extended me to present my ideas in favor of this proposed legislation.

(Thereupon the committee adjourned until tomorrow, Friday, Jan. 21, at 10:30 o'clock a.m.)

Mr. MCGUGIN. Mr. Chairman, I ask unanimous consent to modify the amendment which I offered by striking out the limitation of 5,000 population and inserting in lieu thereof 2,500.

The CHAIRMAN. Is there objection to the request of the gentleman from Kansas?

Mr. SISSON. Mr. Chairman, I object.

Mr. GILCHRIST. I have just sent to the Speaker's desk an amendment of the same character as the amendment offered by the gentleman from Kansas [Mr. MCGUGIN] which limits the provisions of section 309 to towns having a population of 3,000 or more. If the gentleman wishes to put it at 2,500, I would have withdrawn my amendment in favor of his; but on account of the objection made, I will not do that now.

I wish to say to the Membership of this House that it is not an evil to have officers or employees of banks in small towns perform this kind of insurance work. It has always been done. There are no adequate facilities in most cases in small villages of 1,000 or 1,200 or 1,500 population to

do this kind of work. If this section is put into this bill, then the people who live in those smaller villages will have to go away to the larger cities in order to perform the business that they should do at home, and in order to have their insurances written. That in itself would be an evil. This work should not be prohibited here. This kind of legitimate work should be allowed to go on in small towns and villages. I agree thoroughly with the gentleman from Kansas [Mr. MCGUGIN], and I hope the Membership of this House will not write into this bill, which we want to support, a provision which will drive away from it the good will of every man who lives in the smaller places. I venture the hope that the amendment offered by the gentleman from Kansas, or else my amendment, may be incorporated in this section. I know what I am talking about. I live in a little village of only 1,200 people. In my county there is not a town exceeding 1,500 population. We look to the men in the banks to write our insurance. It is nothing that should be prohibited. In many cases it is the only way we can get our insurance taken care of.

Mr. MCGUGIN. Mr. Chairman, I ask unanimous consent to withdraw my amendment, and that will give right of way to the amendment offered by the gentleman from Iowa [Mr. GILCHRIST].

The CHAIRMAN. Is there objection to the request of the gentleman from Kansas [Mr. MCGUGIN]?

There was no objection.

Mr. GILCHRIST. I say again that I know how the business is being conducted in the small villages of this country. I hope you will vote for my amendment.

The CHAIRMAN. The gentleman from Iowa [Mr. GILCHRIST] offers an amendment, which the Clerk will report.

Mr. KVALE. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. KVALE. Is not the amendment offered by the gentleman from Iowa now pending?

The CHAIRMAN. The amendment is pending. The Clerk is about to report it.

The Clerk read as follows:

Amendment offered by Mr. GILCHRIST: On page 75, line 20, add the following: "This section shall not apply to banks operating in towns of less than 3,000 inhabitants."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Iowa [Mr. GILCHRIST].

The question was taken; and on a division (demanded by Mr. GILCHRIST) there were ayes 76 and noes 112.

So the amendment was rejected.

Mr. SISSON. Mr. Chairman, I offer an amendment, which I have sent to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. SISSON: Page 75, line 9, strike out the letter "A" and insert in lieu thereof the following: "After 1 year from the date of the enactment of the Banking Act of 1933, no."

Mr. SISSON. Mr. Chairman, I submit the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. SISSON].

The amendment was rejected.

Mr. SISSON. Mr. Chairman, I offer a further amendment.

The Clerk read as follows:

Amendment offered by Mr. SISSON: Page 75, line 15, after the word "selling", strike out the word "any"; and in line 16 strike out the words "form of"; and in line 16, after the word "insurance", change the period to a semicolon and add the following language: "but this section shall not apply when the insurance so written is insurance on the life of a borrower in connection with a loan and when the said life insurance is for the protection of a bank and/or the endorsers or comakers for said borrower."

Mr. SISSON. Mr. Chairman, I will take just a minute to explain the purpose of this. This applies to Morris Plan banks. I am going to assume that every Member of the House knows what a Morris Plan bank is, and knows that it is a means whereby the poor man or poor woman in a community may obtain a loan without paying an excessive rate of interest, without going to the note shaver, if you please. The limit of the loan is usually \$200. The loan is supposed to be made upon the moral character of the bor-

rower and the fact that he has two comakers on the note with him.

The Morris Plan bank when it makes this loan advises or requests him to take out an insurance policy in a company which is a company of their organization to the extent of the loan, namely, \$100 or \$200, for the protection of the bank and of the comakers. This provision in this law would prevent them from doing that.

Mr. STEAGALL. Mr. Chairman, I will say the committee has no objection to the amendment.

I now move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York [Mr. Sisson].

The amendment was rejected.

Mr. MARTIN of Colorado. Mr. Chairman, I move that section 309 be stricken from the bill.

The Clerk read as follows:

Amendment offered by Mr. MARTIN of Colorado: On page 75, beginning with line 9, strike out section 309.

The CHAIRMAN. The question is on the amendment of the gentleman from Colorado.

The amendment was rejected.

The Clerk read as follows:

Sec. 311. The foregoing provisions of this title shall take effect at such time as the President, by proclamation, declares that such surveys have been made as he finds necessary for the proper execution of such provisions, but in no event shall such provisions take effect later than 1 year after the enactment of this act.

Mr. BROWN of Kentucky. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROWN of Kentucky: Page 76, line 3, after the word "effect", strike out the balance of the section and insert the following: "until the examinations provided in section 302-a of all State banks applying within 30 days from the enactment of this act have been completed and said applications approved or rejected."

Mr. BROWN of Kentucky. Mr. Chairman, this is the last opportunity the Members will have to express their views on this point. I want to make it clear to the Members that this is the last opportunity they will have to take care of their State banks.

When this bill becomes a law your national banks, your Reserve members, are immediately protected. The State banks have absolutely no protection until after they have been examined. This amendment provides that this act shall not take effect until after the examinations of the State banks have been completed.

A moment ago the Chairman of the Committee on Banking and Currency objected to a certain amendment offered by the gentleman from Michigan on the ground that if certain provisions of the bill were made effective immediately, there would be no opportunity of making these examinations.

I want to put an absolute safeguard in this bill so that the State banks will not be put under a handicap. In my town we have seven banks. Two of them are national banks. Put this law into effect and next Sunday's paper will carry the ad: "Our banks guaranteed by the Government. The other five are not."

What would you do if you had a deposit in the other banks? You would get your money and take it across the street to the bank that had the guaranty.

Now, this will work no hardship to the bill. The law will be just as effective.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Kentucky. I yield.

Mr. DONDERO. I am in sympathy with the gentleman's endeavor; but does not the gentleman think there should be a time limit within which the examinations of the State banks should be completed?

Mr. BROWN of Kentucky. I take it those who administer this law will complete the examination just as quickly as they can, but I have written into this amendment that all

State banks which want protection must come in within 30 days. I take it those who are administering the law will complete the examinations just as speedily as possible.

Now, as I said, this is the last opportunity you are going to have to take care of your State banks. You cannot say that you left it to the President, because the President is not going to administer this act; and once it goes into effect with no provision whatever taking care of State banks, what are you going to say when you meet your State banker and he asks you: "What did you do to take care of the stockholders and depositors in our State banks?" Are you going to say you relied on the President? They sent you here to safeguard their interests. This is the last opportunity you will have to take care of the State banks. [Applause.]

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kentucky.

The question was taken; and on a division (demanded by Mr. BROWN of Kentucky) there were—ayes 116, noes 43.

So the amendment was agreed to.

Mr. WEIDEMAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WEIDEMAN: On page 76, in line 3, strike out the words "1 year" and insert in lieu thereof the words "6 months."

Mr. GOSS. Mr. Chairman, I make the point of order that the House has already passed on this matter.

The CHAIRMAN. The Chair may say to the gentleman from Michigan that the substance of his amendment has already been acted upon.

Mr. WEIDEMAN. I am inclined to agree that it has. May I be heard on the point of order, Mr. Chairman?

The CHAIRMAN. The Chair will hear the gentleman on the point of order.

Mr. WEIDEMAN. I wish the attention of the Chairman of the Committee on Banking and Currency. He moved to close debate. He ought to hear this.

The section in the present bill makes the guarantee of bank deposits effective not later than 1 year after the passage of the bill. I believe that the people want their bank deposits guaranteed now and that the 1-year period should be changed to 6 months in order to make this bill operate sooner.

The CHAIRMAN. The point of order is sustained.

The CHAIRMAN. The gentleman from Illinois [Mr. DOBBINS] has an amendment, which is at the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. DOBBINS: On page 76, after line 4, after the word "act", change the period to a colon and add the following: "Provided, That the provisions of this title, for the insurance of deposits in banks, shall become effective simultaneously in all banks then qualified therefor, but not until the Corporation shall have finally approved or rejected all applications from nonmember banks for participation in the plan of insurance, filed with the Corporation within 30 days after the enactment of this act, nor until final action shall have been taken upon all applications from nonmember banks for admission to the Federal Reserve System, regularly filed prior to the expiration of the said 30-day period."

Mr. DOBBINS. Mr. Chairman, my amendment is covered very thoroughly by the amendment of the gentleman from Kentucky [Mr. Brown], and I ask unanimous consent to withdraw it.

The CHAIRMAN. Is there objection?

There was no objection.

The Clerk read as follows:

Sec. 312. The right to alter, amend, or repeal this act is hereby expressly reserved. If any provision of this act, or the application thereof to any person or circumstances, is held invalid, the remainder of the act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

Mr. KVALE. Mr. Chairman, I ask unanimous consent to return to section 21 for the purpose of offering an amendment.

Mr. STEAGALL. Mr. Chairman, there will be no objection if the gentleman will submit his amendment for a vote on the particular amendment and let that be the end of it. Is this satisfactory to the gentleman?

Mr. KVALE. Will the gentleman allow me 1 minute?

Mr. STEAGALL. Is this satisfactory to the gentleman?

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

Mr. HUDDLESTON. Mr. Chairman, I object.

Mr. KVALE. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, for the life of me I cannot understand how any Member of this House can take upon himself the responsibility of objecting to a request which is the result of an agreement that has been entered into, after debate, and as a result of an understanding and agreement with members of the committee.

Mr. HUDDLESTON. Mr. Chairman, I make the point of order the gentleman is not confining his remarks to the subject of his motion.

Mr. KVALE. The gentleman is quite correct, and if he wants to shut me off in that way he can do so.

Mr. HUDDLESTON. I would be willing for the gentleman to offer his amendment without debate. I would not have objected had the request been to return to this portion of the bill merely to offer the amendment.

Mr. KVALE. That is all I ask to do.

Mr. HUDDLESTON. The gentleman asked for time.

Mr. KVALE. I said I would not insist on any time.

Mr. HUDDLESTON. The gentleman insisted on having a minute, and we cannot grant time to one without granting it to all.

Mr. STEAGALL. I suggest the Chair again submit the request.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

Mr. HUDDLESTON. Mr. Chairman, reserving the right to object, if the gentleman merely wishes to offer an amendment I shall not object, but I shall object to any debate.

Mr. KVALE. I shall gladly accede to that.

Mr. HUDDLESTON. If the request is that we return merely for the purpose of offering the gentleman's amendment and if it is to be offered without debate, I shall not object.

Mr. KVALE. I so request, Mr. Chairman.

Mr. HUDDLESTON. I object unless the request is put in that form.

Mr. KVALE. I agree to that form.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

The CHAIRMAN. The gentleman from Minnesota offers an amendment which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. KVALE: Page 28, line 25, after the words "not less than", strike out "\$2,000" and insert in lieu thereof the following: "\$2,500, unless the capital of the bank shall not exceed \$50,000, in which case he must own in his own right shares having a par value in the aggregate of not less than \$1,500, unless the capital of the bank shall not exceed \$25,000, in which case he must own in his own right shares having a par value in the aggregate of not less than \$750."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota.

The question was taken; and on a division (demanded by Mr. KVALE) there were—ayes 136, noes 5.

So the amendment was agreed to.

Mr. LEWIS of Maryland. Mr. Chairman, I ask unanimous consent to return to section 4, page 6, line 1, for the sole purpose of offering an amendment, without debate, which I send to the Clerk's desk.

The CHAIRMAN. Is there objection to the request of the gentleman from Maryland?

Mr. DE PRIEST. I object.

The CHAIRMAN. Under the rule the Committee automatically rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. CANNON of Missouri, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H.R. 5661) to provide for the safer and more effective use of the assets of banks, to regulate inter-bank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, under the provisions of the resolution he reported the same back to the House with the amendments adopted by the Committee.

The SPEAKER. Under the rule the previous question is ordered. Is a separate vote demanded on any amendment? If not, the Chair will put them in gross.

The amendments were agreed to.

The bill was ordered to be engrossed and read a third time, and was read the third time.

Mr. ZIONCHECK. Mr. Speaker, I offer the following motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. ZIONCHECK. I am.

The SPEAKER. Is any member of the committee opposed to the bill? If there is no member opposed to the bill who wishes to make a motion to recommit, the Clerk will report the motion of the gentleman from Michigan.

The Clerk read as follows:

Mr. ZIONCHECK moves to recommit the bill to the Committee on Banking and Currency with instructions to report the same back forthwith, amended as follows:

"On page 31, after line 4, insert a new section, as follows:

"Sec. 25. Paragraph 1 of section 16 of the Federal Reserve Act, as amended (U.S.C., title 12, sec. 248), is hereby amended by striking out the period at the end thereof and inserting in lieu thereof a colon and the following: "Provided, That no such officer or employee shall receive a salary in excess of \$10,000 per annum and in no case shall any such officer or employee receive a salary at a rate in excess of the rate of salary paid for like or similar positions which are subject to the provisions of the Classification Act of 1923, as amended, and to the Civil Service laws and regulations."

"And on page 57, line 2, before the period, insert the following:

"Provided, That no such officer or employee shall receive a salary in excess of \$10,000 per annum, and in no case shall any such officer or employee receive a salary at a rate in excess of the rate of salary paid for like or similar positions which are subject to the provisions of the Classification Act of 1923, as amended, and to the Civil Service laws and regulations."

Mr. LUCE. Mr. Speaker, I make the point of order that neither of the provisions of the motion to recommit are germane to any provision of the bill.

The SPEAKER. That has already been passed upon in Committee of the Whole and was held to be germane.

IMPEACHMENT CHARGES

Mr. McFADDEN. Mr. Speaker, I rise to a question of constitutional privilege. On my own responsibility as a Member of the House of Representatives, I impeach Eugene Meyer, former member of the Federal Reserve Board; Roy A. Young, former member of the Federal Reserve Board; Edmund Platt, former member of the Federal Reserve Board; Eugene R. Black, member of the Federal Reserve Board and officer of the Federal Reserve Bank of Atlanta; Adolph Caspar Miller, member of the Federal Reserve Board; Charles S. Hamlin, member of the Federal Reserve Board; George R. James, member of the Federal Reserve Board; Andrew W. Mellon, former Secretary of the United States Treasury and former ex-officio member of the Federal Reserve Board; Ogden L. Mills, former Secretary of the United States Treasury and former ex-officio member of the Federal Reserve Board; William H. Woodin, Secretary of the United States Treasury and ex-officio member of the Federal Reserve Board; John W. Pole, former Comptroller of the Currency and former ex-officio member of the Federal Reserve Board; J. F. T. O'Connor, Comptroller of the Currency and ex-officio member of the Federal Reserve Board; F. H. Curtis, Federal Reserve agent of the Federal Reserve Bank of Boston; J. H. Case, Federal Reserve agent of the Federal Reserve Bank of New York; R. L. Austin, Federal Reserve agent of the Federal Reserve Bank of Philadelphia; George De Camp, former Federal Reserve agent of the Federal Reserve Bank of Cleveland; L. B. Williams, Federal Reserve

agent of the Federal Reserve Bank of Cleveland; W. W. Hoxton, Federal Reserve agent of the Federal Reserve Bank of Richmond; Oscar Newton, Federal Reserve agent of the Federal Reserve Bank of Atlanta; E. M. Stevens, Federal Reserve agent of the Federal Reserve Bank of Chicago; J. S. Wood, Federal Reserve agent of the Federal Reserve Bank of St. Louis; J. N. Peyton, Federal Reserve agent of the Federal Reserve Bank of Minneapolis; M. L. McClure, Federal Reserve agent of the Federal Reserve Bank of Kansas City; C. C. Walsh, Federal Reserve agent of the Federal Reserve Bank of Dallas; Isaac B. Newton, Federal Reserve agent of the Federal Reserve Bank of San Francisco, jointly and severally, of high crimes and misdemeanors, and offer the following resolution:

Whereas I charge the aforesaid Eugene Meyer, Roy A. Young, Edmund Platt, Eugene R. Black, Adolph Caspar Miller, Charles S. Hamlin, George R. James, Andrew W. Mellon, Ogden L. Mills, William H. Woodin, John W. Pole, J. F. T. O'Connor, members of the Federal Reserve Board; F. H. Curtiss, J. H. Case, R. L. Austin, George De Camp, L. B. Williams, W. W. Hoxton, Oscar Newton, E. M. Stevens, J. S. Wood, J. N. Peyton, M. L. McClure, C. C. Walsh, Isaac B. Newton, Federal Reserve agents, jointly and severally, with violations of the Constitution and laws of the United States, and whereas I charge them with having taken funds from the United States Treasury which were not appropriated by the Congress of the United States, and I charge them with having unlawfully taken over \$80,000,000,000 from the United States Government in the year 1928, the said unlawful taking consisting of the unlawful creation of claims against the United States Treasury to the extent of over \$80,000,000,000 in the year 1928, and I charge them with similar thefts committed in 1929, 1930, 1931, 1932, and 1933, and in years previous to 1928, amounting to billions of dollars; and

Whereas I charge them, jointly and severally, with having unlawfully created claims against the United States Treasury by unlawfully placing United States Government credit in specific amounts to the credit of foreign governments and foreign central banks of issue; private interests and commercial and private banks of the United States and foreign countries, and branches of foreign banks doing business in the United States, to the extent of billions of dollars; and with having made unlawful contracts in the name of the United States Government and the United States Treasury; and with having made false entries on books of account; and

Whereas I charge them, jointly and severally, with having taken Federal Reserve notes from the United States Treasury and with having issued Federal Reserve notes and with having put Federal Reserve notes into circulation without obeying the mandatory provision of the Federal Reserve Act which requires the Federal Reserve Board to fix an interest rate on all issues of Federal Reserve notes supplied to Federal Reserve banks, the interest resulting therefrom to be paid by the Federal Reserve banks to the Government of the United States for the use of the said Federal Reserve notes, and I charge them with having defrauded the United States Government and the people of the United States of billions of dollars by the commission of this crime; and

Whereas I charge them, jointly and severally, with having purchased United States Government securities with United States Government credit unlawfully taken and with having sold the said United States Government securities back to the people of the United States for gold or gold values and with having again purchased United States Government securities with United States Government credit unlawfully taken and with having again sold the said United States Government securities back to the people of the United States for gold or gold values, and I charge them with having defrauded the United States Government and the people of the United States by this rotary process; and

Whereas I charge them, jointly and severally, with having unlawfully negotiated United States Government securities, upon which the Government's liability was extinguished, as collateral security for Federal Reserve notes and with having substituted such securities for gold which was being held as collateral security for Federal Reserve notes, and with having by this process defrauded the United States Government and the people of the United States, and I charge them with the theft of all the gold and Federal Reserve currency they obtained by this process; and

Whereas I charge them, jointly and severally, with having unlawfully issued Federal Reserve currency on false, worthless, and fictitious acceptances and other circulating evidences of debt, and with having made unlawful advancements of Federal Reserve currency, and with having unlawfully permitted renewals of acceptances and renewals of other circulating evidences of debt, and with having permitted acceptance bankers and discount dealer corporations and other private bankers to violate the banking laws of the United States; and

Whereas I charge them, jointly and severally, with having conspired to have evidences of debt to the extent of over \$1,000,000,000 artificially created at the end of February 1933 and early in March 1933, and with having made unlawful issues and advancements of Federal Reserve currency on the security of the said artificially created evidences of debt for a sinister purpose, and with having assisted in the execution of the said sinister purpose; and

Whereas I charge them, jointly and severally, with having brought about a repudiation of the currency obligations of the Federal Reserve banks to the people of the United States, and with having conspired to obtain a release for the Federal Reserve Board and the Federal Reserve banks from their contractual liability to redeem all Federal Reserve currency in gold or lawful money at any Federal Reserve bank, and with having defrauded the holders of Federal Reserve currency, and with having conspired to have the debts and losses of the Federal Reserve Board and the Federal Reserve banks unlawfully transferred to the Government and the people of the United States; and

Whereas I charge them, jointly and severally, with having unlawfully substituted Federal Reserve currency and other irredeemable paper currency for gold in the hands of the people after the decision to repudiate the Federal Reserve currency and the national currency was made known to them, and with having thus obtained money under false pretenses; and

Whereas I charge them, jointly and severally, with having brought about a repudiation of the national currency of the United States in order that the gold value of the said currency might be given to private interests, foreign governments, foreign central banks of issue, and the Bank for International Settlements, and the people of the United States be left without gold or lawful money and with no currency other than a paper currency irredeemable in gold, and I charge them with having done this for the benefit of private interests, foreign governments, foreign central banks of issue, and the Bank for International Settlements; and

Whereas I charge them, jointly and severally, with conniving with the Edge law banks and other Edge law institutions, accepting banks, and discount corporations, unlawfully to finance foreign governments, foreign central banks of issue, foreign commercial banks, foreign corporations, and foreign individuals with funds unlawfully taken from the United States Treasury; and I charge them with having unlawfully permitted and made possible "mass financing" of foreigners at the expense of the United States Treasury to the extent of billions of dollars and with having unlawfully permitted and made possible the bringing into the United States of immense quantities of foreign securities, created in foreign countries for export to the United States, and with having unlawfully permitted the said foreign securities to be imported into the United States instead of gold, which was lawfully due to the United States on trade balances and otherwise, and with having unlawfully permitted and facilitated the sale of the said foreign securities in the United States in a manner prejudicial to the public welfare and inimical to the Government of the United States; and

Whereas I charge them, jointly and severally, with having unlawfully made loans of gold and of gold values belonging to the bank depositors and the general public of the United States to foreign governments, foreign central banks of issue, foreign commercial banks, foreign corporations, and individuals, and the Bank for International Settlements, to the loss and detriment of the Government and the people of the United States; and

Whereas I charge them, jointly and severally, with having unlawfully exported gold reserves belonging to the national bank depositors and gold belonging to the general public of the United States to foreign countries, and with having converted the said gold into foreign currencies, and with having used it for the benefit of foreigners, and for speculative purposes abroad, and with having unlawfully converted to their own use and the use of others gold belonging to the United States stored or held in foreign countries, and with having unlawfully prevented the shipment to the United States of the said gold which was due to the United States, and with having permitted the importation under their supervision of false, worthless, and fictitious trade paper and foreign securities of doubtful value in lieu of it, and with having caused the United States to lose the said gold; and

Whereas I charge them, jointly and severally, with having unlawfully exported United States coins and currency for a sinister purpose, and with having deprived the people of the United States of their lawful circulating medium of exchange, and I charge them with having arbitrarily and unlawfully reduced the amount of money and currency in circulation in the United States to the lowest rate per capita in the history of the Government, so that the great mass of the people have been left without a sufficient medium of exchange, and I charge them with concealment and evasion in refusing to make known the amount of United States money in coins and paper currency exported abroad and the amount remaining in the United States, as a result of which refusal the Congress of the United States is unable to ascertain where the United States coins and issues of currency are at the present time and what amount of United States currency is now held abroad; and

Whereas I charge them, jointly and severally, with having arbitrarily and unlawfully raised and lowered the rates on money and with having arbitrarily increased and diminished the volume of currency in circulation for the benefit of private interests and foreign speculators at the expense of the Government and the people of the United States and with having unlawfully manipulated money rates, wages, salaries, and property values, both real and personal, in the United States, by unlawful operations in the open discount market and by resale and repurchase agreements unsanctioned by law; and

Whereas I charge them, jointly and severally, with having brought about the decline in prices on the New York Stock Exchange and other exchanges in October 1929 by unlawful manipulation of money rates and volume of United States money and currency in circulation; by thefts of funds from the United States Treasury; by gambling in acceptances and United States Govern-

ment securities; by services rendered to foreign and domestic speculators and politicians, and by the unlawful sale of United States gold reserves, and whereas I charge that the unconstitutional inflation law imbedded in the so-called "Farm Relief Act" by which the Federal Reserve Board and the Federal Reserve banks are given permission to buy United States Government securities to the extent of \$3,000,000,000 and to draw forth currency from the people's Treasury to the extent of \$3,000,000,000 is likely to result by connivance on the part of the said accused with others in the purchase by the Federal Reserve banks of United States Government securities to the extent of \$3,000,000,000 with the United States Government's own credit unlawfully taken, it being obvious that the Federal Reserve Board and the Federal Reserve banks do not intend to pay anything of value to the United States Government for the said United States Government securities—no provision for payment in gold or lawful money appearing in the so-called "Farm Relief Act"—and that the United States Government will thus be placed in the position of conferring a gift of \$3,000,000,000 in United States Government securities on the Federal Reserve Board and the Federal Reserve banks to enable them to pay more of their bad debts to foreign governments, foreign central banks of issue, private interests, and private and commercial banks, both foreign and domestic, and the Bank for International Settlements, and whereas the United States Government will thus go into debt to the extent of \$3,000,000,000 and will then have an additional claim for \$3,000,000,000 in currency unlawfully created against it and whereas no private interests should be permitted to buy United States Government securities with the Government's own credit unlawfully taken and whereas currency should not be issued for the benefit of the said private interests or any interests on United States Government securities so acquired, and whereas it has been publicly stated and not denied that the inflation amendment to the Farm Relief Act is the matter of benefit which was secured by Ramsay MacDonald, the Prime Minister of Great Britain, upon the occasion of his latest visit to the White House and the United States Treasury, and whereas there is grave danger that the accused will employ the provision creating United States Government securities to the extent of \$3,000,000,000 and \$3,000,000,000 in currency to be issuable thereupon for the benefit of themselves and their foreign principals, and that they will convert the currency so obtained to the uses of Great Britain by secret arrangements with the Bank of England of which they are the agents, and for which they maintain an account and perform services at the expense of the United States Treasury, and that they will likewise confer benefits upon the Bank for International Settlements for which they maintain an account and perform services at the expense of the United States Treasury; and

Whereas I charge them, jointly and severally, with having unlawfully concealed the insolvency of the Federal Reserve Board and the Federal Reserve banks and with having failed to report the insolvency of the Federal Reserve banks to the Congress and with having conspired to have the said insolvent institutions continue in operation, and with having permitted the said insolvent institutions to receive United States Government funds and other deposits, and with having permitted them to exercise control over the gold reserves of the United States and with having permitted them to transfer upward of \$100,000,000,000 of their debts and losses to the general public and the Government of the United States, and with having permitted foreign debts of the Federal Reserve banks to be paid with the property, the savings, the wages, and the salaries of the people of the United States, and with the farms and homes of the American people, and whereas I charge them with forcing the bad debts of the Federal Reserve banks upon the general public covertly and dishonestly and with taking the general wealth and savings of the people of the United States under false pretenses, to pay the debts of the Federal Reserve banks to foreigners, and

Whereas I charge them, jointly and severally, with violations of the Federal Reserve Act and other laws; with maladministration of the Federal Reserve Act; and with evasions of Federal Reserve law and other laws, and with having unlawfully failed to report violations of law on the part of Federal Reserve banks which, if known, would have caused the said Federal Reserve banks to lose their charters, and

Whereas I charge them, jointly and severally, with failure to protect and maintain the gold reserves and the gold stock and gold coinage of the United States and with having sold the gold reserves of the United States to foreign governments, foreign central banks of issue, foreign commercial and private banks, and other foreign institutions and individuals at a profit to themselves, and I charge them with having sold gold reserves of the United States so that between 1924 and 1928 the United States gained no gold on net account, but suffered a decline in its percentage of central gold reserves from 45.9 percent in 1924 to 37.5 percent in 1928 notwithstanding the fact that the United States had a favorable balance of trade throughout that period; and

Whereas the United States was the only country which lost a considerable quantity of gold during that period, to wit, 1924 to 1928, inclusive, I charge them with the theft and sale of the said gold to their foreign principals, and I charge them with the theft and sale of 10 percent of the entire gold stock of the United States during the last 4 months of 1927 and during 1928 after crediting all importations of gold received by the United States during that period, this theft and sale of 10 percent of the gold stock of the United States occasioning the largest gold outflow from the United States that had ever theretofore occurred, and I charge them with the theft and sale of all the gold reserves

exported from the United States from the year 1928 to the present time, a period during which the United States has lost gold continuously and has gained no gold on net account, notwithstanding the fact that the balance of trade and accounts throughout the entire period has been in favor of the United States; and

Whereas the United States has received no gold on net account since 1923, a period of 10 years during which the United States has had a favorable balance of trade and has had large sums due to it and payable in gold from foreign nations and has not received such sums in gold, I charge them, the said accused, with the theft of gold which was lawfully due to the United States, with the theft of gold belonging to the United States, and with the unlawful diversion of United States gold to the treasuries and central banks of foreign countries, and I charge them with concealment of the true condition and amount of the gold reserves of the United States at the present time; and

Whereas I charge them, jointly and severally, with having conspired to concentrate United States Government securities and thus the national debt of the United States in the hands of foreigners and international money lenders and with having conspired to transfer to foreigners and international money lenders title to and control of the financial resources of the United States; and

Whereas I charge them, jointly and severally, with having fictitiously paid installments on the national debt with Government credit unlawfully taken; and

Whereas I charge them, jointly and severally, with the loss of United States Government funds intrusted to their care; and

Whereas I charge them, jointly and severally, with having destroyed independent banks in the United States and with having thereby caused losses amounting to billions of dollars to the depositors of the said banks and to the general public of the United States; and

Whereas I charge them, jointly and severally, with failure to furnish true reports of the business operations and the condition of the Federal Reserve banks to the Congress and the people, and with having furnished false and misleading reports to the Congress of the United States; and

Whereas I charge them, jointly and severally, with having published false and misleading propaganda intended to deceive the American people and to cause the United States to lose its independence; and

Whereas I charge them, jointly and severally, with unlawfully allowing Great Britain to share in the profits of the Federal Reserve System at the expense of the Government and the people of the United States; and

Whereas I charge them, jointly and severally, with having entered into secret agreements and illegal transactions with Montagu Norman, governor of the Bank of England; and

Whereas I charge them, jointly and severally, with swindling the United States Treasury and the people of the United States in pretending to have received payment from Great Britain of the amount due on the British war debt to the United States in December 1932; and

Whereas I charge them, jointly and severally, with having conspired with their foreign principals and others to defraud the United States Government and to prevent the people of the United States from receiving payment of the war debts due to the United States from foreign nations; and

Whereas I charge them, jointly and severally, with having robbed the United States Government and the people of the United States by their theft and sale of the gold reserve of the United States and other unlawful transactions, and with having created a deficit in the United States Treasury which has necessitated to a large extent the destruction of our national defense and the reduction of the United States Army and the United States Navy and other branches of the national defense; and

Whereas I charge them, jointly and severally, with having reduced the United States from a first-class power to one that is dependent, and with having reduced the United States from a rich and powerful Nation to one that is internationally poor; and

Whereas I charge them, jointly and severally, with the crime of having treasonably conspired and acted against the peace and security of the United States, and with having treasonably conspired to destroy constitutional government in the United States: Therefore be it

Resolved, That the Committee on the Judiciary is authorized and directed, as a whole or by subcommittee, to investigate the official conduct of Eugene Meyer, Roy A. Young, Edmund Platt, Eugene R. Black, Adolph Caspar Miller, Charles S. Hamlin, George R. James, Andrew W. Mellon, Ogden L. Mills, William H. Woodin, John W. Pole, J. F. T. O'Connor, members of the Federal Reserve Board; and F. H. Curtiss, J. H. Case, R. L. Austin, George De Camp, L. B. Williams, W. W. Hoxton, Oscar Newton, E. M. Stevens, J. S. Wood, J. N. Payton, M. L. McClure, C. C. Walsh, Isaac B. Newton, Federal Reserve agents, to determine whether, in the opinion of the said committee, they have been guilty of any high crime or misdemeanor which, in the contemplation of the Constitution, requires the interposition of the constitutional powers of the House. Such committee shall report its findings to the House, together with such resolution or resolutions of impeachment or other recommendations as it deems proper.

For the purposes of this resolution the committee is authorized to sit and act during the present Congress at such times and places in the District of Columbia or elsewhere, whether or not the House is sitting, has recessed, or has adjourned, to hold such clerical, stenographic, and other assistants, to require the attendance of

such witnesses and the production of such books, papers, and documents, to take such testimony, to have such printing and binding done, and to make such expenditures as it deems necessary.

During the reading of the above the following occurred:

Mr. MAPES. Mr. Speaker, a point of order. I wish to submit the question to the Speaker as to whether or not a person who is not now in office is subject to impeachment? This resolution of the gentleman from Pennsylvania refers to several people who are no longer holding any public office. They are not now at least civil officers. The Constitution provides that the "President, Vice President, and all civil officers shall be removed from office on impeachment", and so forth. I have had no opportunity to examine the precedents since this matter came up, but it occurs to me that the resolution takes in too much territory to make it privileged.

The SPEAKER. That is a constitutional question which the Chair cannot pass upon, but should be passed upon by the House.

Mr. BYRNS. Mr. Speaker, I move that the resolution and charge be referred to the Committee on the Judiciary.

The motion was agreed to.

REGULATION OF BANKS

The SPEAKER. The question is on the motion to recommit the bill (H.R. 5661).

The motion was rejected.

The SPEAKER. The question is on the passage of the bill.

The question was taken; and on a division (demanded by Mr. PATMAN) there were—ayes 262, noes 19.

So the bill was passed.

A motion to reconsider the vote by which the bill was passed was laid on the table.

GUARANTY OF BANK DEPOSITS

Mr. DONDERO. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

Mr. SPEAKER. Is there objection?

There was no objection.

Mr. DONDERO. Mr. Speaker, coming from a section of the land where bank failures and the closing of banks, State and national, have caused untold distress and hardship, I arise to speak in favor of the pending bill, H.R. 5661, with more than ordinary interest.

Living in a township in which 80,000 people reside, where every one of its seven banks closed its doors, and this within the metropolitan area of Detroit, I yield to no person the right to claim greater knowledge of the misery and deprivation to which such a situation can subject a people.

Only once before in the history of the Nation, namely in 1837, did a like situation occur in this country when all the banks of the land practically closed at one time. That was known as the "wildcat period" of our national existence. Then every bank issued its own money. The country had launched itself upon a program of expansion and the construction of internal improvements, such as canals and railroads. It was a boom time, a period of great inflation, and in its train came conditions not unlike the present.

The present economic period, caused by inflation, abnormal prices, and, also, by abnormal growth in the large populated centers of the country, has again left our people in the slough of despair and misery. Their life's earnings and savings have been swept away and have vanished like mist before the rising sun. Thousands of banks in the country have closed, not because all bankers have been dishonest or have overreached, but because of the unparalleled depreciation of the securities in which the banks have invested their money. But regardless of how or what the cause has been that has closed the banks, the result is exactly the same, viz, that the people of the country have lost all faith and confidence in our banks and in our banking system and institutions.

In addition to the enormous sums of money lost, there has also been an enormous sum of money which has gone into hiding, and I am informed that the amount is nearly \$2,000,000,000, which has been withdrawn from the channels

of trade and of commerce. It has been secreted in the button box, the family clock, the secret drawer, and the safety-deposit box. That money is going to remain there until this Congress passes some form of legislation to guarantee or insure to the people the safety of their hard-earned money.

The bill before the House may not be a perfect bill in its entirety, but it does contain the principle which the country is demanding, namely, that the deposits from now on in banks, whether national or State, shall be guaranteed and secured to the people. That principle has my complete and hearty endorsement. The temper and feeling of the people, in which their loss of confidence is reflected, is borne out by the fact that the Postal Savings deposits in the United States have increased more than 100 percent in the last 12 months, and today I have been informed by the Post Office Department that the amount of money now on deposit in the Postal Savings Department of the Government amounts to \$1,157,651,000, bearing interest at 2 percent. There is only one answer to this tremendous increase in the deposits of the Postal Savings Department and that is that the people still have faith and confidence in the Government of the United States. It is one bank in the country that has never closed, and the depositors know they can have their money upon demand.

Let us support this bill and guarantee to all the people the same security of their deposits in banks that the people now have in the Postal Savings of the Nation. It will do much to restore the faith and confidence of the people, not only in the financial institutions and the banking system of the country but it will restore faith and hope in the people.

Idle dollars make idle men. Encourage hidden wealth to march out of its hiding places into the proper channels of commerce and industry and the wheels of business will begin to turn again. Money will be more plentiful; credit will be reestablished; funds will be available for legitimate enterprises, and upon the whole the country will be greatly benefited, and we will do much toward restoring prosperity to our people by this constructive piece of legislation. I hope the bill will pass and be enacted into law at the earliest possible date.

REORGANIZATION OF GOVERNMENT BUREAUS

Mr. BOLTON. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. BOLTON. Mr. Speaker, there has been so much discussion of the possibility of transferring work now done by the Corps of Engineers, United States Army, to other bureaus or departments that I believe it is the logical time to point out some of the reasons why such a transfer should not be put into effect. For perhaps 20 years there has been agitation for the consolidation of public-works activities of the Government and there is always coupled with this the suggestion that the civil duties of the Engineer Corps be taken over by some other bureau or a department of public works. This proposal was renewed in the presidential message of December 9, 1932, recommending consolidation of various governmental agencies. Broad authority has been given to the President with a view to reorganization of the Federal Government.

My purpose is to present some of the facts and considerations which should be cited in opposition to this transfer. First, however, it is useful to examine the reasons advanced by groups of civilian engineers and others who have appeared at congressional hearings in favor of this transfer. These arguments are without exception speculative generalities without statistical foundation. They fall into four general groups; namely, that (1) such a transfer would result in economy; (2) that it would bring greater efficiency; (3) that it is unfair to civilian engineers to have the work performed by the military branch of the Government; and (4) that the Engineer Corps would be benefited by the proposed transfer and national defense better served.

A. It is asserted that such a transfer would produce substantial economies in public-works expenditures, probably

from 15 to 25 percent—no particulars given. The statements generally made in support of this assertion are:

First. By consolidating all public works many overlapping functions would be eliminated; reductions in personnel and operating expenses would be achieved.

The principal civil duties of the Corps of Engineers are flood control, rivers and harbors works and allied services, and certain construction and maintenance duties in the District of Columbia and in connection with memorials. All these are specialized functions which in no sense overlap with the functions of any other branch of the Government. In instances where the facilities of other departments are of incidental use to the corps, or where it is able to render assistance to other branches, the fullest cooperation is practiced.

Second. The Engineer Corps has equipment valued at approximately \$60,000,000, but only uses it in conducting less than \$20,000,000 of work each year. This would represent a ruinous waste in the case of private engineering firms. Under the proposed consolidation this expensive equipment would be available for all Government works and would be of more constant public value.

These statements are inaccurate. The work done with Government plant and hired help each year is not 30 percent the value of the plant but approximately 100 percent. A large part of this plant consists of sea-going dredges with a useful life of 25 years. Much of this plant is kept at points where may arise emergencies involving great losses to commerce, and it may, therefore, be considered to serve the same purpose as a fire department, not an idle plant. Finally, this equipment enables the Engineer Corps to keep at a minimum bids for work submitted by private contractors, as it operates with hired labor all works for which the lowest bids are in excess of 25 percent more than the Army estimates of costs. Over a 5-year period the savings on work executed on which bids had been rejected amounted to 38 percent. In determining these costs the Corps of Engineers includes depreciation and carrying charges on its plant, so that comparisons with private bids are equitable.

Third. More than \$2,000,000,000 have been spent through the Engineer Corps for construction and maintenance, not including the original cost of the Panama Canal. It is contended that the great works for which the Engineer Corps receives credit were actually done by civilian engineers, and that there is no evidence that these works were done with greater economy than they would have been if entirely under the direction of civilian engineers.

The burden of proof in this respect does not rest with the Corps of Engineers, as probably no other group of works of such magnitude may be cited in whose history there has never been a suspicion of graft, waste, and incompetence. In more than a century there has been but one case of an officer who has been accused of irregularity.

Fourth. The assertion is frequently made that the United States stands almost alone among civilized nations in not having all of its public works under a consolidated department of public works. This is cited as evidence of the superior economy of consolidation.

This statement is misleading; as a matter of fact, in Canada the rivers and harbors work is conducted by three different agencies; in Great Britain it is spread among many governmental and private agencies; in Germany and many other countries it is conducted by various state agencies; and in France the system practically parallels ours.

The foregoing are the chief contentions that economies would be realized by the proposed consolidation of rivers and harbors work under a public-works agency.

B. Advocates of the transfer of these functions assert that superior efficiency will be realized. The following reasons are advanced:

First. Probably, it is said, only about one third of the personnel of the Corps of Engineers could qualify as engineers in the professional meaning of the word. The training at West Point is said not to be the equivalent of a technical

school. Consequently civilian engineers of established ability are frequently under the authority of untrained Army officers.

The training required in the Corps of Engineers exceeds that of civilian engineers. Four years at West Point, which is recognized as the equivalent of a bachelor of science in engineering; 2 years as student officer attached to rivers and harbors work, learning every practical detail from the ground up; a post-graduate course of a year at a leading technical institution; a special rivers and harbors course at the engineering school at Fort Humphreys; detail as assistant to district engineers. The Corps of Engineers in its conduct of the civil-construction operations has become a national institution with a most enviable heritage to maintain. Officers of the corps are permitted to assume responsible authority over public works only after a most thorough training acquired by technical and practical application under the tutelage of officers of ripe experience. Only after considerable service in this capacity may an officer be put in authority over any of the works. The fact that Army engineers are frequently offered high salaries in civilian engineering is ample evidence that they are equipped to compete with civilians in a professional capacity.

Second. The frequent transfers of officers detailed to public works from one post to another at intervals of 3 or 4 years is considered as a grave handicap, preventing continuity of policy and dividing the responsibility for the work.

Granting that an officer may need a little time to orient himself to the problems of a new post, these changes are considered highly desirable from a civil as well as a military viewpoint. They tend to stabilize standards of Army work at a high and uniform level. Change of station is also very important in that it stimulates and infuses the spirit of the local organization forces, reducing human tendency to become routine, prosaic, and self-satisfied. Change of officers not only permits a broadening of the officer's vision, but also effectively insures against a common tendency of the local force to take things for granted to the expense and disadvantage of the Government. This matter of regulated change in station is one of the very most important matters in the successful and economical conduct of Federal work and of officer personnel. Instead of preventing continuity of policy, the changes most decidedly preserve continuity of a national policy, forestalling the building-up of local detached practices in the conduct of public work which would soon become, if not controlled, both costly and detrimental to the best interests of the United States. An officer at a new post finds there an established routine which is identical with the post he has left, and he takes up his duties with the valuable knowledge of river and harbor work from a national viewpoint, free from local influence and prejudices. Thus ruts are avoided and wider experience is applied to each job.

Third. Promotions and assignments of Army engineers depend on Army politics and not upon engineering ability.

This statement was evidently published in ignorance of the fact that promotions are automatic in the Engineer Corps. Probably in no other organization, public or private, is advancement as free from politics. As for the assignments, the posts are filled by the men whose records show them to be the best fitted for them.

Fourth. No one in the War Department cares very much whether one of these civil works costs a million dollars or so more or less than it should. * * * No one seems to care as long as the papers are straight.

This opinion does not take into account the fact that the Engineer Corps has a magnificent tradition of public service, and that there is a healthy element of competition with other Government departments in seeking to produce the best possible results for the money expended. Moreover, in no other branch of the Government does each project come under the scrutiny of as many disinterested officials before it is approved.

Fifth. Excessive red tape and paper work cause unnecessary delays.

No Government department, particularly the one to which the proposed transfer is to be made, is as free of red tape as a private corporation, for the obvious reason of its accountability for funds. This is the procedure for any rivers and harbors works: Upon request from Congress, a preliminary examination by the district engineer is undertaken to ascertain the probable public usefulness of his project. His report goes in turn for approval to the division engineer, the Board of Engineers, the Chief of Engineers, and the Secretary of War. If recommendations are favorable, an estimate of costs is authorized, and this follows the same route and is finally transmitted to Congress for authorization, and, if granted, an appropriation when the recommendation of the Chief of Engineers indicates the project can be advantageously carried forward. This procedure is further refutation of argument "4."

Sixth. There is insufficient inspection work to keep headquarters in Washington in touch with the progress of each project.

This decentralization of the Engineer Corps activities by which each district engineer and division engineer is responsible for the works under his supervision tends to promote efficiency and keep departmental overhead at a minimum. Each is thoroughly familiar with the problems in his locality and is relieved of the interference of a large central organization which would require a large office staff.

C. Civilian engineers assert that it is unfair to the profession to have the rivers and harbors work under the exclusive direction of military officers.

First. About 70 or 80 percent of the work administered by the Corps of Engineers, it is inaccurately stated, is actually let out to private contractors. And the work that is conducted by the Engineer Corps is largely done by the 1,000 civilian engineers it employs. Only about 150 officers are assigned to the service in supervisory capacity. Thus, while these receive all the credit they can only do at most 5 percent of the work.

Second. It is unjust to exclude the 200,000 civilian engineers of the country from the opportunity to participate in the important rivers and harbors works.

Third. The monopoly of this work by the Engineers Corps is a reflection upon the engineering schools and upon the other engineering branches of the Government. By maintaining that only the Army can do this to best public advantage, the implication is that West Point graduates are superior to all others.

These arguments are obviously of little importance. It is true that the Army officers assigned to the work are negligible in relative numbers, and that the bulk of the actual work is done by civilian engineers. But if these officers, drawing the very modest Army salaries, were to be withdrawn from these services, few engineers competent to undertake the responsibilities for supervising the expenditure of more than a hundred million dollars annually could be found who would do the work and remain in the service at salaries less than several times as high. Many officers receiving \$5,000 to \$6,000 a year have responsibilities commensurate with those of engineers receiving, in civil life, \$50,000.

It is frequently said that the rivers and harbors work is an expensive training school for military engineers. But it would be infinitely more expensive as a sort of philanthropic institution for the benefit of the engineering profession, which has succeeded, without this help, in growing to 200,000 members. As a matter of fact, many Civil Service engineers receive training as employees of the Engineer Corps which enables them to earn salaries many times higher than those of the officers.

D. It is asserted that the Engineer Corps would benefit by the proposed transfer and that national defense would be better served.

First. Flood control and rivers and harbors work are no more a primary function of the Army than are postal and telegraph services. Therefore it would be of advantage to release the Engineer Corps from these civil duties for purely military activities.

In peace time there is little strictly military engineering work to be done which is comparable to the activities the Corps of Engineers is called upon to conduct in time of war. These civil duties are therefore invaluable training and are essential to national defense. They also enable an indispensable group of officers which would have to be maintained to render a great public service at low cost to the public.

Second. The civil-engineering works of the Corps of Engineers is regarded by most of the Army as time and energy wasted, and experience and skill in this work, instead of helping in the advancement of an officer, become a bar to his promotion.

This will be seen to be unfounded when we consider that the Engineer Corps has the pick of the graduates of West Point, and that the average age of its officers has generally been lower than that of other services, indicating more rapid advancement.

Third. With all public works consolidated under one Government agency, officers of the Corps of Engineers could put their knowledge to good use by being detailed for work under this department, and they could broaden their experience by being assigned to other types of engineering.

Such a procedure would break the morale of the Engineer Corps and destroy a magnificent tradition. Further, it is inconsistent with the argument that the rivers and harbors work is an expensive training school for the Army. Here it is proposed to replace low-salaried officers with high-salaried civilians, and then to assign officers to work in which they have not had specialized experience and in which they would be at their minimum value to the public. A better proposal would be to consolidate some of the other Government engineering activities under the Corps of Engineers, whose record for efficiency is unexcelled by any institution, public or private.

Fourth. In time of war the Army is obliged to employ a great number of civilian engineers. Therefore the more opportunity there is for them to be trained, the more will be available in time of emergency.

The obvious fallacy of this point is that if civilians were to replace the officers, man for man, there would only be 150 additional trained. And there would be left no body of engineering officers experienced in supervising civilian engineers and fitted to cooperate with them in war-time activity.

These various assertions constitute practically the entire case for the transfer, as it has been presented by various persons and agencies at various times for more than 20 years. Persons alleged to be spokesmen for a group of civilian engineers have asserted that savings of 15 to 25 percent could be effected by the consolidation, but have failed when requested to cite a single concrete instance in which this could be done.

The remainder of this report will present a few definite facts to indicate the economy and high order of efficiency of the operations of the Corps of Engineers.

STATISTICS ON OVERHEAD COSTS OF RIVER AND HARBOR WORK

The following tabulation is based on the 5-year period of 1928-32. The sums are totals and the percentages are average annual overhead.

	Field costs of work done	Overhead costs			Overhead percentage
		Distribution and division	Departmental	Totals	
Hired labor.....	\$229,632,058.97	\$16,696,041.94			Percent
Contract work.....	231,892,708.85	8,691,744.80			7.27
	461,524,767.02	25,387,786.74			5.50
Total.....			\$970,602		0.19
				\$26,358,388.74	5.69
Work plus overhead.....	487,883,156.86				5.40

The items included in overhead in this tabulation are: Personal services, clerical, professional, inspection, pay of officers; rents, telephone and telegraph, travel, motor-vehicle operation, speedboat operation, operation of other inspection

boats, and miscellaneous, including forms, stationery, freight and cartage, depreciation of furniture and fixtures, laundry, ice, and miscellaneous office supplies.

This tabulation shows that the departmental overhead for these works averages only 0.19 percent; the field overhead, 5.5 percent; the total overhead, 5.69 percent; and the total overhead on the total expenditures, 5.4 percent.

The salaries paid to officers assigned to rivers and harbors works, at the rate of about \$205,000 a year, amount to about 0.18 percent of the total expenditures.

To state these figures in another way, for every \$1,000 worth of rivers and harbors work, \$54 is spent on field and office overhead, of which \$1.90 sustains the office of the Chief of Engineers, and \$1.80 is paid to officers assigned to these duties.

These figures may well be considered an irreducible minimum for an organization covering about 50 districts spread throughout the country.

The Engineer Corps estimates, from its commerce statistics, that the rivers and harbors works save the Nation an amount approaching \$500,000,000 a year in transportation costs. This constitutes approximately a return of 500 percent on the annual expenditure of about \$100,000,000 for this work.

Value and use of plant

	Book value	Cost of work done with it, 1932
Rivers and harbors:		
Floating and land plant.....	\$35,215,466.32	\$36,595,065.91
Shops, yards, including buildings.....	2,637,656.08	
Total.....	37,853,111.40	
Others, floating and land plant.....	11,647,001.23	12,071,867.41
	2,172,172.36	
Total plant.....	51,672,284.99	48,666,933.32
(This does not include District of Columbia water works, \$6,456,289.50.)		

This equipment is almost entirely of long-lived type, as contrasted with the short-lived plants generally used for ordinary construction. The sea-going hopper dredges, for example, valued at \$8,582,725.37, have an estimated useful life of 25 years. In 1932 dredging with these was conducted at the low average cost of 7.67 cents a cubic yard.

Thus, contrary to assertions cited, it will be seen that the equipment of the Corps of Engineers is used to unusually good advantage.

CIVIL DUTIES AND NATIONAL DEFENSE

No proposal for the transfer of the civil duties of the Corps of Engineers should be discussed without taking into consideration its influence upon national defense. In times of peace the military activities of the Engineer Corps are negligible as compared with war times. During the World War the corps handled 500 to 700 times as much military engineering as in time of peace.

These war-time activities, however, were only about 10 times the volume of the civil engineering currently supervised by the Engineer Corps, or about \$1,162,000,000. That the Engineers Corps is elastic and capable of rapid expansion or contraction of activity is shown by its peace-time record. With rivers and harbors appropriations varying, from year to year, as much as 50 percent it has succeeded in adapting itself to these changes without much change in overhead expense and without disruption of its organization. In war time, as has been shown, it was capable of effecting a much greater expansion with efficiency.

It is obvious, however, that the military-engineering duties in peace time are insufficient to maintain a functioning organization which would be prepared to increase its activity, in an emergency, several hundredfold without enormous losses and inefficiencies. Even under the proposed transfer should Army officers be detailed for work in other departments, the supervisory organization of the corps would be largely wiped out. The officers might derive engineering

experience, but they would lose the large value of conducting a great engineering activity upon a national scale.

Despite its enormous civil activities, the Engineer Corps is at present under its quota strength. There is therefore no question of reducing it by taking away these civil duties. On the contrary, if consolidations are to be made, it would be preferable to place other engineering services, such as road and bridge construction, under the supervision of the Army engineers and thus to profit by their unexcelled economy and efficiency while further contributing to the training of an absolutely vital branch of the Army.

In considering the entire problem, there are these three distinct points which seem to stand out most prominently:

First. The lack of morale which is bound to occur in case Army engineers, holding commissions in the United States Army and taking their orders primarily from the Chief of Engineers, are assigned to other departments of the Government.

The result would mean that engineers detailed to duty other than under their own chief would be serving two masters, so to speak, which would not only be disastrous for the esprit de corps of the Engineer officers, but further would be bound to break down the authority of the Chief of Engineers over his subordinates.

Second. The lack of outside influence which is so pronounced in work, which the Corps of Engineers is carrying on, particularly in rivers and harbors work, would give away to these influences in the event such work were detailed to a department under the supervision of one from civil life and holding an appointive office whose appointment might involve partisanship.

The record of the engineers in this respect is magnificent, and today that body has the confidence of the people throughout the country in their complete honesty and intent of purpose, irrespective of political influence. This is true not only after the various projects are authorized to be carried on by the engineers but in their consideration as to the desirability and feasibility of projects where their favorable recommendation is necessary.

Third. In the matter of economy, it would appear that a transfer of the duties of the Corps of Engineers to some other department and the severing of the Engineer Corps from any activity in civil duties which are now imposed upon them, would be an added expense to the Government due to the fact that the Engineer Corps must continue in its position as an integral part of the Army, and additional personnel would be required to carry on the work which the engineers do in peace times in case these duties were taken from them.

CHILD LABOR AMENDMENT TO THE CONSTITUTION

The SPEAKER laid before the House a communication from the secretary of state of the State of New Hampshire, announcing that the legislature of that State had ratified the proposed amendment to the Constitution to prohibit the labor of persons under 18 years of age.

J. PIERPONT MORGAN

Mr. JOHNSON of Oklahoma. Mr. Speaker, inasmuch as this body has been considering a banking bill of far-reaching importance for the past several days, a bill to guarantee bank deposits, it occurs to me that it would not be altogether out of order but entirely fitting to call attention of the House at this time to the fact that the world's richest banker has "honored" this Capital City with his august presence. He condescended to come to Washington last evening, so I am advised, at the urgent invitation of a congressional committee before which he testified somewhat reluctantly today.

As J. Pierpont Morgan sallied forth from his palatial hotel in this city, where he is said to be occupying one entire floor, he was flanked by private guards on every side bearing artillery and sidearms that resembled a whole regiment ready for combat. This world-renowned banker strode forth like a real general armed to the belt and prepared to do battle.

When the "general" and his army arrived at the Capitol a mad rush was made, not only by newspaper reporters, movietone representatives and photographers, but by Members of Congress in a frantic effort to catch a glimpse of the world's richest and most powerful banker.

Mr. Morgan proceeded to give the Senate Banking and Currency Committee a very carefully prepared lecture on private banking and he evidently did not want to be disturbed by being asked annoying and, of course, insignificant questions. But the youthful Senate counsel was unkind enough to insist on asking the great head of the House of Morgan some rather personal questions. One of the first asked Mr. Morgan by this inquisitive and rather persistent young attorney was, "How much income tax did you personally pay during the years of 1930, 1931, and 1932?" To the astonishment of the committee and the public this great financier reluctantly but gravely admitted that he paid no income taxes to his Government for the past 3 years.

This ultrarich man is able to employ high-powered legal and financial experts and by some hook or crook, mostly "crook", I judge, this great world-famed international banker, whose firm lends money by the hundreds of millions of dollars, has escaped all his income taxes during the past 3 dark years while Congress has been making a desperate effort to balance the Budget and place this Government on an even keel. Remember, too, that while this and other sessions of Congress have been heaping additional tax burdens upon the farmer, the laborer, and small business man, this man Morgan has made no contribution to maintain the Government that has been so good and generous to him.

The revelation the world has received today of income-tax evasion by this outstanding international banker is not only a result of the work of high-powered, trained financial experts, who are paid for the purpose of outfiguring officials of the Government but it is also the result of permitting the rendering of secret income-tax returns. That practice ought to be stopped by this Congress and stopped now. [Applause.]

Is there any wonder, Mr. Speaker that there are discontent and riots among our people, many of whom have been driven from their homes because they were unable to pay their taxes or the interest on their loans, when they learn that the richest and most powerful banker in all the world admits under oath that he has somehow managed to escape all his income taxes during the years of 1930, 1931, and 1932?

Al Capone is serving a sentence in the penitentiary for income-tax evasion. Should I desire to be harsh or unkind, I might suggest that a financial racketeer from Wall Street is no less reprehensible than a gangster from Chicago. I will not say that, although the suggestion might be food for thought. I do submit, however, if the House of Morgan and other Wall Street manipulators and tax evaders paid their just share of the burdens of government that we would now have a surplus in the Treasury instead of a deficit, big business as well as little business would have more respect for this Congress and Government of the whole, and we would not now be faced with the serious and perplexing problems of raising additional revenues to finance the increasing activities of the Federal Government. [Applause.]

PUBLIC WORKS BILL

Mr. DOUGHTON. Mr. Speaker, the public works bill, and a copy of the report, will be available to Members of the House in the document room in the morning. I ask unanimous consent that the committee have until midnight tonight to file its report.

Mr. GOSS. Mr. Speaker, reserving the right to object, is there to be any minority report; and if so, will the gentleman incorporate that with the main report?

Mr. DOUGHTON. I shall if there is any, but I understand there is not to be any.

Mr. BLANCHARD. Mr. Speaker, when will this bill be taken up?

Mr. DOUGHTON. Not until the day after tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

VETERANS OF THE WORLD WAR

Mr. ROGERS of Oklahoma. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. ROGERS of Oklahoma. Mr. Speaker, on May 2 of this session the Honorable JED JOHNSON, of Oklahoma, introduced into the House Concurrent Resolution 17, giving preference to veterans who are disabled and unemployed in the reforestation program. This resolution provides that veterans be given preference, first, those who are disabled and whose benefits will be stopped or substantially reduced under the provisions of the Economy Act; second, to veterans who are now unemployed and have dependents, and, third, to those not coming within the above two classes. I want the RECORD to show that I am whole-heartedly in favor of that resolution.

I do not desire to criticize those who labored for the passage of the economy bill nor do I wish to condemn those who voted for the measure. I voted against the bill for I thought then that the provisions were too drastic and severe and that disabled veterans would be unable to receive fair, just, and equitable treatment. I know now, since the regulations have been put into effect, that my fears for the veterans were justified. I am convinced that many injustices have resulted from the passage of the Economy Act, and this resolution, sponsored by the Honorable JED JOHNSON of Oklahoma, will, in a measure, alleviate some of the suffering and go a long way toward restoring to the needy veteran his chance of subsistence. I join the disabled veterans of Oklahoma in endorsing House Concurrent Resolution 17.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. KEMP, indefinitely, on account of illness.

To Mr. DOWELL, at the request of Mr. THURSTON, indefinitely, on account of illness.

To Mr. REED of New York, at the request of Mr. FISH, for the balance of the week, on account of illness.

SENATE JOINT RESOLUTION REFERRED

A joint resolution of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S.J.Res. 48. Joint resolution authorizing the Secretary of War to receive for instruction at the United States Military Academy at West Point, Posheng Yen, a citizen of China; to the Committee on Military Affairs.

ADJOURNMENT

Mr. BYRNS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 11 minutes p.m.) the House adjourned until tomorrow, Wednesday, May 24, 1933, at 12 o'clock noon.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. DOUGHTON: Committee on Ways and Means. H.R. 5755. A bill to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes; without amendment (Rept. No. 159). Referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. DOUGHTON: A bill (H.R. 5755) to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public

works, and for other purposes; to the Committee on Ways and Means.

By Mr. CONNERY: Resolution (H.Res. 157) providing for the consideration of H.R. 4559; to the Committee on Rules.

By Mr. McFADDEN: Resolution (H.Res. 158) relative to the impeachment of certain members of the Federal Reserve Board and certain Federal Reserve agents; to the Committee on the Judiciary.

By Mr. CONNERY: Resolution (H.Res. 159) authorizing the Committee on Labor to have printed for its use additional copies of hearings on 30-hour work week; to the Committee on Printing.

By Mr. MORAN: Joint resolution (H.J.Res. 188) to authorize the Reconstruction Finance Corporation to make loans for refinancing the repair and reconstruction of buildings damaged by conflagration in 1933; to the Committee on Banking and Currency.

By Mr. CELLER: Joint resolution (H.J.Res. 189) authorizing the President to present in the name of Congress a Medal of Honor to Walter Sweet; to the Committee on Naval Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. CHAPMAN: A bill (H.R. 5756) granting a pension to Lucy Leach; to the Committee on Invalid Pensions.

Also, a bill (H.R. 5757) granting a pension to Emily Cecil; to the Committee on Invalid Pensions.

By Mr. KLOEB: A bill (H.R. 5758) granting a pension to Clifford Lamer Otto; to the Committee on Invalid Pensions.

By Mr. MILLIGAN: A bill (H.R. 5759) granting a pension to Frankie E. Ligon; to the Committee on Invalid Pensions.

By Mr. RANDOLPH: A bill (H.R. 5760) for the relief of Andrew Boyd Rogers; to the Committee on Claims.

By Mr. REECE: A bill (H.R. 5761) for the relief of Prentice Mead Handlon; to the Committee on Military Affairs.

By Mr. SUMNERS of Texas: A bill (H.R. 5762) for the relief of Charlie Chapman Fryer; to the Committee on Military Affairs.

By Mr. SWANK: A bill (H.R. 5763) for the relief of Frederick E. Dixon; to the Committee on the Post Office and Post Roads.

By Mr. TINKHAM: A bill (H.R. 5764) granting a pension to Addie E. Kittredge; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1163. By Mr. BRUMM: Petition of B'Nai Israel Congregation, of Shamokin, Pa., requesting the Government of the United States to make official protest against the treatment of Jewish citizens in Germany; to the Committee on Foreign Affairs.

1164. By Mr. JOHNSON of Texas: Resolutions adopted by Hearne Chamber of Commerce, Hearne, Tex., and Buffalo Chamber of Commerce, Buffalo, Tex., endorsing President Roosevelt's public works bill; to the Committee on Ways and Means.

1165. By Mr. LINDSAY: Petition of American Fruit & Vegetable Shippers Association, Chicago, Ill., urging support of Senate bill 1406; to the Committee on Banking and Currency.

1166. By Mr. McFADDEN: Petition of the mayor and Council of the City of Pittsburgh, Pa., relative to the liberalization of the laws regulating the Reconstruction Finance Corporation; to the Committee on Banking and Currency.

1167. Also, petition of the Khaki Shirts of America, Inc., being their demands as presented by Art J. Smith, commander in chief, and J. E. Monaghan, adjutant general; to the Committee on the Judiciary.

1168. By Mr. MURDOCK: Petition of the State Legislature of Utah, urging creation of national monument in

Wayne County, Utah; to the Committee on Public Buildings and Grounds.

1169. By Mr. O'MALLEY: Petition of more than 200 members and families of the Pride of Milwaukee Lodge, urging legislation condemning discrimination against Jews in Germany; to the Committee on Rules.

1170. By Mr. WATSON: Resolution passed by the Doylestown Council, No. 40, Sons and Daughters of Liberty, favoring House bill 4114; to the Committee on Immigration and Naturalization.

1171. By Mr. WHITE: Memorial of the Legislature of the State of Idaho, memorializing Congress to enact into law Senate Joint Memorial No. 3 of the State of Idaho, calling a world conference for the immediate consideration of re-monetization or stabilization of silver; to the Committee on Coinage, Weights, and Measures.

1172. By Mr. WITHROW: Memorial of the Legislature of the State of Wisconsin, memorializing Congress to enact laws providing for the use of ethyl alcohol in all motor fuels; to the Committee on Ways and Means.

SENATE

WEDNESDAY, MAY 24, 1933

(Legislative day of Monday, May 15, 1933)

The Senate sitting as a court for the trial of articles of impeachment against Harold Louderback, judge of the United States District Court for the Northern District of California, met at 10 o'clock a.m., on the expiration of the recess.

The managers on the part of the House of Representatives appeared in the seats provided for them.

The respondent, Harold Louderback, with his counsel, Walter H. Linforth, Esq., and James M. Hanley, Esq., appeared in the seats assigned to them.

PROCLAMATION

The VICE PRESIDENT. The Sergeant at Arms will make proclamation of the session of the Senate sitting as a Court of Impeachment.

The Sergeant at Arms made the usual proclamation.

THE JOURNAL

The legislative clerk proceeded to read the proceedings of the Senate sitting as a Court of Impeachment for the calendar day of Tuesday, May 23, when, on motion of Mr. ASHURST, and by unanimous consent, the further reading was dispensed with, and the Journal was approved.

DIVISION OF TIME FOR ARGUMENT

Mr. ASHURST. Mr. President, I am assuming that the honorable managers on the part of the House and the honorable attorneys for the respondent have agreed among themselves as to how their time shall be distributed when the Senate is ready to hear argument.

Mr. Manager PERKINS. Mr. President, the managers on the part of the House have agreed among themselves as to how their time shall be distributed.

The VICE PRESIDENT. Have counsel for the respondent agreed as to the division of their time?

Mr. LINFORTH. Mr. President, my associate has graciously permitted me to occupy his time.

CALL OF THE ROLL

Mr. ASHURST. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Coolidge	Keyes	Robinson, Ark.
Ashurst	Dickinson	King	Robinson, Ind.
Bailey	Duffy	Logan	Russell
Bankhead	Erickson	Long	Sheppard
Bone	Fletcher	McCarran	Stephens
Bratton	George	McGill	Thomas, Utah
Brown	Goldsborough	McKellar	Trammell
Bulow	Gore	McNary	Vandenberg
Carey	Hale	Nye	Van Nuys
Clark	Hayden	Patterson	White
Connally	Kean	Pope	

Mr. WHITE. I am asked to announce that the Senator from Nebraska [Mr. NORRIS] and the Senator from South Carolina [Mr. SMITH] are necessarily detained from the Senate on official business of the Senate.

The VICE PRESIDENT. Forty-three Senators have answered to their names. A quorum is not present. The clerk will call the names of the absent Senators.

The legislative clerk called the names of the absent Senators, and Mr. CAPPER, Mr. HASTINGS, Mr. HEBERT, and Mr. TOWNSEND answered to their names when called.

Mr. BACHMAN, Mr. BARBOUR, Mr. BARCLAY, Mr. BLACK, Mr. BULKLEY, Mr. BYRD, Mr. BYRNES, Mrs. CARAWAY, Mr. COSTIGAN, Mr. COUZENS, Mr. DALE, Mr. DILL, Mr. FRAZIER, Mr. GLASS, Mr. HARRISON, Mr. HATFIELD, Mr. KENDRICK, Mr. LA FOLLETTE, Mr. LEWIS, Mr. MCADOO, Mr. METCALF, Mr. MURPHY, Mr. NEELY, Mr. PITTMAN, Mr. REED, Mr. REYNOLDS, Mr. SCHALL, Mr. SHIPSTEAD, Mr. STEIWER, Mr. THOMAS of Oklahoma, Mr. TYDINGS, Mr. WAGNER, Mr. WALCOTT, Mr. WALSH, and Mr. WHEELER entered the Chamber and answered to their names.

The VICE PRESIDENT. Eighty-two Senators have answered to their names. A quorum is present.

REFERENCES TO DOCUMENTS OFFERED IN EVIDENCE

Mr. LINFORTH. Mr. President, before we proceed this morning may I be permitted to say that the honorable Senator from Utah [Mr. KING] yesterday requested counsel to indicate the pages of the printed record where documents are contained that had been offered in evidence. In obedience to that request I should like to report that the general report and account of the receivers is to be found at page 419. The first report of the receiver on claims is found at page 458. The application of the attorneys for compensation is found at page 703.

The references I am giving are references to the bound volume of exhibits that has been referred to here.

The application of receiver for compensation is found at page 600 of that volume. The report of the receiver on claims is found at page 778. The second account of the receiver is found at page 542. The second application for attorney's fee is found at pages 749 and 775. The second application for receiver's fees is found at page 499.

Mr. McCARRAN. Mr. President, in addition to the matters just referred to by counsel I am wondering if the report of the receiver in the Russell-Colvin case, which was not printed at this hearing, is available in one of the other reports.

Mr. LINFORTH. It is available in the printed record to which I have referred at the page which I have stated.

The VICE PRESIDENT. The managers on the part of the House may proceed with the argument.

ARGUMENT ON BEHALF OF THE HOUSE OF REPRESENTATIVES BY MR. MANAGER BROWNING

Mr. Manager BROWNING. Mr. President, I desire to consume 1 hour of the time, and will appreciate it if I may be advised 5 minutes before the time expires.

The VICE PRESIDENT. Very well.

Mr. Manager BROWNING. Mr. President and members of the High Court of Impeachment, in the opening statement in this case the gentleman from Texas [Mr. SUMNERS] set out at some length the theory of the managers with regard to impeachment procedure. I only wish to supplement that with the statement that we regard an impeachment action as a defensive measure guaranteed to the people under the Constitution; that we regard the tenure of office of the Federal judiciary as a political right and not an inalienable right guaranteed under the Constitution to an individual. We regard it not only as a defensive action but as an action which has nothing to do with punitive, retributive, or vindictive justice, because the Constitution clearly sets out that the limit of punishment which can be administered by the Senate is removal from office and a denial of the privilege of holding office thereafter. The framers of the Constitution very wisely saw that in the future some men would be appointed to that high office whose conduct would not be good, and therefore they provided that it would be a tenure for life or during good behavior.

We come to a consideration of the facts in this investigation. So far as I am concerned, the particular individual under investigation is a matter of indifference. But the respondent in this case we discover at the outset conducting his office in such a way that the bar association of the city of San Francisco, Calif., representing the major part of that district, requests an investigation of his official conduct, because, as they set out, of the unfavorable notoriety that has been given to his actions connected therewith.

One of the circumstances that we propose to call to your attention, and which is embodied in the articles of impeachment exhibited by the House and shown by the proof, is the residence of the respondent. Briefly, I desire to recite to you that in September 1929, because of developments about which we have no concern, the respondent left home and decided to take up a residence elsewhere. He went to the Fairmont Hotel in San Francisco. He was a Federal judge occupying the district bench. He went there to remain, as the proof shows, and he has remained practically ever since, but he did not register in his own name. The room that he occupied was not occupied at that time, as shown by the circumstance that registration was made on that date by W. S. Leake for a guest for room 26, Fairmont Hotel, and the guest a resident of San Francisco, and the respondent has occupied that room exclusive of all other parties ever since that time.

You have heard his statement with regard to what his intentions were after that time, or in April after he went there in September, of establishing a residence in Contra Costa County. Intention is a presumption of law founded on fact. If I say to an individual, "I would not harm you for the world", and straightaway I shoot him through the heart, do you consider that my intention would be what I said or what I did? Our position is that his intention must be defined by his action. He claims to have established a residence in Contra Costa County on April 6 or April 17—whichever he insists is the proper time—in 1930, and from that date to this time he has spent 4 nights in that residence. The maid at the hotel says he is regularly at the hotel and he admits it. I take it that is a fair inference from his statement. Nobody else occupies his room, and for all that length of time—more than 3 years—he boasts of having lived in the residence 4 nights and claims that is his legal residence.

The VICE PRESIDENT. Mr. Manager BROWNING will suspend for a moment. The Chair appoints the Senator from Indiana [Mr. VAN NUYS] as Presiding Officer.

(Thereupon Mr. VAN NUYS took the chair as Presiding Officer.)

Mr. Manager BROWNING. What other circumstance is connected with this matter? The fact that he made his tax returns in San Francisco and admitted on the stand that he signed an affidavit on each of those returns that his residence was the same "as set out above", and in 1930 and 1932, at least those two I remember definitely, he swore that he was a resident of San Francisco City and San Francisco County, Calif. In my judgment this proposition of residence is exactly as he stated before the committee, as the proof shows, when he was here last January and said that he was contemplating a civil action and wanted to have the privilege of moving it to Contra Costa County if it was brought against him. He said "I firmly believe, gentlemen, if it had not been that I went over there and had that claim for residence, that suit would have been brought against me, and if I had registered in the hotel it would have been a circumstance against my residence in the other place." In effect that is what he said. In other words, he stayed at the hotel as much as he would have had he been registered, yet he, a judge on the bench, undertook to build up a fictitious, hyphenated, fly-by-night residence across the bay to defeat civil action against him in San Francisco.

It is these circumstances, connected with others to which we propose to call your attention, that we insist precipitated an investigation of this man occupying the high place of Federal judge in the northern district of California.

When he got ready to make up this fictitious residence situation and to cover up his living at the Fairmont Hotel—regardless of what his purpose might have been, that is the truth of what happened—he turned to one man that the record shows had been his confidant, had been his crony, had been his constant companion in evenings at the hotel before and after that time since 1925. It was his habit, with this man, to come in there in the evenings, and they would go apart from other people and sit and talk, almost constantly. That is the testimony of the auditor of the hotel in which it occurred.

Who is this man in whom he was confiding? In my judgment he is the man behind the curtain that was pulling the strings on this puppet of his, and the record justifies that assertion. There is only one man in the record that has opened his mouth about the reputation of Sam Leake around San Francisco, and that was brought out by inquiry by a member of the court. You will recall when Mr. Ehrmann was on the stand some Senator asked him by way of an interrogatory, "Have you heard Sam Leake discussed around San Francisco?" He said, "Yes; quite a bit." "What have you heard said about him?" In the most significant way that a man could answer he said, "If I were called upon to answer that inquiry categorically, I would say I have not heard him praised."

That, members of the court, is the record so far as the character of this man is concerned; but there is other testimony that indicates more than that his interest in this puppet of his.

For instance, for some reason unexplained in the record, Sam Leake decided that somebody might be following the judge; why? I do not know. That is not explained. What did he do? As a friendly act, he employed a private detective to see whether that was going on.

For what purpose can a Federal judge be shadowed? And why was it this man's interest to see whether or not he was being shadowed? And Leake paid for it out of his own money.

Those are just some of the circumstances connected with the contacts and the relationships of these two men; and, although that is the case, W. S. Leake made an effort in his original testimony to deny that he knew the habits of the judge, to deny that he knew where he lived. It will be found on page 219 of this record. That is, he would not answer that question when it was asked. He said, "He sleeps sometimes at the Fairmont Hotel"; and there was a labored effort on his part to conceal the information that he had regarding the matter. He claimed he did not know respondent's habits or where he lived.

There is no question in this record of the Siamese twins relationship between these two parties, and it becomes very important in view of the things that developed in the cases that have been unfolded before you.

In the first place, while the respondent was on the State bench he appointed W. S. Leake receiver or appraiser in eight different cases in the year 1927, which was the last full year of his service. In one of those, as to which you have heard testimony, the only one where we have exact information about the fees, it is shown that Leake signed his name and got pay for 100 days' service in appraising property, and was paid \$500 for it. He had associated with him in that case one Guy H. Gilbert, who has appeared before you. He signed his name to the report and to the oath, and for signing his name twice he got, by allowance of the respondent, \$500—\$5 a day for 100 days' work. But when the respondent came into the Federal court W. S. Leake was not appointed receiver any more, yet somewhere along there he had been borrowing money from the judge several times, and the judge was not certain—you could see it from his attitude and his statement on the stand—whether Leake ever paid it back, but he said he thought he had. At one time Leake borrowed as much as \$350. After the judge came into the Federal court he did not appoint Leake to any receiverships; but our theory of this case is, and I think I can establish it from the record, that Leake got his compensation from some other source, and

the judge—to use the vernacular of the day—got Leake "off his back" and on the pay roll of crippled institutions that came to his court for protection.

The first case in which Mr. Gilbert was appointed was the Stempel-Cooley case, in which he collected \$12,000, and got a \$500 fee. He went to Mr. Leake as soon as he was appointed in that case and asked whom to name for his attorney, and Leake told him John Douglas Short, and Gilbert named him.

The next case that Mr. Gilbert got was the Sonora Phonograph Co. case. He thought he was going to name John Douglas Short in that case as soon as he got word of his appointment; but when he got to the court room he found out differently. There enter the firm of Dinkelspiel & Dinkelspiel. They are there and ready to receive this appointment as attorneys for the receiver.

Dinkelspiel & Dinkelspiel had filed the petition in that case. Dinkelspiel so states in his testimony, on page 594 of the hearings. There happens to be a rule that the respondent has introduced in this case and has offered an explanation of it by Judge St. Sure. It is printed on page 627 of the record; and the rule, quoted in this letter, is as follows:

Receivers shall employ counsel only after obtaining an order of the court therefor.

And then Judge St. Sure's explanation is this:

It gives the court discretion in the matter of the appointment of attorneys for the receiver, to the end that no attorney shall be appointed who for good and sufficient reasons is deemed disqualified—who has appeared for or acts for a party or for any creditor of the defendant (whether intervener or not), or for any other person interested in the cause or the estate.

In defiance of that rule, of which he offers an explanation in having Judge St. Sure say that no attorney shall be appointed who stands in that relationship, at his own discretion or his own insistence he tells Gilbert, or somebody tells him, that he must take Dinkelspiel & Dinkelspiel, who filed the petition and represented creditors in this case; and there is a strong inference in this record that they got into the case by methods that are not considered altogether orthodox or ethical by the legal profession. Be that as it may, however, the case lasted either 6 or 7 months.

Dinkelspiel says that they set forth in their report all the services they rendered, and he says that on page 595 of the record. That report shows that Dinkelspiel spent 65 hours of work in that case, and he says that is all of it; so for 9 days of 7 hours a day, and 2 hours additional, he received the sum of \$20,000, and he received that over the protest of every party in interest in the case, and he received it by grant of authority from the respondent.

Think of that, gentlemen of the Senate! Sixty-five hours' work; a crippled institution going into receivership for the protection of equity, and then having their assets dissipated in any such manner as that. I ask you if that is conduct becoming a man holding that high office.

Not only that; the Dinkelspiels undertake to show that they are specialists. John Dinkelspiel testifies that they specialize in equity and bankruptcy proceedings.

"Well, Mr. Dinkelspiel, how many cases outside of the four given you by the respondent have you had?"

"Two."

"What fees did you receive?"

"In one of them, \$2,000; in the other, less than \$2,000."

A specialist? Of course he is, so far as the respondent's court is concerned; and this is not the only case in which he served. Why, gentlemen of the Senate, he received over \$2,000 a day for the service he rendered; and I ask you, sitting as members of the high Court of Impeachment, if that is justified in a court of equity when a crippled institution comes there for protection of the law? There was not a single claim that went to litigation; there was not a single lawsuit instituted or tried; and 65 hours of service was rendered!

Mr. Gilbert in that case got \$6,800, a large part of which he put in his safe-deposit box; and we will come back to trace that later.

The next case on which I want to touch is one that I think has taken up too much time in this record, I admit, and that is the Russell-Colvin matter. I am trying to discuss these cases in the order in which they occurred in court.

Of course, the Russell-Colvin case is the only one of which the respondent offers even a vestige of an explanation. He claims that he had suspicions about the way that case was brought; and that, in my judgment, is the only case in which he offers any excuse for what he did. We are not relying on that alone, but we do think our theory of that case is correct, and I will tell you why.

This was a brokerage concern. They were suspended from operation by the San Francisco Stock Exchange. If there had been any defalcations, if there had been any corrupt practices that the exchange had known about, they would not have been suspended; they would have been expelled. The record does not show that there was any misconduct so far as fraud or corruption was concerned, on the part of the members of the concern itself. The parties came into court for a receivership to see if they could not work out the situation and sell the concern as a whole. On the threshold we are met with the proposition with which the respondent undertakes to excuse himself, and that is the double filing in that case.

I say to you that the record proves that that is not an unusual occurrence. We will come to the Lumbermen's Reciprocal Association case in a little bit. The testimony of Tom Slaven showed that there was a double drawing in that case; and it was not an unusual thing at all. They drew first, and they drew Judge St. Sure, and he was out of town; so they drew again, and drew Judge Louderback. That is to be found on page 367 of the record. So it was not an unusual thing; and I believe the statement of these men when they say that they went out the day before, and they placed a petition on the desk, and Judge St. Sure's name was drawn, and they knew he was out of town, and they say the clerk told them, or someone—they do not say that Maling said it, but it is a fair inference from this record that someone in the clerk's office told them—that Judge St. Sure would not act in his absence, and no one would act for him in his absence. The clerk says that no one ever has acted in a receivership in the absence of the judge drawn since he has been clerk, from 1912. So the next morning the parties came out, and to avoid that they made a double filing, and, as it occurred, Judge St. Sure's name was drawn first, and he was out of town; and then immediately they filed the other one, and they drew Judge Louderback.

If there had been any effort to control somebody, why did they not dismiss that petition? The truth of the matter is that was an afterthought and a fictitious excuse built up after the development of this case. So they drew Judge Louderback, and they went to his quarters and recommended a man about whom there can be no question in this record with regard to his ability to carry on the business, and they presented him. Then afterward, the vital point in the matter with me, so far as the excuse of the respondent is concerned, is that he claims that he told that man to come back that day after he qualified. There are four witnesses besides Strong who swear positively that he did not do it, and none of them is impeached in this record except by the testimony of the respondent himself. There were five of them, if you please, including Strong. Strong and all those other witnesses say that nothing had ever been said about the attorneyship in that matter until after Strong qualified, and he had no idea, and the preponderance of the proof shows it, that he was expected to come back that evening; but he did talk to McAuliffe, and he said, "I was employing McAuliffe personally, and not the firm of Heller, Ehrmann, White & McAuliffe." There are two men in that town who are specialists on stock-brokerage matters, and they are McAuliffe and Lloyd Ackerman. When he came back the court began to talk to him about his lawyer; and when he told the court that he had talked to Mr. McAuliffe, the witness Strong knew, and everybody connected with the

case knew, of rule 53, and they knew that no attorney could be appointed without the approval of the court. Everybody in the record understood that. Nobody contends anything different. When it was revealed to the respondent that he had actually talked to an attorney who was counsel for the stock exchange, then he said, "That is just what I was afraid of."

Was he undertaking at that time to get a competent counsel or was he afraid of the stock exchange? This record shows that the exchange had but one interest in the matter, and that was the proper and equitable and economical administration of this estate in favor of the creditors. That was the only thing that could affect them, because the seat on the exchange was security for any claims any members had against it, which claims totaled \$1,200, and the seat was worth \$75,000 at that time. They could not have had any other interest; and common, ordinary sense would have dictated that they could not. But they had made an estimate, or they did make an estimate, of what the legal services would amount to in the case if they handled it, and they estimated then it would not exceed \$20,000, and that the receivership fee would not exceed \$15,000.

Let us see if there was not a scheme. I will tell you what my theory is. I think the respondent and Leake and those who are bloodsuckers on these estates had known about this in advance—there is some evidence to that effect—and when they came in with such a competent receiver, and one so unanimously supported, they decided that perhaps they would have to take him, but that they would get what patronage they could out of the attorneyship. To show you that the respondent was stalling, that he was undertaking to put every obstacle in the way of this appointment, he required of this man a bond of \$50,000 to run in favor of other creditors of the concern, such a bond as was never heard of in any other case, and the only thing it could have been for was to try to hamper him in his qualifications. Then he decided that perhaps he had gone too strongly in the matter and that he would cut it down to \$10,000; but he still required it. For what purpose? For nothing in the world except to find some excuse to get out of appointing Strong as receiver.

When Strong came back, the respondent made the insistence that he had not come back the afternoon or the evening before; and Strong explained to him that he had not understood—or the other attorneys explained that that was not the understanding—that Strong had not done it in violation of anything he understood was his duty and his obligation to the court.

Now listen. The respondent fired Strong and appointed H. B. Hunter. Just before he put Hunter in he called in three of these attorneys, Thalen and Marrin and Brown, and told them that he was going to fire Strong, and he said: "I offered him as his attorney Pillsbury, Madison & Sutro, and he would not have them; I offered him Sullivan, Sullivan & Roche, and he would not have them; and I offered him Cushing & Cushing, and he would not have them." Why did he stop there? You know from this record that he fired Strong because he would not appoint John Douglas Short as his attorney; and here he was, 5 minutes before he was going to fire Strong, telling these attorneys whom he had offered him, but he said not one word about having offered him John Douglas Short. Does that have any significance to you? Of course, he was building up a pretext for his action, and he knew then that the controversy between him and Strong was over the appointment of one man, and one man alone, and that was a law clerk in the office of Keyes & Erskine getting \$200 a month, with a thousand dollars a year, possibly, that he made outside of that—\$3,400 in all at the outside. Yet he was the only man in San Francisco of that great bar whom he could select to carry on this matter.

In my judgment, that is all this case deserves in the way of attention with regard to the facts in the limited argument we are undertaking to make to you, except that at the

termination of this case the attorneys showed that Short had put in 1,407 hours on their application for a fee, that Erskine had put in 329 hours, and that for that amount of service they were given \$46,250 out of this estate, and that the receiver was given \$33,000.

They finally said that there were about 5 lawsuits filed in this case, and I think perhaps 1 of them went to trial. It was an administrative matter; it was accounting work, mostly, and for work as an accountant, which was most of the service Mr. Short claims he rendered, he has been paid over \$150 a day for his services, and part of that 3 or 4 days, as you will see if you will look at that account, is charged up to the estate for time he put in compiling his account to justify a fee and for his attendance in court to defend it. This estate had to pay him \$150 a day for that kind of work. The biggest service he rendered in the case was the compilation of the account he filed to justify that fee, and I want you to peruse it in the record if you please. He put down one sixth of an hour for a telephone call, 15 minutes for dictating a letter, and every movement he made he had to keep a diary entry of, and he charged for that time. That is the greatest service rendered in the case.

It turned out, at last, that on account the attorneys in the case had been allowed \$51,250 and the receiver \$40,500 for less than 2 years solid work on the part of either one of them. The receiver, before he went there, was getting \$600 a month, and we have not been shown that he is getting anything since the receivership. The attorney was getting \$200 a month. For the kind of service I have indicated from a wounded institution, the respondent allowed those exorbitant fees and took the lifeblood of people who were the claimants against this estate. They can tell you all they please about the size of it, but two thirds of this estate, or over half of it, at least, was property they held as bailor and bailee, and all they had to do was to return it to the parties who owned it.

The general creditors who had claims and who were not paid in full got \$161,000. For the cost of administration the estate paid over \$141,000. That is the picture. If they had gotten \$10,000 more for administration, they would have split half and half, 50-50, with the creditors of that institution.

I want to mention briefly the Golden State Asparagus case, because in stepped the Dinkelspiels again, the specialists in receiverships, who had 4 under Judge Louderback and 2 from every other source.

The Golden State Asparagus Co. was another wounded institution. The parties finally agreed on Mr. Edwards as the receiver, and he was appointed. Then the respondent said, "I will give you a list of attorneys from which you can select your attorney." The list consisted of Dinkelspiel & Dinkelspiel. That is the great list in his life. So Dinkelspiel & Dinkelspiel were selected, and they went in to administer this estate. The first year they were allowed \$14,000 for their services, and their legal services on this account, as shown in this record, were similar to those that had been rendered for the company over a period of several years, and they were little in excess in amount of what had been rendered, except procuring court orders. The legal services theretofore had cost that concern \$679 per year, on an average, for 5 years. Yet the first year in the respondent's court Dinkelspiel & Dinkelspiel received \$14,000 on account, and of course they are expecting other fees, assessed against an institution that has not anything but a lot of canned asparagus, which they cannot sell. The fee has not been fully paid, because they do not have the money with which to pay it. But the bill is there, and that institution is going to be closed out some day, and that will be a preferred claim, of course, against the estate. That fee was allowed over the protest of everybody in interest in the case who was in court.

See this picture, with the respondent on the bench, these people interested in the administration of the estate coming up and saying, "That is an excessive fee. The institution cannot stand that kind of a charge." And when one of them, a lawyer at the bar, would object to the fee, the court,

in a peremptory manner, as is shown by the testimony here, would say, "You take the stand, and I will swear you and see what you testify."

The only witness shown by the record to have testified was one who said that an ample charge for that service would be \$6,000. Of course, an effort is made to show that the creditors agreed to the large fee allowed. They had to, because they tell you that is the very best they could get, because they knew the attitude of the respondent in regard to these fees when they were going to certain firms and certain individuals in his court. That is the record in the Golden State Asparagus Co. case.

The next case that came along was the Prudential Holding Co. case. To my mind, what was done in that case was the most outrageous and inexcusable act on the part of respondent which appears in this record. An unknown attorney, whom he had never seen before, came up from Los Angeles to San Francisco and went to the office of Dinkelspiel & Dinkelspiel to meet a renegade vice president of the Prudential Holding Co., who had nothing to do with its operation, who knew nothing about its circumstances, and had been in the office but one time he could think of in many, many months. He said that he was in there about 2 days before. I ask you to read the statement of James H. Stephens, that vice president, and you can determine from that whether or not he knows anything at all about this or any other business. I think he was the exemplification of the dumbest individual I ever heard testify, and his testimony will show that he was.

This unknown attorney went into the respondent's court and said, "Here is a petition", and that petition on its face shows without any doubt in the world that this Federal court had no jurisdiction of that case. There was no diversity of citizenship, and it is as plain as it can be written on the face of any petition. The court read that petition, and yet that petition was only certified to on information and belief by the attorney in the case. He did not pretend to know the facts.

What did Stephens say to supplement that affidavit on information and belief? He said, "I think something ought to be done." That is as strong as he ever made it. All of us who were in business about that time thought that something ought to be done about it, but under those circumstances, and with that meager showing, the respondent granted a receivership in that case.

Whom did he appoint? Action was taken, it is shown, around 12 o'clock. It takes 40 minutes to get across the bay, yet at 10 minutes before 1 Guy H. Gilbert and John W. Dinkelspiel showed up at the office of the Prudential Holding Co. in Oakland, armed with the authority of the court, took charge of the business, turned out the secretary, and put a padlock on the door.

Now follow it a little further. That was on a Saturday. The following Monday the Prudential Holding Co. came in, by its reputable counsel, and objected to that receivership, and called the court's attention to the fact that it was shown on the face of the petition there was no jurisdiction in his court, that Stephens had not represented the company, and that those who had taken charge of the company were trespassers and had no right in there at all. Then there was a long period of stalling, time granted for filing additional arguments, and points, and authorities, and you find the Prudential Holding Co. coming in and asking for the case to be set down for hearing. The petition was filed on the 15th of August, and finally, on the 5th day of September, a petition designed to put the institution into bankruptcy was filed in the bankruptcy branch of the court, and was assigned to Judge St. Sure. The only ground alleged for bankruptcy—now get this—the only ground alleged for bankruptcy was the existence of the equity receivership, and not another ground was alleged. Then, on the 30th of September, 25 days after this petition was filed, all at once it had to be heard. Judge St. Sure was out of town, and the respondent went into Judge St. Sure's court. He appointed Guy H. Gilbert receiver in bankruptcy, and he

appointed Dinkelspiel & Dinkelspiel his attorneys in bankruptcy. Then, 2 days later, he dismissed the equity receivership on the ground that there was no jurisdiction.

I ask if there is any suspicious action on the part of the respondent or whether he is being persecuted when managers on the part of the House bring you that testimony? I am telling you that it is inexcusable. They undertook to lug in here by Kreft the proposition that additional grounds of bankruptcy were alleged, but no petition for that purpose was filed until the 14th day of October following his action on the 30th of September. It is inexcusable; it stands unexplained in this record, and I repeat that it was an effort on the part of the respondent to hold his leeches onto a wounded institution and let them suck its blood—his pets and his coadjutors, so far as the administration of the receivership in bankruptcy is concerned in the northern district of California. There is no other way to explain it.

What happened to that petition in bankruptcy? Judge St. Sure came back home, and promptly dismissed it the first time it was called to his attention. Then those in interest came in and filed the petition to rehear his action in dismissing that petition. He sat there on the bench, and said, in effect at that time, "No, I am not going over this any further; there is a bad smell about the whole thing"; and that was the end of it, and out went Gilbert and Dinkelspiel.

There is another case I want to call to your attention briefly. But one more thing occurred with regard to that case just discussed. The proof shows that as a result of all this action this institution struggled along of its own volition until April or May of this year, after the dismissal of this petition in 1931, and then it was forced to go into receivership again because of the adverse notoriety and publicity given it on account of these cases that were brought without justification, and I charge with the connivance of the respondent in the effort to try to favor those to whom he was undertaking to give a fee. That was the termination of the case, and it is now on receivership in the State of Nevada.

The next thing I want to mention is the Lumbermen's Reciprocal Association. In the beginning, I want to call your attention to the fact that this is a case where the respondent utterly defied the plain statute law of the State and the rights of a State official and then utterly defied the circuit court of appeals, which reversed him and told him the State officials were right and he was wrong.

The petition in the Lumbermen's Reciprocal Association case was filed in his court. After a few days' delay a hearing was had; there was a temporary receiver appointed, and he selected Samuel Shortridge, Jr., as the receiver and Marshall Woodworth as his attorney.

There was something peculiar about that selection, because when Tom Slaven, representing the defendant company, went out with Reisner, representing the plaintiff, in one of the conversations—and he thinks it was with the judge's secretary, and it is not denied—he was handed a slip of paper with three names on it, with the understanding that he was to select one of those as receiver in this case, and there was only one of them he had ever heard of, and that was Samuel Shortridge, Jr. But, of course, he knew what had to be done, because that was the wish of the court. That is the picture, undenied, except Reisner said he did not see the slip. Well, he did not have to see it for it to be there. Then it was that it developed on the stand that Marshall Woodworth said, "I talked to Shortridge about it within 3 or 4 days before the petition was filed." Then he said, "I went and talked to Judge Louderback before the petition was filed to see if he would select me as counsel for Shortridge as receiver, and he said he would." So the thing was fixed in advance, not by the parties in interest, not by the commissioner of insurance of the State of California, but by the respondent and Samuel Shortridge and Marshall Woodworth.

So the case was filed; but, mind you, before that, 4 days before this suit was brought, the Commissioner of Insur-

ance for the State of California had actually taken charge of the assets under the statute of that State and was administering them; he had all his force on a salary, and there was not any charge against the estate except the fees ordinarily charged for operating in the State; there would not have been any expense of administration so far as they were concerned; but then, as soon as this petition was filed and the claim of the State commissioner was set up, the respondent issued a mandatory injunction and ordered him to bring everything in and turn it over to the receiver of the Federal court, although the State receiver, acting under a plain statute of the State, had been operating for 4 days at that time.

Now, to go further with the story. It was contested at every step of the way by the commissioner of insurance, represented by Mr. Frank L. Guereña. When the first hearing was had, Delger Trowbridge came in as a member of the Industrial Accident Commission and showed to the court that after the claim that had been allowed by him originally for Helen Lay on which the petition was based, a petition to rehear had been filed; they had revoked their former action, and the claim stood then disallowed, and was not a claim against the estate at all. That was at the first hearing. With that information the respondent continued this receivership, knowing it was based on that claim that had been absolutely eliminated, and he had knowledge of it at that time. You will find a full statement of that in Delger Trowbridge's testimony.

There came a controversy over the whole situation, and this respondent undertook to protect not the estate, not the money that came in, but Samuel Shortridge, Jr., and Marshall Woodworth, his appointees. I will show you why I say that. He allowed exorbitant expenses and he allowed \$6,000 fees to each one of them. Mr. Guereña took his appeal. There were several circumstances I wish I had time to relate, but I cannot, showing that he absolutely blocked or tried to block the appeal of this case, and worked in every way he could through his office to cooperate with Woodworth and his office, even going to the extent of notifying the circuit court of appeals that Guereña was on his way over there, and to let Woodworth know when he got there. Woodworth called them after Guereña left respondent's chambers, and he could not have his information from any source except the respondent's office. The respondent did everything he could do to block the appeal. The appeal was taken, and the circuit court of appeals reversed the respondent, not in part, not on certain things, but entirely reversed him, on the ground that the State court and the State commissioner of insurance were the sole authority in the matter, and that there was no ground for the Federal court to appoint a receiver at all. Then that order came down, that mandate from the circuit court came to the respondent, and it was an outright reversal and an order to turn over everything. But he had allowed the \$6,000 fee to Shortridge and the \$6,000 fee to Woodworth. Listen to what he put in that order.

Provided, however, that if within 30 days from the signing and filing of this order the attorney for E. Forrest Mitchell, State insurance commissioner of California and receiver, appointed by the State court of California as above stated, shall appeal from this order, then the further execution and performance by said receiver of this order shall be stayed until the final action by the Circuit Court of Appeals for the Ninth Circuit on said appeal or until the other or further order of this court or of the circuit court of appeals.

In other words, he attached that condition to the plain mandate of the circuit court. He admits now that it was an error, of course, but what excuse does he offer? He said, in substance, that Marshall Woodworth trapped him into making that order. What does Marshall Woodworth say about it? He says, on the contrary, "I did no such thing; I told him then that Guereña was going to appeal this case or was threatening to do so, and the order was made for that reason." What reason? For no other reason in the world except to try to deter Guereña in that appeal and try to coerce him into giving up his appeal; to try to keep him from appealing from the allowance of these fees. If that is

not in defiance of the law of the land, if that is not conduct unbecoming a district judge, then I do not know how to picture it. There is no excuse for it. The respondent does not plead ignorance. He says it was an error, and he knew it was an error, but when did he change it? He finally modified that order by stipulation some time later, after the appeal had been perfected and had gone to the circuit court and he got uneasy about it. In other words, it did not accomplish the purpose; it did not prevent the appeal on these fees; it did not keep this money in the pockets of his associates. Therefore he would reverse his action and change his order.

Can anyone maintain that official conduct of that character is conduct becoming a Federal judge? Was it not enough to arouse the people over whom was placed a man to serve on the bench for life or during good behavior? Is there cause for surprise that the Bar Association of California asked to be relieved of this man who would make an order of that kind, for no other excuse in the world except to favor those whom he had appointed to receiverships and attorneyships and to whom he had allowed exorbitant fees? I will leave it with the Senate to determine whether they think that is conduct becoming a Federal judge.

This man Marshall Woodworth appeared in one other case in this court.

The VICE PRESIDENT. The Chair wishes to call the attention of the manager to the fact that he has only 5 minutes remaining.

Mr. Manager SUMNERS. Mr. President, may I yield out of my time 10 additional minutes to Mr. Manager BROWNING?

The VICE PRESIDENT. Mr. Manager BROWNING will have 10 minutes additional.

Mr. Manager BROWNING. I thank my colleague.

There is one further thing in regard to Mr. Woodworth in this case, and that is that in a former appointment he rendered 2 months' service and got an allowance or fee of \$500 from the referee who knew all about the case and had heard it. Then it was that Mr. Woodworth, being dissatisfied, appealed to the respondent and was allowed \$2,000, an increase of \$1,500.

Mr. Woodworth is a man who has for a long time known Sam Leake. Mr. Woodworth associated with him over a long period of years and admits his obligation to him. He says he visits his office. How many people in this record so far have not had intimate acquaintance or been in close connection with the respondent through Sam Leake or in other ways than in his court? The Dinkelspiels deny that they were acquainted with him, but their father back of them was that connection, and he was there when in the first instance the appointments were made in the Sonora case; and it was through him that the relationship existed. This record is plain on that.

Not only that, but there are very few witnesses in this record who do not have safe-deposit boxes. I want to call attention to that. Gilbert has one. That is very suspicious; and we want to call attention to some facts after a while that will show why the suspicion rests on the safe-deposit box had by him and by several other witnesses in this case. And they had money in them, too; do not forget that.

Now there is one other case I want to mention, and that is the Fageol Motors case. I will be as brief as I can. In that case another institution got into trouble, a great motor company with a capital and assets of \$3,000,000, with its activities spreading over four States. They wanted to apply for a receivership. This is the kind of conduct people have a right to be suspicious of on the part of the respondent, in addition to his appointments. Now, let us trace that. They came into his court with a petition recommending a certain man for receiver because he was thoroughly acquainted with every branch of the automotive industry. Here comes Wainwright and here comes Roy Bronson and other witnesses and say, "We went to the judge's chambers to see him at the noon hour and his secretary said"—and this is undisputed, although, of course, the respondent undertakes to hide behind her by saying she never passed

the word on to him. She told him everything else except the thing he wants the court to think she did not tell him. They went in there and she said, "He will be off the bench late and you will have to come back at 1:30." They left the papers and explained that they wanted her to arrange a hearing and told her who the man was they had selected for receiver, and she assured them their message would be delivered to the judge.

They came back at 1:30 and she said, "Why, the judge got off earlier than he thought and he is out at present and will not be back until 2:30. If you will come back at 2:30, he will give you a hearing." There is no mistake about that. They came back at 2:30 and passed the respondent out in the hall walking away, and when they got inside the secretary said, "He has already appointed the receiver in that case." "Who did he appoint?" "G. H. Gilbert." "Who is he?" "I don't know." "Where does he live?" "I don't know." "What is his telephone number?" "I don't know, but I will try to get it for you and phone it to you after you get to the office." That was 2:30. They walked back to their office. Gilbert said the judge's secretary, the one that gave them that message, called him at 1:30 or 2 o'clock, or somewhere between those times, and told him he was appointed receiver, and yet she was standing there in the front of the judge's chambers and telling them she did not know where Gilbert lived or what his telephone number was. The truth of the matter is they wanted to stall these people off until he had time to qualify. When they went back to the office she called them in a few minutes and told them what the telephone number was. The record shows that was after Gilbert and his attorney Dinkelspiel had appeared and qualified, and they knew they had the estate tied up in the court.

Dinkelspiel called them and said, "Gilbert has been appointed receiver and I am his attorney." The first question was, "Has Gilbert qualified?" He said, "Oh, yes." Their purpose was that if he had not qualified they would dismiss the proceeding so as to get rid of him. The alternative was that they held a conference and said, "We will talk it over, and if they will not agree to cooperate and take our advice on how to run it we are going into bankruptcy", and they did have that conference the next morning. They told Gilbert to his face, "You are not qualified and you know nothing of the business at all." You remember that their own witness, Mr. Lunstrum, who was called in and represented as a man who could be believed, said he was hired to run the business because Gilbert knew nothing about it at all. He was put there for that purpose. Gilbert was attached to it as a bloodsucker and for no other purpose in the world. That is the truth about the appointment of that receiver and Dinkelspiel. They agreed to keep their fees down or they would go into bankruptcy.

The termination of it was that the matter did go into bankruptcy, and this is the one case where the court can determine by comparison between the ideas of the respondent and of other people as to what his friends are entitled to in the way of compensation. There was as much work done in this case as in the Sonora case and the Asparagus case, said Dinkelspiel. He got \$20,000 in one and \$14,000 on account in the other. It was a bigger case and required more work. When the referee in bankruptcy came to fix the fee he gave Dinkelspiel & Dinkelspiel \$6,000 and he gave the receiver, Gilbert, \$4,500.

Members of the court, that is as much time as I can devote to the discussion of the actual facts of the record, but I do want to call attention—and I will give the page and the amount and the date—to what occurred with regard to Sam Leake's account at the Fairmont Hotel. Sam Leake testified he made \$2,400 a year and that was his only income. Let us see what it is.

Leake deposited in the hotel, that he uses as a bank, since the beginning of 1928, \$29,725 and has drawn out in cash over \$17,000. I do not know what he has done with it. The record does not reveal, but I do know and I want to call your attention to some very significant coincidences in con-

nection with the record. When fees were paid in respondent's court, Leake's account bulged like the coming in of the tide.

Guy H. Gilbert, as receiver in the Sonora case, on February 26, 1930, got \$1,556 as a fee. On February 26, 1930, Sam Leake deposited to his account in the Fairmont Hotel \$250. That appears at page 464 of the record.

On May 12, 1930, Guy H. Gilbert, as receiver, drew a fee of \$2,562.83. On May 17 Leake deposited in the Fairmont Hotel \$550 to his account. Record, page 466.

Dinkelspiel & Dinkelspiel, attorneys for the receiver in the Sonora case, drew \$15,249.43 on May 17, 1930. On May 17, 1930, Sam Leake deposited to his account in the Fairmont Hotel \$400.

H. B. Hunter received a fee of \$500 on June 14, 1930, and on that same date Leake deposited \$50. On the 25th of that month he deposited \$500.

Hunter on May 30, 1930, received a fee of \$500, and Leake deposited on the 8th of the next month \$80 and on the 9th of the next month \$250.

Guy H. Gilbert, receiver in the Sonora case, got \$2,855.64 on July 30, 1930. On July 31, 1930, Sam Leake deposited \$100 in his account at the Fairmont Hotel.

Dinkelspiel & Dinkelspiel, as attorneys in the Sonora case, got \$5,000 on July 30, 1930, and on July 31, 1930, Sam Leake deposited \$700 in his account at the Fairmont Hotel.

H. B. Hunter got \$500 on July 30, 1930, and on the 11th of the next month Leake deposited in his account at the hotel \$400.

Hunter got \$500 on August 30, 1930, and on September 2 Leake deposited \$100 in his account at the Fairmont Hotel.

September 30 Hunter got \$500 more and Leake deposited on that same day \$315 in the Fairmont Hotel.

Sam Shortridge, Jr., receiver in the Lumbermen's Reciprocal case, got \$3,000 on December 4, 1930, and on December 5, 1930, Leake deposited \$600 in his account.

Marshall Woodworth got \$3,000 on the same day, December 4, and on December 9 Leake deposited \$250 more in the Fairmont Hotel.

Hunter got \$500 on January 15, 1931, and on January 18 Leake deposited \$500.

Sam Shortridge, Jr., got \$3,000 on April 23, 1931. On April 25, 1931, Sam Leake deposited \$550 in his account at the Fairmont Hotel.

Marshall Woodworth got \$3,000 on April 23, 1931, and on May 18, 1931, Leake deposited \$500 more.

Woodworth got \$2,000 and the date is not exact, but he said sometime in the spring—March, April, or May, as I understand it—1931, and on May 29 of that same year Leake deposited \$450 in his account at the Fairmont Hotel.

Keyes & Erskine got \$5,000 on November 30, 1931, and on December 14, 1931, Leake deposited \$400, and on December 15, 1931, he deposited \$1,200.

Gilbert got \$4,500, he said, some time in the summer—I think August of 1932. We can fix the date, because on August 17, 1932, Sam Leake deposited \$700 in his account at the Fairmont Hotel.

Mr. President and members of the court, these are the facts as viewed by the managers. My insistence is—and I say this in closing—that the circumstances and the irrefutable facts of the record brand the respondent as a man totally destitute of the essential elements of judicial character, and as a man that those people of a sovereign State and a sovereign district should be relieved of. It is only a political right we are asking you to take away from him. I insist that under the circumstances of this record it would be unfair to let him sit in judgment over a people that have brought these circumstances and these facts to you and laid them on your conscience, to determine whether they shall be afflicted by an individual or whether they have a right to have someone administer justice in their courts of equity, their courts of bankruptcy, their courts of justice, about whom there is no suspicion and in whom they have confidence.

ADDITIONAL QUESTIONS PROPOUNDED TO THE RESPONDENT

The VICE PRESIDENT. The time of the manager has expired.

Mr. CONNALLY. Mr. President, may I submit a parliamentary inquiry?

The VICE PRESIDENT. The Senator will state it.

Mr. CONNALLY. Would it be now in order for a Senator to propound a written interrogatory to the respondent about his testimony?

The VICE PRESIDENT. The Chair does not think so. The case has been closed, as the Chair understands it, unless the Senate orders otherwise.

Mr. CONNALLY. I assumed it was proper in view of the usual court practice in matters of trial before juries.

The VICE PRESIDENT. If there is no objection on the part of the respondent, the Chair will admit the question.

Mr. LINFORTH. The respondent has no objection to answering any question put to him.

The VICE PRESIDENT. The Senator from Texas will propound his question.

Mr. CONNALLY. I send several interrogatories to the desk and ask that they may be propounded.

Mr. Manager BROWNING. We did not understand the request of the member of the court.

The VICE PRESIDENT. The Senator from Texas requests permission to propound a question to the respondent. Counsel for the respondent make no objection. The clerk will propound the first question submitted by the Senator from Texas.

The legislative clerk read the first question, as follows:

Q. When testifying you said you had consulted Leake in the lobby of the Fairmont Hotel about appointing a receiver and he suggested Hunter, who was in the hotel at the time. Why did you consult Leake about selecting a receiver?

The RESPONDENT. Because I thought he could provide me with information. I was looking for a man of a particular type to represent that kind of an estate. I happened to meet him in the corridor, and I thought he was a man well informed and perhaps might be able to indicate to me someone who had those qualifications.

The legislative clerk read the next question, as follows:

Q. How did it happen that Hunter was in the hotel at the time? Was not this rather a remarkable coincidence?

The RESPONDENT. I do not know how Mr. Hunter happened to be in the hotel at that time; but he had been living at the Fairmont Hotel for some time, although I was not acquainted with him.

The legislative clerk read the next question, as follows:

Q. Did you not have an acquaintance in San Francisco? And, if so, did you not know anyone qualified to be appointed receiver?

The RESPONDENT. I probably would have ascertained from some source, if I had not secured it from Mr. Leake at that time, the information necessary to appoint another receiver. It just happens that I spoke to him, and got the information without going further. I considered this particular case an exceptional case in this, that it involved a stock-brokerage company, in which there is work to be done by a receiver far more extensive than in ordinary receiver-ship cases.

The legislative clerk read the next question, as follows:

Q. You had several acquaintances at the bar. Why did you not make an inquiry of them as to a receiver?

The RESPONDENT. I can only answer that I happened to go up there, not for the purpose of seeking Mr. Leake but I happened to see him in the corridor, and I made the inquiry of him, and I had him give me the information which I have testified to. I probably would have gone to other sources had I not happened to meet Mr. Leake in the corridor at that time. It was information that was not necessarily information coming from an attorney.

Mr. CONNALLY. I have one other question.

The VICE PRESIDENT. The Senator from Texas propounds another question, which will be read.

The legislative clerk read the next question, as follows:

Q. What time of day did you see Hunter?

The RESPONDENT. I think the time was about 5 o'clock, as I usually remained at my chambers until 5 o'clock or later.

The legislative clerk read the next question, as follows:

Q. Did you have any arrangements to meet Hunter in the hotel, or had you had any information from Leake that Hunter would be there?

The RESPONDENT. I had no information that Mr. Hunter was going to be there, nor had I any information that Mr. Leake was going to be there, although Mr. Leake is a man of usual habits, and he was usually to be found about that time at the hotel. He is not a man that goes out. When he has finished his work, somewhere around 3 o'clock in the afternoon, he leaves his office, and he usually is at the Fairmont Hotel from that time until the following morning.

The VICE PRESIDENT. That concludes the questions.

ARGUMENT OF WALTER H. LINFORTH, ESQ., ON BEHALF OF THE RESPONDENT

Mr. LINFORTH. Mr. President, and you, gentlemen of the Senate, at the outset I desire to extend to you my thanks for the courteous treatment that I have received at the hands of the Senator from Arizona [Mr. ASHURST], who has been very considerate and very kind in regard to every request made of him by me relative to the stress under which we have been working in this matter.

I desire to say a word or two so that you will know why I am here. You no doubt have already formed the notion that the relation of attorney and client is what brought me here. In explanation of my appearance here, I wish to relate to you a story which takes me back some 45 years. At that time I was a clerk in the office of a real lawyer in the West—a lawyer of the name of Henry E. Heighton, a warm personal friend of our beloved President, Grover Cleveland. At that time it became necessary for us to employ an office boy; and a little chap about 12 years of age was employed by me in that capacity. Since then he has grown to the point where he is one of the greatest, if not the greatest, trial lawyers in the State of California, and he is the partner of the senior Senator from California [Mr. JOHNSON].

During these 45 years the relations between that man, Theodore J. Roche, and myself have been very warm and very affectionate. For some years, during the domestic troubles of the respondent, that gentleman has been his counsel, and that gentleman intended to represent him upon this proceeding; but, due to stress of trial work in the city of San Francisco, 4 days before the filing of the answer in this case, I was drafted by him in his place and as his substitute and under such conditions I could not say "no."

Those are the reasons and those are the conditions in which I have undertaken to do what little I could in the defense of the respondent upon the hearing of this matter.

At the outset it may not be amiss to have in mind the gravity of the charges here.

This proceeding affects not the money, not the liberty, not the life of the respondent. It goes further; it affects his honor. A conviction of these charges means what? Not only his removal from office but the stigma and the stain of the fact that he is prevented for all time, from now on, from ever holding an office of honor or trust within these United States. It goes further: In my humble judgment, it affects even his right to practice his profession as an attorney at law, because, if branded with the stigma that he is guilty of the charges brought against him, any court upon proper application will promptly disbar him.

So I say, and I respectfully maintain, that his whole future life, his whole future career, is in the hands of you gentlemen; for a conviction means that his honor has been destroyed and taken away.

May I inquire, What kind of a proceeding is this? Is it criminal in its nature? Is it quasi-criminal? Nobody seems to know. The authorities on the subject are not agreed. No one knows. No learned writer on the subject has told

us the meaning or the definition of the charge of "high crimes and misdemeanors", charged against the respondent in these articles. Having been unable from my limited examination of the books to find any precise definition of that charge, I have invented, if I may be permitted to use that expression, a definition of my own.

The Constitution of this country provides that an appointment of this kind is for life, depending upon good behavior. So I have concluded, and I respectfully submit to you, that "high crimes and misdemeanors", so far as this proceeding is concerned, means anything which is bad behavior, anything which is not good behavior.

In my humble judgment this proceeding should be likened to a criminal one. When you come to vote you vote either guilty or not guilty. The question propounded to each one of you will be, "Is the respondent guilty or not guilty?"—the form of verdict rendered in a criminal trial and never the form of verdict rendered in a civil proceeding. So my deduction in the matter, respectfully submitted to you gentlemen, is that this proceeding, while not criminal, is in the nature and partakes of the character of a criminal proceeding.

That being so, it leads me to the next question that I desire respectfully to submit to you; and that is this: What is the degree of proof necessary in order to bring in a verdict of guilty in this case? If it is in the nature of a criminal proceeding, then the proof must satisfy you beyond a reasonable doubt. I respectfully contend and maintain that, inasmuch as the proceeding is one which partakes of the character of a criminal proceeding, that is the measure of proof required of the learned managers prosecuting this charge.

If I am in error in that, surely then the rules applicable to civil cases apply, namely, that one holding the affirmative must at least bear and sustain the burden of proof, and must, in order to prevail, prove by a preponderance of the evidence the charges made.

Before I enter into a discussion of the evidence, which I intend to do, gentlemen, in the hope that any inadvertent statements made by the learned manager who has preceded me, may be dispelled, I intend to give you a reference to the testimony in support of each statement I advance, in the hope that I may be of some assistance to those who are sitting here now, and who may not have been here when the testimony itself was introduced.

Before entering upon a discussion of the evidence, I deem it right, I deem it helpful, and I deem it just, for you to have in mind a picture of the respondent before you start to consider the evidence which has been introduced here.

Now, who is the respondent? What does the record show? He is an American through and through. He comes from American stock, his father born in the State of Pennsylvania, and his mother born and reared in the State of California, both father and mother pioneers of that great State. It is from that kind of stock this respondent sprung.

Who is he? He is a lawyer and a gentleman, educated in the public schools of San Francisco, in the University of the State of Nevada, and in the Harvard Law School. He is not only an American by birth, but he is an American at heart, one of the first, when this country was in trouble, to come to the front. The uncontradicted testimony shows that on the second day after this country declared war he volunteered and enlisted. His service as a soldier terminated only when the war was over.

What happened after that? He was elected for a term of 6 years to the Superior Court of the State of California. Re-elected when that term was finished for an additional period of 6 years, 2 years of which he served. Then the honor was conferred upon him by his appointment to the Federal bench, which office he has occupied ever since. That is a brief picture of this respondent. Nobody says anything to the contrary.

Who is at the bottom of these charges? Four disgruntled attorneys, who, in my humble judgment, have misled the honorable managers in this proceeding. Bear in mind that 25 receiverships, bankruptcy and equity, have been pending

before the respondent in the 5 years he has been on the Federal bench. In the Russell-Colvin case alone, there were 700 claimants and creditors, and, notwithstanding there were 25 or more of these proceedings before the respondent in the 5 years he has been on that bench, not a single creditor in any one of those proceedings has been brought here to point a finger of suspicion at the respondent, or to say a word against him.

As a carpenter is judged by his chips, so a man should be judged by his acts, and you have this respondent here, with the testimony of the clerk of the court as to 25 receivership proceedings before him, with 700 creditors alone in the Russell-Colvin case, but not one creditor, man or woman, in any one of those proceedings has been called here to say an ill word against the respondent in his handling of any of these matters.

There is a disgruntled firm of attorneys in San Francisco, a firm made up of 5, with 3 of them here as witnesses, the fourth of them in the city of Washington but not called. I say to the gentlemen who represent the other side, with great respect for all of them, that they have been misled by this firm of disgruntled attorneys.

What is the charge, the main charge, made against us? What charge is found in the "Russell-Colvin case", so-called? I read from the articles of impeachment, as follows: "That he did willfully, tyrannically, and oppressively discharge one Addison G. Strong, in the Russell-Colvin case, in his own personal interest, and at the instance, suggestion, or demand of one Sam Leake."

Those who have attended these sessions from beginning to end know there is not a word of truth in that charge. To those who have not attended these sessions I want to demonstrate—and I use that word advisedly—the falsity of that charge.

It is conceded by everyone interested in this proceeding that Mr. Strong, first appointed as receiver, was the regularly employed auditor of the San Francisco Stock Exchange. It is also conceded that in that capacity he had also served the bankrupt concern of Russell-Colvin Co. Bear in mind that the filing of these two petitions in this proceeding simultaneously, the double filing, as it has been referred to here, the first going to Judge St. Sure's court, the second going to Judge Louderback's court, caused the respondent to be suspicious and cautious. You remember the testimony of Attorney Marrin in regard to why such a thing as that, never having happened before in 30 years, was done.

What was Mr. Marrin's explanation? His explanation was that the clerk of that court, a man whom we all love and revere, who has been our clerk for many years, told him that Judge St. Sure was out of town, and that no other judge would act for him in his absence. That is the statement of my good friend Manager Browning this morning, that no other judge would act for him, and that was the reason for the double filing.

So that there may be no mistake about it, let me call your attention to just a line from the testimony of that witness.

Mr. McKELLAR. What page?

Mr. LINFORTH. I am referring to page 167.

We asked the clerk how long Judge St. Sure would be in Sacramento, and he told us for about a week. We then asked the clerk if one of the other judges, either Judge Louderback or Judge Kerrigan, would take up the petition in the absence of Judge St. Sure, and we were told by the clerk that they would not.

At page 179, gentlemen, in the cross-examination of that witness, the following occurred—and I am reading from the top of the page, Senator McKELLAR:

Can you tell us whether it was a man or a woman who gave you the information that no one would act without Judge St. Sure being present?—A. My recollection is that Mr. Maling himself gave us that information.

Q. That morning?—A. Yes; that morning.

That answers the suggestion of the learned manager made in his argument this morning that the name of Mr. Maling was not mentioned, and that it was not known what clerk gave the information.

Now, let us see what Clerk Maling had to say on the subject. We summoned him here by wire, as fast as we could get him, when we heard what the testimony of Mr. Marrin was on that subject. I now call your attention briefly to just a word on page 682 of the testimony of that gentleman. I read from the bottom of the page:

Q. Upon the filing of the first complaint in that matter, which the record here shows went to Judge St. Sure's department, did you then or at any other time tell him that no judge present would act for Judge St. Sure in such a matter during his absence?—A. I have no recollection of it, and I am satisfied that he is mistaken if he thinks I said that. He must have misunderstood me, because I never would have made such a statement to any counsel to that question or answer it in that way. I have never undertaken to say what any judge would do in the matter of making an order.

Q. According to your best recollection, no such conversation took place?—A. I am satisfied that if we had a conversation he misunderstood my statement, because I never would have said that.

Of course, that statement was not correct. It is similar to other statements made by other disgruntled attorneys, aiding and abetting those that I say are the originators of this proceeding, namely, those representing the San Francisco Stock Exchange. You Senators heard my friend, Mr. Manager Browning, this morning say that the Bar Association of San Francisco inaugurated these proceedings. He told just a half truth; he did not tell you that at the time these proceedings were initiated Florence McAuliffe, one of the firm of attorneys for the stock exchange, was the vice president of the bar association that initiated these proceedings. He did not tell you that Florence McAuliffe, the same gentleman, is now the president of that bar association.

Judge St. Sure tells you—I will not bother to read his letter, but will call your attention to it at page 627, wherein he says the practice always was in his absence or in the absence of Judge Louderback, one to act for the other. There is no dispute about that fact.

If that is the fact, and if the clerk of the court did not tell those people that the remaining judges could not or would not act, then what is the reason for the double filing? They put a question to the respondent when on the stand yesterday if they thought he was an "easy mark", and if that is why they picked him with this second filing. That is their language, not mine. The respondent answered, in substance, "I do not know what they thought, but if they thought I was that kind of a man they quickly found out they were mistaken."

I will not take the time to read the testimony of the deputy clerk of the court, Mr. Fouts, who tells you at page 680 that he ran the record back for 30 years, and found that never before had such an instance of double filing occurred in that court.

Mr. Maling, the clerk of that court, tells you that, to his recollection, such a thing never before happened in that court.

Mr. Manager Browning this morning asked if there was anything unusual in this filing which fell to Judge Louderback's court. Why did they not dismiss this suit and file another? But there is an easy answer to that. There is a limit to which people dare go. They went the limit in the filing of the two petitions, and they did not dare go farther.

Then they took the matter up with respondent—tried to have him appoint Mr. Strong; and the minute respondent found out about this double filing, he at once became cautious and suspicious; sent for the double filing, and refused to hear the proceeding assigned to his court unless and until they first dismissed that double filing. They agreed to dismiss but not until they heard respondent say he would accept and would appoint Mr. Strong as receiver. Having received that information, they then announced they would dismiss the first petition, which they did.

The court—and when I say "the court", Senators, I mean the respondent—told Mr. Strong when appointed he would be an officer of the court, not the representative of either party, and that he must consult him with reference to the employment of counsel. Mr. Marrin so testified. I read you just a word on that subject, and, Senators, I am reading from page 168, at the foot of the page:

The judge then said to Mr. Strong, "If you are appointed receiver by me, you realize that you will be an officer of the court, representing the court and not any of the parties; and if you are appointed as receiver, will you consult me with reference to the employment of your counsel?" Mr. Strong said that he would.

So, at the very inception of the matter, the respondent, as a careful judge, told Mr. Strong what his duties were and what he would have to do, and he acquiesced.

After telling him that, he told him, "When you are through qualifying, come back to see me."

My friends on the other side of this case said to you this morning that five witnesses denied the making of that statement. I challenge the production of the testimony of a single witness to that effect. Every witness examined admitted the judge made such a statement, and I will read you on that subject the testimony of their witness Lloyd Dinkelspiel. I read, Senators, from page 226—

I do not believe we had any further conversation until the judge said to Mr. Strong as we were going out, "After you have qualified, I want to see you," or "Come back and see me."

Could language be any plainer—"after you have qualified, come back and see me"—not next week, not tomorrow, but "after you have qualified, come back and see me"?

He did not return, but he makes the excuse he did not think the judge meant that night. That testimony, Senators, is at page 192. That answer was a miserable subterfuge. He knew the judge meant that night, and his cross-examination shows that he knew the judge meant that night, because he admits before they left the courthouse that very night he called the attention of the lawyers who were with him to the fact that the judge had told him to come back, and the lawyers said it would do the next morning. That testimony is at page 206, Senators. I will not stop to read it. He knew that he was violating the promise he had made to the judge; and in this connection please have in mind that although it was late in the evening, the clerk's office, where he qualified, was only 50 feet from the judge's chambers. The judge remained waiting for him until 6 o'clock. He ascertained from the clerk's office that he had gone and the clerk's office was closed. He promised the judge he would not employ counsel without consulting him, and he told the judge that none of the counsel present were his attorneys; at the time he so told the judge, Mr. Dinkelspiel, one of the firm of Heller, Ehrmann, White & McAuliffe, attorneys for the stock exchange, was present in the judge's chambers and heard what he had said. That is found on pages 209 and 210, Senators.

When we reached that point in the cross-examination of this witness, questions were propounded to him by one of the Senators—I think by Senator Long, of Louisiana—and I ask permission briefly to call your attention thereto. I will read just a word from pages 209 and 210 at about the middle of the page:

By Mr. LINFORTH:

Q. I understood you to say today that when you called on the judge on Thursday, the 13th, which was the day of your removal, he asked you whether McAuliffe told you not to resign.—A. He asked me if I had asked Mr. McAuliffe and if he advised me not to resign, and I said he did.

Q. And that was the fact, Mr. McAuliffe had advised you not to resign?—A. That is correct.

Mr. LONG. Mr. President, may I send a question to the desk?

The PRESIDING OFFICER. Would counsel consent to be interrupted for the propounding of a question?

Mr. LINFORTH. Certainly.

The PRESIDING OFFICER. The interrogatory will be read.

The Chief Clerk read as follows:

Now, note the interrogatory, gentlemen of the Senate:

Q. In view of your last answer, please answer this question "yes" or "no." Did you not tell the judge you would not employ any of the lawyers present, including a member of the McAuliffe firm? Then did you not, after having consulted Ackerman and receiving his acceptance, go and employ McAuliffe, a member of whose firm was present when you agreed to exclude attorneys present from consideration?

Mr. BROWNING. Mr. President, I suggest that the question should be divided.

The PRESIDING OFFICER. That is for the witness to determine. If it is not intelligible to him and he desires to have it divided, it may be done.

The WITNESS. I would appreciate that.

The PRESIDING OFFICER. The clerk will read the first part of the question.

The Chief Clerk read as follows:

"In view of your last answer, please answer this question 'yes' or 'no.' Did you not tell the judge you would not employ any of the lawyers present, including a member of the McAuliffe firm?"

A. Yes.

The Chief Clerk read as follows:

"Then did you not, after having consulted Ackerman and receiving his acceptance, go and employ McAuliffe, a member of whose firm was present when you agreed to exclude attorneys present from consideration?"

A. I was engaging Mr. McAuliffe and not his firm.

I digress for a moment to say what a miserable subterfuge this answer was—"I was employing Mr. McAuliffe and not his firm." Who were the attorneys for the stock exchange? Not Mr. McAuliffe individually, but the firm of which he was a member; but the answer, even as given, shifty as it was—and I use that expression with great respect and not intending any reflection on Mr. Strong—even as it was, it was not true and it was not correct.

What happened the next morning?

At 9 o'clock or thereabouts Mr. White, a member of this firm of attorneys for the stock exchange, appeared in the chambers of the judge. What was he there for? He then and there told the judge he had with him a petition signed by Mr. Strong for the employment, not of Mr. McAuliffe but for the employment of this firm. Mr. White, under my cross-examination, admitted the petition was for the employment of the firm and not of Mr. McAuliffe individually. May I invite your attention briefly to that testimony? I am referring to page 237 of the record:

Q. Did you tell the judge on your first visit, the day after the appointment of the receiver, that you had with you a petition for the appointment of the firm of Heller, Ehrmann, White & McAuliffe as attorneys for the receiver, Strong?—A. I did.

Q. You told him that petition was for the appointment of the firm?—A. Yes; it was.

Q. And it was for the appointment of the firm, was it not?—A. It was.

There can be no doubt, I maintain, that the judge acted in the utmost good faith. I have no doubt that Mr. Strong himself wanted to act in the utmost good faith, but he was under the power, under the control, and under the dominion of the stock exchange.

No doubt Mr. Strong intended to play fair and honest with the judge. No doubt he intended to keep his promise to the judge, but the pressure was too great. They had already succeeded in getting from the judge the appointment of their own man as receiver; and the judge, as a wise judge, and made cautious by the double filing, would not stand for the appointment of the attorneys for the stock exchange as the attorneys for the receiver. His homely expression was that it looked to him as if it were "too much of the same family", and that is the reason which he gave them at this time. The testimony, which I shall not take the time to read, will be found at pages 683 and 684 of the record.

"Too much of the same family!" Remember, at that time we had had the crash in the stock market. Stock transactions and stockbrokers at that point were not looked upon with favor. The judge, as a sensible man, knew and had a right to believe that the public would be involved to a greater or less extent in the failure of the Russell-Colvin firm, and as a cautious judge said to them, "While I give you the receivership, I want a check on it. I want to look after the attorneyship. I do not want too much of the same family in the matter."

What did he do? He talked with Mr. Strong on several occasions. Mr. Strong would agree to no one but the attorneys for the stock exchange. The judge suggested to Mr. Strong reputable, leading lawyers of San Francisco. True, he admitted when he made these suggestions he knew Mr. Strong would not accept them, that he was wedded to the stock-exchange attorneys, but he wanted to get his attitude. He wanted proof of his conduct before he removed him. He suggested such well-known firms as Pillsbury, Madison & Sutro; Sullivan, Sullivan & Roche, the firm of which your senior Senator is now a partner; Cushing & Cushing; and

others, but Mr. Strong would have no one except the stock-exchange lawyers, Heller, Ehrmann, White & McAuliffe.

Some of the members of this court have been judges in trial courts. Under these conditions, put yourselves in the position of respondent at that time. What would you do with a receiver who was defying you? What would you do with a receiver who told you he would not obey your orders, who would not counsel with you, who would not follow any suggestion you made if it did not agree with the advice received by him from the attorneys for the stock exchange? Would you not remove him? Is there a judge within these United States that has enough backbone to be a judge that would not have removed him?

Now, how did the judge act? One hundred percent a gentleman. He had appointed Mr. Strong at the solicitation of certain reputable attorneys, Mr. Marrin's firm and Mr. Brown's firm. What did the judge do? He sent for those gentlemen and told them as a matter of courtesy what had happened. He said to them he was satisfied, unless Mr. Strong changed his attitude, that he would be compelled to remove him and if he did he was thinking of appointing a Mr. Hunter. He told them his information about Mr. Hunter. He did not stop there. He went farther and said, "Will you please investigate Mr. Hunter and let me hear from you by 4 o'clock if you have any objection to him?" Not having heard from them, they not having shown him the courtesy of communicating with him, he telephoned them and asked what report, if any, they had to make as to Mr. Hunter. The reply was, "While we will not agree to him, from everything we hear he is a competent man." The respondent then appointed Mr. Hunter. Was he a competent man? Members of this court have seen him on the stand and have heard the results of his administration. Was the judgment of the respondent in selecting Mr. Hunter as receiver borne out by what has happened?

The respondent is charged with allowing, "willfully, deliberately and improperly, excessive attorneys' fees" in that case. He is charged with appointing a young man as attorney. May I tell a story about myself on the question of being young? Many years ago I was a partner of the father of the present senior Senator from California [Mr. Johnson]. I was quite young in those days. The father of the present senior Senator from California was then a Congressman. In the discharge of his duties as such it was necessary for him to leave California for Washington when an important case in the office came up for trial. The client was sent for. I was introduced to him as the candidate for the trial of that case. My partner, the venerable Mr. Johnson, afterward said to me, "No luck, Walter; you are guilty of the unpardonable sin of being young."

I maintain in this case, the most that can be urged against Mr. Short is that he was a young man; but, young or old, we all recognize ability and we all are willing to give credit to those who are entitled to credit, whether young or old. Who did this work for the receiver in this case? I care not whether it was Mr. Short or whether it was the older and more experienced Mr. Erskine, or whether it was both of them. What was the result?

When we had the head of the stock-exchange attorneys upon the witness stand, Mr. Ehrmann, do you recall his testimony? He was a witness upon the hearing for fees. You remember what he said? In substance, his testimony was, "the work of the receiver, the work of his attorneys, was excellent." So I say give the young man his due. The work done, out of the mouth of the opposition—the head of the opposition—was declared to be excellent. Let me read just a word in that connection.

RECESS

Mr. ASHURST. Mr. President, I rise to inquire of the honorable managers on the part of the House and the honorable attorneys on the part of the respondent if they will object to a request that I desire to make for a recess of 40 minutes? I ask unanimous consent for that purpose.

The VICE PRESIDENT. Is there any suggestion on the part of counsel for the respondent or the managers on the

part of the House? Is there objection to taking a recess for 40 minutes?

Mr. Manager SUMNERS. We shall be very glad to do so.

The VICE PRESIDENT. Is there objection?

There being no objection (at 12 o'clock and 30 minutes p.m.), the Senate, sitting as a Court of Impeachment, took a recess for 40 minutes. At the conclusion of the recess the Senate, sitting as a court, reassembled.

The VICE PRESIDENT. The Chair appoints to preside for the remainder of the day the Senator from Georgia [Mr. GEORGE].

(Mr. GEORGE thereupon took the chair as Presiding Officer for the remainder of the day.)

CONTINUATION OF ARGUMENT ON BEHALF OF RESPONDENT BY WALTER H. LINFORTH, ESQ.

The PRESIDING OFFICER. Are counsel for the respondent ready to proceed?

Mr. LINFORTH. Yes; Mr. President, may I proceed?

Gentlemen of the Senate, just as we took the recess, I was referring to the fact that no matter who rendered the service in the Russell-Colvin case, whether it was the elder Mr. Erskine or the young Mr. Short, we have the testimony from the main opposition, the head of the firm of attorneys representing the stock exchange, as to the character of those services. May I read you just a word from the record, found at page 357, as to the opinion of the head of the firm of attorneys representing the stock exchange as to the character of those services? [Reading from page 357:]

Q. Did you so testify before Judge Louderback on that hearing and before he made any order?—A. I did.

Q. And was that your then opinion?—A. Based on the evidence that I heard, that was my opinion, and still is, on all the evidence that I heard given in that case.

Q. And was it your opinion at that time that the work done, both by the receiver and by his attorneys, had been excellent from every source that you had heard from?—A. From any source I had heard from, the administration had been very well carried on, excellently carried on.

Q. Both by the receiver and by his attorneys?—A. As far as I had heard.

So I submit, gentlemen of this court, in the light of that testimony, it lies in the mouth of no one to question the character of the services rendered by the receiver and by the attorneys in that matter.

So far as the amount of fees allowed is concerned, we have the testimony that was introduced before the court on the hearing of the application and we have such men as John McNabb, Albert Rosenshine, and Henry Jacobs, placing the value of the services as from \$55,000 to \$75,000. We have the agreement entered into by all of the parties in open court to the effect that \$46,250 should be allowed.

In this connection let me call attention to the testimony of the bookkeeper of Russell-Colvin & Co. to the effect that the securities of the firm and of the customers were of the appraised value, at the time of the receivership, of \$3,060,000. That will be found at page 391 of the record. The receiver actually received and handled a sum in excess of \$1,000,000 in firm assets, as shown at page 391 of the record. We have the uncontradicted testimony of the receiver that from the frozen assets of this concern, which had no market value at all, he realized from the Consolidated Box Co. assets \$130,000 plus; from the Coen Co. and its frozen assets, \$25,500; and from the Anchorage Light & Power Co. and its frozen assets, \$63,000. The record of the receivership, in a very few words, shows the secured creditors received 100 cents on the dollar; the marginal creditors received 55 cents on the dollar; the general creditors 28 cents on the dollar; and there is enough remaining to pay them 12 cents more, thus making for the general creditors 40 cents on the dollar.

Just a word further on the question of the value of the services of the attorneys and I am through, so far as that branch of the case is concerned. No question arises in the practice of the law which is more difficult to determine and on which there is a greater range of opinion than the question of the value of services. Many members of the Court of Impeachment are lawyers. Many of them have been judges. No two will agree on the value that should be given

to services rendered in any particular case. The matter is largely one of discretion. There is no proof here to justify the charge that the respondent in this case "willfully and oppressively" allowed any exorbitant or excessive fee.

We then come to the next charge in the impeachment articles and that is that respondent entered into a conspiracy with Mr. Leake in regard to the question of his residence in Contra Costa County. I have read into the record section 52 of the political code of the State of California. In our State, as in nearly all the States, the question of domicile or residence is a question of joint act and intent. In this matter the record is all one way.

The judge had a home, he had a residence, and that home and that residence was at 666 Post Street in San Francisco. Owing to unfortunate family differences, he gave up that home and temporarily went to the Fairmont Hotel in San Francisco, occupying a room in the bachelor quarters for which he paid the sum of \$75 per month. When he went there to occupy that room the thought was in his mind that perhaps the family differences might be adjusted and a reconciliation might occur. At the end of about 6 months, that hope not being realized, what happened?

The judge determined upon having a legal residence, a legal domicile. He had given up his home where he resided with his wife. He was temporarily living at the Fairmont Hotel. Then after 6 months, after concluding that his hope of reconciliation was a thing of the past, he turned to the home of his brother where he had formerly lived and with whom he had formerly made his home. On the 6th of April 1930 he determined to establish his bona fide domicile in the home of his brother across the Alameda County line, a distance of 40 minutes' travel from San Francisco.

The brother and his wife were willing, and the respondent was given a room in that home and a key to the house. He moved his belongings to that home, endeavored there to live. He canceled his registration in San Francisco and registered as a voter in Contra Costa County. He made the attempt, referred to in the evidence, to occupy and reside in that home; but due to an early affliction from which he had suffered, viz, asthma, was unable to live there. Whether it was due to the plants around the place and in the house, whether it was the flowers, or whether it was the pet cat, the attacks of asthma were recurring, and he was compelled to leave, and thereafter slept in the room in the Fairmont Hotel. Residence is a question of act and intent. Having abandoned his residence at the home where he resided with his wife, he had a right in law to establish a domicile; and he established that legal residence in the county of Contra Costa, at the home of his brother, and he has voted at that place continuously from that time to this.

This brings me to the question of his relation with Mr. W. S. Leake. He had known Mr. Leake from 1908. His father before him knew Mr. Leake. Mr. Leake had been an outstanding character in the life of San Francisco. He had been a man devoting more or less of his time to politics. He had been the postmaster of the city of Sacramento. He had been the editor of one of the leading newspapers in San Francisco known as the "Call", now known as the "Call-Bulletin." Through visiting the Fairmont Hotel, where the aunt of the respondent resided, in 1918, he became personally acquainted with Mr. Leake. From then on down to the time he ran for the office of superior judge of the State of California on the second occasion in 1926, his relations with Mr. Leake were purely casual. In 1926 Mr. Leake was very helpful to him in making suggestions which aided him in his candidacy for that office.

Upon his election and upon his appointment as judge of that court, being assigned to the office of presiding judge, in 6 or 7 instances, he appointed Mr. Leake receiver in what we term "small unlawful-detainer cases." In those 6 or 7 cases, either by allowances from the respondent or other judges, Mr. Leake received a total of not more than \$1,000. He received an appointment as appraiser in a petty matter in which he received a fee of \$5, and also an appointment as appraiser in the matter of the Brickell estate, in which he received a fee of \$500. Down to that point these are the full relations between the respondent and the witness Leake.

After his appointment as judge of the Federal court, no other appointments of any kind were made to Mr. Leake by the respondent. His associations with him from that time on were merely those of friendship; and the meetings were only those at the Fairmont Hotel, where both lived following the time the judge occupied room 26.

The circumstances surrounding the occupation of that room are fully disclosed by the record and contradicted by no one. Let me recount that situation briefly.

In September 1929 the judge unfortunately had met the parting of the ways with his wife. The separation took place that month. The judge, with grip in hand, went to the Fairmont Hotel for accommodations and quarters. It is natural that he should have gone to that place. His aunt, the sister of his mother, resided there, and had resided there for years.

In the lobby he met his friend Mr. Leake. If you knew the situation of the Fairmont Hotel you would understand it. I have lived there myself. It is a family hotel. In the evening there is a gathering of guests in the lobby, and that gathering takes place every evening. The gathering is such that each guest has his own chair, and each guest nightly occupies the same.

Mr. Manager SUMNERS. Mr. President, I do not desire to interrupt counsel, but I give notice that if this is going to be the line of argument we shall endeavor to some degree to avail ourselves of it. We say that counsel is testifying at this time. I do not desire to object. I merely desire to serve notice now that we are going to avail ourselves of that line of argument.

Mr. LINFORTH. May I add that what I have said is the record, with the exception of the statement of my own residence there. I ask that what I have said in that respect be disregarded.

Mr. Manager SUMNERS. If it will not interrupt counsel, I desire to make it clear that I have no objection to the character of argument. We simply want, when we come to our argument, to avail ourselves of the same privilege.

The PRESIDING OFFICER. Counsel will confine themselves to the record.

Mr. LINFORTH. Mr. President, I apologize for my reference to my own staying at the Fairmont Hotel and ask the Senators to disregard that. Whatever else I have said in that respect is within the record.

When Judge Louderback separated from his wife and took temporary shelter in the Fairmont Hotel in September he met his friend Mr. Leake in the lobby. What took place is the most natural thing to have occurred. The judge shrank from newspaper publicity. He hoped the separation from his wife was not permanent. He did not desire newspaper notoriety on that subject. He appealed to his friend Mr. Leake to ascertain if it was possible for him to have accommodations at the hotel without registering, so that the papers would not know that he was separated from his wife and occupying a room there alone.

Mr. Leake, who on account of the illness of his wife, had a room where he could rest—kindly and promptly suggested, "You may have my room if it is agreeable to the management of the hotel." Immediately the matter was taken up with the management of the hotel. It was agreeable to them. The respondent thereupon started to occupy the room theretofore occupied by Mr. Leake; and monthly, according to the testimony and the checks offered in evidence, paid every charge that was made against that room during his entire stay at that hotel.

The charge contained in the indictment that the respondent and Mr. Leake entered into a conspiracy for the purpose of providing a false registration in Contra Costa County to the respondent, falls to the ground without an iota of proof in support of it.

We are then met with the suggestion that contributions have been made to Mr. Leake. What is the full extent of the record on that subject?

Mr. Leake, a man of advanced years, for 20 years or more practicing the calling of Christian Science, has been living at the Fairmont Hotel. According to his testimony, he

makes no charges. He treats in his way and to the best of his ability everyone, rich or poor, who may come to him. No fees are exacted, no charges are made, but they are at liberty to make contributions, if they so see fit.

At this point I desire to apologize for being the cause of bringing that aged man across the continent in order to be a witness here. When the managers investigating this matter were in California in September of last year, the deposition or testimony of Mr. Leake was taken.

It was not completed; and counsel then representing the respondent reserved his right to cross-examine upon the completion of the direct examination. The witness was never recalled. The direct examination was never completed. No opportunity, therefore, was afforded the respondent to cross-examine. Not until February of this year were these charges made; and then, for the first time, 5 months after the testimony of Mr. Leake had been taken, the charge of conspiracy with Mr. Leake was made.

When the learned managers for the House were in the State of California, shortly before the hearing of these proceedings, in person I requested of them permission to take by deposition the testimony of Mr. Leake. I even went so far as to agree to consider the testimony he has already given as part of his testimony, with permission to supplement it on the matters that had not been testified to at the former hearing—

Mr. Manager SUMNERS. Mr. President, I should like to know if counsel claims that that is in the record.

Mr. LINFORTH. It is a matter of stipulation, Mr. President.

Mr. Manager SUMNERS. Do you mean that that is in the record?

Mr. LINFORTH. Well, you do not deny it; do you, gentlemen?

Mr. Manager SUMNERS. No; but I just want to serve notice that we are going to make the same kind of argument. That is all.

The PRESIDING OFFICER. Counsel will not engage in controversy. Counsel will confine himself to matters in the record.

Mr. LINFORTH. I shall be glad to do that, Mr. President.

Without proceeding much further, Senators, I think it is proper for me to say that we did not get the testimony of Mr. Leake when the managers were in California. Therefore we had a subpoena served on him to appear here; and when the telegram came to the honorable managers—not to us—from the attending physician that Mr. Leake's health was such that he could safely come if furnished with a nurse, we then, with the responsibility resting upon us of protecting and defending to the best of our ability the honor of the respondent, asked the Presiding Officer to bring him on here, and he came.

What does the record show in regard to contributions made to him by everybody connected with this case?

Mr. Gilbert, the receiver appointed in some matters, has testified that for years his wife was a patient of Mr. Leake, and at times he, Mr. Gilbert, was also a patient; that the wife of Mr. Gilbert at times made donations of \$5 to Mr. Leake, and that on one occasion Mr. Gilbert had made a donation of \$150 for services that Mr. Leake had rendered to his wife.

What is the testimony of Mr. Hunter, the receiver appointed in the Russell-Colvin case, who was allowed the largest fee in any of the matters under consideration on this subject? His testimony is that he never was a patient of Mr. Leake, and that he never at any time made any contribution to him. He further testified that when Mr. LaGuardia and the others were in San Francisco they not only examined his bank account, his bank book, his checks, but they even had him open his wife's safe-deposit box, which they went through; and we are supposed to be living in the United States, in a free country! After an exhibition of that kind, opposing counsel this morning try to have you infer that Mr. Leake must have received some of the moneys

referred to in the account with the Fairmont Hotel, from Mr. Hunter!

If there ever was a gentleman, it is the receiver, Mr. Hunter—efficient, competent, and courteous.

Who next? Mr. Short and Mr. Erskine, the attorneys in the Russell-Colvin matter.

Mr. Erskine says he did not even know Mr. Leake. Mr. Short says that through visiting his father-in-law and his mother-in-law, who lived at the Fairmont Hotel, he had met Mr. Leake, but his acquaintanceship with him was purely casual.

Who else? Mr. Dinkelspiel, as to whom they try to draw some inference or some connection between the date of his fees and some of the amounts credited to Mr. Leake's account in the Fairmont Hotel records. What does Mr. Dinkelspiel say? Why, he tells you, "I do not know Mr. Leake, and I never saw him." And Mr. Leake, from his chair at the point where I am now standing, at his advanced age in life, prepared and ready at any time to meet his Maker, under oath, tells you that he did not know, and had never met, either one of the Dinkelspiels.

Who else? Mr. Woodworth. He tells you that he never was a patient of Mr. Leake, and he never made a contribution of a single cent to him.

Who else? The son of the ex-Senator whom I love—my chum and my pal for nearly 50 years—the Honorable Samuel M. Shortridge. What does he say? Why, they drag from him the fact that his mother has been a semi-invalid for over 25 years; that she has been suffering from a nervous breakdown; that for more than 12 years she has been a patient of Mr. Leake's. Mr. Samuel M. Shortridge, Jr., like a son I would be proud to have, when he had any money, in consideration for what Mr. Leake had done for his mother and on account of the service he had rendered her, paid to him in different amounts, at different times, as much as \$1,000.

I have gone through the record from beginning to end. I challenge the learned gentlemen representing the managers to point to anything on that subject that I have omitted.

The respondent never was a patient of Mr. Leake. Whether you agree with Christian Science or not, is not the question. Some of us believe it is helpful, others may not. Whether it is or whether it is not, is not the question before you, but the question is whether or not this respondent, or anyone connected with him has been corrupt, so far as Mr. Leake is concerned.

Are you going to decide this case, are you going to bend the head of this respondent in shame upon speculation, upon suspicion, upon conjecture or surmise, or are you going to say, "We are sitting here as judges, and upon our oaths we are going to demand the proof, and if they cannot furnish the proof, we are going to give him the benefit of what the law says he is entitled to, namely, the presumption of innocence."

What else is there, so far as Mr. Leake's connection with this case is concerned? The respondent was asked and he stated frankly that at times he had made loans to Mr. Leake in small sums, the largest being \$350. My reference is to the CONGRESSIONAL RECORD of yesterday, pages 3971-3973. Why should he not? Here was a friend—one who had been good to him, one who had given him the benefit of his political knowledge at the time he was a candidate for office, one to whom he felt he could go for advice, a friend of his father's, a friend of his since 1918; when that friend was in distress, why should he not make him a loan of \$50, or whatever it was? He tells you that whatever he loaned him in these small amounts Mr. Leake always repaid.

You have the full picture, so far as the relations of the respondent with Mr. Leake are concerned, and from the record—not from the statements of the opposition, but from the record as made here—you have the full relations of every person interested in any receivership, either as receiver or as counsel, with Mr. Leake.

You have, in addition to that, the statement of that venerable old man, with his hand raised to God that he would tell the truth, denying that he ever received a single cent from any one of them, and you have the testimony of

the respondent that at no time, that at no place, that under no conditions, did he ever profit to the extent of a single cent by any transaction involved in this hearing.

As against that, what have you? You have not the testimony of a single, solitary witness. You are told that Mr. Leake in 6 years, according to these reports, put in the Fairmont Hotel \$29,000 to his credit. What of it? Figure it out. It is less than \$500 a month, and he tells you, according to the testimony they took in San Francisco, that his donations from his practice were at least \$200, and some months more, and he tells you here, from his chair of pain, that when his wife died he had no further use for his life-insurance policy, and that he canceled it and received therefrom \$3,900. He tells you, in addition to that, the moneys in that account came from that life insurance, from loans from his friends, from donations from his patients, and from sales of his books.

You have it in mind, from the testimony which they took in San Francisco and which has been read here, that he has written books. He offered a set of those books to Mr. LaGuardia, who, in his way, suggested, "Give them to the judge instead." But you have before you the fact that he is an author on the subject of his practice, or his thoughts, or whatever you want to term it, in which he has been dealing for twenty-odd years. My memory may not be clear, but I think the record shows that those books have been translated in various languages. He tells you here, from this chair, that in addition to the sources of income to which I have referred, he also had the income from the sale of those books.

With that kind of a record, with not even as much as a suspicion against him, who is going to say that the respondent entered into any conspiracy with that venerable old man, and are you going to mark the respondent with the brand of shame on account of his associations or relations with that old gentleman?

Something was said this morning about Mr. Leake hiring a detective, that that was suspicious. I have just spoken of suspicion. You are not going to convict respondent on suspicion, but you should not have the slightest suspicion on the subject, if you follow the record. What is that record? The judge and his wife were separated, through unhappy differences, and the managers asked Mr. Leake, "Did you not hire a detective to shadow Mrs. Louderback?" That is on page 642, but I have not time to read it. That venerable old gentleman is not that kind of a man, and his answer was, "I did not."

"Did you not hire a detective?"

"Yes; I hired a detective."

"What did you hire a detective for?"

"I had a report that someone was shadowing the judge, and, without his knowledge, I had a detective verify whether that was so, and I paid for that out of my own pocket."

You will find that also, Senators, at page 642.

Family differences, the wife and husband separated, not knowing what the wife contemplated, not knowing what the wife might be doing, the good friend, hearing that the judge was being followed, wanted to find out whether it was so or not, and whether the wife was doing it.

Is there anything to condemn him for in so doing? If he were your friend, under like conditions, if he did a thing of that sort for you without your knowledge, and at his own expense, would you criticize him for it? Would you impeach this respondent for a thing of that kind? If you permit me to say it without any disrespect, I say it is sheer nonsense.

I have completed everything I desire to say with reference to each and every matter referred to in article I of the articles of impeachment, and the rest of the matters I shall very briefly refer to, because I take it, if the first article of impeachment, which is the main charge, falls to the ground, as my associate said, of its own weight, little time need be spent on the rest.

The second matter referred to in the articles of impeachment is the Lumbermen's Reciprocal case, so called. You heard my opponent, Mr. Manager BROWNING, this morning

say something about a peculiar habit out West of three names on a list as possible receivers being handed Mr. Slavin. You heard the testimony of Mr. Reisner, who represented the plaintiff in that case, that there never was any such list, that he never saw any such list, and that he never heard of any such list. He told you, further, that Samuel M. Shortridge, Jr., was appointed receiver in that case at the suggestion of Attorney Slavin. The judge was so careful in that instance that he had both attorneys put their request in writing for the appointment of Mr. Shortridge, and that request has been offered in evidence.

Opposing counsel also said to you that the respondent, when he knew the claim of Helen Lay, upon which that action was founded, was disallowed, insisted on maintaining jurisdiction of that case. That statement is not correct. It is not in accord with the record. The record shows, not that the claim of Helen Lay was disallowed but that a rehearing merely had been granted. In other words, that tribunal had not rejected the claim of Helen Lay but had granted a petition for the purpose of rehearing and reconsideration.

The attention of the Senate was also called to the proviso clause contained in the order of December 15, 1931, relating to the surrender of the property to the State insurance commissioner. Senators, have in mind the testimony of Marshall Woodworth, to the effect that that thought originated with him, not with the respondent, and that when he drew that order he thought it proper to provide for a bond before the receiver turned over the assets of some forty-odd thousand dollars; that he had taken to the State insurance commissioner, Mr. Woodworth further testified, the draft order to Mr. Guereña, the attorney for the other side, and submitted it to him for his approval before it was taken to the judge; and the only disagreement between the two was not over the proviso clause but over the amount of the bond that should be given.

Did Marshall Woodworth tell the truth? Mr. Guereña was here, having been subpoenaed as a witness by the other side, but was not called. So we have a right to assume from the fact that they did not call him and that he did not deny what Marshall Woodworth said, that the conversation related by Mr. Woodworth took place. When the order was submitted to the respondent he immediately objected to that clause. Such is the testimony of the respondent and such is the testimony of Mr. Woodworth. Nobody says anything to the contrary.

When the order was presented to his respondent what happened? He immediately said, "I do not like that clause"; but Mr. Woodworth explained to him what he meant by it; he told him that they were negotiating on the amount of the bond and the order contained a clause that it was only until the further order of the court. Accordingly respondent signed the order.

Then what happened? Within a few days—not more than 2 weeks—upon further and more mature consideration, the respondent became absolutely convinced that he had erred in including that proviso clause in the order. He is a man big enough to admit when he makes a mistake, and he sent for the counsel and said, "That order is wrong; I would correct it myself immediately, but they having taken an appeal, I doubt my power; you arrange it by stipulation and immediately get a stipulation setting aside that clause in the order." The stipulation was obtained, and the order immediately modified and set aside, and this before any record had been prepared on appeal in that case. This is the end of the second article of impeachment.

Now what is the third? The third relates to the Fageol case and to the appointment of Mr. Gilbert, who, they claim and say, was and is an incompetent man to be appointed receiver.

Let us see for a minute whether or not it is proper to say that Mr. Gilbert was an incompetent man to be appointed receiver. He had been for 35 long years in one position. As a boy, at 16, he became an employee of the Western Union Telegraph Co., and he has the record of working with that company for 35 years. For 10 years of that time he had been

the night traffic manager, in charge of the entire operating department, with approximately 150 employees under him.

As to what he did, as to his capacity, as to his ability, I am going to read you the testimony of the division superintendent and traffic man of the Western Union Telegraph Co., who appeared here as a witness. I read from his testimony at page 666:

Q. During the last 10 years of his service there what was his official position?—A. He was night traffic manager.

Q. And as night traffic manager, what were his hours?—A. From 4 p.m. until midnight.

Q. And what were his duties?—A. Well, he had charge of the entire operating department—general supervisor, you might say. He had entire charge of all of the different departments in the operating room.

Q. In that capacity did he have any employees under him?—A. Yes, he did.

Q. How many?—A. Approximately 150; sometimes a little less and sometimes more.

What kind of man is the best fitted for a receivership? Is it the man who will go into a going business and say to those in charge, "Tell me what your plans are and tell what your thoughts are and, if I approve of them, I will work with you"? Or, is the best kind of a receiver the man who turns them all out and undertakes to run the business without knowing a thing about it? James A. Wainwright, the head of the Oakland bank, the largest creditor of the company, writes this kind of a letter about Mr. Gilbert.

The PRESIDING OFFICER. Will counsel for the respondent permit the Chair to suggest that he has 10 minutes remaining?

Mr. LINFORTH. I thank the Chair. The letter to which I refer is dated July 28, 1932—I am reading from page 256 of the record:

(U.S.S. Exhibit No. 23)

JULY 28, 1932.

G. H. GILBERT, Esq.,

Pageol Motors Co., Oakland, Calif.

DEAR SIR: It is my pleasure at this time to acknowledge my appreciation for the cooperation extended me as a representative of this bank, in the matter of the Pageol receivership.

You at all times were willing and did listen to and heed the advice and counsel of the writer and other representatives of the large creditors.

I wish you success in any future undertaking and trust that though your connection with the Pageol Co. is at an end, I may have the pleasure of seeing you in the future whenever you have occasion to be in Oakland.

With my kindest well wishes, I am yours sincerely,

JAS. A. WAINWRIGHT.

Could anybody ask for a better recommendation of a receiver than that of the vice president of that bank in Oakland?

The Prudential case is next. I can only briefly refer to it. Mr. Stephens appeared before the judge with the attorney at the time the application for the receiver was made. He announced he was its vice president. That was the only information the respondent had on the subject. He believed his statement, and, believing his statement, he made the order.

The manager on the part of the House said that Judge St. Sure, in dismissing the matter, made the remark there was a bad smell about the case, but the honorable manager told just a half-truth. He did not refer to the letter in evidence from Judge St. Sure to the effect that when he made that remark he had no reference whatever to Judge Louderback.

This concern, instead of being a \$2,000,000 concern, was a "fly-by-night", if I may be permitted to use that slang expression. It had its headquarters and its offices in Oakland, and the only bank account it had was in the big little city of Reno, Nev., where it had two or three hundred dollars; and Mr. Hawkins, its counsel, told Mr. Dinkelspiel its whole assets would not amount to \$250. That is at page 606 of the record, Senators. Mr. Hawkins was here and did not take the stand and did not deny this testimony.

The Golden State Asparagus Co. case is next, and the Sonora receivership matter. It will be recalled that in the

Sonora receivership matter a fee of \$20,000 was allowed, where the receiver had collected over \$300,000 and where the parties had agreed to \$17,500 as the amount to be allowed the attorneys. The court, however, allowed \$20,000. It will be recalled that Mr. Edwards, as receiver, appointed through the American Can Co., testified that when the court gave him the name of Dinkelspiel & Dinkelspiel to act as attorneys, he went to his own attorneys, Chickering & Gregory, and asked them about those attorneys, the respondent having told him if the attorneys whose names he had given did not suit to come back and he would suggest another name. Chickering & Gregory said, "You cannot get finer men in that line of business", and under those conditions he employed Dinkelspiel & Dinkelspiel. That will be found at page 670. I have not time to read it.

A reference to the Brickell estate appraisement, and then I am through. That was a trifling matter. The estate was appraised at over a million and odd dollars. The three appraisers were allowed \$1,750. We all know—those who have been practicing and those who have been on the bench—that usually one appraiser does the work. When this matter came before the respondent it only came before him on the settlement of the final account, and the trustee, the First Federal Trust Co., the bank which had filed the account in which the amounts allowed were set forth, testified that the account was true and correct in every respect, and having no other information the court settled it.

Every receiver appointed was a decent man. Every lawyer appointed was a competent lawyer. Every receivership was ably managed and conducted.

I close as I opened by saying it is my honest conclusion that the learned managers of the House have been misled by certain attorneys in this case. I am grateful that the case is rapidly reaching its close. I know it has been a trying task to you gentlemen to give the time that you have given to this matter with the various emergency matters pending before you.

I had occasion about 5 weeks ago to visit Mount Vernon, and there at the tomb of the immortal Washington I saw the respondent, hat in hand, head bowed, lips in prayer, paying his tribute to that great chief, because he also was a soldier. From that moment, after witnessing that event, every ounce of vitality within me has been dedicated to the cause of the respondent. Are you going to return him to his home with a brand of disapproval upon his brow? Are you going to bow his head in shame simply because in the discharge of his duty he would not yield to a firm of powerful attorneys who wanted to control a receivership? Please tell me by your verdict that such a thing cannot be done.

CALL OF THE ROLL

The PRESIDING OFFICER. The managers on the part of the House may proceed with the concluding argument.

Mr. CONNALLY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll. The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Costigan	Keyes	Robinson, Ind.
Ashurst	Couzens	King	Russell
Bachman	Dale	La Follette	Schall
Bailey	Dickinson	Lewis	Sheppard
Bankhead	Dill	Logan	Shipstead
Barbour	Duffy	Long	Smith
Barkley	Erickson	McAdoo	Steiwer
Black	Fletcher	McCarran	Stephens
Bone	Frazier	McGill	Thomas, Okla.
Bratton	George	McKellar	Thomas, Utah
Brown	Glass	McNary	Townsend
Bulkley	Goldsborough	Metcalf	Trammell
Bulow	Gore	Neely	Tydings
Byrd	Hale	Norris	Vandenberg
Byrnes	Harrison	Nye	Van Nuys
Capper	Hastings	Patterson	Wagner
Caraway	Hatfield	Pittman	Walcott
Carey	Hayden	Pope	Walsh
Clark	Hebert	Reed	Wheeler
Connally	Kean	Reynolds	White
Coolidge	Kendrick	Robinson, Ark.	

The PRESIDING OFFICER. Eighty-three Senators have answered to their names. A quorum is present. The managers on the part of the House may proceed.

CONCLUDING ARGUMENT ON BEHALF OF THE HOUSE OF REPRESENTATIVES
BY MR. MANAGER SUMNERS

Mr. Manager SUMNERS. Gentlemen of the court, I appear here, insofar as my own attitude in this matter is concerned, not as a prosecuting officer but as a counselor and an adviser of the Senate in connection with one of the highest duties that the two branches of the Congress can be called upon to perform. It is the duty of the House in the first instance, as is well known, to act as an inquisitorial body; and, second, to appear at the bar of the Senate having the responsibility, insofar as that appearance is concerned with reference to the judiciary of trying to preserve for this country a decent judiciary. The House has performed its part of that responsibility, except the concluding remarks which I am about to make, and from this time on the responsibility shall rest with the Senate.

I believe I may state as a matter of common knowledge that perhaps at no time in the country's history has the institution of the Federal judiciary been at a lower ebb than it is at this moment. At no time in the history of the Federal judiciary has it been more essential to have on the Federal bench men in whom the people of the country shall have implicit confidence.

With regard to the kind of a proceeding this is, referring to the discussion of counsel for the respondent, insofar as I can understand the duty of the Senate as they relate themselves to our scheme of government, it is to protect the Federal judiciary and to protect the people against those persons connected with the judiciary whose conduct arouses doubt as to their honesty. It may never be held in a free government that persons appointed during good behavior may hold office over a free people until they shall be convicted of a crime and brought before the Senate as a felon in chains. I shall never assume that responsibility before a decent, self-respecting Senate imposed by such a standard. I lay down this proposition and this standard: From an examination of the whole history of impeachment and particularly as it relates itself to our system of government, when the facts proven with reference to a respondent are such as are reasonably calculated to arouse a substantial doubt in the minds of the people over whom that respondent exercises authority, that he is not brave, candid, honest, and true, there is no other alternative than to remove such a judge from the bench, because wherever doubt resides confidence cannot be present. It is not in the nature of free government that the people must submit to the government of a man as to whom they have substantial doubt.

We do not accept that as the minimum of responsibility in this case, however. I hope in the time I have to discuss the facts in the case, only 50 minutes, that I may be excused for not following the details of the record.

My distinguished friend, attorney for the respondent, trained as is evidenced by his presentation to the Senate in the defense, in his closing remarks, notwithstanding objections quite frequently made to his testifying, tells the Senate that the respondent went down to Mount Vernon, and this astute counsel stood off to one side and watched the respondent shed tears and make a prayer at the shrine of George Washington. That is his closing statement. He is trying this case, though, before a jury of another type, trying this case before a jury of Senators who soon will sit in the final determination of this issue, and who will sit as strong men conscious of a great responsibility.

Of course, we do not want the respondent ousted if the facts do not justify the ouster; neither do we want a constituency of free men, who have resorted here to the only tribunal we have in this country for their relief, the Senate of the United States, to be unjustly dealt with; we do not want the Senate of the United States to force an officer upon an unwilling free people through the remainder of his life, a judge against whom such charges as have been brought as are embodied in the articles of impeachment, and which we have proven.

I grant that it is the first responsibility to protect the judge—to protect the judge against powerful influences.

My distinguished friend for the respondent mitigates as far as he can the situation of the managers by saying that we have been imposed upon. I tell you we have not been imposed upon. We went into the community where free men live in San Francisco and from their lips heard the tales of an imposition unreasonable and intolerable among a free people. If I may say so without boasting, I do not believe there ever walked the face of the earth a group of lawyers who could carry out a design to impose upon me and my associates to a successful conclusion. It did not happen.

This record discloses that a man holds office in a community, a man of whom the people are ashamed and whose authority they resent. Why do they resent it? Look at this case from the standpoint of decent, self-respecting people, proud sons of pioneers, living out there in the West. You come into town and you say, "Where does your Federal judge live?" Now, just follow me a little bit. These are things that affect the whole situation. "Where does your Federal judge live?" Well, we find somebody who says, "We don't know; we don't know." If I wanted to talk outside of the record I could tell you some things about how difficult it was to find where this judge lived; and when we finally found where he lived, he was living under the cover of Sam Leake!

Think of a proud people thus situated! Think of any decent, self-respecting man living for 3 years in an American hotel registered under the name of another man!

That was not all. When he went on the stand, he swore that he lived at a place for those 3 years and had not slept in the room of his residence more than 3 or 4 times, once a year. I am talking about the respect of the people for the man who holds office among them. What would you think about a Federal judge of yours slipping in and slipping out of a hotel, and claiming that he was living at a place where he had not slept more than 3 or 4 times in as many years?

He claims there were some flowers there; but the main thing seems to be that they had a cat in his brother's home and he and the cat could not live at the same place, so evidently it was decided that the cat should stay and the judge should go. [Laughter.] That is the God Almighty's truth. That is the sworn testimony in this case. Do you not understand and can you not understand why the blood of a self-respecting people boiled when they have to face a situation like that?

Do brave, courageous, open and aboveboard men live that way? I ask each Senator here did you ever know, since the day of your birth, a brave, courageous, self-respecting man to live in that way? Did you ever know any man to live that way who was not slick, slipping in, sliding about?

Then, you can begin to see this case over in San Francisco; and when he goes on the stand he swears that he lives in Contra Costa County—a judge of the Federal court holding up his hand to God Almighty and swearing upon his oath that he is living at a place where he has not slept more than once a year, and the only other supporting evidence is that he has a trunk over there, maybe, and mainly that he has a Tuxedo coat. I am talking about the sworn testimony in this case.

Who is this man Sam Leake? Do you know this Sam Leake? I do not say he was faking; but I do say that it is possible that Sam Leake, appearing here on a cot in that condition, was somewhat like the judge praying down at Mount Vernon so that his lawyer could come here and stand on the floor of the Senate and try to wring the tears of sympathy from mature Senators. It is the same class of stuff. I do not know whether it just happened accidentally or not.

I formed some opinion of the opinion out in that country, some opinion of the bar. You can hardly get a lawyer—I say this as a matter of common knowledge—who will raise his voice against a Federal judge. I make that statement after 20 years of observation and contact with people. You can hardly get them to do it, and you know it. Every mother's son of you knows it. If you see a bar association demanding an investigation of a Federal judge, there may

be some among them who want a controlled judge; but you never in your life saw the bar of a great city standing behind a crooked judge or a controllable judge, and you never in all the days of your life saw that bar demand the expulsion of a brave, courageous man, fit to sit on a Federal bench. It just does not happen.

It is true that one of the members of the firm complained about was at that time the vice president of the bar association, the vice president of a great bar. Is that to his discredit? Just think a little bit. Is that to his discredit? Is it not to the credit of this man McAuliffe—whom the respondent would not trust to try to hold down the expense of this administration, the man at whom counsel for the respondent points the finger of criticism, one of the four members of the firm of Heller, Ehrmann, White & McAuliffe—that he is now selected as the president of the great Bar Association of San Francisco?

Just think about that a minute. If the people of that country believed that this judge stood foursquare against powerful influences to protect the interests that he ought to have protected, they would have acclaimed him as a great man in that community; but he does not picture himself in that way.

Where do you see him next? You see him up there in the hotel, and with whom is he conferring? He is conferring with Sam Leake.

By the way, Sam Leake does not claim to be a Christian Science practitioner. Counsel have made that statement two or three times in this record. Mr. Leake does not claim to be a Christian Science practitioner. He does not claim to be connected with Christian Science. He just has an office down there. The boys just seem to happen to drift around to talk to him about receiverships and one thing and another. They just happen to drift around. He is pretty handy about advising the judge, and in the biggest case in the respondent's court, Leake named the receiver and the attorney, in effect. I say that is a fair deduction from the facts in this case.

By the way, is it not rather funny, right at a time when the judge was in a quandary as to what he was going to do in the Russell-Colvin case, that this man Hunter, afterward appointed at Leake's suggestion, just happened to come by? You may think this fellow Strong is a fool, but he has backbone. Strong was the first man named, and the judge wanted to load on to him John Douglas Short, a \$200-a-month man. Strong said, in substance, "This is a big job and I want an expert to help me do it. I want this firm that are attorneys for the stock exchange, or I want another man", whom he named, and he would not take Short.

I know there is a conflict of testimony as to who said what, and when; but there is no conflict that Strong would not take Short. That is in the case, and the judge fired him out. Then, in a quandary, the judge drifted up to the hotel and just happened to find Sam Leake sitting there; and just as they were discussing who would be a good man, and the judge did not know, this man Hunter walked through the hall. Detective-story stuff! It could happen; but it is an odd coincidence. He just happened to walk through the hall; and Hunter knew about this when they were considering this matter there before the judge, because Hunter went around to Strong and said, "What are you doing here?" Strong said, "I am trying to get a job as receiver. I am being appointed receiver"; and this man Hunter, who was afterward appointed, said, "You don't need a good man, do you?" When questioned he resorted to the old resort which men resort to when they want to get out of the responsibility fastened upon them by proven testimony, and he said, "I was just talking facetiously—just sort of shooting my head off, just talking, making conversation." He was just walking through that hotel the next evening, he was just taking his afternoon exercise, and happened to be exercising right square in front of the judge and Leake when the judge was asking Leake, "Who is a good man?" Leake says he never had thought about Hunter; but just seeing him there on the spot made him think about Hunter, and he said, "There is your man"; and the judge

commissioned Leake to go over and engage Hunter if he would take it—if he would take it—if he would take it!

Then another funny thing happened. Mr. Hunter just happened—that is the effect of the testimony—to drop into Mr. Leake's room, the first time he had ever been there, though they had each lived there for years, and got hold of Mr. Leake's telephone, and telephoned to this same John Douglas Short, offering the attorneyship for the receiver, but he, Hunter, would not agree to hire him to take the job until he talked to his own employer.

I say if the picture by the respondent's conduct to the people of San Francisco was that of a strong, courageous judge, who would not permit himself to be dictated to by this big bunch of lawyers, that would be fine. San Francisco would acclaim him. But when he turns away from the possibility of hiring perhaps the greatest experts on the coast to wind up a matter like this of the Russell-Colvin Co. both lawyer and receiver, the highest, best-equipped experts, against whom not one word of suspicion has been uttered in this Chamber, and I dare say not one word could be uttered. Assuming that they are honest men—and there is nothing to indicate the contrary—the horse sense of the thing to do would have been to hire these men, Hunter and McAuliffe, who had been auditors for the stock exchange and this firm of lawyers, with the exchange for 30 years, and who testified through their chief member that in his judgment the total expense would not have gone beyond \$20,000 for the lawyers and \$15,000 for the receiver. Instead of taking them they took Hunter and this \$200-per-month law clerk, and who in the first instance wanted to take, as I remember it, \$75,000 as his fee away from the people who were the creditors of that concern and stick it in his pocket.

I want to know which is the best man, and which shows the greatest character, the man who indicated that \$20,000 was enough and let the poor devils who were caught in this crash have the rest, or the man insisted on by the judge who wanted to take \$75,000 out of the pockets of the widows and the orphans and the impoverished people and put it in his own pocket?

Ah, yes, in spite of these great pretensions, these high claims of honorable motives, this respondent has undertaken with no avail to hide the true man that is behind them. That is what is the matter with the situation in California.

Mr. President, I will not have time to discuss all these cases. I should have liked to discuss the Sempel-Cooley case, but the Sonora Phonograph case is the next one I want to touch on.

This respondent, in undertaking to explain some of his conduct, cites rule 53 and Judge St. Sure's interpretation of the rule. Listen to this a moment, gentlemen. Judge St. Sure's testimony with regard to rule 53 is that it is a rule to prevent the employment, as attorneys for receivers, of those persons who represented claimants. In other words, if somebody came in with a lot of claims, rule 53 protected against his employment, prevents his employment.

In the Sonora Phonograph Co. case we see Dinkelspiel & Dinkelspiel "dinkelspiel" into the case, coming into the respondent's good graces. How did they get in? They got in there, bringing in their hands claims of three people against that estate. There is rule 53, there is the interpretation of Judge St. Sure, and here is this judge, hiding behind this great claim of virtue, employing Dinkelspiel & Dinkelspiel, who bring three claims there, and, representing those three claims, prosecuting against this motor company. What are they going to say to that? What is the respondent going to do about it? What is anybody going to say among you when you meet in solemn counsel to determine your duty in this case? Where is rule 53 when Dinkelspiel & Dinkelspiel appear at his chamber prosecuting claims against the Sonora Phonograph Co.? Rule 53 says they may not serve the receiver, but the respondent overrules rule 53 and appoints them attorneys for the receiver. Why, nobody knows.

This judge claims that he is actuated by the motive of appointing competent people, people in whom he can put

trust. If this judge acted, in appointing referees and trustees and attorneys, under the motive of appointing those in whom he has confidence, those whom he could trust, the people of San Francisco would acclaim him; but they know there are two things necessary to enable one person to trust another. You have to know of his ability to do the job, first, have you not? Now, just man to man, is there a man who sits before me today who ever trusted anybody to do a job whom he knew did not have the ability to do it? A man must have two things in order to inspire trust, namely, ability and integrity.

I have not a thing to say against Mr. Gilbert as a man of his trade. I presume he is a good telegraph operator. He testified he had never had any business experience except in connection with sending messages and supervising other people whose business was sending messages. I do not doubt he has that ability. But in the Sonora Phonograph Co. case, this company was engaged extensively in assembling and distributing phonographs and radios. They had a business all up and down that country—a mercantile business.

Did he pick a phonograph man? Did he pick anybody who was accustomed to buying or selling anything? Let us just use horse sense about this. Assuming the judge has horse sense, did he pick any merchant, did he pick anybody who had any training, or who could give him the slightest suspicion that he had the ability to do the job? No; he picked a telegraph operator. I have nothing to say about telegraph operators operating telegraph instruments, but it seems to me—and I say it with as much respect as I can have—that nobody with any sense would pick a telegraph operator to wind up a great mercantile business. This man Gilbert was one of Sam Leake's patients. Sam Leake may be the best man on earth, but we run into him every time we turn around with regard to these cases. But I must rush along.

With regard to the appointment of Dinkelspiel & Dinkelspiel, who showed up there with these three claims and were barred out under the rules of the court, this judge had to break down the rule of his own court to appoint them, and he knows it, and his counsel know it. He broke it down for somebody he says he never saw or heard of. And they got \$20,000 for 9 days' and 2 hours' work, according to their detailed statement, 9 days of 7 hours each.

You remember there was some testimony here under which they undertook to show that they were appointed attorneys by the consent of the Irving Trust Co. This fee of \$20,000 was opposed by the Irving Trust Co. and by everybody else in the case. There is that picture. They never represented the Irving Trust Co.

Can you not begin to understand how it can be that a brave people in San Francisco, and in that section of the country, cannot want this judge? Honor is not something you put on and take off like a coat. Honor is a thing which emanates involuntarily toward the object fit to be honored. If you are going to make the courts of the United States honored, you have to have them fit to be honored, and you cannot make them fit to be honored by having judges slipping in the back door, sleeping for 2 or 3 years in a room registered in the name of somebody else. Brave, courageous men do not work that way. Nobody can hold the respect of an American constituency who is not a brave, open and aboveboard, courageous man. It is this thing that strikes at the heart, it is the things proven with regard to this judge that turn wrongside out and let you see the soul of the man. It is this view that determines his standing with a grave, courageous constituency.

For the moment I am going to skip the Prudential Holding Co. case and come to as remarkable an action as has been taken in the judicial history of the United States. I make that statement without fear of any contradiction. This case shows up this judge as absolutely unfit to hold the office he has, if there were not another case in the record.

The Lumbermen's Reciprocal case was a case, insofar as this controversy is concerned, where the insurance commissioner of the great, sovereign State of California, was seeking to get possession of some eighty-odd thousand dollars

and to hold it for the beneficiaries in California. There came immediately an uncompromising struggle, a fight to the death, between this judge, seeking to hold this case under the administration of Samuel Shortridge and his attorney, and this insurance commissioner of the State of California, seeking to get hold of those funds and administer them without a dollar of expense, to save every dollar of it for the poor people, maimed and halting, who had a right to draw on these funds for physical compensation.

Just get that picture, and you can begin to understand why these California people feel as they do. Just look at it. Here they are, these men who have been working in industry, injured this way, that way, the other way; a vigilant, honest official of the State of California, its insurance commissioner, moving as rapidly as he could to get hold of those funds and to hold them for California people; and this judge, fighting every inch of the ground to hold those funds, to be spent, as far as he could accomplish it, with Samuel Shortridge and Samuel Shortridge's attorney. That was the issue. There is no human being who can read that record and not conclude that that was the issue, whether this insurance commissioner should hold the funds and distribute them under his general powers, or whether the funds should be under the control of Samuel Shortridge, who charged \$11 a day for his food, and undertook to deduct it from money that belonged by right, as the courts later decided, to the man with one arm off, or the man crippled for life, or whatever it was. I am telling you God Almighty's truth, as your record will disclose.

This commissioner in California had good stuff in him. He did not bend his knee to a great Federal judge. He took the case to the court of appeals. The case came back with a mandate, a solemn mandate, from the appellate court to the respondent here to turn over these funds to the insurance commissioner of California.

Now, listen to this. This judge put a condition on the mandate of the appellate court that that mandate should not go into effect if those representing the commissioner dared to appeal to the appellate court, dared to question the fees he had allowed to his favorite out of the funds over which he had no jurisdiction. Just let that soak in a minute. I would put him off the bench if he had not done another thing than that. Yes; he struck that condition out afterward when he saw this case going to the court of appeals, and he did not want to get the "hiding" that he knew the court would give him, and it would have been something worth reading if it had ever gone up to the court of appeals and had come out with that sort of a cracker tied on to its mandate.

I understand I have but 5 minutes' time remaining, and I am merely going to touch on two other cases. I will refer first to the Fageol Motors Co. case. In that case the representatives of all the parties-in-interest assembled. They picked as good an automobile man as that section of the country afforded from what we can find out about it. They wanted, being a going concern, to save their business. The respondent refused the man they wanted. Whom did the respondent select as receiver? He chose then some telegraph operator to run a great automobile business. There are some things that common sense will not tolerate us to conclude, and common sense will not tolerate us to conclude that he did not have any more sense than to do that.

I say that with just as much respect as I can have under the circumstances, and yet the Senate is asked to put back on the bench in perpetuity over a free people that kind of a man. I tell the Senate if they do it, the days of the existence of the Federal courts in America are numbered. This people—this free people—will not stand to have no control over their Federal judges unless the Senate will protect them. The bar association has taken the chances of incurring the displeasure of this judge; the witnesses have taken the chances. They come first to the other House, and have come now to the Senate as the last resort. If this body will not make it possible for the people to be safeguarded; if they will not protect the people; if, instead of looking at the situation of a sovereign people, they look at the spectacle of a

man weeping at the grave of Washington, where may the people find protection? I would weep, too, anywhere if my lawyer needed to retail my tears. If I thought it would enable me to retain my job, I would have my lawyer sitting around behind a convenient bush where he could see and tell you about it, as though you were "two-by-four" jurors sitting in a justice's court.

I am not going into details—for I find my time is about up—with regard to the fees in the bankruptcy cases. I will call attention, however, to two very significant transactions. One is a case where the referee allowed a fee of \$500. Those to whom the fee was allowed appealed to the respondent, and he allowed them a fee of \$2,000. There is a very interesting thing, too, about the fees of Dinkelspiel & Dinkelspiel. They have the right name. In the Fageol Motors case, as to which they testified they did as much work as they did in the case where they got \$20,000 by action of the respondent, they were allowed \$6,000 by another man who passed on the value of their services. And in this case with regard to Short, we find him drawing in 1 year more than he would make in 13 years in his ordinary employment. I know there are some lawyers who like to have big fees; some of them may be in the Senate; I do not know; but I say that when a judge comes to act in a case involving the interests of widows and orphans, people who are not getting a hundred cents on the dollar, who are not, in fact, getting 25 cents on the dollar, he has no right under his oath to give a man employed as receiver a thousand percent above that which he receives for his usual employment. When a judge does that he is taking money that belongs to unfortunate people and handing it to somebody who is getting more than he ever got before in his life.

Mr. President and gentlemen of the Senate, my time has ended. I thank you for your close attention. I do not believe I will tell about anybody crying or praying. I will just go off and do the best I can and pray that you will do what is right, and I know that you are going to do it.

The PRESIDING OFFICER. The time of the manager has expired.

DELIBERATION WITH CLOSED DOORS

Mr. ASHURST. I move that the doors of the Senate be closed for deliberation.

The PRESIDING OFFICER. The question is on the motion of the Senator from Arizona.

The motion was agreed to.

The managers on the part of the House and the respondent and his counsel withdrew from the Chamber.

The galleries having been cleared, the Senate (at 3 o'clock and 5 minutes p.m.) proceeded to deliberate with closed doors.

At 4 o'clock and 45 minutes p.m. the doors were reopened.

The respondent, Harold Louderback, with his counsel, Walter H. Linforth, Esq., and James M. Hanley, Esq., appeared in the seats provided for them.

The managers on the part of the House appeared in the seats provided for them.

Mr. GLASS. Mr. President, on the advice of the distinguished chairman of the Judiciary Committee, the Senator from Arizona [Mr. ASHURST], I am taking the first and last opportunity to say that I shall ask the Senate to excuse me from voting on these various articles of impeachment, for the reason that other public duties have made it impossible for me to be present and hear more than fragments of the testimony adduced in this proceeding, and none of the arguments presented. Therefore I feel that under my oath I am not so advised as to be able to render a verdict as a juror, and I shall ask the Senate to excuse me from voting.

The VICE PRESIDENT. Without objection, the Senator from Virginia will be excused.

Mr. ROBINSON of Arkansas. Mr. President, the senior Senator from Illinois [Mr. LEWIS] is absent on account of illness. He requested me to ask the court to excuse him from attendance and from voting on the various articles.

The VICE PRESIDENT. Without objection, the Senator from Illinois will be excused.

Mr. ROBINSON of Arkansas. The Senator from South Carolina [Mr. BYRNES] is unavoidably absent and asks to be excused. He is detained on public business.

The VICE PRESIDENT. Is there objection to the request of the Senator from South Carolina? The Chair hears none.

Mr. ROBINSON of Arkansas. I have been requested to state that on these votes pairs will not be arranged or recognized.

Mr. LA FOLLETTE. Mr. President, on behalf of the Senator from New Mexico [Mr. CUTTING], I desire to announce that he is detained from the Senate because of a slight indisposition. He asks to be excused on that ground.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Senator from New Mexico is excused.

Mr. HEBERT. Mr. President, I am asked to announce that the Senator from Ohio [Mr. FESS] has been called from the city, and I am requested to say that, if present, he would vote "not guilty."

I am also requested to announce that the Senator from Vermont [Mr. AUSTIN] has also been called from the city on important business, and I am directed to say that, if present, he would vote "not guilty."

I am also asked to announce that the Senator from South Dakota [Mr. NORBECK] is absent on account of illness, and that the Senator from Pennsylvania [Mr. DAVIS] is also absent on account of illness. I am not advised how the latter Senators would vote if present.

Mr. ROBINSON of Arkansas. Mr. President, I am also requested to announce that the Senator from Oklahoma [Mr. GORE] is unavoidably absent and asks to be excused from attendance and voting.

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. COPELAND. Mr. President, I desire to have the record of the court show that yesterday I received unanimous consent to be excused from voting. I explained that, on account of illness, I had been away from the Senate, and had heard none of the testimony, and because of that the Senate excused me, but I desired to have the court record note of the fact.

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. SHIPSTEAD. Mr. President, I will now renew my request to be excused from voting on the first four articles of impeachment, all the articles except article 5.

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. COSTIGAN. Mr. President, without any disposition to shirk any proper public responsibility, I desire to ask the Senate to release me from voting on any article except article 5. There have been various unavoidable interruptions, due to public business, which have prevented as close attention to some of the testimony as I deem necessary. Article 5 is the one article on which, on consideration, I now feel justified in voting.

The VICE PRESIDENT. Is there objection to the request of the Senator? The Chair hears none, and it is so ordered.

Mr. ASHURST. Mr. President, I send the following order to the desk, ask that it be read, and request immediate consideration.

The VICE PRESIDENT. The clerk will read the proposed order.

The Chief Clerk read as follows:

Ordered, That upon the final vote in the pending impeachment of Harold Louderback, the Secretary shall read the articles of impeachment separately and successively, and when the reading of each article shall have been concluded the Presiding Officer shall state the question thereon as follows:

"Senators, how say you? Is the respondent, Harold Louderback, guilty or not guilty as charged in this article?"

Thereupon the roll of the Senate shall be called, and each Senator, as his name is called, unless excused, shall arise in his place and answer "Guilty" or "Not guilty."

Mr. BARKLEY. A parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. BARKLEY. Does any Senator have the right to ask to be excused from voting on the roll call on any article, or

must he make the request in advance of the reading of the first article?

The VICE PRESIDENT. The Chair is of opinion that a Senator can ask to be excused from voting on any article at any time.

Is there objection to entering the order just submitted by the Senator from Arizona? The Chair hears none, and the order will be entered.

Mr. ASHURST. Mr. President, I send another order to the desk and ask for its consideration.

The VICE PRESIDENT. The clerk will read the order. The Chief Clerk read as follows:

Ordered. That upon the final vote in the pending impeachment of Harold Louderback, each Senator may, within 2 days after the final vote, file his opinion in writing to be published in the printed proceedings in the case.

The VICE PRESIDENT. Is there objection to entering the order? The Chair hears none, and the order will be entered.

Mr. ASHURST. Mr. President, I ask that the clerk, in accordance with the order heretofore entered, read the first article of impeachment.

The VICE PRESIDENT. The clerk will read the first article of impeachment.

The Chief Clerk read as follows:

ARTICLE I

That the said Harold Louderback, having been nominated by the President of the United States, confirmed by the Senate of the United States, duly qualified and commissioned and while acting as a district judge for the northern district of California did on divers and various occasions so abuse the power of his high office that he is hereby charged with tyranny and oppression, favoritism and conspiracy, whereby he has brought the administration of justice in said district in the court of which he is a judge into disrepute, and by his conduct is guilty of misbehavior falling under the constitutional provision as ground for impeachment and removal from office.

In that the said Harold Louderback on or about the 13th day of March 1930, at his chambers and in his capacity as judge aforesaid, did willfully, tyrannically, and oppressively discharge one Addison G. Strong, whom he had on the 11th day of March 1930 appointed as equity receiver in the matter of Olmsted against Russell-Colvin Co., after having attempted to force and coerce the said Strong to appoint one Douglas Short as attorney for the receiver in said case.

In that the said Harold Louderback improperly did attempt to cause the said Addison G. Strong to appoint the said Douglas Short as attorney for the receiver by promises of allowance of large fees and by threats of reduced fees did he refuse to appoint said Douglas Short.

In that the said Harold Louderback improperly did use his office and power of district judge in his own personal interest by causing the appointment of the said Douglas Short as attorney for the receiver, at the instance, suggestion, or demand of one Sam Leake, to whom the said Harold Louderback was under personal obligation, the said Sam Leake having entered into a certain arrangement and conspiracy with the said Harold Louderback to provide him, the said Harold Louderback, with a room at the Fairmont Hotel in the city of San Francisco, Calif., and made arrangements for registering said room in his, Sam Leake's, name and paying all bills therefor in cash under an arrangement with the said Harold Louderback to be reimbursed in full or in part in order that the said Harold Louderback might continue to actually reside in the city and county of San Francisco after having improperly and unlawfully established a fictitious residence in Contra Costa County for the sole purpose of improperly removing for trial to said Contra Costa County a cause of action which the said Harold Louderback expected to be filed against him; and that the said Douglas Short did receive large and exorbitant fees for his services as attorney for the receiver in said action, and the said Sam Leake did receive certain fees, gratuities, and loans directly or indirectly from the said Douglas Short amounting approximately to \$1,200.

In that the said Harold Louderback entered into a conspiracy with the said Sam Leake to violate the provisions of the California Political Code in establishing a residence in the county of Contra Costa when the said Harold Louderback in fact did not reside in said county and could not have established a residence without the concealment of his actual residence in the county of San Francisco, covered and concealed by means of the said conspiracy with the said Sam Leake, all in violation of the law of the State of California.

In that the said Harold Louderback, in order to give color to his fictitious residence in the county of Contra Costa, all for the purpose of preparing and falsely creating proof necessary to establish himself as a resident of Contra Costa County in anticipation of an action he expected to be brought against him, for the sole purpose of meeting the requirements of the Code of Civil Procedure of the State of California providing that all causes of action must be tried in the county in which the defendant resides at the commencement of the action, did in accordance with the

conspiracy entered into with the said Sam Leake unlawfully register as a voter in said Contra Costa County, when in law and in fact he did not reside in said county and could not so register, and that the said acts of Harold Louderback constitute a felony defined by section 42 of the Penal Code of California.

Wherefore the said Harold Louderback was and is guilty of a course of conduct improper, oppressive, and unlawful and is guilty of misbehavior in office as such judge and was and is guilty of a misdemeanor in office.

The VICE PRESIDENT. Senators, how say you? Is the respondent, Harold Louderback, guilty or not guilty as charged in this article? The secretary will proceed to call the roll, and as the name of each Senator is called, he will rise in his place and deliver his vote.

The legislative clerk proceeded to call the roll.

Mr. ROBINSON of Arkansas (when Mr. PITTMAN's name was called). The Senator from Nevada [Mr. PITTMAN] has been engaged in the performance of other duties and has been unable to attend during the taking of testimony, and asks the Senate to excuse him from voting.

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. ROBINSON of Arkansas. I ask that the message of the Senator from Nevada relating to the subject be incorporated in the RECORD.

The VICE PRESIDENT. Without objection, it is so ordered.

The message is as follows:

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C., May 24, 1933.

Hon. JOSEPH T. ROBINSON,

United States Senate.

MY DEAR SENATOR: For the past 6 weeks, by direction of the President, I have been engaged in the informal conferences held by our Government and representatives of various other governments in preparation for the London conference. These duties have occupied my entire time and made it impossible for me to attend the sessions of the Senate during that period and to listen to the evidence in the impeachment proceedings.

I therefore respectfully request you, on my behalf, to ask the Senate to excuse me from casting my vote in such impeachment proceedings.

The President having appointed me one of the delegates of our Government to the London conference, it will be necessary for me to be absent from the Senate during the remainder of the session. I therefore request, also, that you ask the Senate to excuse me from further attendance at the Senate during the remainder of the session.

With regards, I am, very respectfully,

KEY PITTMAN.

Mrs. CARAWAY (when her name was called). Mr. President, I should like to be excused from voting on this article.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Senator from Arkansas is excused from voting.

The roll call was concluded.

The VICE PRESIDENT. The clerk will recapitulate the responses of Senators.

The legislative clerk recapitulated the vote, which was as follows:

GUILTY—34

Bachman	Capper	Kendrick	Sheppard
Bankhead	Clark	La Follette	Stephens
Barkley	Connally	McAdoo	Thomas, Okla.
Black	Couzens	McGill	Thomas, Utah
Bone	Dill	McKellar	Van Nuys
Brown	Duffy	Neely	Walsh
Bulkley	Erickson	Norris	Wheeler
Bulow	Frazier	Nye	
Byrd	Hayden	Pope	

NOT GUILTY—42

Adams	Goldsborough	McCarran	Smith
Ashurst	Hale	McNary	Steinwer
Bailey	Harrison	Metcalf	Townsend
Barbour	Hastings	Murphy	Trammell
Bratton	Hatfield	Patterson	Tydings
Carey	Hebert	Reed	Vandenberg
Coolidge	Kean	Reynolds	Wagner
Dale	Keyes	Robinson, Ark.	Walcott
Dickinson	King	Robinson, Ind.	White
Fletcher	Logan	Russell	
George	Long	Schall	

ABSENT, NOT VOTING, OR EXCUSED—11

Austin	Cutting	Glass	Pittman
Byrnes	Davis	Gore	Shipstead
Costigan	Fess	Norbeck	

The VICE PRESIDENT. On the first article of impeachment 34 Senators have voted "guilty" and 42 Senators have voted "not guilty." Less than two thirds having voted in favor of his guilt, the Senate adjudges that the respondent, Harold Louderback, is not guilty as charged in the article.

The clerk will read the next article.

The legislative clerk read as follows:

ARTICLE II

That Harold Louderback, judge as aforesaid, was guilty of a course of improper and unlawful conduct as a judge, filled with partiality and favoritism in improperly granting excessive, exorbitant, and unreasonable allowances as disbursements to one Marshall Woodward and to one Samuel Shortridge, Jr., as receiver and attorney, respectively, in the matter of the Lumbermen's Reciprocal Association.

And in that the said Harold Louderback, judge as aforesaid, having improperly acquired jurisdiction of the case of the Lumbermen's Reciprocal Association contrary to the law of the United States and the rules of the court did, on or about the 29th day of July, 1930, appoint one Marshall Woodward and one Samuel Shortridge, Jr., receiver and attorney, respectively, in said case, and after an appeal was taken from the order and other acts of the judge in said case to the United States Circuit Court of Appeals for the Ninth Circuit and the said order and acts of the said Harold Louderback having been reversed by said United States Circuit Court of Appeals and the mandate of said circuit court of appeals directed the court to cause the said receiver to turn over all of the assets of said association in his possession as receiver to the commissioner of insurance of the State of California, the said Harold Louderback unlawfully, improperly, and oppressively did sign and enter an order so directing the receiver to turn over said property to said State commissioner of insurance but improperly and unlawfully made such order conditional that the said State commissioner of insurance and any other party in interest would not take an appeal from the allowance of fees and disbursements granted by the said Harold Louderback to the said Marshall Woodward and Samuel Shortridge, Jr., receiver and attorney, respectively, thereby improperly using his said office as a district judge to favor and enrich his personal and political friends and associates to the detriment and loss of litigants in his, said judge's court, and forcing said State commissioner of insurance and parties in interest in said action unnecessary delay, labor, and expense in protecting the rights of all parties against such arbitrary, improper, and unlawful order of said judge; and that the said Harold Louderback did improperly and unlawfully seek to coerce said State commissioner of insurance and parties in interest in said action to accept and acquiesce in the excessive fees and the exorbitant and unreasonable disbursements granted by him to said Marshall Woodward and Samuel Shortridge, Jr., receiver and attorney, respectively, and did improperly and unlawfully force and coerce the said parties to enter into a stipulation modifying said improper and unlawful order and did thereby make it necessary for the State commissioner of insurance to take another appeal from the said arbitrary, improper, and unlawful action of the said Harold Louderback.

In that the said Harold Louderback did not give his fair, impartial, and judicial consideration to the objections of the said State commissioner of insurance against the allowance of excessive fees and unreasonable disbursements to the said Marshall Woodward and Samuel Shortridge, Jr., receiver and attorney, respectively, in the case of the Lumbermen's Reciprocal Association, in order to favor and enrich his friends at the expense of the litigants and parties in interest in said matter, and did thereby cause said State commissioner of insurance and the parties in interest additional delay, expense, and labor in taking an appeal to the United States Circuit Court of Appeals in order to protect their rights and property in the matter against the partial, oppressive, and unjudicial conduct of said Harold Louderback.

Wherefore said Harold Louderback was, and is, guilty of a course of conduct oppressive and unjudicial and is guilty of misbehavior in office as such judge and was, and is, guilty of a misdemeanor in office.

The VICE PRESIDENT. Senators, how say you? Is the respondent Harold Louderback guilty or not guilty as charged in this article?

Mr. BARKLEY. Mr. President, during the testimony on this article I was absent from the Senate because of duties on a committee of the Senate, which I regarded as sufficiently important to justify me in absentsing myself. For that reason I ask to be excused from voting on this article.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Senator from Kentucky is excused from voting on article II.

Mr. ADAMS. Mr. President, I should like to make the same request, and for the same reason as expressed by the Senator from Kentucky.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Senator from Colorado is excused from voting on article II.

Mr. DILL. Mr. President, I desire to make the same request, for the same reason as stated by the Senator from Kentucky.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Senator from Washington is excused from voting on article II.

Mr. GEORGE. Mr. President, for the same or similar reasons I desire to be excused from voting upon this article.

The VICE PRESIDENT. Without objection, the Senator from Georgia is excused from voting on article II.

Mr. COUZENS. Mr. President, for the same reasons stated by the other Senators, I desire to be excused from voting on this article.

The VICE PRESIDENT. Without objection, the Senator from Michigan is excused from voting on article II.

Mr. CAPPER. Mr. President, I ask to be excused from voting on article II.

The VICE PRESIDENT. Without objection, the Senator from Kansas is excused from voting on article II.

Mr. BULKLEY. Mr. President, I make the same request, that I may be excused from voting on article II.

The VICE PRESIDENT. Without objection, the Senator from Ohio is excused from voting on article II.

The clerk will proceed to call the roll, and each Senator when his name is called will rise in his place and deliver his vote.

The roll call was called.

The VICE PRESIDENT. The clerk will recapitulate the vote.

The legislative clerk recapitulated the vote, which was as follows:

GUILTY—23

Bankhead	Caraway	McCarran	Pope
Black	Duffy	McGill	Russell
Bone	Erickson	McKellar	Stephens
Brown	Frazier	Neely	Thomas, Utah
Bulow	La Follette	Norris	Walsh
Byrd	McAdoo	Nye	

NOT GUILTY—47

Ashurst	Goldsborough	Long	Steiwer
Bachman	Hale	McNary	Thomas, Okla.
Bailey	Harrison	Metcalf	Townsend
Barbour	Hastings	Murphy	Trammell
Bratton	Hatfield	Patterson	Tydings
Carey	Hayden	Reed	Vandenberg
Clark	Hebert	Reynolds	Van Nuys
Connally	Kean	Robinson, Ark.	Wagner
Coolidge	Kendrick	Robinson, Ind.	Walcott
Dale	Keyes	Schall	Wheeler
Dickinson	King	Sheppard	White
Fletcher	Logan	Smith	

ABSENT, NOT VOTING, OR EXCUSED—19

Adams	Capper	Dill	Lewis
Austin	Costigan	Fess	Norbeck
Barkley	Couzens	George	Pittman
Bulkeley	Cutting	Glass	Shipstead
Byrnes	Davis	Gore	

The VICE PRESIDENT. On the call of the roll of the Senate upon the question whether the respondent is guilty or not guilty under the charge in article II, those voting guilty number 23 and those voting not guilty, 47. Less than two thirds having voted in favor of his guilt, the Senate adjudges that the respondent, Harold Louderback, is not guilty as charged in this article.

The clerk will read the third article of impeachment.

The Chief Clerk read as follows:

ARTICLE III

The said Harold Louderback, judge aforesaid, was guilty of misbehavior in office, resulting in expense, disadvantage, annoyance, and hindrance to litigants in his court in the case of the Fageol Motors Co., for which he appointed one Guy H. Gilbert receiver, knowing that the said Gilbert was incompetent, unqualified, and inexperienced to act as such receiver in said case.

In that the said Harold Louderback, judge as aforesaid, oppressively and in disregard of the rights and interests of litigants in his court, did appoint one Guy H. Gilbert as receiver for the Fageol Motors Co., knowing the said Guy H. Gilbert to be incompetent, unfit, and inexperienced for such duties, and did refuse to grant a hearing to the plaintiff, defendant, creditors, and parties in interest in the matter of the Fageol Motors Co. on the appointment of said receiver, and the said Harold Louderback did cause said litigants and parties in interest in said matter to be misinformed of his action while said Guy H. Gilbert took steps necessary to qualify as receiver, thereby depriving said litigants and parties in interest of presenting the facts, circumstances, and conditions of the said equity receivership, the nature of the

business, and the type of person necessary to operate said business in order to protect creditors, litigants, and all parties in interest, and thereby depriving said parties in interest of the opportunity of protesting against the appointment of an incompetent receiver.

Wherefore the said Harold Louderback was and is guilty of a course of conduct constituting misbehavior as said judge and that said Harold Louderback was and is guilty of a misdemeanor in office.

The VICE PRESIDENT. Senators, how say you? Is the respondent, Harold Louderback, guilty or not guilty as charged in this article? The clerk will proceed to call the roll, and each Senator when his name is called will rise in his place and deliver his vote.

The Chief Clerk proceeded to call the roll.

Mrs. CARAWAY (when her name was called). I desire to be excused from voting on this article.

The VICE PRESIDENT. Without objection, the Senator from Arkansas stands excused.

Mr. COUZENS (when his name was called). I ask to be excused from voting on this article because of absence in committee meetings.

The VICE PRESIDENT. Without objection, the Senator from Michigan stands excused.

The roll call was concluded.

Mr. BARKLEY. For the same reasons expressed by me on the vote on the former article I ask to be excused from voting on this article.

The VICE PRESIDENT. Without objection, the Senator from Kentucky stands excused.

The clerk will recapitulate the vote.

The Chief Clerk recapitulated the vote, which was as follows:

GUILTY—11

Black	Dill	La Follette	Nye
Bone	Frazier	McKellar	Stephens
Bulow	Kendrick	Norris	

NOT GUILTY—63

Adams	Dickinson	Long	Sheppard
Ashurst	Duffy	McAdoo	Smith
Bachman	Erickson	McCarran	Steinwer
Bailey	Fletcher	McGill	Thomas, Okla.
Bankhead	George	McNary	Thomas, Utah
Barbour	Goldsborough	Metcalf	Townsend
Bratton	Hale	Murphy	Trammell
Brown	Harrison	Neely	Tydings
Bulkley	Hastings	Patterson	Vandenberg
Byrd	Hatfield	Pope	Van Nuys
Capper	Hayden	Reed	Wagner
Carey	Hebert	Reynolds	Walcott
Clark	Kean	Robinson, Ark.	Walsh
Connally	Keyes	Robinson, Ind.	Wheeler
Coolidge	King	Russell	White
Dale	Logan	Schall	

ABSENT, NOT VOTING, OR EXCUSED—15

Austin	Costigan	Fess	Norbeck
Barkley	Couzens	Glass	Pittman
Byrnes	Cutting	Gore	Shipstead
Caraway	Davis	Lewis	

The VICE PRESIDENT. On the third article of impeachment 11 Senators have voted "guilty" and 63 Senators have voted "not guilty." Less than two thirds having voted in favor of his guilt, the Senate adjudges that the respondent, Harold Louderback, is not guilty as charged in the article.

The clerk will read the next article.

The legislative clerk read as follows:

ARTICLE IV

That the said Harold Louderback, judge aforesaid, was guilty of misbehavior in office, filled with partiality and favoritism, in improperly, willfully and unlawfully granting on insufficient and improper papers an application for the appointment of a receiver in the Prudential Holding Co. case for the sole purpose of benefiting and enriching his personal friends and associates.

In that the said Harold Louderback did on or about the 15th day of August 1931, on insufficient and improper application, appoint one Guy H. Gilbert receiver for the Prudential Holding Co. case when as a matter of fact and law and under conditions then existing no receiver should have been appointed, but the said Harold Louderback did accept a petition verified on information and belief by an attorney in the case and without notice to the said Prudential Holding Co. did so appoint Guy H. Gilbert the receiver and the firm of Dinkelspiel & Dinkelspiel attorneys for the receiver; that the said Harold Louderback in an attempt to benefit and enrich the said Guy H. Gilbert and his attorneys, Dinkelspiel & Dinkelspiel, failed to give his fair, impartial, and judicial consideration to the application of the said Prudential Holding Co. for a dismissal of the petition and a discharge of the receiver,

although the said Prudential Holding Co. was in law entitled to such dismissal of the petition and discharge of the receiver; that during the pendency of the application for the dismissal of the petition and for the discharge of the receiver a petition in bankruptcy was filed against the said Prudential Holding Co. based entirely and solely on an allegation that a receiver in equity had been appointed for the said Prudential Holding Co., and the said Harold Louderback then and there willfully, improperly, and unlawfully, sitting in a part of the court to which he had not been assigned at the time, took jurisdiction of the case in bankruptcy and though knowing the facts in the case and of the application then pending before him for the dismissal of the petition and the discharge of the equity receiver, granted the petition in bankruptcy and did on the 2d day of October 1930 appoint the same Guy H. Gilbert receiver in bankruptcy and the said Dinkelspiel & Dinkelspiel attorneys for the receiver, knowing all of the time that the said Prudential Holding Co. was entitled as a matter of law to have the said petition in equity dismissed; in that through the oppressive, deliberate, and willful action of the said Harold Louderback acting in his capacity as a judge and misusing the powers of his judicial office for the sole purpose of benefiting and enriching said Guy H. Gilbert and Dinkelspiel & Dinkelspiel, did cause the said Prudential Holding Co. to be put to unnecessary delay, expense, and labor and did deprive them of a fair, impartial, and judicial consideration of their rights and the protection of their property, to which they were entitled.

Wherefore the said Harold Louderback was, and is, guilty of a course of conduct constituting misbehavior as said judge and that said Harold Louderback was, and is, guilty of a misdemeanor in office.

The VICE PRESIDENT. Senators, how say you? Is the respondent, Harold Louderback, guilty or not guilty as charged in this article?

The clerk will proceed to call the roll, and each Senator, as his name is called, will rise in his place and deliver his vote.

The Chief Clerk proceeded to call the roll.

Mr. GEORGE (when his name was called). Mr. President, in the discharge of official duties I was away from the Senate during most of the testimony on this article. I have not had an opportunity to read it fully. I ask to be excused from voting.

The VICE PRESIDENT. Without objection, the Senator from Georgia stands excused.

The roll call was concluded.

The VICE PRESIDENT. The clerk will recapitulate the responses of Senators.

The legislative clerk recapitulated the vote, which was as follows:

GUILTY—30

Barkley	Connally	McAdoo	Sheppard
Black	Couzens	McCarran	Stephens
Bone	Dill	McGill	Thomas, Okla.
Brown	Erickson	McKellar	Thomas, Utah
Bulow	Frazier	Neely	Walsh
Byrd	Hayden	Norris	Wheeler
Caraway	Kendrick	Nye	
Clark	La Follette	Pope	

NOT GUILTY—47

Adams	Dale	King	Schall
Ashurst	Dickinson	Logan	Smith
Bachman	Duffy	Long	Steinwer
Bailey	Fletcher	McNary	Townsend
Bankhead	Goldsborough	Metcalf	Trammell
Barbour	Hale	Murphy	Tydings
Bratton	Harrison	Patterson	Vandenberg
Bulkley	Hastings	Reed	Van Nuys
Byrnes	Hatfield	Reynolds	Wagner
Capper	Hebert	Robinson, Ark.	Walcott
Carey	Kean	Robinson, Ind.	White
Coolidge	Keyes	Russell	

ABSENT, NOT VOTING, OR EXCUSED FROM VOTING—12

Austin	Davis	Glass	Norbeck
Costigan	Fess	Gore	Pittman
Cutting	George	Lewis	Shipstead

The VICE PRESIDENT. On the fourth article of impeachment 30 Senators have voted "guilty" and 47 Senators have voted "not guilty." Less than two thirds having voted in favor of his guilt, the Senate adjudges that the respondent, Harold Louderback, is not guilty as charged in the article.

The clerk will read the next article of impeachment.

The Chief Clerk read as follows:

ARTICLE V (AS AMENDED)

It is intended by article 5 to charge, and it is charged, that the reasonable and probable result of Harold Louderback's action in his capacity as judge in making decisions and orders in actions pending in his court and before him as said judge and by the

method of appointing receivers and attorneys for receivers, by appointing incompetent receivers and attorneys, by his relationship and transactions with one Sam Leake, and by the relationship and transactions of the said Sam Leake with such appointees of the said respondent made possible and probable by the action and attitude of the said Harold Louderback, and by displaying a high degree of indifference to the interest of estates and parties in interest in receiverships before him and in his court, and by displaying a high degree of interest in making it possible for certain individuals and firms to derive large fees from the funds of such estates, has been to create a general condition of wide-spread fear and distrust and disbelief in the fairness and disinterestedness of the official actions of the said Harold Louderback and to create by his said acts, deeds, and relationships, contrary to his individual and official duty, a favorable condition and a cause for the development naturally and inevitably of rumors and suspicions destructive of public confidence in and respect for the said Harold Louderback as an individual and a judge to the scandal and disrepute of his said court and the administration of justice therein and prejudicial generally to the public respect for and public confidence in the Federal judiciary. Wherefore, the said Harold Louderback was and is guilty of misbehavior as such judge and of misdemeanors in office.

It is hereby alleged and charged that the conduct of said Harold Louderback as alleged in articles I, II, III, and IV, and as herein-after alleged, in its general and aggregate result has been such as reasonably and probably calculated to destroy public confidence insofar as he and his court is concerned in that degree of disinterestedness and fidelity to judicial duty and responsibility which the public interest requires shall be held by the people in the Federal courts and in those who administer them, and which for a Federal judge to hurt or destroy is a crime and misdemeanor of the highest order.

First, specifying as indicative of and disclosing the character and judicial attitude of said Harold Louderback revealed by his acts and official conduct to the people among whom he has jurisdiction, and the cause for the loss of public confidence of the bar and people of the northern district of California, and particularly of the city of San Francisco, where the principal business of such court is transacted, on or about December 19, 1929, the said Harold Louderback appointed one Guy H. Gilbert receiver of the Sonora Phonograph Co., a going concern extensively engaged in the business of receiving and distributing radios and phonographs, the said Guy H. Gilbert being a personal and political friend of the said Harold Louderback, and an intimate friend and financial contributor to one Sam Leake, hereinafter referred to, the said Harold Louderback knowing at the time of such appointment that the whole training and experience of the said Guy H. Gilbert had been as operator and employee of a telegraph company, and the said Harold Louderback at the time of such appointment knowing with certainty that the said Guy H. Gilbert was without qualification to discharge the duties of such receivership, that the said Guy H. Gilbert was appointed such receiver by the said Harold Louderback without regard to the interest of such estate in receivership and in disregard thereof and of the interest of creditors and parties in interest and in violation of the official duty of the said Harold Louderback. That the said Gilbert after said appointment continued in his regular and usual duties and employment as employee of said telegraph company, drawing his accustomed salary during his employment of approximately 6 months as such receiver, and received for such services from the funds of the estate of said Sonora Phonograph Co. the sum of \$6,800, all of which facts became the subject of newspaper comments and matters of common knowledge throughout and beyond the northern judicial district of California to the hurt of public confidence in the said Harold Louderback, judge of said court, and to the hurt and standing of the Federal judiciary. It also became a matter of newspaper comment in connection with that receivership matter and others, that theretofore, about 1925 or 1926, the said Gilbert had been appointed by the said Harold Louderback when the said Harold Louderback was a judge of the Superior Court of California, an appraiser of certain real estate, the said Harold Louderback well knowing at the time of such appointment that the said Gilbert was without any qualification to appraise the value of such real estate, and in truth the said Gilbert never saw said real estate and that the said Gilbert did not undertake to assist in the appraisal of said real estate, only signing the report which was presented to him, for which services he was allowed the sum of \$500.

The said Gilbert was also theretofore appointed receiver by Harold Louderback in the Stempel-Cooley case in 1929, bankruptcy, collecting during 3 or 4 months \$12,000 rents, for which he was allowed a fee of \$500. In this matter, after conversation with the said Sam Leake, the said Gilbert appointed as his attorney one John Douglas Short, who was an employee in the law office of Erskine & Erskine.

The said Short was afterward, in March 1931, appointed attorney by one H. B. Hunter, receiver in what is known in this proceeding as the Russell-Colvin Co. case, and which will hereinafter be specified with reference to. In the said Russell-Colvin case the said H. B. Hunter, having been appointed such receiver by the said Harold Louderback, at the suggestion of the said Sam Leake, who theretofore had suggested to the said Gilbert the appointment of the said John Douglas Short in the Stempel-Cooley case, and the said H. B. Hunter, after his appointment as such receiver, appointed the said John Douglas Short as his attorney in said Russell-Colvin case, the said Harold Louderback allowing the said

John Douglas Short the sum of \$50,000 on account as attorney for said receiver, H. B. Hunter.

Preceding the appointment of the said H. B. Hunter in the said Russell-Colvin case, the said Harold Louderback had appointed one Addison G. Strong to be receiver therein, who because he would not designate as his attorney the said John Douglas Short as claimed by the said Addison G. Strong, or either the said John Douglas Short or certain other attorneys as claimed by the said Harold Louderback, the said Addison G. Strong was summarily dismissed as receiver and the said Hunter appointed in his stead, who on the same day of his said appointment as receiver by the said Harold Louderback tendered to the said John Douglas Short the attorneyship in said receivership matter.

On the 25th day of March 1931 one W. L. Hathaway, father-in-law of the said John Douglas Short, advanced as a loan to the said Sam Leake the sum of \$1,000 in cash, and 2 days thereafter the said John Douglas Short, in an involved family transaction, paid to the said W. L. Hathaway from the compensation received as attorney in the Russell-Colvin Co. matter the sum of \$5,000. Three months later the said Hathaway gave to the said Leake the further sum of \$250.

When the said Harold Louderback appointed the said H. B. Hunter, as aforesaid, receiver in the said Russell-Colvin Co. case at the suggestion of the said Sam Leake, and the said Hunter in turn appointed the said John Douglas Short attorney for him in the Russell-Colvin Co. case, he, the said Harold Louderback, resided at the Fairmont Hotel in a room registered and held in the name of the said Sam Leake, such arrangement being effected in conspiracy between the said Harold Louderback and Sam Leake to aid the said Harold Louderback in carrying out a certain plan and design, the said Harold Louderback pretending to reside in Contra Costa County while actually and in fact residing in the city of San Francisco at the Fairmont Hotel in a room registered in the name of the said Sam Leake, the purpose and design of which arrangement having to do with the possible venue of a legal action which the said Harold Louderback contemplated might be brought against him. To further strengthen and add color to this pretended residence in Contra Costa County the said Harold Louderback registered as a voter in said Contra Costa County in violation of the laws of California, all of which transactions by the acts and conduct of the said Harold Louderback are involved in and mixed up with the official status and standing and transactions of the said Harold Louderback and are known to the people of the northern district of California and beyond such district to the disgrace and discredit of his office and to the hurt of public confidence therein and of the Federal judiciary. Thereby, as a result of such transactions, putting himself under obligation to, dependent upon, and under the influence of the said Sam Leake in a manner and to a degree utterly inconsistent with that required by the public interest of a Federal judge; and thereby putting himself, the said Harold Louderback, in an attitude with regard to obedience to law and the rights granted to litigants by the law and with regard to the standards of open candid conduct necessary to preserve for the public official that respect and confidence required by the public interest within the meaning of the provision of the Constitution requiring of Federal judges good behavior as a condition upon which their tenure of office depends. That said conduct is bad behavior and constitutes a forfeiture of the right of the said Harold Louderback to hold his, the said office of judge of the northern district of California.

In August 1931 the said Harold Louderback, without a hearing, upon a petition verified by an attorney "upon information and belief" and without bond of indemnity, granted an equity receivership for the Prudential Holding Co., a concern engaged in extensive real-estate transactions, and appointed the said Guy H. Gilbert as receiver, who in turn designated Dinkelspiel & Dinkelspiel as his attorneys. The first information the company had of the matter was when Gilbert and Dinkelspiel & Dinkelspiel appeared in the office of said Prudential Holding Co. to take charge of its affairs. The petition filed without truth or justification was resisted by said Prudential Holding Co., but the said Harold Louderback refused to dismiss the equity receivership matter until an application for receivership in bankruptcy was applied for, which application was based upon the grounds of the said equity receivership, wrongfully entertained. The bankruptcy matter fell in the division of Judge St. Sure, one of the judges of the said northern district of California. During the temporary absence of Judge St. Sure, the said Harold Louderback, sitting in Judge St. Sure's division, named the said Gilbert and Dinkelspiel & Dinkelspiel receiver and attorneys, respectively, in the bankruptcy matter, and 2 days later dismissed the equity receivership. Upon the return of Judge St. Sure to his division, he, Judge St. Sure, promptly dismissed the bankruptcy proceeding because no insolvency was shown. No fees were allowed by Judge St. Sure.

The proceedings in the matter and the facts, transactions, and statements therein became a matter of general knowledge within and beyond the said northern district of California, with its reasonable and probable and inevitable consequence to arouse dread and apprehension of the court and judicial power possessed by the said Harold Louderback on the part of the people generally and particularly of those whose property might be seized upon through the instrumentality of such court, and generally to make said court disrespected and hateful. The said Dinkelspiel & Dinkelspiel had theretofore and over the protest of the parties in interest, on the ground that it was excessive, been allowed a fee of \$20,000 by the said Harold Louderback in the Sonora Phono-

graph Co. case, in which case they had also been associated with the said Gilbert, appointed by the said Harold Louderback as receiver therein.

Some 6 months after the appointment of the said Gilbert and Dinkelspiel & Dinkelspiel as receiver and attorneys, respectively, in the said Prudential Holding Co. case, to wit, on the 17th day of February 1932, they were appointed by the said Harold Louderback receiver and attorneys, respectively, in the Fageol Motors Co. case. This company was known in the said northern district of California as one of the more important concerns in that part of the country. It had assets of \$3,000,000 book value and liabilities amounting to \$1,700,000 with automobile manufacturing, assembling plants, branch offices, properties, and extensive operations in California, Washington, Oregon, and Utah. The said Harold Louderback knew and the people of that community knew at the time the said Guy H. Gilbert was appointed as receiver of said Fageol Motors Co. that the said Guy H. Gilbert was utterly without qualification to discharge the duties of said receivership. That said appointment of said Gilbert and said Dinkelspiel & Dinkelspiel was made in tyrannical and oppressive disregard of the rights and interest of the parties in interest, of the duty to conserve the assets of said company, and in disregard of his duty by the said Harold Louderback to the Government which had commissioned him to be one of its judges. That the facts and circumstances surrounding the appointment of the said Gilbert, as receiver, and the said Dinkelspiel & Dinkelspiel, attorneys, in said receivership matter and the method of procedure therein on the part of the said Harold Louderback inevitably as a necessary consequence were prejudicial to the judiciary and was to the scandal and disrepute of the court presided over by the said Harold Louderback and to the administration of justice therein, in that the said Fageol Motors Co. getting into financial difficulty the principal creditors of said company and the representatives of said Fageol Motors Co., after full conference and consideration, decided by agreement to apply to the Federal court for a receivership and after careful consideration agreed upon Edward Fuller, of Oakland, a former official of the Chevrolet Motor Co. with extensive experience and demonstrated business and financial ability not only in the automobile business but in other matters of large proportions. Pursuant to said agreement, on the 17th day of February 1922, the papers were all prepared carrying out the plan agreed upon by Fageol Motors Co. and its creditors and the petition for receiver was filed in the Federal court of the northern district of California. By plan of assignment determined by drawing numbers from a bag, this matter fell to the said Judge Louderback, there being three judges of said district.

The parties in interest, representatives of the company and of the principal creditors, went to his chambers to see the said Judge Louderback with the papers in said matter, arriving shortly before the time for the noon recess of his court, but were advised by the clerk of the said judge that the noon recess would be delayed until 12:30, the said clerk asking what it was desired to see the judge about, and was told that it was the receivership matter of the Fageol Motors Co., that the persons present represented the company and the larger creditors of said company, and that they had agreed upon Edward Fuller as a proper person for receiver, and to advise the judge of that fact, and that it was desired to discuss the matter with him at 1:30 p.m. At that time the parties in interest returned to see Judge Louderback and were told that Judge Louderback had got off for lunch earlier than anticipated, had some engagement, and would not return until 2:30. At 2:30 the parties in interest returned and were told by the clerk of the said Harold Louderback that Judge Louderback had already appointed the said Gilbert in said matter, and that Judge Louderback was not there. In this matter the said Dinkelspiel & Dinkelspiel were also appointed attorneys for said receiver. The parties in interest, under threat of going into bankruptcy, which action would probably have ousted the said Gilbert and Dinkelspiel & Dinkelspiel entirely, effected an agreement with the said Gilbert and Dinkelspiel & Dinkelspiel by which other representatives chosen by the said parties in interest were to have effective control of the business and legal matters of the said motors company, the said Gilbert and Dinkelspiel & Dinkelspiel offering no obstruction to said representatives. The said Dinkelspiel & Dinkelspiel accepted under the circumstances from the assets of said company the sum of \$6,000, and the said Gilbert received approximately the same amount. The facts and circumstances connected with this matter show to the people of said district that the said Gilbert and Dinkelspiel & Dinkelspiel were not selected by the said Harold Louderback primarily because he deemed the said Gilbert and Dinkelspiel & Dinkelspiel best qualified to administer said estate but resulted in large degree from the desire of the said Harold Louderback to procure for the said Gilbert and Dinkelspiel pecuniary benefits from the assets of this concern which had been driven by financial difficulty to seek the protection of the court of the said Harold Louderback, all of which facts and circumstances received general publicity in the said northern district of California to the scandal and disrepute of the court of said district, and when taken in connection with the explanation and excuse offered by the said Harold Louderback for the appointment of the said Gilbert as receiver in this matter and in other matters where the public knew the said Gilbert was utterly unqualified, that he, the said Harold Louderback, in so appointing the said Gilbert was acting under the control of a sense of judicial responsibility requiring him to appoint persons known to him of efficiency and integrity to manage the affairs of estates in receivership, which explanation and excuse also has been given wide publicity in said

district, the reasonable and necessary and inevitable result of the claim of such high motive under the circumstances was to create the impression and public belief that the said Harold Louderback was attempting by such claim to hide his lack of such actuating motive and to hide his real motive for making such appointments by an insincere and hypocritical claim of having been actuated by them, to the disgust and humiliation of the people of the northern district of California and to the hurt of the public interest.

In September 1930, in the court of the said Harold Louderback, an equity receivership petition was filed in the Golden State Asparagus case, seeking an economical conduct of the business while its obligations were being adjusted. When the receiver was appointed the said Harold Louderback agreed to submit to said receiver a list of attorneys from which he could name his counsel; but the list was not furnished. Instead the said Harold Louderback designated as attorney for said receiver the said Dinkelspiel & Dinkelspiel without reference to the receiver. The legal work connected with the conduct of the receivership was not appreciably more difficult or voluminous than that incident to the ordinary running of the business, which had theretofore cost the business less than \$1,000 per year. The said Harold Louderback allowed the said Dinkelspiel & Dinkelspiel \$14,000 on account, while he denied the uncontested application for \$1,500 each, reasonable fees, made by the attorneys for plaintiff and defendant who had performed the only substantial legal services rendered in the case, when they prevented a forced sale of the property. These attorneys in an effort to protect the assets of the said Asparagus Co. had opposed the payment of the fees allowed to Dinkelspiel & Dinkelspiel on the ground that they were excessive. These acts of said Harold Louderback were well known to the public in and beyond said northern district of California, and cumulatively added to the disrespect, apprehension, and public contempt.

In the Lumbermen's Reciprocal Association equity receivership, a Texas insurance corporation doing business in California, the company getting into financial difficulty, the Insurance Commissioner for the State of California seized the assets of said company in the State of California for the benefit of California policyholders. It was determined as a matter of procedure to ask for an equity receivership with the plan that said insurance commissioner be appointed so as to permit him to continue to hold said assets and administer them without extra cost for a receiver and resultant diminution of the company's California assets. Instead, however, the said Harold Louderback designated one Samuel Shortridge, Jr., as receiver. Thereupon, the official of the State of California took proper steps to terminate proceedings in the Federal court. The said Harold Louderback enjoined the insurance commissioner from proceeding under the laws of the State of California.

Appeal was taken to the Federal Circuit Court of Appeals and reversal had on the ground of lack of Federal jurisdiction, and the property ordered to be turned over to the officials of California. To this order and mandate of the Circuit Court of Appeals the said Harold Louderback without any authority of law imposed a condition that said order and mandate should be complied with, provided there be no appeal taken from the order made by him, the said Louderback, allowing a fee of \$6,000 to the said Shortridge and his attorney. All of which facts and circumstances became published and known in said northern district of California. By such acts the said Harold Louderback exhibited himself to the public as being willing to obstruct the officials of the State of California in their effort to conserve for citizens of California the assets of said insurance company which they had impounded, willing to assert a jurisdiction which he did not possess, willing to defy a mandate of the circuit court of appeals and attach an illegal and unconscionable condition to said mandate in order to penalize and discourage the exercise of a constitutional right of appeal for the definite and obvious purpose of making sure so far as possible by such illegal action and coercion, that the said Shortridge and his attorney would be paid from the assets of said insurance company so impounded, the fees which he, the said Harold Louderback, had allowed, all to the scandal and discredit of the said Harold Louderback and his court and prejudicial to the dignity of the judiciary.

Wherefore, the said Harold Louderback has been and is guilty of high crimes and misdemeanors in office and has not conducted himself with good behavior.

During the reading,

Mr. McADOO. May I ask that the reading clerk proceed a little more slowly? We do not get the reading at all here.

The VICE PRESIDENT. The clerk will read as requested.

After the conclusion of the reading of the article,

The VICE PRESIDENT. Senators, how say you? Is the respondent, Harold Louderback, guilty or not guilty of the charges in this article? The Secretary will proceed to call the roll, and as the name of each Senator is called, he will rise in his place and deliver his vote.

The legislative clerk proceeded to call the roll:

Mr. COSTIGAN (when his name was called). Mr. President, on further review and consideration and for the same reasons assigned in respect to the first four articles of impeachment, I reluctantly ask to be excused from voting on the pending article.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Senator from Colorado is excused from voting on article V.

The roll call was concluded.

The VICE PRESIDENT. The clerk will recapitulate the vote.

The legislative clerk recapitulated the vote, which was as follows:

GUILTY—45

Adams	Clark	McAdoo	Stephens
Bachman	Connally	McCarran	Thomas, Okla.
Bankhead	Couzens	McGill	Thomas, Utah
Barkley	Dill	McKellar	Trammell
Black	Duffy	Murphy	Tydings
Bone	Erickson	Neely	Van Nuys
Brown	Frazier	Norris	Wagner
Bulkley	George	Nye	Walsh
Bulow	Hayden	Pope	Wheeler
Byrd	Kendrick	Russell	
Capper	King	Sheppard	
Caraway	La Follette	Shipstead	

NOT GUILTY—34

Ashurst	Fletcher	Logan	Schall
Bailey	Goldsborough	Long	Smith
Barbour	Hale	McNary	Steiner
Bratton	Harrison	Metcalf	Townsend
Byrnes	Hastings	Patterson	Vandenberg
Carey	Hatfield	Reed	Walcott
Coolidge	Hebert	Reynolds	White
Dale	Kean	Robinson, Ark.	
Dickinson	Keyes	Robinson, Ind.	

ABSENT, NOT VOTING, OR EXCUSED FROM VOTING—10

Austin	Davis	Gore	Norbeck
Costigan	Fess	Lewis	Pittman
Cutting	Glass		

The VICE PRESIDENT. On article V, 45 Senators have voted "guilty" and 34 Senators have voted "not guilty." Less than two thirds having voted in favor of his guilt, the Senate adjudges that the respondent, Harold Louderback, is not guilty as charged in the article.

That completes the articles of impeachment, and, with the permission of the Senate sitting as a court, the Chair will enter in the record the following judgment, which the clerk will read.

The legislative clerk read as follows:

JUDGMENT

The Senate having tried Harold Louderback, judge of the District Court of the United States for the Northern District of California, upon five several articles of impeachment exhibited against him by the House of Representatives, and two thirds of the Senators present not having found him guilty of the charges contained therein: It is therefore

Ordered and adjudged, That the said Harold Louderback be, and he is, acquitted of all the charges in said articles made and set forth.

ADJOURNMENT SINE DIE

Mr. ASHURST. I move that the Senate sitting as a Court of Impeachment in the case of Harold Louderback adjourn sine die.

The motion was agreed to; and (at 6 o'clock and 5 minutes p.m.) the Senate sitting as a Court of Impeachment adjourned sine die.

LEGISLATIVE SESSION

The Senate, pursuant to the order for the recess entered on Saturday, May 20, resumed legislative session.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the House had passed a bill (H.R. 5661) to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, in which it requested the concurrence of the Senate.

ENROLLED BILLS AND JOINT RESOLUTION SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills and joint resolution, and they were signed by the Vice President:

S. 753. An act to confer the degree of bachelor of science upon graduates of the Naval, the Military, and the Coast Guard Academies;

H.R. 4014. An act to authorize appropriations to pay in part the liability of the United States to the Indian pueblos

herein named, under the terms of the act of June 7, 1924, and the liability of the United States to non-Indian claimants on Indian pueblo grants whose claims, extinguished under the act of June 7, 1924, have been found by the Pueblo Lands Board to have been claims in good faith; to authorize the expenditure by the Secretary of the Interior of the sums herein authorized and of sums heretofore appropriated, in conformity with the act of June 7, 1924, for the purchase of needed lands and water rights and the creation of other permanent economic improvements as contemplated by said act; to provide for the protection of the watershed within the Carson National Forest for the Pueblo de Taos Indians of New Mexico and others interested, and to authorize the Secretary of Agriculture to contract relating thereto; and to amend the act approved June 7, 1924, in certain respects;

H.R. 5152. An act granting the consent of Congress to the State Highway Commission of Virginia to replace and maintain a bridge across Northwest River in Norfolk County, Va., on State Highway Route No. 27;

H.R. 5173. An act granting the consent of Congress to the State Highway Commission of Virginia to maintain a bridge already constructed, to replace a weak structure in the same location, across the Staunton and Dan Rivers, in Mecklenburg County, Va., on United States Route No. 15;

H.R. 5476. An act to extend the times for commencing and completing the construction of a bridge across the Savannah River at or near Burtons Ferry, near Sylvania, Ga.;

H.R. 5480. An act to provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof, and for other purposes; and

H.J.Res. 159. Joint resolution granting the consent of Congress to a compact or agreement between the State of Kansas and the State of Missouri authorizing the acceptance for and on behalf of the States of Kansas and Missouri of title to a toll bridge across the Missouri River from a point in Platte County, Mo., to a point at or near Kansas City, in Wyandotte County, Kans., and specifying the conditions thereof.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the petition of the Veterans' National Rank and File Convention assembled at Washington, D.C., praying for the immediate cash payment of adjusted-service certificates (bonus); postponement of the enforcement of the so-called "Economy Act" until the next session of Congress, and the granting of immediate adequate cash relief for and a moratorium on all debts and foreclosures on homes and belongings of workers and small farmers, the protection of small depositors, without discrimination as to race, color, nationality, or creed, and also full Federal insurance for all against unemployment, which was referred to the Committee on Finance.

He also laid before the Senate a resolution adopted at the World Trade League two-way-trade dinner, New York City, N.Y., favoring the negotiation of reciprocal tariff agreements with other nations looking toward the speedy restoration of international trade, which was referred to the Committee on Finance.

He also laid before the Senate resolutions adopted by the Commissioners' Court of Brooks County and the Kiwanis Club of Tulia, Swisher County, in the State of Texas, endorsing the program of President Roosevelt and favoring the adoption of a public-works program for unemployment relief providing highway construction in the State of Texas, which were referred to the Committee on Finance.

He also laid before the Senate a letter from J. A. McCulgan, committee secretary, Carpenters' Local Union No. 302, Huntington, W.Va., relative to the fitness and qualifications of George I. Neal for possible appointment as United States attorney for the southern district of West Virginia, which was referred to the Committee on the Judiciary.

He also laid before the Senate a letter in the nature of a petition from G. H. Mehrhoff, of Bogalusa, La., praying for a continuation of the investigation of the Louisiana sena-

torial election of 1932 and also for a senatorial investigation of alleged acts and conduct of Hon. Huey P. Long, a Senator from the State of Louisiana, which was referred to the Committee on the Judiciary.

Mr. OVERTON presented a telegram from the Thirteenth Annual State Convention of Disabled American Veterans, New Iberia, La., requesting a careful review by Congress of new regulations and Executive orders relating to veterans relief, and also postponement of adjournment of Congress "until definite reply from President", which was referred to the Committee on Finance.

Mr. COPELAND presented memorials of sundry citizens of Brooklyn and New York City, N.Y., remonstrating against the treatment of, and alleged outrages committed against, members of the Jewish faith in Germany, which were referred to the Committee on Foreign Relations.

He also presented a resolution adopted by the Holy Name Society of St. Xavier's Roman Catholic Church, of Brooklyn, N.Y., protesting against the recognition of the Soviet Government of Russia, which was referred to the Committee on Foreign Relations.

He also presented a resolution adopted by the Warehousemen's Association of the Port of New York, Inc., New York City, protesting against the passage of Senate bill 158, the 6-hour day and 5-day week bill, or any other legislation prescribing a definite limit of the hours of any working day, which was referred to the Committee on the Judiciary.

He also presented resolutions adopted by Council No. 33, Sons and Daughters of Liberty, of Harriman, and Stars and Stripes Council, No. 32, Sons and Daughters of Liberty, of Islip, in the State of New York, favoring the passage of the so-called "Dies bill", fixing the quota for the admission of alien immigrants to the United States, which were referred to the Committee on Immigration.

He also presented a resolution adopted by the Women's Good Government Club of Lynbrook, Long Island, N.Y., opposing the lifting of the ban on immigration into the United States, which was referred to the Committee on Immigration.

He also presented a resolution adopted by Finger Lakes Post, No. 961, Veterans of Foreign Wars of the United States, Cortland, N.Y., favoring the compulsory military training of young men in colleges, etc., so as to aid in maintaining the national defense, which was referred to the Committee on Military Affairs.

He also presented a resolution adopted by the board of directors of the American Exporters and Importers' Association, New York City, N.Y., protesting against participation of the Government in the building of the St. Lawrence-Great Lakes deep waterway project, which was ordered to lie on the table.

He also presented a resolution adopted by the Brotherhood of Railway Clerks of Bison City Lodge, No. 922, Buffalo, N.Y., protesting against the passage of the so-called "railroad relief bill" in its present form, which was ordered to lie on the table.

He also presented a petition of sundry citizens of New York City, N.Y., praying for the adoption of amendments to the railroad relief bill, suggested by the Railway Labor Executives' Association, which was ordered to lie on the table.

REPORTS OF THE COMMITTEE ON NAVAL AFFAIRS

Mr. TRAMMELL, from the Committee on Naval Affairs, to which were referred the following bills, reported them each without amendment and submitted reports thereon:

S. 1103. An act to authorize the Secretary of the Navy to proceed with certain public works at the Naval Air Station, Pensacola, Fla. (Rept. No. 92); and

S. 1104. An act to authorize the Secretary of the Navy to proceed with certain public works at the Naval Air Station, Pensacola (Corry Field), Fla. (Rept. No. 93).

INVESTIGATION OF BANKING OPERATIONS

Mr. BYRNES. From the Committee to Audit and Control the Contingent Expenses of the Senate I report back favorably with an amendment Senate Resolution 70, and I ask unanimous consent for its immediate consideration.

The VICE PRESIDENT. The Senator from South Carolina asks unanimous consent for the consideration of the resolution reported by him, which will be stated.

The CHIEF CLERK. Senate Resolution 70, by Mr. FLETCHER, continuing Senate Resolution 56, providing for an investigation of banking operations and sales of securities, and increasing the limit of expenditures therefor, submitted by Mr. FLETCHER on the 4th instant.

The VICE PRESIDENT. Is there objection to the present consideration of the resolution?

Mr. McNARY. Mr. President, I inquire what is the amount of money involved?

The VICE PRESIDENT. The clerk will state the amendment.

The CHIEF CLERK. On page 1, line 10, it is proposed to strike out "\$25,000" and insert "\$20,000."

Mr. McKELLAR. Mr. President, for what does the resolution provide?

The VICE PRESIDENT. Is there objection to the present consideration of the resolution?

Mr. McNARY. Mr. President, I think, in view of the disorder, that the resolution ought to go over until tomorrow.

The VICE PRESIDENT. On objection the resolution will be placed on the calendar.

BILLS INTRODUCED

Bills were introduced, read the first time, and by unanimous consent the second time, and referred as follows:

By Mr. NEELY:

A bill (S. 1755) for the relief of Albert Kimble; and

A bill (S. 1756) for the relief of William K. Snodgrass; to the Committee on Military Affairs.

By Mr. TYDINGS:

A bill (S. 1757) to amend an act entitled "An act to incorporate the Mount Olivet Cemetery Co. in the District of Columbia"; to the Committee on the District of Columbia.

By Mr. FLETCHER:

A bill (S. 1758) for the relief of B. E. Dyson, former United States marshal, southern district of Florida; to the Committee on Claims.

By Mr. McNARY:

A bill (S. 1759) granting the consent of Congress to the Mill Four Drainage District, in Lincoln County, Oreg., to construct, maintain, and operate dams and dikes to prevent the flow of waters of Yaquina Bay and River into Nutes Slough, Boones Slough, and sloughs connected therewith; to the Committee on Commerce.

By Mr. COPELAND:

A bill (S. 1760) for the relief of the Snare & Triest Co., now Frederick Snare Corporation; and

A bill (S. 1761) for the relief of the Globe Shipping Co., Inc., of New York, N.Y. (successors of the Globe Shipping Co.); to the Committee on Claims.

A bill (S. 1762) granting a pension to Margaret Nicholson; to the Committee on Pensions.

AMENDMENT TO HOME LOAN BILL

Mr. GORE submitted an amendment intended to be proposed by him to House bill 5240, the so-called "home loan bill," which was ordered to lie on the table and to be printed.

AMENDMENTS TO PUBLIC WORKS BILL

Mr. FLETCHER and Mr. McNARY each submitted an amendment, and Mr. BANKHEAD submitted two amendments, intended to be proposed by them, respectively, to Senate bill 1712, the industrial control and public works bill, which were severally referred to the Committee on Finance and ordered to be printed.

REFUNDING OF UNITED STATES GOVERNMENT BONDS AT LOWER RATE OF INTEREST

Mr. BONE submitted a resolution (S.Res. 85), which was ordered to lie on the table, as follows:

Whereas the Government of the United States finds it necessary to undertake a program of public works in order to afford employment for its unemployed citizens, and current revenues are insufficient to provide adequate funds for this program; and

Whereas great sums of money are being paid to the holders of war time and other Government obligations to maintain a rate

of interest in excess of that now justified by the credit of the Government of the United States of America; and

Whereas the British treasury has successfully converted its war-time obligations from a rate approximating 5 percent per annum to a rate of less than $3\frac{1}{2}$ percent per annum, effecting a saving of \$38,000,000 a year by an appeal for voluntary reduction in interest paid to the holders of its bonds; and

Whereas the French treasury, by appeal to the patriotism of the French bondholders, also succeeded in bringing about a substantial reduction in the interest rate on its outstanding obligations; and

Whereas the Government of the United States has demonstrated its ability to borrow at less than the present average price of its outstanding obligations, particularly war-time obligations; and

Whereas an appeal to patriotic holders of Government obligations, particularly war-time obligations, to convert their bonds into new bonds bearing a lower and more equitable yield would, if successful, tend to equalize the burden which must be borne by all sections of the country in the hour of national difficulty; and

Whereas practically all other elements of the country, excepting only the creditors of the Government of the United States, have either been called upon or compelled to contribute toward the maintenance of the national credit; and

Whereas reduction of the interest burden would strengthen the national credit and greatly increase the borrowing power of the Government of the United States; and

Whereas the Government of the United States is faced with the immediate necessity of finding additional sources of revenue with which to pay interest on expenditures made necessary by the national emergency; and

Whereas many of the holders of Government obligations pay no taxes on the income derived from these obligations; and

Whereas creditors of the Government of the United States have generally been insistent upon rigid national economy, not, however, including reduction in interest on Government obligations; and

Whereas such a reduction is consistent with a program of national economy and with prevailing prices for Government money: Therefore be it

Resolved, That the Senate of the United States request, and it hereby does request, the Secretary of the Treasury of the United States to call immediately upon holders of United States Government bonds, particularly those issued to finance the World War, to exchange their bonds for new bonds of an issue to be known as the new Liberty Loan of 1933, and bearing a lower rate of interest, which would effect a saving as nearly as possible sufficient to service such additional loans as may be made necessary by the pending public-works program, and by such other emergency needs of the Government as the President may see fit to prescribe, such conversion loan to bear interest, however, at a rate not less than the rate paid to depositors in United States Postal Savings banks.

"WHAT ABOUT GOLD?"—ARTICLE BY F. A. VANDERLIP

MR. WHEELER. Mr. President, I ask unanimous consent to have inserted in the CONGRESSIONAL RECORD a very interesting article by Frank A. Vanderlip, a well-known financier and economist, published in the Saturday Evening Post, on gold and its historical position in our monetary system.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Saturday Evening Post, May 27, 1933]

WHAT ABOUT GOLD?

By Frank A. Vanderlip

There are few words so deeply ingrained in our minds as is this word "gold." It has had deep-rooted significance in human thinking for 3,000 years. The uses of the metal have become so complex that it is doubtful if the most highly trained specialists have more than a vague conception of its complete economic ramifications. But the word has an elemental concept in every mind; gold is the epitome of wealth.

If I were asked to recommend a course of reading designed to give one as complete knowledge as possible regarding gold, I would not start with any book on economics nor any address made by a banker. I would rather head the list with such a book as Frazier's *Golden Bough*, which is an anthropological study of primitive psychology, particularly a history of superstitions and social taboos. The reason for that is that to understand the subject of gold first requires a mental housecleaning. One ought to get rid of preconceptions, of misconceptions, economic superstitions, and hereditary beliefs. That is extremely difficult and has been accomplished by few among the whole breed of economists and bankers, to say nothing about the layman's state of mind. Veritable golden streets in paradise rest on no better foundation than do many soberly regarded, orthodox views concerning the functions of gold in our present-day economy.

HOW HARD MONEY BEGAN

As our conception of gold has its roots running back nearly 3,000 years into history, it would be useful to reflect on the primitive economic origin of that conception.

When men passed out of the barter stage, in which goods could only be exchanged for other goods, it was obviously necessary to invent some means for giving a common price measure to all those things desirable to exchange, one for another. The precious

metals, naturally, became such a price measure. They were inherently desirable. They had numerous advantages. Their rarity prevented sudden additions to the total stock; they offered a compact storehouse of value; they could be easily transported or stored; being homogeneous, they could be divided; they were easily recognized and not readily simulated. So it was the natural thing after flocks and herds ceased to be a common measure that the precious metals should begin to perform that function. The earliest coinage we know about was begun by the Greeks in the seventh century, B.C. There had been material advance in civilization and great social development before mankind got out of the barter stage and started to develop anything like a price system as we know it.

Throughout primitive time, so it came about, after man abandoned shells, sheep, and cattle as measures of value in exchange for other things, the money used was hard money. It was coined copper, silver, and gold; and its function was easily understood.

The next step grew out of the necessity for the safe-keeping of any hoard of coin. Thieves might break in and there was need of strong boxes. The safest strong boxes were the property of the goldsmiths, so it naturally came about that men would take coin to a goldsmith in whom they had confidence and leave it with him. Written receipts for the deposited coin was the next obvious step. If there was general reliance on the probity of the goldsmith, those paper receipts became in a sense the equivalent of the gold itself. Instead of drawing out the gold when wanted, such a receipt might be as acceptable for the time being as the actual gold coin which had been warehoused in the goldsmith's strong box. The amount of the receipt might not correspond with the size of a particular payment, and it came about that the individual would write an order on the goldsmith. Up to the time of that phase, the goldsmith, who was ultimately to become the banker, was merely a warehouseman; but the goldsmith's receipts were in circulation and were performing the function of money. There was then, or should have been, always an amount of gold in the strong box equal to the receipts that were outstanding.

Let us try to picture what was the next phase, for it was an important step. Let us imagine a small cargo of rugs arriving at a Mediterranean port. Suppose there were two wealthy and experienced merchants who were prepared to compete for the cargo, and who each had, in his own or in the goldsmith's strong box, the gold necessary to complete the transaction. There were thus two competitors, and the resulting price would have been within the range of their particular ideas of value.

Now, let us suppose that there was also a shrewd, adventurous, and successful young merchant, confident he could successfully resell the rugs, but lacking sufficient gold to make the original purchase. Reflecting on this situation, eager to develop his business, he conceived an economic invention. He may have looked toward the goldsmith, whose coffers were filled with other people's coin, against which there was outstanding an equal amount of the goldsmith's receipts. These receipts were "as good as gold"; they were passing from hand to hand; few were presented, and the actual gold lay there uncalled for.

PAPER GIVEN FOR GOLD

Our adventurous young merchant convinced the goldsmith that if he would loan him, not gold but merely a written receipt for gold, he could compete for the rugs. He convinced the goldsmith that when the owner of the cargo of rugs had completed their sale he in turn intended to purchase another cargo of goods in the local market; that this same gold receipt would be the means by which the sale of the rugs and the purchase of the new cargo were to be consummated; and that the gold itself was likely to remain untouched. The receipt the merchant borrowed would thus in turn be used by the original rug seller to buy other goods; and in due course, after the rugs had been retailed, the debt, with interest, would be paid and there would be profit both to the merchant and the goldsmith. It was impressed upon the goldsmith's mind that if he thus wrote a receipt for gold it would not mean that someone would come with it and demand coin, but that the order would circulate as other orders were circulating—as money—and could be canceled as the rugs found ultimate purchasers. The goldsmith agreed to the plan, and modern commercial-deposit banking was born.

A NEW BURDEN LAID UPON GOLD

Now, let us trace the effect. Instead of two competitors for the rugs there were three. The total purchasing medium of the community had been increased.

Higher prices resulted because a new man came into the field with buying ability. Increased buying power had been created by credit. A new factor in price making had been created which clearly tended to advance the price. The goldsmith was recompensed for this gold order and he found the business safe and profitable. He expanded the plan.

The goldsmith could increase the amount of these orders as long as he kept on hand a sufficient supply of coin to make it safe for him to have outstanding more orders than he held gold. In order to be safe, the amount of such orders had to be limited and held within sound limits by that element of safety—an adequate gold reserve. That is exactly what is meant by the fateful percentage in modern bank statements which is called "the percentage of reserve to liability."

Here we see a new burden laid upon gold; a new function that it must perform. In addition to serving as a medium of exchange—that is to say, becoming the one commodity compared to which the worth of all other commodities was related—and in

addition to its being a storehouse of wealth, it became a reserve upon which to base that form of credit by which the goldsmith had more receipts for gold outstanding than he had gold in his strong box. Coins and the receipts for coins could now be exchanged for every other sort of property. If one did not wish to buy other property for the time being, both the coins and the receipts became a store and representative of wealth. So we now see three functions of gold.

As trade developed between different communities and different countries, the goods brought into a community substantially balanced the goods taken out; but if the total goods brought into a country exceeded in value the total taken out, there was a net deficit that must be settled in something other than goods. That could be settled by the shipment of gold.

There was a regulatory action here that was important. The country that imported more than it exported, having to settle the difference in gold, immediately experienced a profound effect arising from that drain on its gold stock. Gold was the money basis. Its abundance meant higher prices; its scarcity meant lower prices. The country that shipped gold in sufficient amount experienced a sharp fall in the prices of all things. That made it a poor place for other countries to ship their goods to and, conversely, a good market for foreigners to buy in. Thus that country's balance of trade was automatically regulated; if it bought too much and shipped too little, settling the difference in gold, the loss of the gold depressed prices, the country bought less and sold more, and thus restored its trade balance. We have now considered gold used in four ways—as a medium of exchange, as a storehouse of value, as a reserve against bank deposits, and as a means for settling foreign-trade balances.

Let us come forward a few hundred years and examine our own money today. First, we have exactly the same type of paper that the goldsmith originally issued—warehouse receipts. As metal was more unwieldy than paper and as we grew used to the convenience of paper money, the Government issued gold and silver certificates. They represented gold and silver coin actually deposited in the Treasury, against which the Government issued its receipts.

A gold certificate, on which is printed the statement that there has been deposited gold in the Treasury which will be returned on demand in exchange for the certificate, meant that anyone holding such a gold certificate was free to make that exchange. The contract was the simplest and plainest of agreements. The gold had been deposited in the Treasury, a receipt had been given for it, just as the early goldsmiths gave receipts, and on surrender of the receipt the gold was to be handed over. That was not an easy contract to change. In effect it was changed by the emergency legislation passed early in March, although we still professed to be on the gold basis.

WHEN EVERYBODY WANTS HIS MONEY

What had happened was that the public had made a run on gold. Many millions of gold were being withdrawn in exchange for paper currency which bore the promise that it was exchangeable for gold. People had long preferred to have a paper representative of gold instead of gold itself. They now became fearful that the banking situation, plus the fact that the Government was spending more than it obtained from taxes, would lead to further issues of paper currency by the Government or by the Federal Reserve banks, and they preferred to have the veritable gold coin to any promise to pay gold coin. This demand for gold came in such a rush that it seemed impossible that it could be met, great as was our supply of gold.

Emergency legislation was hurriedly passed under which the President directed that no more gold should be paid out, that none should be shipped abroad except under special licenses, that all gold coin held by individuals should be returned, and severe penalties were suggested compelling such return. More than 500 millions of gold were returned in exchange for paper money which still legally promised that it was convertible into gold. Instead of the Government frankly breaking that promise when it was found impossible to keep it, it was made a crime to hoard gold. It was still declared that we were on a gold basis.

All forms of money in this country have been legally convertible into gold, either directly or indirectly. This was explicitly provided by a law passed in 1900, but that conversion has actually broken down.

Practically all debt obligations of the Government are also payable in gold by their terms. That obligation has broken down. In spite of that fact, nine hundred millions of Treasury notes were sold on the 15th of March, and those notes still contained the provision that they were payable in gold of the present standard. This was a curious example of anthropological taboo, illustrating the adherence in form to an engagement regarding which there was in fact no true intention to discharge the obligation.

A function of money which is of the greatest importance in a capitalistic economy is its value in relation to deferred payments. Let us think just what that means. All debts payable at some future time are deferred payments: Life-insurance policies, old-age annuities—every form of obligation that is a definite agreement to pay a given number of dollars at a future date comes under this head. Whoever parts with his money today with the expectation of getting it back at some future time is vitally concerned with the future value of the dollar. It is important to get back the dollar with interest, but it is just as important to know what goods that dollar will then buy.

Suppose one is contemplating providing for old age by purchasing an annuity. He knows what his dollars are worth in exchange

for things today, and he is inclined toward the presumption that the dollars will be substantially as valuable, will purchase relatively the same number of things, 20 or 30 years hence.

If all instinct for thrift and careful provision for the future is not to be destroyed, it is necessary that the long-range value of the dollar should not change substantially from the present value. We are inclined to believe that it will not and to make sacrifices of purchasing ability today in order to insure that at some time in the future we may have the same purchasing ability plus the accumulation of interest.

As a matter of fact, we have no such assurance of the dollar's unchanging value. The record of the price level and our experience are vivid proofs of this. Nevertheless we go on as instinctively as bees store up honey, parting with our present dollars in the instinctive belief that the dollars we hope to get back will, in general, have the same command over the acquisition of goods as did the dollars we invested. A part of that belief is tied up with our traditional feeling that gold is gold; that the same number of grains of gold that constitute a dollar today will, if maintained as the standard dollar, insure the stability of the dollar through a generation and provide the same quantity of things in exchange that they do now, if we will only hold to the same number of grains of gold. We have seen the value of those grains of gold nearly double in the 3 years of the depression. We saw it almost cut in two in the years of the Great War and those immediately following. But most people cling to the belief that a dollar redeemable in a fixed number of grains of gold is an unchanging standard, cling to it with the persistence with which a primitive mind clings to a superstition.

I remember a calculation which I made in 1920 to illustrate what was then going on in the way of a changing value of the dollar. The position was the reverse of what we have recently experienced. Prices were rising, or gold was depreciating, whichever way one chooses to regard it.

This was my calculation: A thousand dollars placed in a savings bank and left to accumulate at compound interest will double in about 18 or 20 years. If a person had placed a thousand dollars in a savings bank in 1902 he would have had \$2,000 in 1920. For his original thousand dollars he could have bought a given amount of general goods. After 20 years of abstinence, such a depositor in a savings bank, undertaking to buy the things he could have originally bought with his thousand dollars, would have found that he was unable to buy twice as much for two thousand as he could originally have bought for one thousand. The distressing fact was that to have bought what he could originally have purchased for a thousand dollars he would have to add to the two thousand accumulated in his savings account an additional thousand. The reason for that is that the price index, which in 1900 was 56.1, had advanced in 1920 to 154.4, nearly 200 percent.

The advance in the value of the dollar in the past 3 years has not been so great as was the decline in the period I have been reviewing, but it has been sufficient to illustrate vividly the opposite side of the picture. The man who borrowed money in 1929 is at almost as great disadvantage as was experienced by the creditor in the period of rising prices. During all that time, however, the dollar represented the same number of grains of gold.

There is general understanding that the course of prices is influenced by the quantity of money. The economists have embodied that in what they term the "quantity theory of money." In its simplest form, this means that in an isolated community having a steady volume of business and doing all that business on a cash basis where the matter of bank credits is not involved, there is a direct relation between the price level and the volume of currency. In other words, in such a community where all other influences are cut off, if the volume of currency is doubled, prices will be doubled, and if the volume is halved, prices will be cut in two.

That is a simple theory, easily understood. It should not be too readily applied to more complex conditions. In practice, when we introduce all the complexities of bank credit as a purchasing medium, and the complications of velocity—the greater or less speed with which money circulates—the practical results bear little apparent relation to the volume of money. Of course, it is obvious that if there is a sufficient increase in a country's currency, prices will advance. We saw that when a postage stamp in Germany cost 600,000 marks. No one should, however, accept the simple statement of the quantity theory of money and expect, in our complex order, to see an exact relationship between prices and the volume of currency.

POST-WAR BURDENS ON GOLD

Our traditional faith in gold is buttressed by a long experience prior to the outbreak of the Great War, in which the gold standard, operated by highly expert English bankers, functioned with a fair degree of satisfaction. The memory of much of that period is the foundation of the economic thinking of most mature business men. It is true that England has been off the gold basis for 36 of the past 136 years, but, nevertheless, there was so long a period during which London was the financial center and the world's clearing house, and the English bankers managed the gold standard with such effectiveness that it has left the belief firmly ingrained in the minds of men who were in business during the latter part of that period that an unchangeable gold standard is the foundation cornerstone of the monetary system, that any criticism of it is heretical, and that any proposal to change it is dangerous and harebrained.

There are some features connected with the post-war situation, however, which need to be considered before one can too hope-

fully believe that it is possible to go back to such an orderly working of the gold standard as characterized a long period prior to 1914. There have been new obligations placed upon gold which must in the future be controlled if the gold standard is again to work with the smoothness with which it once did.

I have already tried to explain some of the fundamental obligations which lie on gold: Its use as currency, as a storehouse of value, as a reserve basis against paper currency, and as a reserve control on the banker, limiting him from keeping more loans upon his books than his reserve of currency to meet the probable currency withdrawals will warrant. This last function, let it be remembered, is just the same limitation that was placed upon the goldsmith issuing more receipts for gold than his store of actual coin made it safe to do. Then there is the regulatory function which comes into play when a country's imports exceed its exports.

We have found, since the Great War, that this function is not working well. It has been interfered with by a general movement throughout the world to increase customs barriers. Instead of permitting a normal flow of gold to correct a trade balance, tariff barriers, quotas, and import licenses have been devised to keep out goods and to force gold shipments in their place. We have ourselves offered a notable illustration of this attempt, but similar political theories have become almost world-wide, and gold now flows from one country to another impelled by motives quite apart from settling normal trade balances.

Since the war, there have come into play still other impressive obligations upon gold. During the time prior to the war, when England was managing the gold standard, that country was practically the only important investor in foreign securities. If a country needed to ship gold in order to balance its foreign trade, England would frequently accept debt obligations, either of the government or of individuals in the country concerned, instead of compelling an adjustment by gold shipments. Her growing wealth permitted her to do this on a large scale. At the outbreak of the war, she had accumulated an equivalent of \$20,000,000,000 in such foreign obligations. During and since the war, there grew up a great mass of internationally owned securities. Such securities can be thrown back upon a market and turned into a demand upon gold having no reference to foreign trade, but they do turn into an absolute command over the country's gold base.

We do not have much accurate information of the amount or whereabouts of such internationally owned securities, and less knowledge of the psychology of the owners of such obligations. That is to say, we do not know what motives may move them to return securities to the markets of the countries in which they originate.

If a central bank has foreign deposits which may be withdrawn, it knows something in regard to the amount of gold which it must hold free as a reserve against those deposits. But such a central bank never knows what demands may fall upon it resulting from the return to its national markets of securities held by foreign investors. The close margin by which we came near going off the gold basis in June 1932, was largely the result of foreign holders of American securities throwing those obligations onto our market.

FLIGHTS OF CAPITAL

Another even more incalculable factor has arisen from the growing practice of central banks keeping deposits in other central banks. In doing that, they have pyramided the obligation on identical masses of gold. The gold is first held as a reserve against obligations of the central bank which has the actual gold in its vaults. If its deposits include balances of other banks, the same gold may be counted as a reserve against the obligation of those foreign banks.

Another incalculable strain has been put upon gold by the amount of liquid capital belonging to timid, shrewd individuals which is moved from one country to another seeking economic safety. If an individual exports liquid capital from one country to another, the effect upon the exchanges is the same as if goods had been exported, but in the operation there is no relation to the movement of goods. A flight of capital, motivated by fear, could push a country off the gold basis even while its export of commodities still left it with a favorable trade balance.

This freedom in the movement of timid liquid capital, together with the incalculable movement of internationally owned securities—neither of these movements being related to the balance of trade resulting from a country's normal imports and exports—has brought into the management of the gold standard forces which are comparatively new in finance. It should be noted that the debts growing out of the war, and having no relation to current trade movements, are a part of those new forces.

The operation of all the obligations which have been heaped upon the gold standard has caused one country after another to abandon it, until there are only six countries that can, even by a stretch of the imagination, be considered on a gold basis—France, Switzerland, Holland, Belgium, Italy, and Poland. Even they are only nominally on a free gold standard, all having one form or another of restriction, none permitting the use of gold in general circulation and none offering completely free exchange of currency for gold. After it was declared criminal, in the United States, to hold gold and after regulations prohibiting its export except under license, we still nominally claimed to be on a gold basis, until the license restrictions were so sharply defined in April as to make such claim absurd. Nearly all countries that have abandoned the gold standard, and part of those that are nominally left on it, have already devaluated their currency. That is to say, they have reduced the amount of gold represented by the unit of their national currency.

PERHAPS AN EINSTEIN NEEDED

France has about a quarter of all the monetary gold in the world—a store second only to our own. But a French franc now represents about one fifth as much gold as it did before the franc was devaluated. Belgium reduced the value of her standard even lower than did France; Italy not quite so low. It has been the common course since more than 30 nations went off the gold standard ultimately to change the amount of gold which each currency nominally represents.

Orthodox thinking about money and prices is shackled by superstition, by long usage and practices, by both national and individual selfishness, by the wholesome fear of change. Few of the orthodox thinkers have either the breadth of technical expertise or the scientific habit of mind that will permit them to take a fresh and clear view. Not many heads of great banks have a contemplative mental habit. If they did, they would not be the heads of great banks. It is expecting too much to hope that there will come from the overburdened brains of practical bankers a vision of the true functions of gold and of money. It is like expecting the high priests of a superstition-filled religion to reform its theology. Anything that the orthodox financiers agree is radical thinking quickly wilts in the atmosphere of the banking room. There might come forth a Martin Luther banker, but he would find it very difficult to nail his deft to the bronze doors of the banking cathedral.

Even that does not make me hopeless that we may come to a better understanding of gold and all that hinges upon it. In the past 30 years we have seen the basis of our fundamental conception of physics, of our understanding of the very nature of matter, undergo profound change. Perhaps we need an Einstein who will develop a theory of economic relativity. It is certainly true that it would be more useful to evolve an exact, understandable, convincing formula covering all the functions of gold, than it would be to discover how to make the alchemists' dream come true.

RECESS

Mr. ROBINSON of Arkansas. I understand that there are a number of important committee meetings to be held in the morning. I, therefore, move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 6 o'clock and 8 minutes p.m.) the Senate took a recess until tomorrow, Thursday, May 25, 1933, at 12 o'clock meridian.

HOUSE OF REPRESENTATIVES

WEDNESDAY, MAY 24, 1933

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

O Thou to whom we turn as our loving Heavenly Father, accept our praise and our gratitude for Thy loving providence at the beginning of another day. We pray for that understanding, for that vigor of thought, and for that conviction that shall be ours as we meet the challenge of the problems of this day. Strengthen us, our Heavenly Father, so that we shall be altogether adequate to approach every question. We thank Thee for life, for its visions, for its privileges, and for its possibilities. O urge us to grasp it with energy that fires and with wills that flame. Gracious God, may we share Thy thoughts, and let Thy sense of justice and goodness possess us. Each day may our lives be of some real service to the world, made so by the spirit of Him who was earth's humblest servant, man's greatest friend, and Master of all. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate had passed without amendment bills of the House of the following titles:

H.R. 4014. An act to authorize appropriations to pay in part the liability of the United States to the Indian pueblos herein named, under the terms of the act of June 7, 1924, and the liability of the United States to non-Indian claimants on Indian pueblo grants whose claims, extinguished under the act of June 7, 1924, have been found by the Pueblo Lands Board to have been claims in good faith; to authorize the expenditure by the Secretary of the Interior of the sums herein authorized and of sums heretofore appropriated, in conformity with the act of June 7, 1924, for the purchase of needed lands and water rights and the creation

of other permanent economic improvements as contemplated by said act; to provide for the protection of the watershed within the Carson National Forest for the Pueblo de Taos Indians of New Mexico and others interested, and to authorize the Secretary of Agriculture to contract relating thereto; and to amend the act approved June 7, 1924, in certain respects;

H.R. 5152. An act granting the consent of Congress to the State Highway Commission of Virginia to replace and maintain a bridge across Northwest River in Norfolk County, Va., on State Highway Route No. 27;

H.R. 5173. An act granting the consent of Congress to the State Highway Commission of Virginia to maintain a bridge already constructed to replace a weak structure in the same location, across the Staunton and Dan Rivers, in Mecklenburg County, Va., on United States Route No. 15; and

H.R. 5476—An act to extend the times for commencing and completing the construction of a bridge across the Savannah River at or near Burtons Ferry, near Sylvania, Ga.

The message also announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 284. An act authorizing the conveyance of certain lands to school district No. 28, Deschutes County, Oreg.;

S. 813. An act to remove the limitation on the filling of the vacancy in the office of senior circuit judge for the ninth judicial circuit;

S. 860. An act for the relief of George W. Edgerly;

S. 879. An act for the relief of Howell K. Stephens;

S. 1129. An act to amend sections 361, 392, 406, 407, 408, 409, 410, 411, and 412 of title 46 of the United States Code relating to the construction and inspection of boilers, unfired pressure vessels, and the appurtenances thereof;

S. 1514. An act authorizing the Administrator of Veterans' Affairs to convey certain lands to Harrison County, Miss.;

S. 1518. An act providing for waiver of prosecution by indictment in certain criminal proceedings;

S. 1548. An act for the relief of Harry Flanery;

S. 1562. An act granting the consent of Congress to the Levy Court of Sussex County, Del., to reconstruct a bridge across the Deeps Creek at Cherry Tree Landing, Sussex County, Del.;

S. 1564. An act to revive and reenact the act entitled "An act authorizing the Great Falls Bridge Co. to construct, maintain, and operate a bridge across the Potomac River at or near Great Falls", approved April 21, 1928;

S. 1581. An act to amend the act approved July 3, 1930 (46 Stat. 1005), authorizing commissioners or members of international tribunals to administer oaths, etc.;

S. 1587. An act to amend an act entitled "An act to recognize the high public service rendered by Maj. Walter Reed and those associated with him in the discovery of the cause and means of transmission of yellow fever", approved February 28, 1929, as amended, by including Roger P. Ames among those honored by said act;

S. 1634. An act to provide for the redemption of national-bank notes, Federal Reserve bank notes, and Federal Reserve notes which cannot be identified as to the bank of issue;

S. 1659. An act to authorize an increase in the number of directors of the Washington Home for Foundlings;

S. 1724. An act authorizing the reimbursement of Edward B. Wheeler and the State Investment Co. for the loss of certain lands in the Mora Grant, N.Mex.;

S. 1727. An act for the relief of Earl A. Ross; and

S. 1728. An act for the relief of Frank Ross.

The message also announced that the Senate had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 753) entitled "An act to confer the degree of bachelor of science upon graduates of the Naval, the Military, and the Coast Guard Academies."

The message also announced that the Senate had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the

Senate to the bill (H.R. 5480) entitled "An act to provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof, and for other purposes."

CALENDAR WEDNESDAY

Mr. BYRNS. Mr. Speaker, I ask unanimous consent that business in order on Calendar Wednesday may be dispensed with today.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee [Mr. BYRNS]?

There was no objection.

PUBLIC WORKS BILL

Mr. POU, from the Committee on Rules, reported the following resolution (H.Res. 160) for printing in the Record under the rule:

House Resolution 160

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H.R. 5755, a bill to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill and shall continue not to exceed 6 hours, to be equally divided and controlled by the Chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. At the conclusion of the consideration of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

PERMANENT REHABILITATION OF THE AMERICAN VETERANS

Mrs. JENCKES. Mr. Speaker, I ask unanimous consent to address the House for 3 minutes.

The SPEAKER. Is there objection to the request of the lady from Indiana?

There was no objection.

Mrs. JENCKES. Mr. Speaker, I wish at this time to invite the attention of the House of Representatives to the present status of the American veteran. And in doing so, perhaps a woman's viewpoint might be helpful.

At 12 o'clock noon on Saturday, May 13, a group of veterans from the State of Indiana visited my office and appealed to me to assist them in a predicament they were in.

They came to Washington to attend the 1933 bonus encampment which was arranged by veterans. A committee had been organized, known as the "Liaison Committee of the Rank and File." This committee was in charge of the registration of veterans who were to be the guests of the Government at Camp Fort Hunt through governmental facilities provided at the request of President Roosevelt.

The veterans, upon arriving in Washington, learned that certain members of the committee in charge of affairs at Fort Hunt were acknowledged Communists. The veterans refused to recognize a committee whose membership contained Communists, and they had spent several days and nights trying to cause the removal of the Communists from the committee, without success. They advised that the objective of communism is contrary to all established principles upon which the Government of the United States was founded.

They preferred to endure the hardships of going without food or shelter rather than surrender their ideals of protection of the principles of our American Government. They presented a petition to me, signed by over 200 men, a number of them being honor-medal men.

I then personally visited the veterans at Seaton Park. A group numbering approximately 500 men were assembled there without food, shelter, or sanitary accommodations. The ground was wet and soggy and a misting rain was fall-

ing, and the men were in a very deplorable condition and were subject to the dangers incident to exposure to the elements.

I immediately conferred with the White House, the Metropolitan Police, and the Veterans' Administration officers, and after much effort was able to secure the whole-hearted cooperation of all concerned, and an order was issued at 7 p.m. to permit the men to enter Fort Hunt on an independent basis, unattached to the liaison committee. I personally addressed the men in Seaton Park and urged them to go immediately to Fort Hunt and cooperate with the officials there. Their compliance with my suggestion made me very happy, because I knew they would be protected from the elements and would find good food awaiting them, and that was my immediate concern. I desire at this time to pay tribute to them for their steadfast adherence to their patriotic ideals in face of the hunger and suffering they were enduring. Several of the men were accompanied by women members of their families, and the women were adequately provided for through arrangements made by the Metropolitan Police.

On Sunday I visited the men at Fort Hunt, and they advised me they appreciated and were grateful to President Roosevelt for his consideration and interest. They also advised me they would follow the President's suggestions. This, I am happy to report to the House of Representatives, they did in every instance.

In the face of spoken and printed propaganda circulated by the Communists deriding the efforts of the President and the Congress and in opposition to the vote of the majority of the convention these veterans gratefully accepted President Roosevelt's offer of temporary relief in the reforestation work, and their patriotic and loyal action soon won followers from the left wing of the encampment, so that when Camp Fort Hunt was closed as a bonus encampment the change was made in a dignified American manner, creditable to the President and the veterans alike.

During the progress of the convention the right wing felt they could not agree with the conclusions of the convention and desired to present their petition to the President in person. They asked my assistance in arranging an appointment, which I made, and the veterans were pleased with the cordial reception accorded them.

I have today received a communication from the leaders of that group of the 1933 bonus encampment which opposed the attempt to mix communism with veteran affairs. It is this group who approved the President's suggestions with reference to the veterans accepting temporary assistance in the reforestation camps.

The letter is as follows:

WASHINGTON, D.C., May 22, 1933.

Mrs. VIRGINIA E. JENCKES,

Member of Congress, Washington, D.C.

MY DEAR MRS. JENCKES: Now that the 1933 bonus encampment at Fort Hunt has passed into pleasant memories of the American veterans, it is proper and fitting that an expression from the right wing of the 1933 bonus encampment should be made in order to truthfully and authoritatively state the position of those veterans who desired to petition their President and their Government who believe in the American Constitution and who are opposed to the affiliation of the Communist Party in American veteran affairs. With this thought in mind, we, the committee, who have cooperated with you and other governmental officials, desire to make this official statement, and we respectfully request you to transmit same to the Congress:

(1) We affirm our allegiance to our Government and we will support its institutions.

(2) While we are suffering destitution and privations, we place the security of our Government above our own needs and requirements, and we hereby plead with our President and the Congress as a first step toward a permanent rehabilitation of the American veterans to take such steps as are necessary to prevent the inroads of communism in the affairs of our veterans, our Army, Navy, and Marine Corps, as well as governmental employees.

(3) It is our very sincere belief that permanent rehabilitation of the American veteran can be best accomplished by the immediate payment, all or in part, of the adjusted-service certificates, the immediate care and hospitalization of those veterans who are physically incapacitated, the adoption of such laws or regulations which would permit or require the employment of veterans in industry under control of the Government or Federal employment.

(4) Having complete faith in our President, Franklin Delano Roosevelt, who served with us in the World War, we petition his thought and consideration for our urgent needs and necessities

with the hope that, in the plans for the rehabilitation of the Nation from the depression, will be included a comprehensive and just plan for the rehabilitation of the destitute and incapacitated veteran on a permanent basis.

We respectfully submit this appeal with the hope that we may be accorded consideration promptly.

VETERANS' CONVENTION, RIGHT WING,
Composed of Delegates from All Veterans Organizations.
Mike Thomas, chairman; Albert Wood, John H. Newlin,
Robert Dessoff, C. A. Titterington, E. B. McDade, John
P. Dear, Guy Williams.

Now, my colleagues, you have heard an appeal which certainly deserves the sincere thought of all of us who are interested in all phases of our Nation's rehabilitation.

The permanent rehabilitation of our veterans and their restoration to their place in American citizenship should be and must be a very definite part of our national effort toward bringing prosperity back to the American people.

We have given the President of the United States wide authority and power to do any and all things necessary to face our Nation toward prosperity. And we are proud of his masterful leadership which has already recorded benefits for the people. And I ask you, my colleagues, is it not important to again invest our President with wide authority to do any or all things necessary to restore our veterans to their place in our American citizenship?

We all, especially we women, remember how we sent our soldier boys away to war, with the anxious hours and the scanning of the casualty lists, the relief when the names we loved were not there, and the distress of all those days of uncertainty. They went forth and rendered an everlasting service to their Nation and the world. But what did they come back to? The annual blooming of the poppies asks us that question each year. The rows and rows of white crosses over in Arlington ask us the same question. And the American women are trying to find the answer. And I believe if the Congress will again express its confidence in Franklin Delano Roosevelt and confer the necessary authority and power to act upon him, he will assume this added burden of solving the problems of the American veteran. The veterans have faith in him. He was their comrade during the World War. They recognize him now as their Commander in Chief. They will follow him. His solicitation for their welfare is demonstrated by a comparison of the way the 1932 and 1933 bonus delegations were received here in Washington. So, before our House of Representatives takes any action, let us confer with the President and offer him our support and cooperation in any or all plans which he might now have, or will have, in the immediate future for the permanent relief of the American veteran. I therefore suggest that a motion to appoint a committee to wait on the President for this purpose be made, and that the committee cooperate with the President in an effort to develop the permanent rehabilitation of the American veteran along with and as a part of the Nation's recovery.

If this can be accomplished, we will provide a patriotic inspiration for oncoming generations of defenders of our American homes. [Applause.]

OUR MERCHANT MARINE AND THE OCEAN MAIL CONTRACTS

Mr. BACON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. BACON]?

There was no objection.

Mr. BACON. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following statistical synopsis on the subject of our merchant marine and the ocean mail contracts as a supplement to the speech I made on this subject in the House on Wednesday, May 10:

I. THE UNITED STATES AS A MARITIME NATION

A. Out of the 11 first acts of Congress, 5 related to shipping. In 1796 American ships carried 92 percent of our trade. Between 1820 and 1860 we were supreme on the sea, carrying 77 percent of our trade.

B. Civil War and westward expansion caused a decline in American shipping. American standards of living and higher costs put us at a disadvantage. Sectional politics killed attempts at adequate subsidies for merchant marine. Deficiency of ships for auxiliary service shown in Spanish-American War. Deficiency again

demonstrated in world cruise of White Squadron, 1908. During decade before World War we carried only 10 percent of our foreign trade.

II. THE ECONOMIC IMPORTANCE OF AN ADEQUATE MERCHANT MARINE

A. Our exportable surplus:

1. We have the largest exportable surplus in the world—\$4,809,000,000 (1927).

2. National economy requires that 10 percent of our production be sold abroad.

3. Employment curve closely follows foreign-trade curve for this reason.

4. Economic self-sufficiency a myth; general prosperity depends upon foreign trade.

B. Relation of merchant marine to export trade:

1. Ships our best salesmen; will carry our trade and find new markets.

2. Foreign ships will favor foreign goods in competition with ours.

3. Establishment of new lines to new ports will develop fresh markets.

4. Following table demonstrates these propositions—comparison of merchant marine in 1914 with 1927, showing increased sales:

Trade	Number of ships engaged in—		Volume of commerce with—	
	1914	1927	1914	1927
Africa.....	None	19	\$47,000,000	\$200,000,000
South America.....	5	89	347,000,000	1,000,000,000
Orient-Pacific coast.....	5	140	380,000,000	1,800,000,000

Percent of increase in trade between 1914 and 1927: Africa, 325 percent; South America, 190 percent; Orient-Pacific coast, 380 percent.

5. By having a merchant marine we are enabled to participate in international steamship conferences and thus to influence freight rates and eliminate discrimination.

C. Dependence upon foreign carriers puts us at mercy of events beyond our control:

1. If dependent, withdrawal of foreign carriers forces economic isolation on us.

2. Example of effects of foreign war, showing rise in freight rates:

At outbreak of World War, freight rates on American goods rose as follows: Cotton, per hundredweight, from 35 cents to \$11; flour, per hundredweight, from 10 cents to \$1; wheat, per bushel, from 8 cents to \$1.36. General average: tenfold increase.

This resulted in a paralysis of our commerce, at disastrous loss, because we had no ships to handle it.

III. INCREASE OF AMERICAN SHIPPING DURING AND SINCE THE WORLD WAR

A. At outbreak of war we had only 19 ships in overseas trade.

B. War needs required unprecedented building program.

1. Increase from 22 shipyards employing 50,000 men to 212 shipyards employing 350,000 men. Of these 76 built steel vessels.

2. War shipbuilding program produced 2,300 vessels of 9,400,000 tons total.

Ships otherwise acquired raised this to 2,500 vessels of 10,250,000 tons.

3. Cost of this construction was \$3,500,000,000—an extravagant sum to meet our deficiency in merchant shipping.

C. Comparison of our 1914 merchant marine with that in 1932:

Trade route	Number of vessels		Gross tonnage	
	1914	1932	1914	1932
United States-Europe.....	6	193	69,212	1,194,159
South America.....	4	169	24,011	403,341
Pacific coast-Far East.....	6	87	75,615	706,103
United States-Africa.....	None	20		113,417
Pacific coast-Australasia.....	3	19	18,495	117,576
Total overseas.....	19	388	187,333	2,534,595
Nearby, Caribbean, West Indies, Canada.....	66	164	322,938	747,427
Grand total.....	85	552	510,271	3,282,022

2. During 1921-30 our ships carried 900,000,000 tons of overseas commerce, valued at \$74,000,000,000, a substantial part of our national income. This, had we not had the means of selling abroad, would have been a loss to the producers of this country.

3. During this same period our merchant marine derived \$3,000,000,000 in revenues from passenger and freight traffic.

4. Had we then remained at the pre-war level of our carrying trade, 10 percent of our commerce, we would have lost in shipping revenue the difference between \$3,000,000,000 and \$900,000,000, or \$2,100,000,000.

5. Regular services were established between 60 American ports and 550 foreign.

D. In spite of this increase in our American-borne trade since 1914, we still carry a smaller proportion of our water-borne com-

merce than any other western nation, including Greece. Yet our own trade is so profitable that 42 nations have entered their ships to compete for it.

IV. OUR MERCHANT MARINE REQUIRES A SUBSIDY IN ORDER TO SURVIVE

A. Subsidies must not be considered as economic paternalism toward an unjustifiable phase of economic activity. The benefits to be derived from an adequate merchant marine are disproportionately in excess of the cost of compensating for higher American costs in construction, fixed charges, wages, and subsistence of crews. (See VI-E.)

B. A large measure of Great Britain's wealth was derived from the trade carried in her ships. Before the World War she dominated ocean trade, as follows: British shipping carried 52 percent of total sea-borne commerce, 92 percent of her empire trade, 63 percent of the trade between the Empire and others, 30 percent of the trade between foreign countries. Thus she gained huge revenues from the interchange between the other nations. Today England carries 60 percent of her trade, 45 percent of world trade, 30 percent of our trade.

The United States carries 30.5 percent of our trade, 3.4 percent of world trade.

Reasons assigned to Britain's shipping success are these: (a) A strong industrial position with access to raw materials; (b) a far-flung empire with coaling stations and seaports; (c) large coal exports compensating for return loads of goods for consumption; (d) governmental support of shipping in the knowledge of its national value.

C. The increase in our foreign shipping from the World War until 1932 (indicated in sec. III) was not an uninterrupted growth. It commenced with the war, slumped seriously, and was revived by the Merchant Marine Act of 1928, affording reasonable subsidies to compensate for the differentials in American shipping costs.

1. After the stimulus of the war years and until the Merchant Marine Act of 1928 American commerce in American ships declined as follows:

Our foreign trade in American vessels:	Percent
1921.....	51
1925.....	44
1926.....	34
1927.....	32

2. During this period no new American ships were placed in our overseas trade, while 800 foreign ships entered it, increasing their proportion of the trade to and from 47 of our 59 principal ports.

3. By March 1928 of our 212 war-time shipyards only 12 were left, chiefly inactive, and in that year they only produced 2 percent of the years' new tonnage. During 1921-27 we built only 2 out of 307 modern motor ships, and only 40 vessels out of a world total of 1,039 of over 4,500-ton vessels, totaling 7,900,000 gross tons.

Over 200 major industries have a direct interest in shipbuilding (90 percent of cost of a ship goes to labor).

D. The revival created by the Merchant Marine Act, granting postal payment and construction loans at low interest.

Under the provisions of this act, 43 contracts were made for the construction of 54 vessels, the conditional building of 12 more, and the reconditioning of 58 others. It is estimated that this program provided employment for 40,000 men.

V. BENEFITS TO NATION ACCRUING FROM SUBSIDIES DISPROPORTIONATELY LARGE

A. The difference between revenues from carrying 10 percent of our water-borne commerce, as in 1914, and carrying one third of it amounted to \$2,100,000,000. (See III-C-4.) This amount was added to our invisible trade balance.

B. This direct annual saving of national income amounted to 10 times the cost of the 1928 legislation.

C. The average annual operating loss of the Fleet Corporation was cut from \$40,431,000 during 1921-26 to \$6,346,000 in 1931, or a saving of \$34,000,000—twice the cost of the merchant marine legislation in 1931.

D. Capital expenditures for replacement during the next 10 years would have been \$500,000,000. This otherwise public liability has been transferred to private concerns. By January 1941, 500 out of 553 ships would have passed the 20-year age of usefulness and would have required scrapping.

E. Withdrawal of postal subsidies would have forced us back to Government operation of the merchant marine at great operating losses.

F. Upon all loans authorized for construction under the 1928 act, totaling \$148,000,000, an effective rate of 4 percent interest has been received, and the benefits of this have cost the Government nothing. (Under the 1931 amendment no loans were to be made at less than 3½, and prior to that only 12 loans had been made at less than 3 percent.)

G. (a) Britain has Government loans outstanding of \$472,000,000 for shipbuilding.

(b) Less tangible, but still more important, has been the development by American shipping of great new markets for our exports. (See II-B-4.) This means a valuable investment in the future of our trade. But if our vessels were to be withdrawn from this trade, foreign commerce would be certain to take over these outlets for surplus.

VI. MISLEADING PROPAGANDA THAT WE ARE UNECONOMICALLY OVERBUILDING FOR UNPROFITABLE TRADE

A. Source of propaganda: Nations that are outbuilding us to get this trade.

1. Great Britain, outbuilding us 9 to 1 in tonnage; 13 to 1 in number of ships.

2. In all, 42 nations placed, 1921-27, 800 new ships in our trade, to our none.

B. American foreign trade most profitable in world.

1. Largest exportable surplus—\$4,809,000,000.

2. During 1921-30, passenger and freight revenues in our trade totaled \$9,000,000,000; \$6,000,000,000 of this to foreign shipping; only \$3,000,000,000 to ours.

C. Is foreign competitive building economical?

1. It is acknowledged that ships of more than 25,000 gross tons and of 21 or more knots are uneconomical; fixed charges and operating costs exceed possible revenues.

2. Four foreign nations have placed 18 vessels exceeding both these tonnage and speed limits in trade since 1926; 9 of these exceed 40,000 tons. They are: Great Britain 5, totaling 196,082 tons; France 5, of 207,755 tons; Italy 5, aggregating 189,493 tons; Germany 3 ships with tonnage of 128,963. Recent foreign ships of these classes total 722,293 tons.

D. Have we similarly built, as charged, uneconomically?

No. During this period we have not launched a single ship exceeding these speed and size profitable limits.

E. The United States must build to overcome an overwhelming inferiority in tonnage.

1. We carry smaller proportion of our export trade than any other western nation, including even Greece and Japan.

During 1922-31, 42 nations participated in our foreign trade in the following proportions, excluding tankers:

	Imports, tons	Percent	Exports, tons	Percent	Imports and exports, tons	Percent
American vessels...	75,728,000	31.0	95,977,000	30.1	171,705,000	30.5
British carried.....	70,141,000	28.8	98,630,000	31.0	168,771,000	30.0
Others carried.....	98,140,000	40.2	123,865,000	38.9	222,005,000	39.5
Total.....	244,009,000		318,472,000		562,481,000	

2. Compared with Great Britain, our ocean-going tonnage is only one half as great. Our tonnage in foreign trade is only one sixth as great as England's.

Further, in sea-going ships of 12 knots or more we have 180, Great Britain 1,034; of 16 knots or more we have 37, Great Britain 158; of 18 knots or more, we have 12, Great Britain, 37; of 20 knots or more we have 5, Great Britain 16.

3. Of the six great maritime powers we are at a great disadvantage either as to actual tonnage, speed within economical limits, or approaching obsolescence.

Taking totals and averages for the six maritime powers, vessels of 2,000 tons or more:

We own 15.5 percent of 10,008,837 tons passenger and freight vessels; 32.5 percent under 10 years; average of all countries, 41.7 percent.

We own 22.2 percent of 23,687,600 tons freight ships; 1.1 percent under 10 years; average of all countries, 25.8 percent.

We own 42.5 percent of 5,753,976 tons tankers; 11.3 percent under 10 years; average of all countries, 33.6 percent.

Break-down by nations, all types of ships

Country	Gross tons	Percent owned by each country	Percent under 10 years old	Percent of tonnage, speed 12 or more knots
United States.....	9,252,300	23.5	9.1	28.4
Great Britain.....	17,882,581	45.3	42.6	56.0
Japan.....	3,257,346	8.3	21.3	49.6
Germany.....	3,291,141	8.3	42.8	65.2
Italy.....	2,852,989	7.2	28.4	44.9
France.....	2,914,176	7.4	29.2	57.4
Total and average.....	39,450,413	100.0	31.0	49.1

¹ Only 3,282,000 tons of this in foreign trade, exclusive of tankers.

These tables show a disproportionately small tonnage in each class but tankers, a tremendous inferiority as to speed, and a rate of obsolescence more than three times the average.

F. We are not building to compensate this deficiency and approaching retirement.

In past decade these six nations built vessels of 15,000 tons or more as follows:

	Number of vessels	Gross tons
United States.....	11	226,071
Great Britain.....	49	1,036,216
Japan.....	3	51,448
France.....	10	288,845
Italy.....	12	344,340
Germany.....	10	262,911
Total.....	95	2,209,831

In other words, far from overbuilding in relation to other nations, we are building less in proportion to our trade needs and to our inferiority.

G. While the other great powers are adding new tonnage we are scrapping or laying up greatest amount of obsolescent ships without replacement, as follows: 1922-31:

Country	Tonnage scrapped	Tonnage laid up
United States.....	12,560,000	3,588,000
British Empire.....	2,388,000	3,340,000
Italy.....	855,000	619,000
France.....	773,000	931,000
Japan.....	215,000	256,000
Germany.....	147,000	1,103,000
Others.....	592,000	2,863,000

¹ 700,000 more tons to be scrapped, making 3,260,000.

World surplus tonnage, about 14,000 tons.

About 14,000,000 tons are over 20 years old.

United States has practically no tonnage over 20 years old. (The *Leviathan* was built in 1913.)

Most of old obsolete tonnage sold by Great Britain at low prices to lesser nations.

H. Motives for propaganda against American construction while other nations build excess of uneconomical ships:

1. At Washington arms conference, 1922, we agreed to surrender our naval supremacy in capital ships and scrapped 850,000 tons building or completed. Ratios accepted impliedly extended to other naval vessels. Competition for naval supremacy therefore transferred to merchant tonnage suitable for auxiliary service. World War proved value of convertible cruisers.

2. Economical vessels suitable for profitable ocean trade not suitable for high-speed war use. Tendency, therefore, to build large, fast, unprofitable ships with heavy Government subsidy. (This is a century-old policy of European governments. Some of the great merchant vessels of privately owned lines have been built with postal subsidies and low-interest construction loans from governments, vid. *Mauretania* and *Lusitania*.)

3. Expense of these auxiliary merchantmen greatly reduced if they can find and keep profitable trade. Bulk of such trade lies in American commerce.

4. Thus, after we have sacrificed our naval supremacy, concealed foreign navies are competitively built and supported at our expense.

5. Were the United States, by economical and profitable expansion of her merchant marine, to regain and to hold a respectable share of her carrying trade, her foreign commerce would no longer be taxed for the support of foreign navies.

6. Hence it follows that other maritime powers will exert every influence to discourage the support of an American merchant marine.

J. Accused of overbuilding, we are outbuilt by foreign powers which propose to achieve naval expansion at the expense of our foreign commerce. But by equipping ourselves to carry a legitimate share of our trade we may assure ourselves of the old and new markets that will absorb the exportable surplus upon which the health of our national economy must rest.

VII. A MERCHANT MARINE ADEQUATE TO OUR TRADE NEEDS WILL ALSO, WITHOUT HIGH COST, SERVE NATIONAL DEFENSE

A. Our foreign policy is based upon disarmament, and our domestic policy has prevented building our Navy even up to treaty strength. One billion dollars would now be required even for this.

B. In merchant vessels capable of conversion for naval use and having a speed of 15 knots or better we had (in 1928) only 70 inferior vessels, as compared with 227 superior vessels of this type owned by Great Britain and as compared with a great superiority of the other naval powers.

Under the Merchant Marine Act of 1928 we may build such a fleet of convertible merchant ships at small cost to the Government and to the great advantage of our foreign commerce.

C. Overseas communication in war time is as important as overland railways. It is proven (sec. II-C-2) that dependence upon foreign merchantmen is ruinous in time of crisis. An adequate merchant marine is therefore essential to our national safety (Boer War; Spanish War; English coal strike, 1926; World War).

D. The Merchant Marine Act of 1928 provides for national defense under the following terms imposed upon vessels built under its provisions:

1. They must be built in accordance with naval specification.

2. They must remain under the American flag during 20 years (their useful life).

3. They must be of the most modern design, with the most economical machinery.

4. No damages shall be collectible as the result of their requisition for war.

5. Two thirds of their crews and all of their officers must be American citizens. This means the creation of a trained nucleus available for naval duties in war time.

E. The construction of an adequate number of merchant vessels will keep open shipyards, manned by skilled labor, available in a national emergency. It will be a great aid to the unemployment problem. More ships are needed to adequately care for our foreign trade.

THIRD DEFICIENCY APPROPRIATION BILL, 1933

Mr. BUCHANAN. Mr. Speaker, I call up the conference report on the bill (H.R. 5390) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes, and I ask unanimous consent that the statement may be read in lieu of the report.

The SPEAKER. Is there objection to the request of the gentleman from Texas [Mr. BUCHANAN]?

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 5390) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes, having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 10, 11, and 19.

That the House recede from its disagreement to the amendments of the Senate numbered 3, 4, 5, 6, 8, 9, 12, 15, 16, 17, 18, 21, 22, 23, and 25, and agree to the same.

Amendment numbered 13: That the House recede from its disagreement to the amendment of the Senate numbered 13, and agree to the same with an amendment as follows: Transpose the matter inserted by said amendment to precede line 1 on page 3 of the bill, amended to read as follows:

"BUREAU OF RECLAMATION

"Palo Verde Valley, Calif.: The unexpended balance of the appropriation of \$50,000 for the protection of Palo Verde Valley, Calif., contained in the Second Deficiency Act, fiscal year 1932, approved July 1, 1932, shall remain available for the same purposes during the fiscal year 1934."

And the Senate agree to the same.

Amendment numbered 20: That the House recede from its disagreement to the amendment of the Senate numbered 20, and agree to the same with an amendment as follows: In line 1 of the matter inserted by said amendment strike out the words "War Department", and in line 5, after the figures "\$3,632.14", insert the following: "in all, under the Treasury Department, \$15,792.58"; and the Senate agree to the same.

Amendment numbered 24: That the House recede from its disagreement to the amendment of the Senate numbered 24, and agree to the same with an amendment as follows: In lieu of the last five lines of the matter inserted by said amendment insert the following: "Total, audited claims, section 4, \$110,030.92."; and the Senate agree to the same.

The committee of conference report in disagreement amendments numbered 1, 2, 7, and 14.

J. P. BUCHANAN,
EDWARD T. TAYLOR,
W. A. AYRES,
JOHN TABER,
ROBERT L. BACON,

Managers on the part of the House.

SAM G. BRATTON,
CARTER GLASS,
KENNETH MCKELLAR,
FREDERICK HALE,
HENRY W. KEYES,

Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 5390) "making appropriations to supply deficiencies in certain appropriations for

the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes", submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report as to each of such amendments, namely:

On no. 3: Appropriates \$5,000, as proposed by the Senate, for maintenance of the Senate Office Building.

On no. 4: Makes not to exceed \$400,000 of the working capital of the Government Printing Office for the fiscal year 1934 available, as proposed by the Senate, to enable the Public Printer to comply with the provisions of law granting 15 days' annual leave of absence with pay to employees.

On nos. 5 and 6, relating to the Bureau of Indian Affairs: Appropriates \$10,000 from the funds of the Indians of the Truxton Canyon Reservation, Ariz., to be expended in the eradication of scabies in livestock; and continues available during the fiscal year 1934 the unexpended balance of the appropriation made for the fiscal year 1933 from tribal funds for attorneys' fees and expenses for the Menominee Tribe of Indians of Wisconsin.

On nos. 8, 9, 10, and 11, relating to the Department of State: Makes available by transfer, as proposed by the Senate, the additional sums of \$60,000 for the fiscal year 1933 and \$20,000 for the fiscal year 1934 for salaries of Foreign Service officers while receiving instructions and in transit; strikes out the authority, inserted by the Senate, for the use of not to exceed \$1,500,000 to make expenditures arising in connection with fluctuations in rates of exchange between March 1, 1933, and June 30, 1934; and strikes out the appropriation of \$10,000, inserted by the Senate, to pay the expenses of the American group of the Interparliamentary Union.

On no. 12: Appropriates \$21,000, as proposed by the Senate, for flood control on Lowell Creek, Alaska, for protection of the city of Seward.

On no. 13: Continues available for the fiscal year 1934, as proposed by the Senate, the unexpended balance of the appropriation for the fiscal year 1933 for flood protection of the Palo Verde Valley, Calif., and transfers the item to the appropriate place in the bill.

On no. 15: Appropriates \$4,519.92, as proposed by the Senate, for the payment of authorized damage claims certified to Congress after the bill had passed the House.

On nos. 16, 17, 18, 19, 20, 21, and 22, relating to judgments of United States courts: Appropriates for the payment of judgments rendered against the United States and certified to Congress for appropriation after the bill had passed the House. Textual corrections are made in the appropriating paragraphs to conform to the certifications.

On no. 23: Appropriates \$719,670.55 for the payment of judgments of the Court of Claims certified to Congress after the bill had passed the House.

On nos. 24 and 25: Appropriates \$110,030.92 and \$13,569.10, respectively, for the payment of audited claims allowed by the General Accounting Office and certified to Congress for appropriation after the bill had passed the House.

The committee of conference report in disagreement the following amendments of the Senate:

On no. 1: Appropriating \$9,000 to pay the widow of Thomas J. Walsh, late a Senator from the State of Montana; \$9,000 to pay the widow of R. B. Howell, late a Senator from the State of Nebraska; \$20,000 for miscellaneous expenses of the Senate; and \$22,275 for additional police for the Senate Office Building.

On no. 2: Appropriating \$8,500 to pay the widow of Clay Stone Briggs, late a Representative from the State of Texas.

On no. 7: Making \$70,000 of unexpended balances of appropriations available for expenses of the United States for participation in the Seventh International Conference of American States to be held in Montevideo, Uruguay.

On no. 14: Paragraph 6, section 201 (a), of the Emergency Relief and Construction Act of 1932 (Public Resolution No. 2, approved March 23, 1933), authorized the Reconstruction Finance Corporation to make loans for financing the repair or reconstruction of buildings damaged by

earthquake during the year 1933. This amendment proposes to extend the scope of the authority to include buildings damaged by "tornado or cyclone" without increasing the total amount of loans authorized by the paragraph.

J. P. BUCHANAN,
EDWARD T. TAYLOR,
W. A. AYRES,
JOHN TABER,
ROBERT L. BACON,

Managers on the part of the House.

Mr. BUCHANAN. Mr. Speaker and Members of the House, if you will give me your attention for a minute I will render you an accounting of the stewardship of the conferees on the part of the House.

This bill, as it passed the House, carried a total appropriation of \$45,891.44. As it came back from the Senate it carried a total of \$1,004,597.55, or an increase by the Senate of \$958,706.11. However, it is only fair to the Senate to state that the large increase in this bill made by that body was caused principally by judgments of the United States courts and the Court of Claims, audited claims allowed by the Comptroller General, and damage claims authorized by law and settled and certified by the heads of departments. Those items aggregate \$853,931.

In addition to them, there is an item of \$20,000, put on by the Senate to cover expenses of the impeachment trial of Judge Louderback. There are also 15 additional police provided for the Senate Office Building, amounting to \$22,275. Maintenance of the Senate Office Building is \$5,000. There is a total for the Senate's expenses of \$47,275. The other items agreed to by the House are to be met by the use of funds already appropriated. Not to exceed \$400,000 of the working capital of the Printing Office is made available to grant 15 days' leave with pay to the employees of that office to which they are entitled under the law and which the employees of all other departments get.

That comprises the Senate items of increase in the bill to which your conferees agreed. There are some that we did not agree to. For instance, we objected to and struck out the appropriation of \$10,000 for expenses of delegates to attend the Interparliamentary Union. We thought that was not necessary and that now was not the proper time to spend money for that proposition. The Budget sent up an estimate to permit the use of \$1,500,000 of State Department appropriations, to pay the difference in exchange in foreign countries before we went off the gold standard and after we went off the gold standard, to the employees in foreign service and on account of other expenses. That we cut out. The Senate added that amendment, based on the Budget estimate. I can see no reason why this Government should pay employees of the State Department the difference in the value of the American dollar in foreign countries before we went off the gold standard and after we went off the gold standard. If we paid in that Department, why should we not pay the difference in every other department? For instance, the Departments of Agriculture and Commerce, the Coast Guard, the Public Health Service, the Army, Navy, and other agencies have foreign service and foreign service employees. The following table is a list of these services:

Table showing average number of employees of the United States Government in foreign countries and total expenditures for maintaining the principal services during the fiscal year 1933

	Number of employees	Total expenditures
Department of Commerce (Bureau of Foreign and Domestic Commerce).....	178	\$1,164,000
Tariff Commission.....	6	29,000
Treasury Department (Bureau of Customs).....	94	376,000
Labor Department (Immigration Service).....	81	223,000
Treasury Department (Public Health Service).....	180	321,000
State Department.....	3,850	9,800,000
War Department.....	70	340,000
Navy Department.....	16	104,000
Agriculture Department.....	68	188,000
Total.....	4,543	12,545,000

¹ Does not include officer or enlisted personnel assigned on foreign station.

Therefore, to make an appropriation for the State Department to pay the difference in the exchange value of the American dollar in foreign countries before and after we went off the gold standard would require us to make appropriations to pay the difference to the employees of every other department. Not only that, but if we paid employees in Foreign Service the difference in the purchasing power of the American dollar before we went off the gold standard and afterward, why should we not pay it to the employees in the United States as well? Therefore when the Senate put on this amendment I called the conferees of the House together, summoned a representative of the State Department, and conducted a hearing. As a result, your conferees were unanimous in turning down that appropriation. [Applause.]

Now, if there are any questions which any gentleman desires to ask about this bill, I shall be glad to try to answer them.

Mr. McFARLANE. I should like to ask the gentleman a question with reference to amendments 8 and 9. I heartily approve of the statements which the gentleman just made regarding amendment no. 10, but I notice under amendments 8 and 9 we are appropriating for Foreign Service officers \$80,000; \$60,000 under amendment no. 8 and \$20,000 under amendment no. 9. I should like an explanation of that.

Mr. BUCHANAN. That is the usual and customary practice on change of administration. There is a complete set of high officials in our Foreign Service to be appointed by the Democratic administration, to take the place of those now representing us in foreign countries, appointed by the Republican administration.

All these new appointees have to go through several weeks of instruction before they go to their posts to manage the affairs of our country diplomatically, as they call it. As far as I am concerned, I do not believe in diplomacy, I believe in speaking right out in meeting and defining a nation's position, but that is not the practice of the nations of the world. So this money is necessary to pay the salary of the new appointees while they are going through their period of instruction in this country and while they are en route to their foreign posts.

Mr. McFARLANE. Mr. Speaker, will the gentleman yield?

Mr. BUCHANAN. I yield.

Mr. McFARLANE. Is there anything in it in the way of additional gratuity to those who will be retiring from the Foreign Service whose positions will be taken by the new appointees? It says something about incidental expenses, office and living quarters in the Foreign Service.

Mr. BUCHANAN. No; they just hold on there until the time comes for them to come back.

Mr. TAYLOR of Tennessee. Mr. Speaker, will the gentleman yield?

Mr. BUCHANAN. I yield.

Mr. TAYLOR of Tennessee. I should like to have the gentleman's interpretation of the section in reference to the Reconstruction Finance Corporation.

Mr. BUCHANAN. That section will come up for discussion later, and a separate vote will be had upon it. Suppose we defer discussion of the matter until then?

Mr. TAYLOR of Tennessee. That is satisfactory.

Mr. BUCHANAN. Does the gentleman from New York desire any time to explain the conference report?

Mr. TABER. Not at present.

Mr. BUCHANAN. Then, Mr. Speaker, I move the previous question on the adoption of the conference report.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

The SPEAKER. The Clerk will report the first amendment in disagreement.

The Clerk read as follows:

Senate amendment no. 1, page 2, line 3:

"To pay to Nieves Maria P. C. Walsh, widow of Hon. Thomas J. Walsh, late a Senator from the State of Montana, \$9,000.

"To pay Alice C. Howell, widow of Hon. R. B. Howell, late a Senator from the State of Nebraska, \$9,000.

"For miscellaneous items, exclusive of labor, fiscal year 1933, \$20,000.

"Police force for Senate Office Building, under the Sergeant at Arms: 15 privates at the rate of \$1,620 per annum each, fiscal year 1934, \$22,275."

Mr. BUCHANAN. Mr. Speaker, I move to recede and concur with an amendment.

The Clerk read as follows:

Mr. BUCHANAN moves that the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with the following amendment:

"In lieu of the matter inserted by such amendment insert the following:

"SENATE

"To pay to Nieves Maria P. C. Walsh, widow of Hon. Thomas J. Walsh, late a Senator from the State of Montana, \$8,500.

"To pay to Alice C. Howell, widow of Hon. R. B. Howell, late a Senator from the State of Nebraska, \$8,500.

"Appropriations for the allowance of an amount equal to a year's salary at the rate payable to a Senator or Representative at the time of his death are authorized hereafter only for the following dependents of any Senator or Representative who dies during his term of office: (a) The widow, if such sum is necessary for her support and/or the support and education of her dependent child or children, or, if there be no widow, (b) the dependent child or children (or the legal guardian thereof) if such sum is necessary for the support and education of such child or children. Any appropriations made hereunder shall be disbursed, respectively, by the Secretary of the Senate and the Sergeant at Arms of the House of Representatives. This paragraph shall not be applicable to any widow who succeeds her husband in Congress. The term "Representative" as used herein includes Representatives, Delegates, and Resident Commissioners.

"For miscellaneous items, exclusive of labor, fiscal year 1933, \$20,000.

"Police force for Senate Office Building, under the Sergeant at Arms: 15 privates at the rate of \$1,620 per annum each, fiscal year 1934, \$22,275."

Mr. SNELL. Mr. Speaker, if I understood the amendment correctly, I make the point of order against it for the reason that it goes beyond the purview or right of the committee on conference, because it takes into consideration matters that were not in dispute between either House.

Mr. BUCHANAN. Will the gentleman reserve the point of order a moment? I want to see if I cannot induce him to withdraw it.

Mr. SNELL. I shall be pleased to withhold the point of order to allow the gentleman to explain the amendment.

Mr. BUCHANAN. My amendment only cuts out the abuses in this custom. The gentleman will recall without my mentioning names the case of a Senator who died some years ago who had no wife, who had no dependents, but who had a niece. He was extremely rich and left his niece a million dollars by his will.

In spite of that, under the custom we now have, the Senate allowed a year's salary (\$10,000) to that niece out of the Treasury of the United States. This amendment is designed to prevent that sort of abuse.

Again, if a Member dies and his wife is elected to Congress to succeed him, under the present system she gets an allowance of a year's salary and also the pay of her office. This amendment merely cuts out that year's allowance and authorizes these appropriations in future only where they are necessary for the support of dependents. It settles the question forever so it will not be coming up every Congress.

Mr. SNELL. Let me say to the gentleman from Texas that I entirely agree with every statement he has made. Individually, I never was in favor of the whole proposition, and I would be willing to have it cut out.

Mr. BUCHANAN. So would I.

Mr. SNELL. But I believe it should either be cut out entirely or that each Member should be treated exactly alike. I do not think there is any reason for going into the question of whether I have 1 child or 4 children, or whether I leave my widow any property. The question is whether you are going to do it. As a matter of fact, there is nothing in the law that authorizes these appropriations and they are subject to a point of order at any time.

Mr. BUCHANAN. I should be pleased to cut out the whole business and should be pleased if another appropri-

tion like this never was made. My amendment was only in the interest of economy. In the regular procedure, of course, if the gentleman insists upon his point of order I concede that it is good.

Mr. SNELL. I may say to the gentleman I am just as much for economy as he is and I am willing to vote now to strike it all out, but I am not willing to make flesh of one and fowl of another. I think each Member should be treated exactly like every other Member. That is my position. I will join the gentleman in cutting it out now and in cutting it out for all time if he wants to be a real economist.

Mr. BUCHANAN. I will give the gentleman an opportunity to vote that way. I ask the Speaker to rule on the point of order.

The SPEAKER. The Chair holds the proposed amendment carries additional legislation to the Senate amendment, and the Chair sustains the point of order.

Mr. BUCHANAN. Mr. Speaker, I move to concur with an amendment.

The Clerk read as follows:

Mr. BUCHANAN moves that the House recede from its disagreement to the amendment no. 1, and agree to the same with the following amendment: In lieu of the matter inserted by the Senate amendment insert the following:

"SENATE

"For miscellaneous items, exclusive of labor, fiscal year 1933, \$20,000.

"Police force for Senate Office Building, under the Sergeant at Arms: Fifteen privates at the rate of \$1,620 per annum each, fiscal year 1934, \$22,275."

Mr. TAYLOR of Colorado. Mr. Speaker, I rise to make a preferential motion.

Mr. Speaker, I move to recede and concur in the Senate amendment.

Mr. BUCHANAN. Mr. Speaker, on that I move the previous question.

The previous question was ordered.

Mr. GOSS. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. GOSS. If this motion to recede and concur is adopted, the language of Senate amendment no. 1, as passed by the Senate, in its entirety would be agreed to, would it not?

The SPEAKER. That is correct.

Mr. CARPENTER of Kansas. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. CARPENTER of Kansas. If this motion is carried, does that mean that these widows are given the money carried in the Senate amendment?

The SPEAKER. Yes.

Mr. CARPENTER of Kansas. For myself I want to protest against this practice, and I should like to have an opportunity of voting against a continuance of the practice of giving widows of Representatives and Senators this money that the widows of no other class of people get.

Mr. SEARS. Regular order, Mr. Speaker.

The SPEAKER. The question is on the motion of the gentleman from Colorado [Mr. TAYLOR] to receive and concur in the Senate amendment.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Amendment No. 2. Page 2, line 14:

"HOUSE OF REPRESENTATIVES

"To pay Lois Slayton Woodworth Briggs, widow of Clay Stone Briggs, late a Representative from the State of Texas, \$8,500."

Mr. BUCHANAN. Mr. Speaker, I move to recede and concur in the Senate amendment with an amendment.

The Clerk read as follows:

Mr. BUCHANAN moves that the House recede from its disagreement to Senate amendment no. 2, and agree to the same with the following amendment: "After the sum '\$8,500' add a comma and the following: 'to be disbursed by the Sergeant at Arms of the House.'"

The motion was agreed to.

The SPEAKER pro tempore (Mr. Woodrum). The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Page 4, line 18:

"DEPARTMENT OF STATE

"Seventh International Conference of American States, Montevideo, Uruguay: Not to exceed \$70,000 of any appropriation made for the Department of State for the fiscal year 1934 is hereby made available for the participation by the United States in the Seventh International Conference of American States to be held in the city of Montevideo, Uruguay, including personal services without reference to the Classification Act of 1923, as amended, and rent, stenographic reporting and translating services by contract if deemed necessary, without regard to section 3709 of the Revised Statutes (U.S.C., title 41, sec. 5); traveling expenses (and by indirect routes if specifically authorized by the Secretary of State); hire of automobiles; purchase of necessary books and documents; stationery; official cards; newspapers and periodicals; printing and binding; entertainment; equipment; and such other expenses as may be authorized by the Secretary of State, to remain available until June 30, 1934."

Mr. BUCHANAN. Mr. Speaker, I move to recede and concur in the Senate amendment.

Mr. BLANTON. Will the gentleman yield to me?

Mr. BUCHANAN. Mr. Speaker, I yield to my colleague the gentleman from Texas [Mr. BLANTON].

Mr. BLANTON. Mr. Speaker, the motion to recede and concur in the Senate amendment, as made by my colleague, is a preferential motion and takes precedence of all others. But for this I would move to disagree to this amendment, which seeks to appropriate \$70,000 out of the Public Treasury to permit certain officials of the State Department to take a round-about pleasure trip to Montevideo, Uruguay. In my opinion, this is just another junket, pure and simple. This time it is a \$70,000 junket. Week before last it was a \$250,000 junket proposed by our friend from New York, Dr. SROVICH, which might have cost as much as \$500,000, but we defeated that one and killed it by a vote of this House, which saved that money for the people. Last week it was another \$250,000 junket that was proposed by our good friend from New York [Mr. CELLER], and the Speaker sustained my point of order against it and we killed it and saved the money in the Treasury. Last Saturday it was a \$48,500 junket which our other good friend from New York [Mr. BLOOM] tried to get through, but by a vote of the House we struck out the enacting clause of the bill and killed it and saved that \$48,500 for the people.

I know that my good friend and colleague from Texas [Mr. BUCHANAN], the distinguished chairman of the great Appropriations Committee of this House, is for economy and is against junkets; and it is my belief that he would never agree to this proposal to appropriate this \$70,000 were it not for the fact that it was requested by the State Department. There are numerous officials in the State Department who are always wanting to take trips in foreign countries. I wish that all of you knew just how many trips abroad some of them have made, and just how much was spent on such trips. And when officials from these various departments want to go abroad, they find some way of getting their plans approved by the White House. And whenever any Member takes the floor to oppose their plans, he not only has to go up against some committee but some of the department chiefs themselves will try to hamstring him.

I call your attention to what happened on this floor last Saturday, when I made the motion to strike out the enacting clause and kill the bill to spend \$48,500 attending an Institute of Agriculture in Rome, Italy. My friend from New York [Mr. BLOOM] read what he claimed was a telephone message which he said had just come from Mr. Carr, Assistant Secretary of the State Department, in which he claimed Mr. Carr said:

If Mr. BLANTON discusses further information received by him from the Department of State about expenditures for the institute, I suggest you request that he read the letter to the House, and any statement that may have accompanied it. In his debate of yesterday he misstated facts that were communicated to him.

I immediately challenged it, and I quote the following colloquy from page 3832 of last Saturday's RECORD, to wit:

Mr. BLANTON. I challenge that purported statement from Mr. Carr, and I challenge any Member here to produce such an as-

sertion signed by him. I know that Mr. Carr would not sign such an assertion. Every quotation I made yesterday from his letter was absolutely correct, and I have his letter here to prove it. I challenge him or anyone else to show any misquotation. He cannot do it to save his life.

Mr. BLOOM. I am only reading the message that Mr. Carr sent.

Mr. BLANTON. You have no such statement signed by Mr. Carr. I challenge you to produce such a one over his signature. Here is the letter from Mr. Carr dated May 17, 1933, and if you will compare it with the quotations I made from it yesterday, now in the RECORD, you will see that I did not misquote him in any particular. He cannot show a single quotation that is incorrect. He cannot do it to save his gizzard. [Laughter.]

As a matter of fact, the following is the only part of Mr. Carr's statement that I had quoted in my speech last Friday, and every word of it had been quoted correctly, and the quotation appears on page 3765 of last Friday's RECORD, as follows, to wit:

Mr. BLANTON. To give you an idea of just how each delegate we send to Europe spends public money that we take from the people back home in taxes, I remember that on May 8, 1928, there was held in Rome, Italy, what the Italian authorities called an International Conference on Literary and Artistic Property. Of course, we had to attend it. There is always somebody who wants to attend. As a United States delegate there was a Mr. Thorvald Solberg, already employed on a salary, and he is an able, capable man, and I have high respect and regard for him, and the following is a correct statement of the expenses of his trip to Rome, which I got direct from the State Department, to wit:

Steamship fare, New York to Cherbourg, and railway fare, Cherbourg to Paris and return	\$634.00
Railroad fare, Washington to New York	8.14
Pullman fare, Washington to New York	1.88
Miscellaneous traveling expenses and per diem allowances in Europe	633.39

Total..... 1,277.41

And that \$1,277.41 for Mr. Thorvald Solberg's junket abroad was paid out of the Public Treasury with tax money wrung from the pockets of taxpayers whose shoulders are overburdened.

When on Sunday morning in reading the RECORD I found that Mr. BLOOM had published the purported statement from Mr. Carr that was wholly untrue, I immediately wrote to Mr. Carr and enclosed him the RECORD for both Friday and Saturday, and called his attention to the fact that in the matter I had quoted from his letter, every word was quoted correctly, and I requested of Mr. Carr that he correct the erroneous statement attributed to him, and I have received a letter from him acknowledging that I had not misquoted his letter and apologizing for his action. Omitting all of his extended reasons for telephoning the committee, which are not pertinent to the retraction, I read that part of his letter which does retract his unjust assertion, to wit:

DEPARTMENT OF STATE,
Washington, May 23, 1933.

The Honorable THOMAS L. BLANTON,
House of Representatives.

MY DEAR MR. BLANTON: I have your letter of May 21, and I regret more than I can tell you the construction placed upon a telephone message which Mr. BLOOM read to the House on Saturday during the debate upon House Joint Resolution 149. I wish to assure you at the outset that I had no thought whatsoever of alleging that you had misstated the facts which I had communicated to you in my letter of May 18. You made only one quotation from my letter, and that was correct. You have always been entirely fair with me, and I have no reason whatever to presume that you would consciously misstate any fact I might communicate to you. * * * If I was in error in the course I took, I am extremely sorry and apologize. Certainly, I had no intention to doing more than to assist the chairman in getting all the facts clearly before the House.

Very sincerely yours,

WILBUR J. CARR.

The above shows that my confidence in Mr. Carr was not misplaced. I deem him one of the most efficient officials in the service of the Government. You will note his statement—

You made only one quotation from my letter and that was correct.

This shows that a great injustice was done me last Saturday when Mr. BLOOM read into the RECORD a telephone message from Mr. Carr that I had misstated facts, the precise words being—

In his debate of yesterday he misstated facts that were communicated to him—

when Mr. Carr himself now frankly admits that I made only one quotation from his letter and that was correct.

But the question now before us is whether we are going to spend \$70,000 for a conference at Montevideo, Uruguay. Are we in such splendid financial condition that we have \$70,000 cash to throw away on such a conference? Are our people free from burdensome taxes? Have we met all of our financial obligations? Have we plenty of money to spend freely? Are all of our American citizens happy with lucrative jobs? Are all of our disabled American veterans being treated justly and generously? Are they all happy and satisfied? These are questions that have been running through my mind during these closing days of Congress, when so many different kinds of junkets are being almost daily proposed.

Mr. KELLER. Will the gentleman yield?

Mr. BLANTON. I am sorry that I have not the time. Otherwise I would gladly yield to my friend.

Our great President just now is using every effort in his power to economize and get this Government back on its feet financially. You have voted to sustain him. You have voted to take away from the disabled soldiers of the World War a part of their compensation that they need and which their wives and little children sadly need for their support. You voted to take away from the Spanish-American veterans a part of their compensation that they need to support their wives and children, when they are disabled and unable to work. We must correct the many injustices which have been done to our veterans before we vote to spend \$70,000 on a junket to Montevideo, Uruguay.

Mr. O'MALLEY. Will the gentleman yield?

Mr. BLANTON. I am sorry, but I have not the time.

Mr. KELLER. We do not know what the gentleman is talking about.

Mr. BLANTON. I am talking about the unwisdom of these \$70,000 junkets. I am trying to stop this proposed spending of \$70,000 to attend a conference at Montevideo, Uruguay. In my judgment, it is a \$70,000 junket. It is unnecessary. Now, does the gentleman know what the issue is?

Mr. KELLER. No; because the gentleman is talking about something else.

Mr. BLANTON. Incidentally, I have mentioned that we must first correct the great injustices which our Veterans' Administration has done our veterans before we spend \$70,000 on a junket to Montevideo, Uruguay. The time has come when we must appeal to the President to adjust these injustices and to right these wrongs, for I know that the President is sympathetic and I have confidence in him.

I hope we will stop this \$70,000. The House did not put it in this bill. It could not have been put in the bill here in the House. It would have been subject to a point of order, and I would have made a point of order against it and would have stopped it, but in another body, the Senate can put in all kinds of legislation in an appropriation bill and we cannot stop it. But we can vote it out.

Mr. BUCHANAN. Will the gentleman yield?

Mr. BLANTON. Always to my distinguished chairman.

Mr. BUCHANAN. As a matter of fact, this is a request of the President through the Budget, and, as a matter of fact, it is authorized by treaty between the United States and all the Americas.

Mr. BLANTON. Mr. Speaker, I have been hearing that "treaty" business for nearly 20 years, every time I have tried to stop one of these junkets.

Mr. BUCHANAN. This is the first time the gentlemen has heard it from me, and it is the truth.

Mr. BLANTON. Simply because we have minor treaties authorizing conferences, does not compel us or any other country to spend \$70,000 attending a conference. I have been trying to stop these so-called "junket trips" for nearly 20 years and every time the excuse is offered that some little treaty requires it. If there is, we have the right now to stop spending the sum of \$70,000 on a junket to Montevideo. All of the South American countries would be glad, for it would save them money they cannot afford to spend.

Mr. BRITTEN. Will the gentleman yield?

Mr. STUDLEY. The Senate agreed to it.

Mr. BLANTON. The gentleman has not yet found out how they do things over there. Possibly some one Senator put it over.

There is going to be called up here under a special rule today a bill to provide an additional \$50,000,000 to be loaned to insurance companies. There was a provision in that bill to not loan any money to any insurance company that paid any of its officials a salary larger than \$17,500. But the Committee on Banking and Currency has stricken such limitation from the bill and left it entirely to the discretion of the Reconstruction Finance Corporation. In such connection I want my colleagues to remember that in 1929 the Equitable Life Insurance Co. paid its president, Mr. T. I. Parkinson, a salary of \$75,000, and in 1932 it increased his salary to \$100,000 per annum. The Prudential Insurance Co. is paying its president, Mr. E. H. Duffield, an annual salary of \$125,000. In 1929 the New York Life Insurance Co. paid its president, Mr. T. A. Buckner, a salary of \$100,000 per annum, and in 1932 it increased his salary to \$125,000 per annum. The Mutual Life Insurance Co. of New York in 1929 paid its president, Mr. David F. Houston, a salary of \$100,000 per year, and in 1932 it increased his salary to \$125,000 for that year. In 1929 the Metropolitan Life Insurance Co. paid its president, Mr. E. F. Ecker, a salary of \$175,000, and for the year 1932 it increased his salary to \$200,000 per year. A salary of \$200,000 per annum is too much; \$200,000 per annum is not earned as a salary. It is outrageous; and especially is it outrageous when these companies are coming now to the Government of the United States to get laws passed so they can borrow an additional \$50,000,000 so that they can continue to pay such unreasonable and inexcusable salaries.

And when I think of such a situation as the above, and then think what has been brought to light yesterday and today about the house of Morgan, it makes my blood boil to think that disabled American soldiers who brought home victory from France, have been cut off from compensation, and are now suffering because it is claimed we are unable to pay them. It makes my blood boil to think that the Veterans' Administration is now demanding of veterans of the Spanish-American War, 35 years after it is over, that they produce evidence sufficient to prove that their disabilities are of service origin. I have just received a letter from Mr. Charles S. Taylor, rehabilitation officer of the Disabled American Veterans of the World War, of Dallas, Tex., in which he says:

In addition to the cases I cited to you in my former letter, I want to refer to you a few more actual battle casualties which came to my attention the past week. Without going into detail any more than to state that these cases were all battle casualties, the following cuts were effected:

\$50 cut to nothing.
\$40 cut to \$20.
\$100 cut to \$40.
\$34 cut to \$8.
\$29 cut to \$20.
\$34 cut to \$8.
\$50 cut to \$20.
\$81 cut to \$40.
\$15 cut to \$8.
\$50 cut to \$20.

This bears out the statement in my last letter that the cases cited were just about the same as is happening to all battle casualties. The new rating schedule is to blame for this and not the President's instructions. While the President's instructions allow \$20 extra per month for the loss of a hand, foot, or eye, in making the rating schedule this original \$20 was taken into consideration and the degree of disability lowered accordingly. In one of the cases cited above the man has five separate disabilities all due to gunshot wounds received in action. Under the new rating schedule 3 of these show a 25-percent disability, 1 a 15-percent, and 1, 10-percent. The method of combining disabilities under the new rating schedule allows this man a total of \$40 for all five of these disabilities.

Does not the above make your blood boil? It does mine. And the following are the headlines in this morning's press:

J. Pierpont Morgan and his 19 multimillionaire partners paid no income taxes whatever to the Government in 1931 and 1932.

And then, the subheadlines:

\$21,071,862 written off as losses in 2 days in January 1931.

And then, the following interesting news item in today's paper:

J. P. Morgan testified today that he paid taxes in England in 1931 and 1932, the years in which he paid no income tax in the United States.

They say that Andrew W. Mellon and associates profited about \$400,000,000 from the war. They say that because of the war Morgan and his associates increased their holdings about \$600,000,000. They say that there are numerous other multimillionaires who increased their holdings a total of several billion dollars because of the war. I am in favor of passing a law that will make each and every one of them dig up these undeserved and unearned profits of the war, and use same to pay the adjusted-compensation certificates which are a debt of honor due our veterans.

We must have a general house-cleaning respecting these Mellons, Mills, Meyers, and Morgans, and take from them the reins of government, and preserve this Republic for the people once more. As Christ whipped the money changers from the temple, we are looking to the President of the United States to keep his pledge, and see to it that every department of this Government is absolutely free of such contaminating influence. I have confidence in the President. You have confidence in him. The people of the United States have confidence in him.

In conclusion, let me state that we should not allow this \$70,000 to be spent on this proposed junket to Montevideo. We ought to keep it in the Treasury. We need it for other purposes. It will mean much to the disabled veterans whose compensation the Veterans' Administration is cutting deep and cruelly. I am standing by the President, but I am at the same time doing what I believe he wants to do—seeing that justice is done our soldiers of this Republic.

Mr. BRITTEN. Mr. Speaker, I desire to submit a unanimous-consent request.

The SPEAKER pro tempore. The time is under the control of the gentleman from Texas.

Mr. BUCHANAN. Mr. Speaker, I yield 3 minutes to my colleague the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Speaker, I guess I am about as hard-boiled as anybody in the House in regard to spending money. I believe that it will be a great damage to the United States if we are not represented at the Pan American Conference at Montevideo.

The Pan American Union was organized by the governments, with the idea that the American states standing together would create a better feeling.

Now, for us to say that we will not send a delegation there would be ridiculous. It would destroy the good will that we might have with every South American country. It would be absolutely ridiculous for us to say that we would not spend a few thousand dollars which it costs to provide for the American representation at this conference.

Frankly, if it was a matter where we could save money and get along I would be in favor of saving the money. But this is a case where if we spend \$70,000 it will return to us many thousandfold in good will that will be created among the different countries.

Mr. MAY. Will the gentleman yield?

Mr. TABER. Yes.

Mr. MAY. Does not the gentleman think that we could save this \$70,000 and devote it to the hospitals of the country to take care of the sick veterans?

Mr. TABER. We have more hospital facilities now than we need.

Mr. BRITTEN. Will the gentleman yield?

Mr. TABER. Yes.

Mr. BRITTEN. I have been reliably informed within the last few days that when the President of the United States invited the diplomats of other countries to call on us during the past 30 days their expenses were paid out of the contingent fund of the State Department.

Mr. TABER. I never heard of it, and I do not see why they should do that.

[Here the gavel fell.]

Mr. BUCHANAN. Mr. Speaker, I yield 2 minutes to the gentleman from Illinois [Mr. KELLER].

Mr. KELLER. Mr. Speaker, I am glad to have the criticism of the gentleman from Texas [Mr. BLANTON]. I am glad to stand here and hear him say that we are going to correct the mistake we made heretofore. I am glad he called attention to the fact. The gentleman from Texas voted for the so-called "economy bill."

Mr. BLANTON. The gentleman is not with the President.

Mr. KELLER. I am endeavoring to serve the people of my country. I am going to help them if I can. The gentleman from Texas has had a change of heart, I am glad to say.

Mr. MOTT. Will the gentleman yield?

Mr. KELLER. Yes.

Mr. MOTT. I was going to ask the gentleman from Texas [Mr. BLANTON] when he mentioned the matter and suggested that the time had come for Congress to correct the mistake it had made, how he proposed to correct it.

Mr. BLANTON. We are going to give back a part of the compensation to the veterans.

Mr. MOTT. You cannot do anything now for the veterans, for you have turned it all over to the President of the United States. In order to do anything for the veterans now, you will have to go to the President.

Mr. KELLER. I want to say that I know the difference between good economy and bad economy. The gentleman from Texas [Mr. BLANTON] does not. I think we ought to carry out our contract with the South American states. I do not believe that in the name of economy we should stop all expenditures. That is bad economy, and we ought to carry out our treaty obligations.

Mr. McFADDEN. Mr. Speaker, will the gentleman yield?

Mr. BUCHANAN. Does the gentleman want to speak on the bill?

Mr. McFADDEN. Yes.

Mr. BUCHANAN. Mr. Speaker, I yield 5 minutes to the gentleman from Pennsylvania.

Mr. McFADDEN. Mr. Speaker, I am heartily in favor of this appropriation. I believe it is a part of wisdom on the part of the United States to enter into these understandings and these meetings with the South American countries. I am fearful, however, that we have lost our great opportunity by not having a closer relationship with these countries, while we have been occupying our time with European troubles and involvements. I think it is well for us at all times to keep a close relationship with peoples of North and South America. Therefore I am heartily in favor of this proposition.

I should like, however, to call the attention of the House to the situation in respect to our further involvements abroad in these conferences. At present we have at Geneva an unofficial ambassador, Mr. Norman H. Davis, who yesterday attempted to speak for the United States and did further involve the United States in a consultative pact. That which Secretary Stimson started to do and failed to do Mr. Davis has done.

Mr. O'CONNOR. Mr. Speaker, I make the point of order that the gentleman is not speaking to the amendment.

Mr. McFADDEN. I am speaking to the question of these conferences.

Mr. O'CONNOR. But this is a particular conference provided in this bill, and the gentleman promised when he took the floor that he would confine his remarks to this matter.

Mr. McFADDEN. I am confining my remarks to the question of these conferences.

The SPEAKER pro tempore (Mr. Woodrum). The gentleman from Pennsylvania will proceed to discuss the matter before the House, which is Senate amendment no. 7.

Mr. McFADDEN. If I am deprived of discussing other conferences, then, of course, I shall have to desist.

The SPEAKER pro tempore. The gentleman yields back the remainder of his time.

Mr. McFADDEN. Mr. Speaker, inasmuch as I was not permitted to say what I intended to say, under leave which

has been granted to extend my remarks, I am taking advantage of it because of what has happened in Washington today. Before the Senate Banking and Currency Committee a preferred list of friends who are permitted to sit in on underwritings and deals of J. P. Morgan & Co. to the advantage of themselves and oftentimes to the detriment of the public was disclosed. Among others the name of Norman H. Davis was listed in this confidential relationship between J. P. Morgan & Co. and this preferred group.

For the past several years I have been calling attention to the work abroad, under four Presidents, of Norman H. Davis, and I have pointed out that in this capacity he was the representative of the international banking group, headed by J. P. Morgan & Co., and that he was not the representative of the American people but the agent of these international banking houses appointed by Presidents. I have pointed out how he has sat in unofficially, and sometimes officially, but always present at these great international conferences which dealt with armistice, war debts, Versailles Treaty, meetings at London, Paris, Geneva, and wherever international meetings involving the United States were held. This disclosure in the Senate Banking and Currency Committee today into the affairs of J. P. Morgan & Co. shows the close relationship that exists between this firm and Mr. Davis.

Yesterday at Geneva Mr. Davis made an announcement to the Disarmament Conference which involves the United States in European affairs to a greater extent than it has ever heretofore been involved, and to this involvement I am free to say that a majority of the people of the United States are opposed.

During the Hoover administration Mr. Davis was supposed to be the personal representative of President Hoover. When the Roosevelt administration came in, and, in fact, prior to March 4, Mr. Davis was called into conferences held by and between Presidents Hoover and Roosevelt.

Wall Street is a very versatile institution. It has in turn promoted wars, railroads, industries, and governments—and it has always made money for itself. Now it is adventuring in a new field. It is seeking new profits under the protection of the dove and the olive branch. Wall Street is about to incorporate the international conference industry.

As a preliminary step in this new program of financial flotation, Wall Street has its attorneys on the ground in the persons of Norman H. Davis and his adviser, Allen W. Dulles, to so organize the conference industry or the peace industry that securities based upon either or both can be sold directly or otherwise to the public. The past history of Wall Street does not encourage any conclusion that an object other than profits can be the impelling force behind its actions.

Sullivan & Cromwell, attorneys at law, have in the course of their practice approved the legal construction of a great many securities which have been sold to the American public. Among the many corporations whose securities they have shaped and recommended for investment have been the Goldman-Sachs structure, sold up to \$209 and now quoted at \$2; Central States Electric, sold up to \$83 and now quoted at \$1.50; and North American Co., sold up to \$186 and now quoted at \$16. An examination into the conduct of the Goldman-Sachs enterprise would disclose dubious operations by J. P. Morgan & Co. and the Goldman-Sachs officials which resulted in huge losses to the investing public and the defrauding of the Government of vast sums which should have been paid as income tax by the insiders.

Sullivan & Cromwell have evidently served their Wall Street clients well, but the cost of that service to the American public has been something that few of us would care to see repeated.

Allen W. Dulles, partner in the law firm of Sullivan & Cromwell, is the legal and economic adviser to Norman H. Davis, who in turn is an unconfirmed but nevertheless active ambassador to the Economic Conference and the Disarmament Conference. Mr. Dulles seems to enjoy the status of an unconfirmed counsel to an unconfirmed ambassador.

These unconfirmed representatives of our interests must have some impelling reason for their expenditure of energy. Since neither this body nor the Senate has given either gentleman any authority to discuss the affairs of the United States with the representatives of foreign nations, they must draw their authority from some other source. In the case of Mr. Dulles, his membership in the firm of Sullivan & Cromwell suggests that the clients of that firm are his inspiration. One may be pardoned for presuming that Wall Street is going into the conference business in a really big way.

The conference industry has been a costly one for the people of the United States—even more costly than the promoted practice of speculating in so-called "securities." In both the inspiration is the same—the profit of someone other than ourselves. The coming conferences are to deal with foreign trade, we are told. For every dollar of merchandise we have exported in the past dozen years we have also exported more than a dollar in American money, money that is never coming back to us.

It is pleaded that foreign trade will restore our prosperity. Foreign trade ruined our prosperity. Our exports came to an end because we could no longer afford to lend to the foreign buyer the money to pay for our goods. The foreigner did not pay the bills for our exported wares; we paid them.

The object of the pending London conference is stated to be the opening of our markets to foreign exporters. The real object—which is not stated—is to discover new means of milking the shrunken resources of the American people into foreign pockets. I would be glad to be told of any international conference in which we have participated in the past 25 years which has brought us anything but disaster.

Peace? Yes; we want peace and the world wants peace; but peace is not born in conferences with war lords.

Speaking of the London Economic Conference, and supplementing what I have said on the floor of the House during the past 2 days, I now want to quote an Associated Press article appearing in the Washington Post this morning under a London headline, May 23:

British financial circles expect currency discussions now pending in Washington to result in a triangular stabilization agreement between the United States, France, and Great Britain. * * *

O. M. W. Sprague, British representative in Washington, is considered here to be the mouthpiece of Montagu Norman, Governor of the Bank of England, in the currency talks. It was recalled that when Mr. Norman went to the United States last year, his efforts at disguise and secrecy failed to save him from publicity and attention.

The New York Times of today says, in speaking of the printed inflation started by Secretary Woodin, under a Washington date line:

Coincidentally Mr. Woodin announced the appointment of Prof. O. M. W. Sprague, hitherto an adviser to the Bank of England, as financial and economic adviser to the United States Government, with the rank of executive assistant to the Secretary of the Treasury.

The query naturally arises, Is Sprague with England or the United States?

The article further states that before these announcements were made Governor Black of the Federal Reserve System conferred with Governor Harrison of the New York Federal Reserve Bank and Gov. Roy A. Young of the Federal Reserve Bank of Boston.

Another report indicates that Professor Sprague may be sent to London either as a delegate or as an expert to participate in the London Economic Conference. And, again, whom is Sprague to represent? The Bank of England or the United States Treasury?

It is well for us to understand that during the past 3 years Professor Sprague has been the economic adviser of Montagu Norman, Governor of the Bank of England, and has been advising the operations of the British stabilization fund which is practically the British Treasury, and the operation of this fund has been detrimental to the best interests of the United States in that it has affected the price of the dollar and price levels.

These incidents, together with the fact that if the United States enters this London Economic Conference, it will be almost wholly unprepared to cope with the elements which will be in control, and I am thoroughly convinced that this conference should not be participated in by the United States, as the accomplishments will not be beneficial but, on the contrary, will be detrimental to the best interests of the people of the United States.

May I say that if we must have conferences, if this habit of sitting around tables and talking in whispers has seized upon us with such a grip that the addiction is incurable, let us confer among ourselves upon our own affairs. Perhaps we can find solutions to some of our domestic problems and perhaps by practice we may acquire sufficient skill to take care of ourselves away from home.

Mr. Speaker, these men whose names are discussed as our representatives in the coming conferences will not be representative of our people. They will be representative of the class which has despoiled our people. Can we look to them to guard our interests? They have not guarded us in the past. The pressure of the changing times has led the wolf to pose as a sheep dog—but he is still a wolf. We will receive no benefits until the demands of Wall Street have been satisfied—and when has Wall Street ever been satisfied?

Let us set our own house in order before we undertake to instruct the neighbors in their economic housekeeping.

Is our recurring activity in foreign affairs based upon the Old World political principle that a foreign war is the surest remedy for domestic discontent?

These are not my questions. They are the questions which are in the minds of millions of Americans who at this hour are weighing us in the balance of their opinion. Men and parliaments alike are weighed on the scales of their performance.

Wall Street has been very active in public affairs of late. The public has grown chilly toward what are playfully called "investment" offerings and the one-time important revenue from commissions on the sales of securities has dwindled to only a trickle of the former torrent. But Wall Street is a versatile institution. It adapts itself to the times. When it cannot sell, it buys. When it cannot buy, it borrows. When it cannot borrow, it lends. When it cannot lend, it collects. It always conducts itself so that it makes money.

Legislative action to reduce its profits in any one field has the effect only of forcing it to seek another field; profits always avoid control, because control may operate to restrict profits. From time to time gentlemen from Wall Street come here to tell us that we must not restrict profits.

I have from time to time criticized the course of financial events. On January 14, 1932, I said in the House that the Reconstruction Finance Corporation was designed to be an aid to bankers and not to be a remedy for unemployment or a financial relief for the public.

On February 17, 1932, the Interstate Commerce Commission made public a statement from the Missouri Pacific Railroad, which said that J. P. Morgan & Co. had refused to cooperate with the railroad by extending the maturity of one half of a debt to the Morgan house which was to be due on April 1, 1932.

There was some discussion of the fact that the Missouri Pacific Railroad borrowed money from the Reconstruction Finance Corporation and then turned that money over to J. P. Morgan & Co. in payment of that debt.

On March 31, 1933, the Missouri Pacific Railroad filed a petition in bankruptcy, stating its liabilities at \$40,589,330, of which \$23,134,800 represented the railroad's debt to the Reconstruction Finance Corporation. Evidently the railroad borrowed public money to pay its private debts and then went into bankruptcy, leaving the problem of reimbursing the Reconstruction Finance Corporation to that latter corporation to solve. The only solution the Reconstruction Finance Corporation can offer is to lay the unsecured portion of the burden on the taxpayers of the country.

Wall Street, in this instance, represented by the House of Morgan, has demonstrated its versatility. It has the money.

The Reconstruction Finance Corporation has the notes of a bankrupt.

I do not believe that the Congress should expend any part of our scanty public funds for the expenses of Mr. Dulles, Mr. Davis, or any other of the ambassadors of Wall Street in developing the profit possibilities of the conference industry, nor do I believe that the Congress, the Executive, or the country should be bound by the outcome of their maneuvers. I also believe that our domestic troubles will tax our powers to such an extent that we had best refrain from taking on any more of the load of international grief which has already nearly broken our backs.

Further, I believe that the international relations and negotiations of the United States should be conducted by men who have official warrant of authority direct from Congress. We provide liberally for our State Department and our Diplomatic Service. I am unable to see the necessity of also bearing the cost of fruitless European conferences, which to date have accomplished nothing but to add to our troubles.

To send abroad a stream of unofficial, semiofficial, and official delegates, observers, advisers, and experts would seem to be an imputation that our selected ambassadors and other officials of the State Department are not competent to perform their duties—an imputation which appears to be an injustice to those gentlemen and to the executive who selected them.

Mr. BUCHANAN. Mr. Speaker, the first conference of the "all-Americas", which includes Canada, Mexico, and all of the South American countries, was held in 1889, and was called by Mr. Blaine, then Secretary of State. It resulted in great good and tended to bring the nations of all the Americas together in harmony and good will. The next conference was held in the City of Mexico in 1901, the next in 1906, the next in 1910, the next in 1923, and the last one in 1928, and these conferences were held at various places in various countries. At one of these conferences a convention was adopted in which the delegates recommended to their respective nations that these conferences be held every 5 years, to encourage trade relationship, to solve transportation and other problems, and to suggest proper treaties and the settlement of difficulties between the different countries of this hemisphere. This is merely carrying out that treaty formally ratified in every country, that the conference would be held every 5 years. These conferences have resulted in great good, and in consideration of the problems that now confront us all, I think we should stand together.

Mr. McCLINTIC. Mr. Speaker, will the gentleman yield? Mr. BUCHANAN. Yes.

Mr. McCLINTIC. Will the gentleman say that this proposed conference could or would perform a service that is not now being taken care of by the Pan American Union?

Mr. BUCHANAN. It could and does. They work in perfect harmony with the Pan American Union. In fact, the Governing Board of the Pan American Union is the Board that calls the conference. This same conference has been postponed for 12 months. If we had the right to call it, and I investigated that, I would ask that they postpone this for a year and not call it at the present time, but the power to call it is not vested in this Nation but in the Governing Board of the Pan American Union, and if they call it and hold it, we ought to be represented. Otherwise we will undo all the good that we have done in the past years in bringing the Americas together.

Mr. McCLINTIC. Is the gentleman in a position to say whether or not the countries in South America that are now either in revolution or have had their government overthrown could find delegates to a conference of this kind in proper mind to participate in such a conference?

Mr. BUCHANAN. I think when turmoil and dissension are dividing any country in South America that is the time to have a convention to pour oil on the troubled waters.

Mr. GRIFFIN. Mr. Speaker, will the gentleman yield?

Mr. BUCHANAN. Yes.

Mr. GRIFFIN. I am in favor of this amendment, but I question the wisdom of the language in lines 5 and 6, which seems to give permission to the delegates to travel by indirect routes. What is the idea of that?

Mr. BUCHANAN. That is the idea of the State Department, and that is one of the provisions that caused this amendment to be brought to the House for a vote, because it is legislation on an appropriation bill. That compelled me to bring it back for a vote. Otherwise I would have agreed to this appropriation in conference.

Mr. GRIFFIN. Cannot the House vote on it now?

Mr. BUCHANAN. Oh, it is such a small matter that it is not worth while sending the matter back to conference. It is not going to amount to anything.

Mr. GRIFFIN. I am afraid it opens it up to criticism by our friend from Texas [Mr. BLANTON] that it may prove itself to be a junket.

Mr. BUCHANAN. If you travel the most direct route, you would have to go direct from here to the place where the convention is held. Our delegates may desire to travel through another country and meet that country's delegates and have a preliminary meeting. They could not do that without this authority.

Mr. GRIFFIN. They might go to Geneva, and that would be a junket.

Mr. BUCHANAN. It is a great advantage.

Mr. BLANTON. Will the gentleman yield?

Mr. BUCHANAN. I yield.

Mr. BLANTON. My colleague knows that as my chairman I follow him on practically everything, but the gentleman himself says he would like to put this off for a year if he could. Does not the gentleman from Texas know that if this Congress of the United States would refuse to appropriate this \$70,000 there would not be any such conference held this year?

Mr. BUCHANAN. No; I do not.

Mr. BLANTON. Other countries would follow suit, and they would save their money and put this off until next year or the year after, and we would save \$70,000 for the taxpayers of the United States.

Mr. BUCHANAN. No. The gentleman from Texas does not know it would not be held. Neither does the other gentleman from Texas know it would not be held. If it is not held, the money is not spent, and there is no harm done. If it is held, we are represented there. So what harm can be done?

Mr. BLANTON. But if we appropriate \$70,000 the other countries will feel as if they have to do the same thing, when it would be best for all of these countries to save their money this year and not have the conference.

Mr. BACON. Will the gentleman yield?

Mr. BUCHANAN. I yield.

Mr. BACON. I am informed the State Department considers this conference of the utmost importance.

Mr. BUCHANAN. Absolutely, and so does the President of the United States.

Mr. BACON. And I am informed the President of the United States considers it of the utmost importance, and he is very anxious that this conference should be held. In these times of turmoil and trouble, if we can do a little to help the peace and good will of North America, I think we should do it.

Mr. BUCHANAN. Mr. Speaker, I yield 2 minutes to the gentleman from New York [Mr. FISH].

Mr. FISH. Mr. Speaker, I am not so very enthusiastic about most international conferences. In fact, I do not look for much good from any of the European international conferences. As I said in the House the other day, we generally get it in the neck. I am afraid in the coming European conference we will lose our shirts, and we may come home like Mr. Gandhi; but this is a different matter. This is a conference with South America. I not only think it is highly important that we should attend and participate but I believe it is for the best interest of our country, particularly in these days when the British Empire is holding imperial trade conferences and giving preferential rates

to all parts of its Empire, and France is doing the same thing. I think this Pan American conference would be very helpful. I am going to make this statement, although I am a protective Republican, I always have been, and hope to always continue to be; but I believe if we are going to make any concessions in the way of trade and reduction of tariff rates it ought to be on the American continent. It ought to be toward South America, Canada, and Cuba; and if they can consider matters of this kind before this Pan American conference, I believe it will be for the best interest of all American people on this continent and for all people in our own country.

The SPEAKER pro tempore. The time of the gentleman from New York [Mr. FISH] has expired.

Mr. BUCHANAN. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the motion of the gentleman from Texas [Mr. BUCHANAN] to recede and concur in the Senate amendment.

The motion was agreed to.

The SPEAKER pro tempore. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Amendment No. 14. On page 7, beginning in line 7, insert:

"RECONSTRUCTION FINANCE CORPORATION

"That paragraph (6) of section 201-(a) of the Emergency Relief and Construction Act of 1932 is amended so as to read as follows:

"(6) to make loans to nonprofit corporations, with or without capital stock, organized for the purpose of financing the repair or reconstruction of buildings damaged by earthquake, tornado, or cyclone in the year 1933 and deemed by the Reconstruction Finance Corporation economically useful. Obligations accepted hereunder shall be collateralized (a) in the case of loans for the repair or reconstruction of private property, by the obligations of the owner of such property secured by a paramount lien except as to taxes and special assessments on the property repaired or reconstructed, and (b) in the case of municipalities or political subdivisions of States or their public agencies, by an obligation of such municipality, political subdivision, or public agency. The corporation shall not deny an otherwise acceptable application for loans for repair or reconstruction of the buildings of municipalities, political subdivisions, or their public agencies because of constitutional or other legal inhibitions affecting the collateral. The collateral obligations may have maturities not exceeding 10 years. Loans under this paragraph shall be fully and adequately secured. No loan hereunder shall be made after December 31, 1933. The aggregate of the loans made under this paragraph shall not exceed \$5,000,000."

Mr. BUCHANAN. Mr. Speaker, I move to recede and concur with an amendment.

The Clerk read as follows:

Mr. BUCHANAN moves that the House recede from its disagreement to the amendment of the Senate numbered 14, and agree to the same with the following amendment: In line 8 of the matter inserted by said amendment, after the word "earthquake", insert the word "fire."

The SPEAKER pro tempore. The question is on the motion of the gentleman from Texas [Mr. BUCHANAN].

The motion was agreed to.

On motion by Mr. BUCHANAN, a motion to reconsider the vote by which the motion was agreed to was laid on the table.

PERMISSION TO ADDRESS THE HOUSE

Mr. KVALE. Mr. Speaker, I ask unanimous consent to address the House for 4 minutes.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Minnesota [Mr. KVALE]?

There was no objection.

Mr. KVALE. Mr. Speaker, this morning's RECORD contains an earnest, forceful, and constructive statement by the gentleman from Texas [Mr. KLEBERG] with reference to the Economy Act as it applies to veterans. One statement, or, rather, a quotation in that statement of the gentleman from Texas has aroused my curiosity. That will be found on page 4023 of the RECORD. That statement reads:

There are no funds available to pay return transportation for beneficiaries discharged.

That is, discharged from veterans' hospitals and from soldiers' homes.

I have tried to reconcile that statement that no funds are available to pay return transportation of veterans discharged from soldiers' homes and hospitals, with the statement which appeared in last night's news reports of the payment of return transportation to those who had been in attendance at the bonus convention of the B.E.F.

The article in last night's paper stated that the transportation was being supplied, not out of the fund which would apply as a lien against the bonus of those veterans, the remaining half of which is unpaid, but out of the general funds of the administration. I thought if those funds were available for that purpose, certainly similar funds should be available to pay for the destitute, disabled, sick, and discouraged men who are turned out of these hospitals and homes as a result of the operation of this act.

Mr. FISH. Will the gentleman yield?

Mr. KVALE. I yield.

Mr. FISH. I am sure the gentleman is correct, because not only do they use those funds for that purpose, but I understand they used those funds to hire the hall here at \$300 a day in which to hold the convention, and they paid \$1,000 a day to bring truck loads of delegates to the meeting.

Mr. KVALE. I hope the gentleman will have regard for my limited time; I have only 4 minutes.

Mr. FISH. I am asking by what authority of law that was done.

Mr. KVALE. I am coming to that.

Mr. KLEBERG. Will the gentleman yield?

Mr. KVALE. I yield.

Mr. KLEBERG. I have in my hand by coincidence a letter from a veteran evidently completely patriotic and unusually patient despite his plight, on this proposition, which I hope the gentleman will see fit to include in his extension of remarks, if he asks that permission. This letter is in support of your statement.

Mr. KVALE. I appreciate my colleague's interest and cooperation. Will the gentleman make the request or does he want me to make it?

Mr. KLEBERG. I wish the gentleman would make the request, for it is right in line with what the gentleman is now saying.

Mr. KVALE. Mr. Speaker, I so request.

The SPEAKER pro tempore (Mr. Woodrum). Is there objection to the request of the gentleman from Minnesota?

There was no objection.

VETERANS' ADMINISTRATION HOME,
Kansas.

DEAR MR. KLEBERG: You will remember I wrote you some time ago from Corpus Christi, Tex., about getting in a veterans' hospital. The Veterans' Administration sent me here to the soldiers' home, and now, as you know, they are going to turn most of us boys out.

I will have no money to get home and am not able to hitch-hike it home. I would like to know if Congress could fix some way to give us transportation to our homes. There will be hundreds of us out without a place to go, and unable to work.

If I could get back home, I could make it some way. I will thank you very much if you tell me what, if anything, they can do.

Very truly,

BEN H. HENNING.

Mr. KVALE. Now, Mr. Speaker, I went to see the Assistant Administrator of Veterans' Affairs, in charge of finances, and asked him out of what funds this money came and by what authority it was granted for the payment of transportation of the bonus-application delegates, because the papers said that one delegate came at the last moment from Philadelphia, signified his desire to go to Seattle, and without question the fare was paid. Another man was sent to Alaska, according to the same news story.

The Assistant Administrator said that he did not know about it, that he did not understand it, and referred me to General Hines himself, the Administrator.

General Hines told me frankly that he had been ordered by the administration to make these payments, and that they were made after consultation with members of the Appropriations Committee of this body; that he had informal assurance that the independent offices appropriations bill would, when it emerged from conference, carry funds

which would supplement the limited funds he had at his disposal for the transfer of patients and veterans from one hospital or home to another.

Mr. TABER. Mr. Speaker, will the gentleman yield?

Mr. KVALE. I yield.

Mr. TABER. I may say that if I am on that conference I will not agree to this kind of doings.

Mr. KVALE. Then the gentleman will not subscribe to what I am going to say, because I was going to go on and ask the membership of this House who are interested in the groups of veterans being discharged from hospitals and left without transportation, to go to the Members of the House Appropriations Committee, and to confer in addition with Senators upon the Appropriations Committee, to see that if the grant is made for veterans who were in Washington to be transported to their homes funds may also be granted for the veterans who are left now, far away from their homes, as the result of the Economy Act, so that they may be transported to their homes.

[Here the gavel fell.]

Mr. FISH. Mr. Speaker, I ask unanimous consent that the gentleman from Minnesota may proceed for 5 additional minutes.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. KVALE. Now, Mr. Speaker, I realize that by such a request I am going to embarrass members of the House Appropriations Committee, but my reason for making the request is this: Pending the revision of these veterans' regulations under the application of the Economy Act, the Administrator can go ahead in one instance if he has the informal assurance of the House committee. Now, in the emergency, with the discharged men actually on the street and destitute, he could take similar action if he had similar assurance from the committee that the money would be forthcoming.

Mr. BLANCHARD. Mr. Speaker, will the gentleman yield?

Mr. KVALE. I yield.

Mr. BLANCHARD. The gentleman understands, of course, there are hundreds of cases such as those he has spoken of.

Mr. KVALE. Certainly; and the pitiful part of it is that just because they are far enough away so that they are not on the doorsteps of the Members of Congress and of those in positions of executive responsibility, no attention is paid to them. But for those who are in the Nation's Capital funds can be found to transport them away in order that they may not embarrass some of us, at the same time that under the present plan the sick, disabled, discouraged veteran discharged from the hospital or home is left to hitch-hike his way back home, if his impaired strength and health will enable him to do so.

Mr. FISH. Mr. Speaker, will the gentleman yield?

Mr. KVALE. I yield.

Mr. FISH. Can the gentleman now tell me under what authority of law General Hines took this money and gave it to the veterans?

Mr. KVALE. I am not blaming General Hines for transgressing any authority; I feel he perhaps can show he did and does have the authority.

Mr. FISH. The gentleman will agree that those administering public funds must act under the authority of law.

Mr. KVALE. He acted on the informal assurance that the funds over which he has supervision will be supplemented later on, when the independent offices bill comes out of conference.

Mr. FISH. Who gave that assurance, Congress or some individual Member of Congress?

Mr. KVALE. The gentleman will have to confer with the members of the Appropriations Committee. I do not know.

Mr. FISH. We should like to know who gave that assurance. Does the gentleman know who gave it?

Mr. KVALE. I do not.

Mr. McFADDEN. Mr. Speaker, will the gentleman yield?

Mr. KVALE. I yield.

Mr. McFADDEN. Inasmuch as the precedent has been established, does not the gentleman feel a refund should be made to the soldiers who last year had to borrow the money and give a lien on their certificates?

Mr. KVALE. I do not go quite that far, but I may say this, that I believe 9 out of 10 of the veterans that were sent out of town at the expense of the Government would be unwilling to accept it if they knew the gratuity was given them at the expense of the crippled, diseased, and helpless men who are out on the streets without adequate clothing, with no way to get back to their homes.

Mr. TABER. Mr. Speaker, will the gentleman yield?

Mr. KVALE. I yield.

Mr. TABER. My understanding was that the Appropriations Committee was opposed to paying the expenses of any convention here; that a convention of veterans was not any more entitled to have the Government pay its expenses than the D.A.R., or a group of national feed dealers, or any other group coming here to seek legislation from Congress.

Mr. KVALE. This was an emergency. I cannot quite agree with the gentleman's position.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. KVALE. I yield.

Mr. SNELL. By what authority were they fed and housed? Who appropriated the money, or who gave the authority for the use of the money?

Mr. KVALE. As I understand it, that was done out of War Department general funds. Just what the bookkeeping arrangement was, or what the specific order was, I do not know.

Mr. SNELL. By what authority could the War Department feed 500 men, whether they be soldiers or civilians?

Mr. KVALE. The War Department took similar action on a much more limited scale last year with reference to housing and to the purchase of clothing and emergency rations. The gentleman knows that.

Mr. SNELL. I did not know that.

Mr. KVALE. Last year emergency rations were issued.

Mr. SNELL. I am informed they were authorized by Congress to do it at that time.

I should like to have some one from some department of the Government tell me what right any executive officer has to use funds appropriated for one purpose for an entirely different purpose.

Mr. KVALE. The gentleman knows that many strange things are being done these days.

Mr. SNELL. I admit that, but I am going to try to find out about this.

Mr. MOTT. If the gentleman will permit, may I suggest to the minority leader that apparently money may be spent by the administration upon the same authority that they withhold other money. A good example of this is the fund appropriated to the States for roadbuilding, which was specifically exempted from being withheld under the Reforestation Act, but which the President, by an informal letter, has been holding up for the last 3 months without any shadow of authority.

Mr. SEGER. Will the gentleman yield?

Mr. KVALE. I yield.

Mr. SEGER. I read somewhere during the occupation of the bonus army that some of this money came from a fund which was appropriated for French veterans and was not expended for that purpose. Does the gentleman know anything about that?

Mr. KVALE. It was intended to take up that expenditure, and they justified their action here on that basis, stating it had been appropriated and set aside and earmarked, but not used, and hence they felt justified in using it in this emergency.

Let me make a final plea. This is an emergency. We cannot wait for regulations to be revised. These men are on the street and they are destitute. They are not even strong enough to hitch-hike. If there can be latitude in one instance, it must be given in another. I am very sincere about this, and I believe that this purpose can only be accomplished by prevailing upon the House Appropriations Com-

mittee to give at least informal assurance to the Administrator of Veterans' Affairs so that he can act in the matter at once. [Applause.]

[Here the gavel fell.]

Mr. McGUGIN. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes on veterans' matters.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. McGUGIN. Mr. Speaker, I think the time has come when someone should stand on the floor of this House and voice the suggestion that the regulations promulgated by President Roosevelt and as being administered by the Veterans' Bureau are not in keeping with the message sent to the Congress by the President in which he pledged the Congress and the people that if he were given the power under the economy bill, he would administer it justly and fairly to the veterans, consistent with the ability of the people to pay. I think it is particularly proper that this protest come from one who believed whole-heartedly in that message and who, without hesitation, acted as I did as a member of the Economy Committee. I accepted the President's message in the same spirit of confidence in him that the veterans had in him when they voted for him last November. I think it is also fitting that these remarks should come from one who voted against the bonus last year and one who is now opposed to the immediate cash payment of the bonus. I am such a person. I think the ill-advised demand for a bonus, including 12 years of unaccrued interest, at a time when the country was on its knees did much to bring about the dilemma in which the veterans now find themselves. Here are some of the things which I believe are wrong in the President's regulations and in the administration of them by the Veterans' Bureau.

First, I do not believe that it was the belief of Congress that the President was going to use the power granted by the economy bill to reduce the degree of disability of veterans who incurred disability in line of service.

There might be some justification for the flat 20-percent reduction, as provided in his regulations, in the compensation for war-incurred disability on the theory that the purchasing power of the dollar is greater now than it was at the time the pensions were originally authorized, but there is no justification for reducing the degree of disability. The truth is neither the Congress nor the country was demanding or expecting any percentage reduction in service-connected compensation. If a veteran had a war-incurred disability of a given percentage 1 year ago, he has the same or greater percent of disability now. The reducing of the degree of war-incurred disabilities, as is now going on in the Veterans' Bureau, in my judgment, is indefensible.

At this time I am not ready to lay the criticism at the door of the President, because I realize he is busy; and yet it was the President, not the Budget Director, not the Administrator of Veterans' Affairs, who sent the message to the Congress and to the country, and the President must bear this responsibility if he permits this wrong to be perpetrated upon the veterans of this country with war-incurred disabilities. The regulations under which the Veterans' Bureau is now making these changes in veteran benefits are regulations signed and issued by the President. It is no excuse that he permitted a Budget Director and the Administrator of the Veterans' Bureau to prepare these regulations. The President never requested, and Congress never gave any authority, for the Administrator of the Veterans' Bureau or the Budget Director to prepare regulations pertaining to veteran benefits. The President requested that Congress give that authority to him, and it was to him that Congress gave the authority to issue regulations prescribing veteran benefits.

As one who stood for this measure, and who under similar circumstances would do the same thing again, as a veteran, as a Member of Congress, and as a citizen of this country, I protest against the wrong which is being perpetrated on war-disabled veterans and the dependents of war-disabled veterans.

In the case of the Spanish War veterans, the Veterans' Bureau is literally prostituting a provision placed in that bill by the Congress, namely, that the presumption would be that the disabilities of Spanish-American War veterans were incurred in service. There was just reason for this presumption, because the Government did not keep good medical records during the Spanish-American War. The presumption of war-incurred disability, as any lawyer understands the meaning of a presumed disability, finds no place in the administration of this act by the Veterans' Bureau at this time. The burden of proof is still upon the Spanish War veteran under the conduct of the Bureau.

[Here the gavel fell.]

Mr. McGUGIN. Mr. Speaker, I ask unanimous consent to proceed for 2 more minutes.

Mr. BLANTON. Mr. Speaker, I reserve the right to object so that the time for the question will not be taken out of the gentleman's time. I want to ask my friend from Kansas if he thinks it is possible for the Spanish-American War veterans, 35 years after the war is over, to look up and get proper evidence to prove that their disabilities are service connected?

Mr. McGUGIN. I know it is wholly impossible.

Mr. BLANTON. That is what the Veterans' Administration is trying to require them to do, and as it is impossible for them to get the proof, we ought not to let the Veterans' Administration require it.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

Mr. McGUGIN. The Bureau in doing this is entirely disregarding a mandate from Congress, because we placed a provision in this bill that it should be presumed that their disability was incurred in line of duty, and therefore the burden of proof would be upon the Government and not upon the Spanish War veterans.

Mr. BLANTON. With such presumption in favor of the veteran, unless the Government can prove that it is not a service-connected disability, the Government has no right to change their ratings.

Mr. McGUGIN. Of course not. This is an abuse of power. It is bureaucratic oppression on the part of the Veterans' Bureau to carry on as it has in the case of the Spanish War veterans on the question of whether or not they have service-connected disabilities.

Now, there is another thing I want to touch upon. Under the old law the child of a World War veteran under 18 years of age received a pension. Under the new regulations the late World War veteran's child ceases to receive a pension when that child reaches the age of 16.

The veteran killed on the field of battle, when his son or daughter reaches the age of 16 the pension stops under this new regulation.

That is not Christian; it is not American; it is not common decency. We are not living in such an age.

Sixteen years is not now the age of maturity. The old provision should prevail that pensions do not cease until the child reaches the age of 18 years and not until the age of 21 when it is used for the purpose of an education. To stop these pensions upon the child reaching the age of 16 years, and thereby turning the child out in the world to hustle for himself, is an act on the part of the Government of forcing child labor.

The bill which Congress enacted giving the President the authority which he requested provided that no Spanish War veteran over 62 years of age should be stricken from the pension rolls. The regulations make a mockery of this provision added to the bill by Congress. When Congress required that the Spanish War veterans be left on the pension rolls it meant that Congress intended for these veterans to have a reasonable pension. When Congress was having confidence in the President and leaving much to him, Congress had a right to expect that reasonable consideration would be given to the wishes of Congress that Spanish War veterans be not stricken from the pension rolls. The President's regulations set the pension at \$6 a month for those Spanish War veterans who otherwise would be stricken

from the rolls except for this age provision made by Congress. I submit that this is not a fair regard for the wishes expressed by Congress in this matter. Setting these pensions at \$6 is a dodging of the wishes of Congress rather than exercising a reasonable courteous regard for the wishes of Congress. Placing Spanish War pensions at a minimum of \$6 can more properly be termed a spurning of the wishes of Congress and a wrong to the Spanish War veterans.

There may be other injustices in these regulations. I do not claim that this is all. These are the ones which I have particularly in mind at this time. These remarks are at this time primarily a criticism of the President's regulations rather than a criticism of him personally. If he permits these abuses to continue, then, so far as I am concerned, they become equally as much a criticism of the President as they are of his regulations. The President is popular. I want him to succeed. I want him to retain public confidence, not alone for himself but for the good of the country, but no man can be so popular that he has the right to do wrong or permit wrong to be done and expect to escape criticism.

The stability of government demands economy in government. On that score I stand where I have always stood. The veterans must meet their share of this economy. In this spirit there is much economy which must be effected in veteran expenditures, but there is no way to effect such economies as are now being attempted without the Government repudiating an honest debt due to veterans disabled in the defense of their country.

I make this plea hoping in my humble way that it will awaken the conscience of the country and thereby prevent the wrongs which I have here mentioned and which are about to be effected. [Applause.]

Mr. BLANTON. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made and include therein several excerpts.

The SPEAKER. Without objection, it is so ordered.

Mr. WOODRUM. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes.

The SPEAKER. Without objection, it is so ordered.

Mr. WOODRUM. Mr. Speaker, when the message of the President of the United States came to Congress March 10 asking for authority to issue rules and regulations respecting the veterans' payments, and so forth, the Speaker appointed a special committee of five members to consider the resolution and report thereon to the House.

Along with the gentleman from Kansas, I was a member of that committee. I am sorry to see that my friend and colleague on that committee is now weakening on the position that he so courageously and patriotically took on that occasion.

Today I stand where I stood then—willing to trust the good sense and ultimate judgment of the President of the United States insofar as the veterans are concerned.

Gentlemen, let me say this to you: It was contemplated in the beginning that in making regulations of this kind, dealing as they do with hundreds and thousands of cases—not individuals but with classes—it was realized that undoubtedly injustices were going to come in, and discriminations, hardships, just the same as under the old law when men received benefits that no Member of Congress could or would justify.

Now, gentlemen, I repeat what I said when I brought in the independent offices bill. I know there are places in the new regulations where the cut is more drastic than the Administrator of the Veterans' Affairs intended it to be, more drastic than the Director of the Budget intended it to be, more drastic than the President intended it to be.

Mr. MOTT. Will the gentleman yield?

Mr. WOODRUM. Yes.

Mr. MOTT. Will the gentleman say why the President let these drastic cuts be made?

Mr. WOODRUM. Because the regulations had to be put into effect in thousands of cases—not individuals—but after we have made a careful survey and study, the gentleman may rest assured that the administration will in the end do full justice to the veterans. [Applause.]

Mr. MOTT. How can the gentleman say, when you cut a compensation 50 percent, that the cut of 50 percent was greater than the one who cut it intended it to be?

Mr. WOODRUM. Mr. Speaker, I do not know what the gentleman's question means. I say that the President issued these regulations, and they are being put into effect. It has now been demonstrated that some of the cuts are very drastic; and I can say with assurance, and the President has himself said to the American people and to the commander of the American Legion when he called on him, that the new regulations and their effect were undergoing a survey and careful study, and as soon as the full effect can be shown, wherever there ought to be revisions in order to do justice to service-connected cases, those changes will be made; and if such changes are not made, Congress always has the right to go back and correct the matter if it wants to do it. But my plea to the Congress—and I beg of you, my Democratic colleagues—in God's name, let us give the President a chance to do the job himself. We gave him the authority; now let us give him the opportunity to go through with the job and do the thing the way it ought to be done.

Mr. MOTT. Does the gentleman believe a system of trial and error is the proper system to arrive at what should be done?

Mr. WOODRUM. No; I do not; and I do not think any such system has been used.

Mr. PARSONS. Mr. Speaker, will the gentleman yield?

Mr. WOODRUM. Yes.

Mr. PARSONS. I am willing to trust the President so far as the President has time to have knowledge of what is being done, but the gentleman knows that the Administrator of the Veterans' Bureau has occupied this same position for more than 10 years, and he is the fellow who made the report, who knew exactly what he was going to do when that bill was brought in, and you cannot deny that he did not know what was going to be put into effect under the rules and regulations prescribed right now.

Mr. WOODRUM. I do deny it, and I think I have as much opportunity to know about it as the gentleman from Illinois. I do deny that they intended some of the cuts that have been made.

The SPEAKER. The time of the gentleman from Virginia has expired.

Mr. WOODRUM. Mr. Speaker, I ask unanimous consent to proceed for 2 minutes more.

The SPEAKER. Is there objection?

There was no objection.

Mr. KVALE. Mr. Speaker, will the gentleman yield?

Mr. WOODRUM. Yes.

Mr. KVALE. The gentleman was so courageous in assuming full responsibility for his share in reporting the original act that I think some of us should testify that the gentleman from Virginia had the courage and vision some months ago to see what was coming, and advised quietly that the sensible thing to do might be to accept a flat 10 percent cut in order to avoid the major penalties that have now been inflicted.

Mr. BUSBY. Mr. Speaker, will the gentleman yield?

Mr. WOODRUM. Yes.

Mr. BUSBY. The gentleman gives us his view of what has taken place. If the gentleman will permit, I dissent entirely from the conclusion he reaches on the facts that he has stated, because I think this all comes about from the National Economy League to accomplish a definite and certain cutting out of compensation to veterans without regard to how it is to be done, and they accomplished exactly what the Chamber of Commerce of the United States said should be done, a \$400,000,000 cut, and it has made very little difference with them about the merits of the individual cases.

Mr. WOODRUM. The gentleman shows his absolute unfamiliarity with the program of the Economy League.

Mr. BUSBY. But—

Mr. WOODRUM. Oh, I do not yield. Let the gentleman sit down and listen to me for a moment.

Mr. BUSBY. Then, we will have to have a quorum here.

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Mr. WOODRUM. I do not care. Call for a quorum if you like. The National Economy League did not advocate a cut of service-connected disability compensation. All they advocated was the entire elimination of non-service-connected disability compensation.

The SPEAKER. The time of the gentleman from Virginia has again expired.

PURCHASE BY RECONSTRUCTION FINANCE CORPORATION OF
STOCK OF INSURANCE COMPANIES

Mr. O'CONNOR. Mr. Speaker, I call up House Resolution 156, a privileged report from the Committee on Rules, which I send to the desk and ask to have read.

The Clerk read as follows:

House Resolution 156

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of S. 1094, an act to provide for the purchase by the Reconstruction Finance Corporation of the preferred stock and/or bonds and/or debentures of insurance companies. That after general debate, which shall be confined to the bill and shall continue not to exceed 2 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment, the Committee shall rise and report the same to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. O'CONNOR. Mr. Speaker, I yield 30 minutes to the gentleman from Pennsylvania [Mr. RANSLEY].

Mr. RANSLEY. Mr. Speaker, there is no demand for time on this side of the aisle.

Mr. O'CONNOR. Mr. Speaker, I yield myself 10 minutes. This rule provides for the consideration of what is known as "the insurance bill", reported by the Committee on Banking and Currency, permitting the Reconstruction Finance Corporation to purchase the preferred stock or capital notes of insurance companies. We are informed that an emergency exists, that the administration desires the passage of this bill to help out in the insurance field. It is a bill somewhat along the line of the bill we passed authorizing the Reconstruction Finance Corporation to purchase the preferred stock of banks. Yesterday I placed in the RECORD, on page 4020, a statement of the situation which gives rise to the need for this legislation. The need is not confined to any particular company. It is not confined to any particular city or State. The failures in the insurance world to date have been large and widespread. Many of these insurance companies do business in practically every State in the Union and have hundreds of thousands of policyholders.

Mr. McCLINTIC. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. Yes.

Mr. McCLINTIC. It is generally reported that many of these large insurance companies pay salaries or annuities or grant gratuities to certain individuals in their organization to the extent of as much as \$175,000 per year. If that is true, does this bill in any way protect the taxpayers so that those who receive aid from the Reconstruction Finance Corporation will not be allowed to dissipate the money that they receive?

Mr. O'CONNOR. As I understand it, it does. The bill as it passed the Senate had a limitation of \$17,500 as the salary for any officer in any one of these insurance companies that might borrow from the Reconstruction Finance Corporation. The amendment put in by the House committee strikes out that specific limitation, but leaves it in the discretion of the Reconstruction Finance Corporation as to whether or not the salaries paid are reasonable.

Mr. McCLINTIC. I should like to ask another question.

Mr. O'CONNOR. If the gentleman is going to ask about the details of the bill, of course that is not within my province as a representative of the Rules Committee.

Mr. McCLINTIC. According to the information I have an insurance company is allowed to carry in its list of assets all unpaid interest and all installment payments that are

due and not paid. Is there anything in this bill that would require the Reconstruction Finance Corporation to carefully look into that situation?

Mr. O'CONNOR. I have no knowledge of that situation.

Mr. Speaker, in the statement which I inserted in the RECORD I intended to show that this situation of the insurance companies is effected with a public interest. Not only is this true from the standpoint of the great number of policyholders, but I am informed a situation has developed that in the light of the failures to date, American companies in which our people have their money invested are losing the insurance business to England. I cited one instance where an English company was expected to do about \$5,000,000 worth in premiums in a given period, and because of the failure of American companies it did in the neighborhood of \$23,000,000 worth of business. Mark you, that one of the great American universities has canceled all its policies in American companies and placed them in British companies. Because of the situation of the American companies, with a consequent loss of employment the business is going out of our country, and I believe it is not only effected with a public interest but with a national interest.

If the Government can come to the aid of banks it should come to the aid of these insurance companies which serve the people throughout every part of America.

Mr. TRUAX. Will the gentleman yield?

Mr. O'CONNOR. I yield.

Mr. TRUAX. I would suggest, if the gentleman will verify the statement just made in regard to the English company, which, I believe, is the Sun Life Insurance Co. of Canada, he will find the statement is wholly incorrect and that that company during the past two years has lost heavily in volume of premiums here and American companies have gained.

Mr. O'CONNOR. My information to the contrary comes from responsible public insurance authorities. That is all I know about it.

Mr. PEYSER. Will the gentleman yield?

Mr. O'CONNOR. I yield.

Mr. PEYSER. I might state to the gentleman that the situation which is existing today with all insurance companies, declaring a moratorium on loans and surrenders, has not been lifted, and that is due principally to the fact that the smaller companies, who would be benefited under this particular measure, are the ones that have caused this, because in order to be fair to all the moratorium is against even the big companies that do not need that assistance at the present time.

Mr. O'CONNOR. Well, of course, the gentleman knows much more about the insurance business than I do. The gentleman is an expert on insurance, and I will take for granted what he says, but when one of these big companies collapses, it takes with it a number of smaller companies, as the gentleman knows, by reason of reinsurance, and so forth. Furthermore, these companies must dump their securities on the market to meet demands for return of unearned premiums on canceled policies. These companies constitute one of the largest groups of holders of mortgages on the homes and farms in America. The entire country is interested for that reason alone.

Mr. SHOEMAKER. Will the gentleman yield?

Mr. O'CONNOR. I yield.

Mr. SHOEMAKER. In the bill it does not include mutual insurance companies, and the loans are upon capital stock.

Mr. O'CONNOR. Well, I am not sufficiently familiar with that detail to discuss it, but prefer to leave that to the Committee on Banking and Currency. I do know, however, that the bill is offered as a part of the administration program, to meet an acute emergency, to help to rehabilitate the insurance companies of America who find themselves in this critical position growing out of the depression.

Mr. KENNEY. Will the gentleman yield?

Mr. O'CONNOR. I yield.

Mr. KENNEY. The Reconstruction Finance Corporation has already loaned large sums of money to the insurance companies, has it not?

Mr. O'CONNOR. Yes.

Mr. KENNEY. And if this bill is put into effect, it will enable the Reconstruction Finance Corporation to accept preferred stock in payment of the loans made by it to the insurance companies?

Mr. O'CONNOR. Yes; or to loan on such stock as collateral.

Mr. Speaker, this bill should pass today.

I reserve the balance of my time, Mr. Speaker.

I yield 5 minutes to the gentleman from Texas [Mr. McFARLANE].

Mr. McFARLANE. Mr. Speaker, if you will refer to page 4020 of the RECORD, to the remarks of the gentleman from New York [Mr. O'CONNOR] on yesterday, it will be seen that he is referring to the Globe & Rutgers Fire Insurance Co., and to the National Surety Co. Those are the only two companies that he names. I may be in error, but as I remember it, the National Surety Co. is in receivership now. I do not know about the other company. It is one of the largest surety companies in the world. I do not know the amount of salaries being paid at this time to the officials of their companies and other officials that will receive the benefit of this, if this rule is adopted and this measure approved, permitting the insurance companies to offer as collateral their notes, bonds, or debentures for loans from the Reconstruction Finance Corporation, it will mean that these casualty and surety insurance companies will be allowed this additional \$50,000,000 dole while the poor disabled war veterans and their dependents and the 13,000,000 unemployed generally will be left to local charity to be cared for. But it seems that the big international bankers, the railroads, and these insurance companies, who now have already received over \$90,000,000 in loans from the Reconstruction Finance Corporation, are to again be allowed to carry home the bacon and continue their reign of reckless salary payments to their officers unmolested.

PUBLICITY FOR INCOME-TAX PAYERS

Yesterday and today the Senate Investigating Committee has disclosed how easy it is for these big international bankers such as J. P. Morgan & Co. and their affiliates to evade the payment of their income taxes. Mr. Morgan frankly admits that he has not paid any income taxes for 1930, 1931, and 1932, neither have his wealthy partners, who are many. It seems that this Congress should now interest itself in tightening up the loopholes in our income tax law that make these evasions possible. Certainly proper legislation should be enacted at this session of Congress giving publicity to the income-tax returns to the end that the public generally may know more about the manipulations, maneuvers, and so forth, of these Wall Street pirates.

The bill provides \$50,000,000 additional help as doles to be handed out to the insurance companies.

WE SHOULD HELP THE TAX PAYERS, NOT THE TAX DODGERS

We have heard a lot of comment in the last few days and a lot of tears have been shed for the stockholders of these corporations and similar corporations. When the Muscle Shoals bill was before us, tears of great anguish were shed here on the floor by some Members speaking for the Alabama Power Co. and other similar corporations whose stock might become less valuable if the Muscle Shoals project should pass. No doubt we will hear the same plea made today on behalf of the stockholders of these insurance companies. I am wondering why more of the Membership of this House does not take the floor and plead for the widows and orphans and the overburdened taxpayers of this country, who are burdened to death with taxes and cannot pay them, who are losing their homes and their property and their all? This is just another \$50,000,000 dole to be handed out by the Reconstruction Finance Corporation to these insurance companies, who have already been favored too much by the Government.

Mr. PEYSER. Will the gentleman yield?

Mr. McFARLANE. I yield.

Mr. PEYSER. I can state that I believe this relief is not primarily for the stockholders as much as it is for the policyholders.

There are 60,000,000 policyholders in life-insurance companies, and if these companies are not helped then the public is not helped.

Mr. McFARLANE. In answer to that, I may say it is the same plea we heard at the time of the enactment of the Reconstruction Finance Corporation Act. Congress then was interested in helping the stockholders of those companies. I believe there is another side to that question, the one to which I have just referred, the taxpayers and the people of this country who already realize they have lost hundreds of millions of dollars in loans that have been doled out to these worthless companies. These loans ought to be stopped, and now is the time to stop further doles of this kind.

Mr. BLANCHARD. Mr. Speaker, will the gentleman yield?

Mr. McFARLANE. I yield.

Mr. BLANCHARD. Would the gentleman call a secured loan a dole?

Mr. McFARLANE. They may be secured, but what is the value of the security? Charley Dawes came down here and went back with \$90,000,000; the railroads come in and carry off millions not properly secured. Oh, yes; they have some worthless securities, but what could the Government realize on these securities for the money it is loaning to these people?

Mr. BLANCHARD. Mr. Speaker, will the gentleman yield?

Mr. McFARLANE. I yield.

Mr. BLANCHARD. Is it not a matter of administration to see that proper security is required?

Mr. McFARLANE. Oh, all laws are a matter of administration. The question is this, Is it right for us to stand up here in view of actual experience showing how poor the administration of these measures has been and by our vote and action embark the Government on further experiments along the same line? Are we to approve this kind of action?

Mr. O'MALLEY. Mr. Speaker, will the gentleman yield?

Mr. McFARLANE. I yield.

Mr. O'MALLEY. If these companies are in need of financial assistance, is not one way they can secure it by cutting down the salaries of \$100,000 to \$175,000 a year they are paying their own officials?

Mr. McFARLANE. Certainly they should; and we should require that in this bill. I ask unanimous consent, Mr. Speaker, to insert in the RECORD at this point the salaries paid the officials of some of the principal insurance companies—the Equitable, the Metropolitan, the Mutual, the New York Life Insurance Co., and the Prudential Insurance Co.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The matter referred to follows:

	1929	1932
EQUITABLE LIFE ASSURANCE SOCIETY		
T. I. Parkinson, president.....	\$75,000	\$100,000
L. M. Fisher, vice president.....	34,375	40,000
W. J. Graham, vice president.....	34,375	40,000
R. D. Murphy, vice president.....	20,000	30,000
D. A. Walker, vice president.....	17,187	20,000
METROPOLITAN LIFE INSURANCE CO.		
F. H. Ecker, president.....	175,000	200,000
L. A. Lincoln, vice president.....	66,875	125,000
A. C. Campbell, vice president.....	35,000	40,000
H. E. North, vice president.....	30,000	35,000
F. W. Ecker, treasurer.....	27,500	32,500
THE MUTUAL LIFE INSURANCE CO.		
D. F. Houston, president.....	100,000	125,000
F. L. Allen, vice president.....	40,000	40,000
G. K. Sargent, vice president.....	40,000	40,000

	1929	1932
EQUITABLE LIFE ASSURANCE SOCIETY—continued		
W. Shields, vice president.....	31,250	40,000
P. M. Forshay, vice president.....	30,000	30,000
NEW YORK LIFE INSURANCE CO.		
T. A. Buckner, president.....	100,000	125,000
W. Buckner, vice president.....	55,360	55,400
A. L. Aiken, vice president.....	45,000	45,000
J. C. McCall, vice president.....	56,200	55,000
L. H. McCall, secretary.....	18,892	18,000
T. A. Buckner, Jr., assistant secretary.....	8,604	10,000
H. Palagano, treasurer.....	45,400	45,000
THE PRUDENTIAL INSURANCE CO. OF AMERICA		
E. H. Duffield.....	125,000	125,000
F. D'Olier, vice president.....	75,000	75,000
G. W. Munsick, vice president.....	48,000	50,000
J. W. Stedman, vice president.....	43,000	43,000
J. K. Gore, vice president.....	43,000	43,000

Mr. DONDERO. What would the gentleman say as to whether or not this is in keeping with what we did under the farm-allotment plan, where we tried to help 68,000,000 policyholders of insurance companies? Are we not really helping people out if we take this action?

Mr. McFARLANE. That depends upon the point of view of the gentleman. It all depends on the administration, and we have found out that the administration of some of these measures is detrimental to the rank and file of the taxpayers of this country in the losses suffered. [Applause.]

[Here the gavel fell.]

Mr. O'CONNOR. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER. The question is on the adoption of the resolution.

The resolution was adopted.

Mr. STEAGALL. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (S. 1094) to provide for the purchase by the Reconstruction Finance Corporation of the preferred stock and/or bonds and/or debentures of insurance companies.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill, S. 1094, with Mr. FULLER in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. STEAGALL. Mr. Chairman, this bill represents an effort to continue the services of the Reconstruction Finance Corporation at this time. The Reconstruction Finance Corporation Act was recently amended so as to permit the Corporation to subscribe for preferred stock in banks, or to make loans, secured by preferred stock in banks as collateral.

The Reconstruction Finance Corporation Act was an emergency measure. It could not be justified except as an emergency measure. If we were to review the services of the Corporation and discuss its various activities, of course we should not all agree as to the wisdom of each particular act or the helpfulness in each instance accomplished by the Corporation.

Certain it is, regardless of any fundamental considerations involved in the legislation, that the Reconstruction Finance Corporation supplied a measure of relief from the time it was placed in operation until this hour.

The present administration inherited the Reconstruction Finance Corporation. It is desired by the present administration that we shall avail ourselves of the continued services of the Corporation during the continuance of the emergency which necessitated the enactment establishing the Corporation.

We think, we hope, and we pray that a better, a happier day is not far distant, that we shall soon experience such a recovery in business, such a resumption of the uses of normal credits, such a revival of business activities as will

obviate further necessity for the services rendered by the Reconstruction Finance Corporation. At this time we cannot say that we have reached that happy situation.

The insurance companies of the United States have shared in the misfortunes resulting from this depression. I have heard no contention that the business of insurance companies of the United States has not been conducted prudently, safely, and in accordance with thoroughly tested and established principles and safeguards. But we have witnessed a decline, a tremendous decline, in all values, and, of course, those in connection with which the insurance companies of the Nation have their investments.

There have been several failures of insurance companies. They are like banks. There can be no failure of one without hurtful consequences to the other. Many of the insurance companies are interlocked, such as fire and casualty companies. If I understand the situation, when application is made for insurance with one of these companies, it often happens that the company receiving the application does not carry all the risk involved in granting that application, but the risk is distributed among other companies so that in the nature of their business a misfortune that befalls one company is visited in many instances upon other companies.

Again, any misfortune to an insurance company, or insolvency of an insurance company, as in the instance of a bank, engenders distrust and results in a loss of confidence. The loss of confidence precipitates demands for cash payments, and often brings about, which has actually happened, a reduction in premium receipts and curtailment of the normal increases in business.

The insurance companies carry securities that ramify every activity in the country. They carry a large amount of farm mortgages, an enormous amount of home mortgages, in addition to what has always been regarded as high-class stocks and other securities.

If we hope to make progress—and I think it will be agreed we are making progress—toward improvement and recovery, we cannot afford to neglect the important part that must be played by the insurance companies in the general economic situation of the United States.

Mr. GLOVER. Will the gentleman yield?

Mr. STEAGALL. I gladly yield to my friend.

Mr. GLOVER. Will the gentleman tell us about how much the Government has advanced to insurance companies up to this time?

Mr. STEAGALL. The figures show there have been loans totaling about \$90,000,000, and the Reconstruction Finance Corporation has outstanding now loans to insurance companies amounting to a little over \$70,000,000. Of course, the loans now carried in these companies by the Reconstruction Finance Corporation are involved in an effort to save these companies. That is an important consideration in connection with the measure before us.

After all, the case of the insurance companies is very much like that of the banks. If it becomes known that the Reconstruction Finance Corporation is going to support the insurance companies by supplying credit, so far as it is justified, the restoration of confidence due to such a policy and such a declaration of purpose will itself accomplish a great deal of what is needed without the requirement of large loans by the Corporation.

Mr. COCHRAN of Missouri. Will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. COCHRAN of Missouri. Considering the magnitude of the insurance business, does the gentleman feel that \$50,000,000 is going to be sufficient?

Mr. STEAGALL. The gentleman has asked me a question that I should not feel quite qualified to answer in my own right. Probably the gentleman is better informed than I am, but our committee was told by those who ought to know that the judgment was that the amount of \$50,000,000 of loans to be made and outstanding at any one time would be sufficient to accomplish what is desired by this service.

Mr. COCHRAN of Missouri. Does the gentleman believe that the little fellow is going to have an opportunity to get some of this money?

Mr. STEAGALL. My information is that, as a rule, it is the little fellow who desires this legislation and who has asked for it and for whose benefit it is intended. I do not think there can be any separation of interest between small companies and large companies.

I can remember, when the little banks were failing and some of the large banks looked upon the situation with complacency and contentment, I warned the big bankers that the banking structure in this country was one building, and that if fire broke out in any corner it ought to be a source of serious concern to every occupant of the building. I think events have justified that statement. I think everybody will agree now that every bank, large or small, had a legitimate interest in the successful operation of every other bank, large or small. I think the same is true of the insurance companies.

We are laboring more toward the one object of restoring confidence in this country than any other one thing, and the passage of this legislation is the biggest service we can render so far as insurance companies are concerned, and they tell us \$50,000,000 will accomplish the results desired.

Mr. HOLMES. Will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. HOLMES. The primary purpose of this bill is to help stock insurance companies and not mutual insurance companies?

Mr. STEAGALL. I think, perhaps, the gentleman is placing a limit that is rather narrow upon the provisions of this bill. That will probably require an answer from someone more competent to pass on the question than I am; but this bill provides for the purchase of preferred stock or capital notes of insurance companies, and capital notes of insurance companies are evidences of indebtedness which are subordinated to other indebtedness, but which would be reimbursed in preference to stockholders of any class. I am advised that many of these companies which the gentleman has in mind have surplus accounts. The surplus account of an insurance company is the same, in practical effect, as capital stock. It stands over and above other indebtedness, and I should think that the companies to which the gentleman refers would be embraced in the provisions of this bill which would permit loans to be made on capital notes.

Mr. HOLMES. For a mutual life-insurance company?

Mr. STEAGALL. I should think so. I am not asserting this as against the gentleman's judgment. He is probably better informed on the subject than I am.

Mr. SPENCE and Mr. DONDERO rose.

Mr. STEAGALL. I yield first to the gentleman from Kentucky.

Mr. SPENCE. I think the gentleman's question is covered by section 11, which provides—

As used in this act the term "insurance company" shall include any corporation engaged in the business of insurance or in the writing of annuity contracts, irrespective of the nature thereof.

Mr. STEAGALL. Yes; the language is just as broad as we can make it. The only difficulty, of course, arises out of the manner in which the Reconstruction Finance Corporation is authorized to make an advancement, and it must be upon preferred stock or upon capital notes. The question, of course, would recur, as suggested by the gentleman, with reference to mutual companies. The effort is to make it cover all insurance companies, and I think it does.

Mr. DONDERO. There would be no reason for eliminating legal insurance companies if we want to render the aid sought by this bill.

Mr. STEAGALL. The purpose of the bill is to try to aid all these institutions, because of their relation to the general economic situation and because of what is involved to the citizenship of the entire Nation. Thousands of citizens are interested as home owners, as owners of securities affected, and, above all, women and children are dependent on investments in life-insurance companies for education and for support in old age. Insurance companies hold the life savings of thousands of people who have put their all in the companies.

I want to say in that connection that some suggestion was made—I am not sure that I can quote it exactly—but it was to the effect that this legislation was designed to relieve the stockholders in insurance companies.

Let me say in that connection that nothing is further from the purpose or in the technical provisions of this bill. The purpose is to restore the capital structure of institutions to the point that brings them within the rule of solvency, so that under State law there will not be proceedings to liquidate companies or throw them into receiverships. The bill provides that loans or purchases by the Reconstruction Finance Corporation shall be preferred over all stockholders of the company. So there can be no basis for the contention that the legislation is for the benefit of stockholders.

The purpose of the legislation is to save these institutions for the benefit of all the people by continuing the methods that have been employed in restoring normal business conditions in the United States.

Mr. PARSONS. Will the gentleman yield?

Mr. STEAGALL. I yield to the gentleman.

Mr. PARSONS. Can the gentleman tell us with any certainty when we are going to stop unloading the Reconstruction Finance Corporation?

Mr. STEAGALL. I wish I could assure the gentleman when that will happen. I am sure every Member of the House feels just as he does. The desire to reach the point where we may abandon the services of the Reconstruction Finance Corporation is universal, and, frankly, I join him in the hope that the time will soon arrive. I am sure my friend and I are in agreement at this point.

Mr. SNYDER. Will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. SNYDER. What we have been doing is for the purpose of restoring confidence. I am with the gentleman on this. But I want to mention this fact: I believe that 95 percent of all the people, when you mention the Reconstruction Finance Corporation, have sort of a dark screen thrown out in front of them. I am not saying that the Corporation did anything that they ought not to have done in the past, but if we could do away with the name Reconstruction Finance Corporation, it would establish confidence and bring hundreds of millions of dollars out of hiding and put it in our banks, because we would restore further confidence in our banks.

Mr. STEAGALL. I am aware of some criticism of the Reconstruction Finance Corporation. I do not think this legislation involves a range of discussion so wide as that. But I will say that we have instances where the Reconstruction Finance Corporation has advanced a bank in individual instances larger sums than the total loans that may be made to all the insurance companies of the country under the terms of this legislation.

Mr. PARKER of New York. Will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. PARKER of New York. The gentleman is aware that the War Finance Corporation loaned under the Transportation Act a billion and half dollars to the railroads. Is the gentleman aware of the fact that all of that has been paid back except \$38,000,000, and this amount is owed by the small railroads; and that the profits to the Corporation between the 6 percent the railroads paid and the 4 percent the Government borrowed, amounted to over \$200,000,000? I think that shows conclusively that the money you are loaning now will come back to the Government; that it will be paid back by these institutions. I do not think that it is a gratuity; no more than it was in 1920 to the railroads.

Mr. BEEDY. Will the gentleman yield that I may ask a question of the gentleman from New York?

Mr. STEAGALL. I yield.

Mr. BEEDY. When we were making those loans we had some security for them.

Mr. PARKER of New York. Yes; we had security.

Mr. BEEDY. The gentleman realizes that under this bill we not only have no security but we subrogate the Government claims to those of other creditors.

Mr. PARKER of New York. I was not speaking particularly about this bill. I was speaking generally.

Mr. STEAGALL. Mr. Chairman, to keep the record straight, we are not providing for making loans under this bill without security. On the contrary, the Reconstruction Finance Corporation is required to take adequate security on all loans. The Corporation is permitted to purchase preferred stock or capital notes, that take the place of preferred stock, and the very purposes of such purchases or such loans is to restore the institution to a state of solvency.

The laws of the States under which the companies operate require them to keep in solvent condition, and it is only because the capital needs replenishment in order to restore a company to solvency that the Corporation may make loans on preferred stock or purchase capital notes. So that unless the officers in these States or officials of the Reconstruction Finance Corporation practice a fraud, these loans will be solvent and the Government will be protected. There is not a line in this bill that authorizes a dollar to be loaned by the Reconstruction Finance Corporation without solvent security back of it to insure its return to the Treasury of the United States.

Mr. PARSONS. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. Yes.

Mr. PARSONS. We have the shining example of what the Reconstruction Finance Corporation has done to some banks. Take the Bank of Knoxville, Tenn. It joined with another bank with assets of about \$25,000,000. They kept on drawing out of it, and then the bank came to the Reconstruction Finance Corporation and borrowed, I think, \$8,000,000. The depositors continued to still draw out their deposits until it got down to \$12,000,000. The bank was closed. Every dollar that is left in that bank is pledged as a prior lien to the Reconstruction Finance Corporation, and there will not be 2 cents on the dollar to pay the depositors; and there are dozens of instances like that in the banks of the country.

Mr. STEAGALL. It is difficult to answer the gentleman when on one side we are told that the Reconstruction Finance Corporation is going to make loans without security and on the other hand criticized because too much security has been required.

Mr. PARSONS. I want to answer the gentleman from New York [Mr. PARKER], if the gentleman will permit. The situation is quite different now from what it was in 1920. In making loans to the railroads and public institutions and utilities in 1920 they were on the upgrade then.

Mr. PARKER of New York. Oh, no.

Mr. PARSONS. We had prosperity in front of us, but the gentleman is aware of the fact that the condition of the country and of these various institutions at the present time presents an entirely different picture.

Mr. PARKER of New York. They were very similar to what they are today.

Mr. STEAGALL. The very fact that the Reconstruction Finance Corporation is asking for this legislation, the very fact that these loans are not being made under existing law to these insurance companies, is proof positive that the Reconstruction Finance Corporation is undertaking to observe the law of Congress which requires the Corporation to take adequate security on loans, and if that were not their attitude, there would be no reason for the administration submitting this bill to Congress. The present administration will be responsible for the conduct of the Corporation. I think we are justified in trusting this administration.

Mr. SABATH. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. Yes.

Mr. SABATH. The gentleman stated that in the past the Reconstruction Finance Corporation has made single loans of much greater amount than that provided in this bill. I rise to ask whether the gentleman gives sanction or approval to the loan made to the Dawes bank in Chicago; whether that loan had his approval? I do not think it had, and I do not want the chairman to leave himself in the position before the country of approving a loan made to that bank on worthless security.

Mr. STEAGALL. I am not prepared to say just how much value there was in the securities back of the Dawes loan. I am not well enough informed to tell this House all that was involved in that transaction. I do not desire to discuss any individual loan of the Corporation, to approve it or disapprove it, to commend it or criticize it. I have not had time to trace individual transactions of the Reconstruction Finance Corporation in such a way as to form a fair judgment as to each and every loan. I simply call attention to the fact in answer to the suggestion that was made that under this bill there cannot be a total of more than \$50,000,000 loaned to all of the insurance companies of the country, while there have been instances of loans of a larger amount than that in individual cases.

Mr. PARSONS. Fifty million dollars is the total amount of the loans?

Mr. STEAGALL. That is the limit which may be loaned to all of the insurance companies, so that it may be fairly contended that this is at least a modest, conservative plan which we have submitted for aid to insurance companies.

Mr. WOODRUFF. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. Yes.

Mr. WOODRUFF. Unfortunately, I have been detained from the Chamber, and I have not heard all of the discussion; but it seems to me that if there is one fundamental reason for this bill, if there is a fundamental thing involved in it, it is the protection of every insurance-policy holder in the country.

Mr. STEAGALL. Certainly it is. It is a protection to the wife and children of every citizen of the United States who has put his life's earnings and accumulations into an insurance fund for their benefit. That is true.

Mr. PARSONS. Mr. Chairman, will the gentleman yield?

Mr. STEAGALL. Yes.

Mr. PARSONS. Provided that it does not work out as the Knoxville Bank worked out, as many of them have so far; but we have extended the bonding power of the Reconstruction Finance Corporation very much. I kept up with it for several months, but it is hard to do that any more, we have had so many measures in here during the last few weeks. I should like to know what is the total bonding power, including the capitalization, of the Reconstruction Finance Corporation?

Mr. STEAGALL. I cannot give those figures exactly at this time. I can easily put them into the RECORD, but I cannot give them accurately at the moment.

Mr. McCORMACK. May I suggest that the original act provided for \$500,000,000 revolving fund, with \$1,500,000,000 bond issue? Later a bond issue of \$1,800,000,000, making a total of \$3,300,000,000 of bond issues and \$500,000,000 appropriation. The public works bill just reported reduces that \$1,200,000,000.

Mr. STEAGALL. And there are other drafts upon the Reconstruction Finance Corporation in the farm relief bill and other measures, but I do not have the figures to furnish with accuracy, although I shall be glad to supply that information for the RECORD.

Mr. FLETCHER. Will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. FLETCHER. What specific companies have requested this legislation or will be benefited by it?

Mr. STEAGALL. I am not prepared just now to name the companies who are in greatest need of this relief. I think the gentleman will agree with me that by naming a particular company and declaring to the world that a certain company is in distress would, in the nature of things, be calculated to defeat the purpose contemplated, one of which is to restore confidence in these institutions. I think the gentleman will agree with me in that statement.

Mr. CAVICCHIA. Will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. CAVICCHIA. Is it not a fact that most of this business of insurance, since the banks closed in this country, has been going into the hands of foreign companies?

Mr. STEAGALL. Oh, yes. I have not had an opportunity to cover the entire range of discussion involved in this legislation.

Mr. CAVICCHIA. And they can draw on foreign capital?

Mr. STEAGALL. But I am advised there has been a vast increase in business of foreign companies since the banking holiday in the United States and the collapse that occurred in February and March; there has been a considerable transfer of this business from American to foreign companies, which is a thing to be deplored, and which will be corrected if we succeed in restoring confidence and going forward with efforts for recovery.

Mr. CAVICCHIA. One further question, please: Is it not a fact that an English company doing business in this country can send to England for a million dollars with which to pay its obligations here, and only pay \$800,000 in American money, according to the value of money today?

Mr. STEAGALL. Probably that statement is justified. Now, I must conclude.

Mr. O'MALLEY. Will the gentleman yield for another question?

Mr. STEAGALL. Very well, but I must conclude.

Mr. O'MALLEY. Can the gentleman give us any information as to why the committee struck out the provision limiting the salaries?

Mr. STEAGALL. I will explain that under the 5-minute rule. I have taken so much time that I shall not be able to cover the details of this bill now as I had expected to do. They are simple. The bill is not long. Members will have no difficulty in understanding it when we consider the bill for amendment.

Mr. Chairman, in view of the fact that I have taken up so much time, I shall not attempt to discuss the bill in detail, but I will reserve further discussion until we read the measure for amendment. [Applause.]

Mr. Chairman, I yield 10 minutes to the gentleman from North Carolina [Mr. HANCOCK].

Mr. HANCOCK of North Carolina. Mr. Chairman, ladies and gentlemen of the Committee, I had not expected to make any statement regarding this bill. But as a member of the committee in possession of certain pertinent information, I feel that my failure to do so might be equivalent to a neglect of duty.

I wish to state very frankly that it has not been entirely easy for me to believe in the merits of several of its provisions, notwithstanding the fact that I recognize that it might be properly classified as an extension of the comprehensive emergency program inaugurated in 1932 to attack this depression along every front. My own reluctance and anxiety is due to my inability to subscribe to the wisdom of the policy herein involved. After a most careful study and thorough analysis, supplemented by the favorable opinion of those who are in a position to pass intelligently upon the soundness of legislation, it is my purpose, however, to support the bill provided certain amendments are made to it. After all, with this bill, when we hurdle the question of policy, its goodness or badness lies largely in the way it is administered. If properly and conservatively executed, as I have every reason to believe it will be, because of my faith and confidence in the present management of the Reconstruction Finance Corporation, it can be used for constructive purposes in the public interest. I recognize that there are many worthy insurance institutions which, because of temporary conditions, are on the brink of the financial precipice and will, if permitted to go over, carry with them many an innocent and helpless creditor and contract holder. It is my purpose, however, to let the House know, so far as I am able to do so, exactly what we are doing in passing this bill.

Here, as in the case of banks, we leave the safety rule ever considered as the safeguard and anchor of the Government, which required that all loans should be fully and adequately secured. We even go farther than we did with the banks, for the reason that through assistance to the banks there was and is a greater public interest than can possibly be shown in connection with certain types of insurance com-

panies which are today seeking aid through a measure of this character and upon whom the benefits will largely fall. Those of us who were here in 1932 appreciate the theory upon which the Reconstruction Finance Corporation was established. It was then a question of restoring confidence by artificial and psychological methods. We were advised by the then responsible leaders that the depression was temporary and that in a fortnight or so all would be well. The idea was that in establishing this Corporation we would supply a stopgap and that its mere existence would have such a wonderfully stimulating effect that financial troubles would rapidly disappear. This, of course, was a false theory, and today, instead of serving as a stopgap, the Corporation has become a catch-all to save, by actually putting up the taxpayers' money, nearly every kind of failing business.

The question that we should ponder long here today is how much farther shall we go in this direction. Notwithstanding the loads of criticism which have been directed against the Corporation with respect to certain loans, and notwithstanding the mistakes which have been made in its administration, I am inclined to believe that by and large it has ameliorated a bad situation and softened the impact of the depression. I am also delighted to bear witness to the fact that from my own observation those in charge have rendered a prodigious and faithful public service and are entitled to much more consideration than they have received. We should realize that through this Corporation the Government's credit has been used to bolster private enterprise.

I am compelled at this time to remind the House that we are gradually doing, in legislation of this kind, what the Garner amendment in 1932 would have permitted the Corporation to do. Mr. Garner's view, shared by many of us, was that if the taxpayers' money was to be loaned to any firm or corporation it should, on the same terms and conditions, be extended to all. Time may or may not have proven the wisdom of such a position, but no man will deny its justice. This Government should not at any time extend its credit to a select favored clientele. That was the former Speaker's view.

All of us know that public confidence in some of our American insurance companies, particularly a few fire and casualty companies, has been shaken by the same causes which have undermined the credit structure of thousands of other institutions. It is almost impossible to appraise the disastrous result of this loss of confidence. We all know, however, that its restoration and revival among the people generally are essential if we are to come back to an economic equilibrium and prosperous business conditions. Without insurance, credit business would be an impossibility. In respect to the bill now before us, however, our information is that the companies whose outstanding contracts are really laced into the main credit structure of the Nation are not requesting loans. There is no doubt, however, that some of the companies which are in immediate need of Government assistance have far-reaching influence upon the individual's financial and business stability. Just how far the Government should go in assisting these and the others who cannot qualify under the existing law is a question of policy which each one of us must determine for himself.

Now let us examine the bill and briefly consider what can be done under it. In the first place, the Reconstruction Finance Corporation is permitted to expand in the amount of \$50,000,000 with which to carry out the provisions regarding assistance to insurance companies. Loans may be made to these companies either by the purchase of preferred stock or by lending on the legally issued capital of such companies. You will note that the third section of the bill provides that the Corporation shall not subscribe for or purchase any preferred stock or capital notes of any applicant insurance company until the company first shows to the satisfaction of the Corporation that it has unimpaired capital or that it will furnish new capital which will be subordinate to the preferred stock or capital notes bought by the Corporation. In the committee I undertook to throw a safeguard around this provision by offering an amendment to insert between the words "new" and "capital"

the word "cash." And it is my purpose to offer the same amendment today when we reach that section under the 5-minute rule. With this amendment, the heart of the measure will be strengthened and the Government protected. Surely no one would contend that the applicant company should not be required to do as much as they asked the Government to do for them. Now remember that this is not a question of lending to one of these companies on full and adequate security, as that is being done now under the law, but rather one of aiding the company to repair its own broken capital structure. Expressed differently, the Federal Government is asked to become a partner.

In this connection, I think the House should know something about the policy of the Corporation in its treatment of and dealing with the smaller banks throughout the country. Notwithstanding the millions of dollars that have been loaned to larger institutions to keep them going when it should have been almost apparent that with some their days were numbered, today thousands of small banks, which never closed until the time of the President's proclamation, are unable to get any assistance whatever from the Reconstruction Finance Corporation toward reopening if they are indebted to the amount of one dollar. It should also be advertised here, in the interest of the public welfare, that the Corporation's bolt of red tape is getting larger and more knotty each day. Under the existing system it is exceedingly difficult to find out what should be done or to whom one should go to find out the proper thing to be done toward assisting the opening of a bank. I sincerely trust that none of you will encounter the perplexing, annoying, and unsatisfactory experience which I have recently had in such an effort. Where the fault should properly fall I am unable to say, but unless there is a simplification of the procedure and better coordinated effort on the part of the officials in charge, we may not expect many worthy institutions to open their doors until some of the depositors not now so old have gone to their reward. If you do not believe what I am saying you hit the path yourself.

I believe as much as any other man in the check-and-double-check system, and I am as anxious as anyone else that every precaution shall be taken to see that the banks when opened are in a strong and sound condition. But I do not believe that the present facilities for handling this situation are adequate, and I do not hesitate to say that there is much duplication of effort and, in spots, considerable lack of sympathy and understanding. My own experience made me feel as I can imagine a squirrel feels who is penned up in a cage and is left to hop from one side to the other with no chance to make headway or to get out.

There are some other interesting and amusing things going on which would make front-page news. In calling this situation to the attention of the Membership, I am not unmindful of the tremendous responsibilities which have been fully met and admirably discharged by some of those who are associated in this gigantic undertaking.

At the proper time it shall be my purpose to discuss the amendment which I propose to offer and which I believe will be helpful to those charged with the administration of the Corporation and protective to the taxpayers. All of us, however, who are planning to support this legislation may find comfort in the fact that there is nothing mandatory in the act and that all of its provisions are merely permissible.

I desire to divert here for just a minute to make another observation. Unless there is a radical change in the view of some who are administering this Corporation, with respect to the value of the assets in closed banks, and especially toward obligations collateralized by real estate, a gross injustice is going to be perpetrated upon thousands of worthy, deserving depositors throughout the country and in the end all will be grief. There could not be devised, in my opinion, any fairer or more effective way to provide necessary expansion of credit at this time than by making available funds to match the sound assets in the banks which are closed and thereby bring relief to millions of depositors in this hour of unparalleled suffering and dep-

riation. If good mortgages, even liberally appraised, do not constitute better security than 50 percent of the collateral which now supports a billion dollars of the Reconstruction loans, night will not follow this day. Unless this situation is remedied quicker than is now indicated the unimaginable would not be surprising.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. McFARLANE. I am wondering what plan of reflation and issuance of new currency the gentleman has in mind.

Mr. HANCOCK of North Carolina. I have for a long time believed in and advocated controlled inflation of credit and/or currency. For more than 2 years I have contended that the dollar was dishonest and that we were being crucified on a cross of gold. My primary objective was that we might restore to the debtor a dollar of practically the same value which he borrowed, and I still believe that unless this is done we will continue to face a long-drawn-out period of degeneration, continued business failures, bankruptcies, and suicides. In view of the fact that 90 percent of our currency has for many years consisted of checks drawn on deposits, and the fact that there has been a shrinkage of deposits of more than \$16,000,000,000 in the past 2 years, and the further fact that there is perhaps a total of \$6,000,000,000 of deposits frozen in closed banks, the need for expansion is more urgent today than any of us hope it will ever be again. It is common knowledge to all that in the present state of affairs check clearances through banks have shrunk to less than 50 percent of what they were in 1929. This alone tells its tale in business stagnation and personal financial bereavement. There are many of us who hope, however, that if the measure which we passed yesterday providing for an insurance of bank deposits is enacted into law a new and strong confidence will be born in the minds of the people everywhere and their faith will be restored in the safety of our banking institutions, with its inevitable beneficial effect throughout the breadth and length of the land.

[Here the gavel fell.]

Mr. GOLDSBOROUGH. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. HANCOCK of North Carolina. In further answer to the inquiry of the gentleman from Texas, I might also add here that I have already expressed myself as believing that there could be no finer or more practical way at this time and under these conditions to make effective the plan of inflation of the currency as proposed by the Thomas amendment to the farm credit bill than by the immediate payment of the adjusted-service certificates. Through this channel the money would go out to every nook and cranny in the country and find its way into the pocketbooks of all classes of our citizens. If the Treasury notes proposed to be issued are to be made legal tender for the payment of debts I feel that these debts should be paid first. [Applause.] I also believe that payment of these certificates at this time would to a great extent serve as a substitute for the direct relief provided in the Wagner bill. In advocating this method of making effective a part of the program for inflation, I made it very clear, as I hope I may do now, that I would not encourage or favor any plan or movement unless it met with the approval of the President. In these words, familiar to you all, "Where he leads I am willing to follow." [Applause.]

Mr. TRUAX. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK of North Carolina. Yes.

Mr. TRUAX. Is this bill designed for casualty companies or life-insurance companies?

Mr. HANCOCK of North Carolina. This bill provides that if in the opinion of the Secretary of the Treasury any insurance company of any State of the United States is in need of funds for capital purposes he may with the approval of the President request the Corporation to subscribe for stock as I have outlined in the early part of my remarks. That is very broad language, and, if I understand it correctly, any

company able to meet the requirements is eligible to apply. I say frankly to the gentleman that it is true that there were 4 or 5 fire and casualty companies which were used as illustrations in emphasizing the need for this legislation and what might be done through them to aid in the much-desired general economic rehabilitation.

Mr. TRUAX. Is it a fact that the larger life-insurance companies do not wish or desire any part of this appropriation?

Mr. HANCOCK of North Carolina. I think that certain gentlemen of the committee advised us that many of the larger life companies were not interested in securing any assistance from the Government, since their reserves were in strong condition. It was also stated that some of the companies were opposed to this legislation, which is natural in the accustomed order of things here. But their view, though proper to be considered, would not control my judgment regarding the merits of the bill.

Mr. TRUAX. May I ask the gentleman this further question? Is it not a fact that this appropriation, if made, will largely go to save casualty companies that are practically broke because of guaranteeing bank deposits?

Mr. HANCOCK of North Carolina. It is, of course, beyond me to answer that question. It is true that such a rumor has percolated through the House somewhat freely, but I have not been able to trace its origin and I seriously question whether that is a fair innuendo. I feel that we sometimes make a mistake here in permitting casual remarks not based on actual facts or study to prejudice our judgment. On the other hand, I think one may rightfully be a little wary about so many different people representing the President. I have been satisfied from one source that the President feels that this legislation is needed. I do not feel, however, that we should get in the habit of being influenced by someone who, in his zeal to put legislation through the House, falls back upon the President for support. I believe that when he wants legislation he will tell us so in a simple, straightforward message and that we may hear it read from the Speaker's desk.

I regret that my time will not permit me at this point to outline the other important sections of the bill. I think the House should know that our committee was divided on the provision dealing with the limitation on salaries. I made this distinction: In the case of those companies which came to the Corporation for aid in repairing their capital, the Government to a certain extent automatically became a partner and should therefore properly consider the salaries which the officers of the companies received, and it was my impression that in those cases no salary should exceed \$17,500. In the case of all other classes of borrowers from the Reconstruction Corporation it was thought that a different rule should apply. Many of us felt that the high salaries paid to officers of companies using the Government's credit were extortionate and unconscionable in these times and little short of an outright steal. In view of the fact, however, that such companies were private in their nature and were able to meet the test of full and adequate security and had come to the Corporation with clean hands, it was proper that their salaries should be considered and regulated, but that the amounts should be left to the discretion of the directors of the Reconstruction Corporation. Few in the committee, if any, felt that exorbitant salaries should be paid to any officer of any corporation that had to borrow the taxpayers' money to keep going. We were satisfied, after examining the chairman of the Reconstruction Corporation, that he would see that all the salaries paid by borrowing corporations were scaled down to a fair and reasonable level in keeping with present conditions. It is still the thought of many of us, after hearing his views, that this is perhaps the best solution of the salary problem. [Applause.]

[Here the gavel fell.]

Mr. LUCE. Mr. Chairman, I yield 5 minutes to the gentleman from New Jersey [Mr. CAVICCHIA].

Mr. CAVICCHIA. Mr. Chairman, I have heard it said on the floor here that millions of dollars of Government funds were lent to the Dawes bank, which was a bankrupt concern,

but they forget to tell us that thirty or more million dollars of that loan have already been paid back into the Government coffers, and this money could not have been paid back if we had lent it to a bankrupt concern.

Mr. McFARLANE. Will the gentleman yield?

Mr. CAVICCHIA. Let me first finish my statement and then, if I have time, I shall be pleased to yield to the gentleman.

We hear so many half truths here that sometimes it becomes pretty hard even for Members of this body to know just what the truth is. We have been told that it will be a radical departure for the Reconstruction Finance Corporation to lend money to these insurance companies when we have not done it heretofore. We have been lending money to life-insurance companies and to banks right along since this Corporation was organized. It is true that there was collateral given, but, in heaven's name, where did that collateral come from? Was it not from the money of those whose lives are insured and from the moneys of the depositors of these institutions? And whose money are you going to give to these insurance companies that we are trying to help by this bill?

It is the money of the stockholders who are ready to transfer their present holdings for preferred shares and to let their company keep on as a going concern.

We hear it said that we are going to loan this money to bankrupt insurance companies. Gentlemen, please make this distinction and keep it very clearly in mind: The Reconstruction Finance Corporation, if this measure becomes a law, is going to exercise its good judgment. Jesse Jones, Chairman of the Reconstruction Finance Corporation, appeared before the committee and urged that this law be passed and stated that the President wanted this law.

If my good friend from North Carolina [Mr. HANCOCK] thinks that President Roosevelt should appear before us every time he is interested in the passage of legislation, perhaps the gentleman can get the President to come here personally.

I want you to make a distinction between insolvent concerns and unliquid concerns. We cannot help insolvent concerns; they are bankrupt. To loan money to such concerns would be money wasted. But there are many fire-insurance companies; and this law is primarily intended to help those fire-insurance companies that are perfectly solvent, that have millions of dollars' worth of securities.

The Reconstruction Finance Corporation is not going to give any money to bankrupt or insolvent concerns.

Mr. SABATH. Will the gentleman yield?

Mr. CAVICCHIA. I yield.

Mr. SABATH. If the corporations are solvent, they will be able to show that neither the capital nor the surplus is impaired. But, as I understand, the surplus and capital of companies have been impaired because the securities they have have decreased in value below what they originally claimed they had, and for that reason they desire relief because the insurance examiner claims that they are not solvent, because the present value of the securities has been reduced.

Mr. CAVICCHIA. I am glad the gentleman brought that up, because the superintendents of insurance and banking of certain States are very anxious to appoint receivers who will work 10 or 15 years to liquidate the companies and will take millions of dollars for lawyers and receivers. Those insurance examiners do not like this legislation. I know of such cases.

Now, I want to state another thing. Many companies have borrowed money from the Reconstruction Finance Corporation, and they have had to put up three or four dollars collateral for every dollar they got in the shape of a loan. That is why your commissioners of insurance and banking in many States say that these companies are insolvent.

Mr. TRUAX. Will the gentleman yield?

Mr. CAVICCHIA. I yield.

Mr. TRUAX. The gentleman states that the Reconstruction Finance Corporation will not make loans to bankrupt or insolvent companies. What about the Missouri Pacific

Railroad, that received \$20,000,000; what about the Union Trust Co. of Cleveland, that received \$16,000,000; what about the Guardian Savings & Trust Co. of Cleveland, that received \$15,000,000?

Mr. CAVICCHIA. Jesse Jones, Chairman of the Reconstruction Finance Corporation, says that you can trust the Corporation to look after that. The gentleman has mentioned 3 or 4 companies which borrowed, and I assume from his question that the companies have become bankrupt; but that does not give us the entire facts, because hundreds of concerns throughout the country that have borrowed money are still in business, and many of them have paid back their loans, and the fact that a few have failed is no reason why we should not keep on relieving those that need help. Remember that the English companies are getting the business today that should go to American companies. Foreign companies can cable to Europe for money, pay 80 cents for an American dollar in London, and pass it in New York for 100 cents. If this keeps up, most of our American fire companies will eventually fail.

Mr. LUCE. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. FISH].

Mr. FISH. Mr. Chairman, I ask unanimous consent to speak out of order.

The CHAIRMAN. Is there objection?

Mr. McFARLANE. Mr. Chairman, I reserve the right to object. What is to be the nature of the gentleman's remarks?

Mr. FISH. I want to speak on a resolution which I have introduced today.

Mr. McFARLANE. Affecting what subject?

Mr. FISH. Foreign affairs.

Mr. DEEN. And there is nothing to be said about Negro affairs?

Mr. FISH. No.

Mr. McFARLANE. Or about Cuba?

Mr. FISH. No.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. FISH. Mr. Chairman, I introduced the following resolution today, which is self-explanatory. It will be referred to the Committee on Foreign Affairs of the House, and it will depend upon the unanimity and character of the support given it by the Jewish people in the United States and their friends whether I shall request immediate consideration. If it is clearly shown that the Jewish people are united in demanding immediate and favorable action on this resolution, I shall urge prompt consideration and adoption:

House concurrent resolution

Whereas the German Government is pursuing a relentless and ruthless policy of economic persecution and repression of Jews in Germany; and

Whereas it is the avowed intention of the German Government to deprive the Jews of their civic, political, and economic rights; and

Whereas the comparatively small number of Jews in Germany, not exceeding 600,000, or 1 percent of the German population, constitute a peaceful, law-abiding, industrious, and defenseless element of the population: Therefore be it

Resolved by the House of Representatives (the Senate concurring), That the Congress of the United States regrets the continued persecution of the Jews in Germany and expresses its sympathy for them in their hour of trial, humiliation, and economic discrimination, and requests the President of the United States to use his good offices and make friendly representation to the German Government in the interest of humanity, justice, and world peace, to respect the civic and economic rights of its citizens of Jewish origin, and to put an end to racial and religious persecution.

As a friend of the German people, without in any way desiring to interfere with their domestic institutions or believing in the recent physical-atrocity charges, I appeal to their sense of justice and spirit of tolerance and fair play not to turn back the hands of progress two centuries by disqualifying German Jews of citizenship and economic rights and driving them once again as outcasts into the crowded and poverty-stricken Ghetto.

I do not question the stability of the Hitler government, or that it represents the views of a majority of the German people. It is none of our business what form of government

exists in any foreign nation, whether it be republican, monarchical, Fascist, or Communist. For many years I have sympathized with the German people in their efforts to build up a united country under the harsh provisions of the Versailles Treaty, conceived in hate, fear, cupidity, and signed under coercion.

I am aware of the difficulties that have arisen in Germany since the end of the World War because of the growth of a powerful and aggressive Communist Party, composed of 5,000,000 people, teaching class hatred, destruction of religion and private property, and spreading internal disorders and urging the seizure of the German Government by force and violence. It is very likely that the Hitler dictatorship was necessary in view of the strength and revolutionary activities of the Communist, which undermined the stability of the German Republic. Just as communism was the main reason for the rapid growth of fascism in Italy, so likewise in Germany it was an important factor in bringing about the Nazi dictatorship.

I do not deny that some German Jews were active in the Communist Party, but that is no reason to indict a whole race of 600,000 people because a small percentage were followers of Karl Marx and a smaller percentage were Communists.

As the author of the Zionist resolution for a homeland for the Jewish people in Palestine, which passed the Congress 10 years ago, I urge the German Jews and Jews throughout the world not to compromise or sacrifice their ancient faith to communism, with its avowed hatred of God and of all religious beliefs, but to stand firmly in opposition to this revolutionary and destructive force, which seeks to promote class hatred, atheism, and the destruction of human liberty.

It seems to me that this is an opportune time to exert every effort to further develop Palestine as a homeland for those Jews who are being persecuted in Germany or in any other nation.

My message to the Jews of America is to redouble their faith in our free institutions and our constitutional and republican form of government, which guarantees to every citizen an equal opportunity under the law and the right to life, liberty, and pursuit of happiness. In no country have the Jews so prospered as in the United States under our democratic system of government. In the last election Jewish governors were elected in New York and in Illinois, two of the largest of our States.

There is no room for communism or any form of foreign dictatorship in the United States. The Jews of America who came here to enjoy the equal opportunities and the protection afforded by our laws appreciate the blessings of liberty and justice under our republican form of government and should be the first to uphold it and defend it against all of its enemies from within and from without. Any other course would not only be ungrateful but suicidal and against their own interests.

No right-thinking American Jew, having the welfare of his people at heart, would ever consider surrendering the blessing of liberty and justice under our free institutions for either communism or fascism. The Jews of America should shun communism and all its works as their worst and most dangerous enemy. The loyal and conservative Jews, who are in an overwhelming majority, have a right to form leagues to combat anti-Semitism, but in their own interest have a duty to organize effective opposition to communism and to combat it in every way among their own people.

The tragic persecution of the Jews in Germany is just another page in the long and dark history of the much-suffering Jewish people. The American Government has never given any sanction to bigotry or assistance to persecution, but, on the other hand, does guarantee to all citizens full liberty of conscience. Our traditional American policy toward our citizens of Jewish origin is best expressed in the words of George Washington to the Jewish congregation at Newport in 1790:

May the children of the stock of Abraham who dwell in this land continue to merit and enjoy the good will of the other in-

habitants, while everyone shall sit in safety under his own vine and fig tree, and there shall be none to make him afraid.

As one who has opposed communism in all forms, I appeal for a square deal and justice for the great majority of the Jewish people in Germany, as elsewhere, who are decent and honorable citizens, practicing an ancient faith in peace and tranquillity and desiring merely the protection of their lives, property, and an equal opportunity to work. A continuation of the economic persecution of the Jews would be a disgrace to the cause of human liberty and modern civilization and will be a constant source of friction and irritation in maintaining friendly relations between nations. [Applause.]

Mr. LUCE. Mr. Chairman, I yield 5 minutes to the gentleman from Minnesota [Mr. SHOEMAKER].

Mr. SHOEMAKER. Mr. Chairman, there are things about this bill that I am not very keen about and do not like. In the first place, we are opening up the Federal jackpot to another bunch of looters, such as are on the witness stand over in the other end of the Capitol today, that have not paid any income taxes for years. I speak of J. Pierpont Morgan and his associates. This does not apply to insurance only, but on page 7 you will find that the bill authorizes the loaning of money by the Reconstruction Finance Corporation to railroad trustees. In other words, the railroads that have already borrowed money from the Reconstruction Finance Corporation and are now in the hands of receivers, can as it is now proposed borrow more money from the Reconstruction Finance Corporation for the bankrupt railroads. Let me give you one little illustration. If I am correctly informed, a little over a year ago the Soo Line Railroad defaulted on about \$5,000,000 worth of bonds. It could not pay the face of the bonds and it could not pay the interest. The president of the Soo Line was also a director in the First National Bank Corporation of Minneapolis, a chain banking company. Being the president of the railroad company and being a director in that bank, he knew where the outstanding bonds were, the bonds upon which the default had been made. So agents of the bank, security salesmen, went out and cheated the poor people out of the bonds and bought them for about 20 cents on the dollar, and after the president of the Soo Line Railroad Co., through the bank in which he was a director, got control of the bonds that they had purchased all the way from 25 to 35 cents on the dollar, they then came down here to the Reconstruction Finance Corporation and turned them over and got \$5,000,000 with which to pay off the debts they had bought up for 25 to 35 cents on the dollar, or less, thereby making in the neighborhood of two or three million five hundred thousand dollars clear profit for themselves.

I am almost at my wit's end when it comes to voting money to these big corporations. We were told that we could not have 3-percent money for the farmers, because, if we fixed the rate in the farm bill at 3 percent, it would make it impossible for the insurance companies to exist, and that is why it had to be shoved up to 4½ and 5 percent. These insurance companies are already throttling our farmers, they already have them by the throat, and they are in a death struggle, and yet we are going to give them more money so that they can clamp their clutches tighter around the necks of the farmer.

With regard to the soldiers, only yesterday a case came to me where a veteran was discharged from the Army in 1919 as totally disabled. He paid his insurance for 2 years after he was discharged and then he was adjudicated insane and sent to an insane asylum in the State of Minnesota, where he died on the 19th of last January, and because his widow did not know about the new laws that this Congress passed she did not file the application for her life insurance in time. That claim I now have in my possession, together with the receipt for the premiums paid, and because she did not file that claim before the 1st of April 1933 I am told that she cannot get a penny of that insurance. Here was a man who since 1919 had been in an insane hospital.

We can take things away from those who suffer, those who are in need, and turn them over to the hands of great

corporations who today are the ones that have brought destruction and ruin on this great country of ours. So long as I am here on this floor, I am going to quit voting money for all these foolish propositions, while there are 16,000,000 men walking the streets and highways and byways, without a thing to eat, in a land of plenty, where everything is so abundant, where we have so much wheat that the people have to go without bread, where we have so much butter that they have to eat molasses, and have not got that, where we have so many shoes that they have to go barefoot. And here we are quibbling and voting to save the life-insurance companies. When are we going to do something for the American taxpayer? The thing to do is for this Congress to resolve itself and put through a proposition which will go down into the pockets of the contemptible tax dodgers who have been dodging their income taxes through the years in this country, from J. Pierpont Morgan on down, and make them pay up what they owe, and we will soon balance the Budget and quit our fooling, for after all we are only fooling ourselves.

I wish to add further that when the time comes, as it already has, when the United States of America will repudiate its own insurance policies given in solemn faith to its veterans who fought in the World War and deprive their widows of the money that is rightfully owing to them and then appropriate \$50,000,000 to loan to private insurance companies and bankrupt railroads it is time to call a halt. And I also wish to call your attention to the fact that these same companies who will be making loans from this new fund, according to the records, are now paying their presidents and officers exorbitant salaries that run from \$50,000 per year to \$175,000 per year, and we here are asked to take money out of the pockets of the poor taxpayers and assist in paying these exorbitant salaries through loans made by these companies from the United States Treasury or the Reconstruction Finance Corporation.

Another thing about this bill is that it is authorizing more debts and more tax-free bonds amounting to \$50,000,000, which must be again assessed upon the taxpayers of this great land.

Let me call your attention to the fact that the legislation that we passed yesterday carried with it appropriations to the amount of \$150,000,000, and at the rate we are proceeding to run this Government into debt, if it continues, we will be worse than bankrupt ourselves within another 30 days. All these bonds are tax-free. They will be bought up at a discount by the very Morgan group and their affiliates who are now being investigated in the other end of this building, and then Morgan & Co. will again bring these bonds to our Printing and Engraving plant and have printed nice new, crisp paper money that will be put into circulation against these bonds, so that Morgan & Co. will not only draw an interest on the original bonds but can loan out the new money which they got tax free and interest free through the printing by Uncle Sam, and rob our people still further.

When shall this mad orgy end? Shall we wait forever depriving the farmers and wage-workers of their rightful position with American Government, and deliberately violate every sacred contract entered into with our crippled soldiers and war veterans? So far as I am concerned, I say that the time has come to think of some constructive statesmanship and some laws that will open the books of our Internal Revenue Department and make public the amount of income taxes paid by every citizen of the United States. Had there been no secrecy with regard to our income taxes do you think that Morgan and his financial racketeers, looters, and thieves could have got away for years without paying any income taxes? Unless we, the Congress of the United States, come to our senses and do a little legislating along constructive lines, let me assure you that we may find ourselves no longer in Congress, and that the people may rise up, as they are doing throughout many parts of our country, and take the law into their own hands; not because of their radicalism, but because we, the Congress of the United States of America have failed to do our duty,

and have failed to live up to our oaths of office. [Applause.]

The CHAIRMAN. The time of the gentleman from Minnesota has expired.

Mr. LUCE. Mr. Chairman, I yield 5 minutes to the gentleman from Georgia [Mr. DEEN].

Mr. DEEN. Mr. Chairman, I want to call attention for 2 or 3 minutes to some of the salaries paid to officials of some of the insurance companies as follows:

Salaries paid officials

Officials	1929	1932
EQUITABLE LIFE ASSURANCE SOCIETY		
T. I. Parkinson, president.....	\$75,000	\$100,000
L. M. Fisher, vice president.....	34,375	40,000
W. J. Graham, vice president.....	34,375	40,000
R. D. Murphy, vice president.....	20,000	30,000
D. A. Walker, vice president.....	17,187	20,000
METROPOLITAN LIFE INSURANCE CO.		
F. H. Ecker, president.....	175,000	200,000
L. A. Lincoln, vice president.....	66,875	125,000
A. C. Campbell, vice president.....	35,000	40,000
H. E. North, vice president.....	30,000	35,000
F. W. Ecker, treasurer.....	27,500	32,500
THE MUTUAL LIFE INSURANCE CO.		
D. F. Houston, president.....	100,000	125,000

Mr. BLANTON. Mr. Chairman, will the gentleman yield?

Mr. DEEN. I yield.

Mr. BLANTON. When Mr. David F. Houston was in Texas he was one of my professors in the State University at Austin, and his salary then was not over \$7,500 a year, but as soon as he becomes president of the Mutual Life Insurance Co. his services immediately become more valuable, and he gets first \$100,000 per year, and then they raise it in 1932 to \$125,000 per annum. They are doing it with money that should go to widows and orphans after their policyholder dies.

Mr. DEEN. I am sure he is a splendid teacher. The gentleman is an excellent student of his, but he is not worth an annual salary of \$125,000.

Mr. BLANTON. He is not worth half of it or one fourth of it. And paying such outrageous salaries is what has gotten these insurance companies in these financial straits.

Mr. DEEN (continuing reading the salaries of the officials of the Mutual Life Insurance Co.):

Salaries paid officials

Officials	1929	1932
F. L. Allen, vice president.....	\$40,000	\$40,000
G. K. Sargent, vice president.....	40,000	40,000
W. Shields, vice president.....	31,250	40,000
P. M. Foshay, vice president.....	31,250	40,000
NEW YORK LIFE INSURANCE CO.		
T. A. Buckner, president.....	100,000	125,000
W. Buckner, vice president.....	55,390	55,400
A. L. Aiken, vice president.....	45,000	45,000
J. C. McCall, vice president.....	56,200	55,000
L. H. McCall, secretary.....	18,892	18,000
T. A. Buckner, Jr., assistant secretary.....	8,604	10,000
H. Palangano, treasurer.....	46,400	45,000
THE PRUDENTIAL INSURANCE CO. OF AMERICA		
E. H. Duffield, president.....	125,000	125,000
F. D. Olier, vice president.....	75,000	75,000
G. W. Munsick, vice president.....	48,000	50,000
J. W. Stedman, vice president.....	43,000	43,000
J. K. Gore, vice president.....	43,000	43,000

Mr. Chairman, may I say just this word—that the request of the insurance companies of the United States coming to this Congress through the present bill reported by the committee would come with better grace to this Congress if the officials of those companies had not in 1929 raised their salaries. The beginning of the panic was in 1929, and at that time they were receiving enormous salaries. If the insurance company officials had not raised their salaries in 1932, they could come with much better grace to this House now and seek legislation for loans. This House is interested in the insurance companies, because we all have

policies with them. At the same time we are not interested in lending money endorsed by the Federal Government through the Reconstruction Finance Corporation to companies to pay them these enormous, extravagant salaries. They are not worth it. You are not and I am not, and no man in this country is worth \$175,000 a year to operate an insurance company.

The CHAIRMAN. The time of the gentleman from Georgia [Mr. DEEN] has expired.

Mr. LUCE. I yield the gentleman one half additional minute.

Mr. HANCOCK of North Carolina. Will the gentleman yield?

Mr. DEEN. I yield.

Mr. HANCOCK of North Carolina. Since the gentleman has very properly referred to the fact that a number of the officers of these companies which are borrowing taxpayers' assessments from the Government have increased their salaries during the depression, and, perhaps, in some instances out of this borrowed money, I think the Record ought to show that the present chairman of the Reconstruction Finance Corporation made it clear to our committee that he thought there were cases where the officers' salaries of the borrowing institutions were extortionate and ought to be materially reduced to the level of present times. In fairness to him it should also be understood that though he did not advocate it, he was not opposed to the salary provision in the act as it passed the Senate. Every member of the committee remembers his candor on this point.

Mr. DEEN. Why did the committee, in submitting this bill, strike out \$17,500 and make it in the discretion of the Corporation?

Mr. BLANTON. We ought to put that limitation on maximum salaries allowed back in the bill, or we ought to defeat this bill.

Mr. HANCOCK of North Carolina. There was a division in the committee about that amendment.

The CHAIRMAN. The time of the gentleman from Georgia [Mr. DEEN] has again expired.

Mr. LUCE. Mr. Chairman, I am going to use 2 or 3 minutes, and then I am going to achieve an ambition that has been close to my heart ever since I have been in Congress. I am going to break all records by giving back virtually half of the hour to the House.

It has seemed to me most unfortunate that we have fallen into the habit of using up every minute of the hour a Member recognized may consume, speaking himself or yielding time to others, when the hour is not needed.

So, sir, after saying that I am going to vote for this bill, in my belief that the Reconstruction Finance Corporation can be trusted to carry out what is evidently the will of the House, and in so doing to exercise sound judgment, I am going to go to the reading of the bill for amendment under the 5-minute rule where questions that have just been asked may be discussed. I give back the rest of my time to the House. [Applause.]

Mr. SABATH. Mr. Chairman, realizing the importance of this legislation, I have insisted that we should give the House an open rule on this bill and allow the Members the right to offer amendments and change the bill if they can, to make it workable and beneficial legislation, if that be possible.

I myself feel that the bill should not receive the vote or approval of this House. I have been for every proposition that was recommended, advocated, or requested by the President, and I shall continue this policy, but I doubt very much that he is really interested in this proposed legislation.

Mr. GOLDSBOROUGH. Mr. Chairman, will the gentleman yield?

Mr. SABATH. I yield.

Mr. GOLDSBOROUGH. I may say to the gentleman that had the President of the United States not demanded this legislation, it would never be before us for consideration.

Mr. SABATH. I have no knowledge that the President favors it, though some gentlemen say that he does; but,

knowing him as I do, I am satisfied that he would not advocate this proposed legislation, especially in view of the fact that the public works bill, in which he is interested and for which a rule was granted today and which will come up for consideration tomorrow, really eliminates the only redeeming features in the bill we are now considering. The members of the Committee on Banking and Currency may not know this, because the bill was reported only yesterday by the Ways and Means Committee, but the language to which I call attention is as follows:

After the expiration of 10 days after the date upon which the Administrator has qualified and taken office, no application shall be approved by the Reconstruction Finance Corporation under the provision of subsection (a) of section 201 of the Emergency Relief and Construction Act of 1932.

This really destroys every provision in the so-called "insurance bill" that was aimed to help that bill pass the House. To make possible its passage the insurance bill contains provisions that would aid States and municipalities with their construction work, but the action the House will take tomorrow will absolutely destroy nearly every provision of this bill.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. SABATH. I yield.

Mr. McFARLANE. Then should we not lay this bill on the table?

Mr. SABATH. The gentleman heard what I said. It is not always easy to make oneself as clear as one would like.

Mr. DEEN. Mr. Chairman, will the gentleman yield?

Mr. SABATH. I yield.

Mr. DEEN. Does the gentleman know what salary is paid the chairman of the Reconstruction Finance Corporation? I ask this as a matter of information.

Mr. SABATH. I compliment the gentleman upon the information he gave to the House this afternoon. Heretofore on several occasions I have called the attention of the House to the salaries. The very railroads that came here pleading for relief and that obtained large loans paid their officers \$100,000 or \$125,000 a year. These individuals squander the money of the railroads, waste it, vote it to themselves, and then they come down to the Reconstruction Finance Corporation for relief and aid.

This practice should cease, and it is high time that we make a start in this direction. We should make the start on this bill today. [Applause.] We should prevent similar demands upon the House in the future.

Mr. HOLLISTER. Mr. Chairman, will the gentleman yield?

Mr. SABATH. I yield.

Mr. HOLLISTER. I understood the gentleman to say he was very much pleased that the bill was brought in under a rule giving the Members an opportunity to amend it.

Mr. SABATH. Yes.

Mr. HOLLISTER. Did I understand the gentleman to say that the bill which will be brought in tomorrow will be brought in under a similar liberal rule?

Mr. SABATH. I regret exceedingly that the bill that will be brought in tomorrow will not come in under such a liberal rule.

Mr. HOLLISTER. Did the gentleman vote for that liberal rule yesterday?

Mr. SABATH. I was speaking of the rule under which the bill we are now considering was brought in. When we take up consideration of the rule tomorrow I shall explain the reasons for it.

I feel, Mr. Chairman, that this bill should not pass in its present form because all the good it could do has been eliminated. And what little remains will be absolutely nullified by the bill that will pass the House within a day or two. Consequently there is no reason for any of us who tried to enact legislation that would create employment and relieve the distressed conditions of municipalities and States to vote for this bill. I am inclined to believe that the President has been imposed upon by a few casualty companies, who have misinformed him as to the facts.

This will not aid the life-insurance companies or the policyholders. This will help only a few men who lost the money of their companies by buying questionable securities from such great investment bankers as the one who is testifying before a committee at the other end of the Capitol today. [Applause.]

[Here the gavel fell.]

Mr. FOCHT. Mr. Chairman, will the gentleman yield?

Mr. SABATH. My time has expired.

Mr. FOCHT. I wish the gentleman would tell us his views before he sits down. I have not heard him state his reasons yet.

Mr. SABATH. Had the gentleman been listening he would have heard.

The CHAIRMAN. The Clerk will read the bill for amendment under the 5-minute rule.

The Clerk read as follows:

Be it enacted, etc., That during the continuance of the existing emergency heretofore recognized by Public No. 1 of the Seventy-third Congress or until this act shall be declared no longer operative by proclamation of the President, and notwithstanding any other provision of any other law, if, in the opinion of the Secretary of the Treasury, any insurance company of any State of the United States is in need of funds for capital purposes either in connection with the organization of such company or otherwise, he may, with the approval of the President, request the Reconstruction Finance Corporation to subscribe for preferred stock of any class, exempt from assessment or additional liability, in such insurance company, or to make loans secured by such stock as collateral, and the Reconstruction Finance Corporation may comply with such request. The Reconstruction Finance Corporation may, with the approval of the Secretary of the Treasury and under such rules and regulations as he may prescribe, sell in the open market the whole or any part of the preferred stock of any such insurance company acquired by the corporation pursuant to this section. The amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized and empowered to issue and to have outstanding at any one time under existing law is hereby increased by \$50,000,000, in order to provide funds to carry out the provisions of this act.

With the following committee amendment:

Page 2, line 12, after the word "section", strike out the language down to and including the word "act" on line 18 and insert the following: "The total face amount of loans, subscriptions to preferred stock, and purchase of capital notes which the Reconstruction Finance Corporation may have outstanding at any one time under the provisions of this section and section 2 of this act shall not exceed \$50,000,000, and the amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized and empowered to issue and to have outstanding at any one time under existing law is hereby increased by an amount sufficient to carry out the provisions of this section."

Mr. STEAGALL. Mr. Chairman, the purpose of the committee amendment is simply to clarify the language and make definite and unquestionable the purpose to limit the total of loans to the sum of \$50,000,000.

Mr. GOSS. Will the gentleman yield for a question?

Mr. STEAGALL. Yes.

Mr. GOSS. My recollection is that in general debate the distinguished gentleman from Maryland [Mr. GOLDSBOROUGH] stated to the membership here that no life-insurance company would get any benefits out of this bill.

Mr. GOLDSBOROUGH. I can straighten that out with my friend. I did not mean to say that any life insurance company was prohibited under the bill from securing the benefits of this proposed law. What I meant to say was that the insurance companies that wanted this law passed are not life-insurance companies, but casualty companies.

Mr. GOSS. That is true, but I understood the gentleman in his remarks to say that no life-insurance company would participate.

Mr. GOLDSBOROUGH. If I said that I made a mistake.

Mr. GOSS. Then any life-insurance company could come in under the provisions of this bill.

Mr. GOLDSBOROUGH. That is correct.

Mr. PATMAN. Mr. Chairman, I rise in opposition to the committee amendment.

Mr. Chairman, I did not have any time in general debate and I ask unanimous consent that I may proceed for 5 additional minutes.

Mr. LUCE. Mr. Chairman, I shall not object to this extension of time, but this committee has had 2 pretty hard days and we are rather tired, and I shall hope that the remarks will be confined to the bill after this and that we do not have any further extensions of time.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

MORE TAX-EXEMPT INTEREST-BEARING BONDS

Mr. PATMAN. Mr. Chairman, this bill provides that \$50,000,000 in Government securities may be sold and the money delivered to the Reconstruction Finance Corporation and the Reconstruction Finance Corporation may use this money to help certain insurance companies.

It is my understanding the insurance companies have already been pretty well taken care of under legislation passed creating the Reconstruction Finance Corporation, but this bill goes much further and provides that the Reconstruction Finance Corporation may purchase the preferred stock of an insurance company.

One part of this bill that is very objectionable to me is the issuance of more tax-exempt interest-bearing securities of the Government of the United States.

When will there ever be any incentive for people to place their money in industry, commerce, or agriculture as long as they can purchase Government bonds that, of course, are guaranteed by the Government of the United States, and in this way have a more convenient place for their money? As evidence of the fact that money will be used to purchase Government bonds when they can be purchased, take the statement yesterday filed before a Senate committee by Mr. Morgan, of the house of Morgan, which indicates that during the last few years his institution has been selling off its other stocks and bonds and other properties and purchasing Government bonds, and now the institution holds Government bonds aggregating in value \$224,000,000. Last year this institution drew in interest more than \$7,500,000 on these bonds from the Government, and drew this much money the year before, and did not pay one penny of income tax to the United States Government.

NEW MONEY SHOULD BE ISSUED

The connection with the bill is this: Is it right and fair that Government bonds be issued and sold to Mr. Morgan? Mr. Morgan will take the bonds and keep them in the vaults of his bank. The money that Mr. Morgan sends to Washington will be delivered to the Reconstruction Finance Corporation, and the Reconstruction Finance Corporation will deliver that money back to one of Mr. Morgan's insurance companies, and he gets it right back again. In addition to this, if Mr. Morgan wants more money, he can have these bonds put up with the Treasury of the United States and have the Bureau of Engraving and Printing print \$224,000,000 worth of new money, if he wants it and if he uses the proper channels to get it.

MORGAN CAN EXCHANGE BONDS FOR NEW MONEY

If he should purchase the \$50,000,000 of bonds authorized under this bill, he can take these bonds through banking channels and place them with the Federal Reserve or with the Treasury of the United States and get new money issued in return for these bonds, and at the same time he is using the money he will also get interest on the bonds, and then the money comes right back to his insurance corporation.

ABUSE OF GOVERNMENT CREDIT

I think it is time we should call a halt on such proceedings as this. It is an idiotic and imbecilic system that we have with respect to the use and, I might say, the abuse of the credit of the Government of the United States.

Mr. KVALE. Will the gentleman yield for a question?

Mr. PATMAN. For a question; yes.

Mr. KVALE. The gentleman calls these Government bonds; is it not true that they are Reconstruction Finance Corporation bonds or debentures?

Mr. PATMAN. The Reconstruction Finance Corporation never issued one dollar of bonds, because the act is unconsti-

tutional. No one will stand up here and claim that the Reconstruction Finance Corporation Act is constitutional. Therefore they have never attempted to sell any bonds to the people. All these debentures are delivered to the United States Treasury and the United States Treasury sells Government securities and delivers the money to the Reconstruction Finance Corporation in return for its debentures. Therefore they handle it through the Treasury of the United States.

Mr. MOTT. Will the gentleman yield?

Mr. PATMAN. I yield for a question.

Mr. MOTT. The gentleman seems to be quite well informed on this legislation. Can he advise us whether this is a part of the President's program?

Mr. PATMAN. I am not in position to advise the gentleman on that. I know nothing about it.

Of all the people that should be favored at this time with special legislation, taking up our time here, the Morgan and Mellon groups, who would profit so much by reason of this legislation, should be the last.

SECRET TAX SYSTEM

I can tell you one little law that you could pass in 10 minutes' time that would balance this Budget, which is so much unbalanced today, and that little law would be one requiring publicity of income-tax returns. [Applause.]

I have such a bill pending before the Ways and Means Committee at this time.

Mr. McFARLANE. Will the gentleman yield?

Mr. PATMAN. For a brief question.

Mr. McFARLANE. I am wondering if Members of the House know that the Internal Revenue Department refuses to furnish Members of the House with any information as to matters under discussion here?

Mr. PATMAN. Some Members of the House probably do not know that we have here a system of secret taxation. We have the same kind of a system that put Chicago on the rocks. They used to have a secret tax system, and no resident of Chicago could tell you how much his neighbor was paying in taxes. Some people were paying no taxes at all, others much less than some others. We have a secret tax system in this country. There is no reason why the tax returns should not be open to public inspection. The tax records of all cities, counties, and States are subject to public inspection, so why should we favor the Morgans, Mellons, Mills, Meyers, and Mitchells with secret returns?

If you will make the income-tax returns public, you will not have to pass a gasoline tax or a sales tax. You will collect plenty of money. [Applause.]

Do you think that Mr. Morgan would have dared to refuse to pay taxes during the years 1931 and 1932 if he had known that the tax returns would be subject to public inspection? No; he knew they were secret and that nobody would ever see them. There was no danger or risk in his refusing to pay an income tax or make a full return.

We should make income-tax returns subject to public inspection. We need not publish them. There is no reason why they should be published, but any citizen of the United States who desires to see one should be permitted to see it.

I want to tell you that in this investigation—although the newspapers say they are being handled with kid gloves—if the investigation continues you are going to see all kinds of tax frauds uncovered. I do not believe a majority of the Senate investigating committee will refuse to support Mr. Pecora in his effort to turn the light on the House of Morgan.

MELLON-MORGAN GROUP SHOULD BE EXPELLED

I am one of the Members on this side of the aisle who believe that the Mellon-Morgan group met defeat at the polls last November, and I hope that no member of the group will be taken into the confidence or his advice taken or heeded by the present administration in any way, shape, or manner. [Applause.]

We have had enough of Mellonitis—it is Mellonitis that has almost destroyed our country. Mellon and Morgan absolutely refuse to obey the law—they think that they are

above the law. They believe in law and order as long as they can make the law and give the order.

Mr. STOKES. Mr. Chairman, I think the gentleman should confine his remarks to the bill.

Mr. PATMAN. Now, as to this man Mellon, he holds \$175,000,000 worth of Government bonds in two of his banking institutions, collecting \$7,000,000 in interest from the Government on them annually. I just wonder how much income tax he paid last year or he has paid during the last 12 years. You cannot find out because the income-tax returns are secret. You ought to make them subject to public inspection.

[Here the gavel fell.]

Mr. GREEN. Mr. Chairman, I move to strike out the last two words. I do this in order to tell my colleagues of a little experience a city in my district recently had with the Reconstruction Finance Corporation. The people of the city were naturally encouraged by reading reports that the Congress had appropriated large sums of money for this Corporation to relieve industry, the railroads, the banks, the insurance companies, as well as the municipalities and other subdivisions of our Government. They decided they would make application to enlarge and improve their waterworks. They filed the application and members of the delegation from my State requested that it be favorably considered. It was turned down some time ago. A few days ago the Honorable L. B. Alexander, the mayor of this town, Waldo, made a trip up here and appeared before representatives of the Corporation personally and most ably explained the purpose of the application, and explained that their little water plant had been self-liquidating and would be self-liquidating in the future. They asked for \$6,500. Why, that amount would not have been 1 day's interest on the amount that the Corporation had been loaning to the railroad companies. I doubt if it would have paid 10 minutes' interest on the \$80,000,000 which the newspaper reports say that Mr. Dawes, a former chairman, received from the Corporation for a Chicago bank. I do not believe it would have paid the interest for 2 days on the amount of money the railroad companies had borrowed, and by the way, the newspaper reports say that those railroad companies, many of them, have now defaulted on the interest. But that is neither here nor there.

The mayor appeared and explained that they had in their water fund a surplus of \$800, that they had in their general city treasury a surplus of \$1,300 or \$1,400 in cash, that there was not a bond outstanding or a penny of indebtedness against the whole city and that every user of the water now, and everyone to be added to the system through the improvements, was a permanent resident of the city and owners of their homes and able to pay for water used. We were advised by the corporation officials that they did not think that we should be permitted to borrow unless we went back to our little town and had the people vote bonds and then turn the bonds over to the Reconstruction Finance Corporation for collateral. We had always been under the impression that the two billion six or eight hundred million dollars that we had appropriated and authorized for this Corporation was to be loaned to our municipalities direct and without bond issuance. The Reconstruction Finance Corporation in this instance, at least it seems to me, would occupy the role of bondbroker merely to handle the bonds for our little city. This city had also held an election last December in which a very large majority of the voters voted favorably for this very improvement. The Corporation wants to stand behind a clause in the constitution of our State and demand that the city of Waldo vote a bond. Why should we, in conscience, continue to appropriate money for this Corporation which has so utterly failed to relieve the municipalities in my State, particularly this one which wanted only \$6,500. My friends, it is ridiculous.

It seems to me that there should be a more liberal interpretation of the law by the Reconstruction Finance Corporation. I fully appreciate the fact that the Corporation should have securities for the loans and that they should be most careful in the way they handle the public's money, but

from newspaper reports—I do not say that they are so, but I believe they are—the Corporation has been loaning millions and millions of dollars on security far weaker than that offered by the city of Waldo, Fla.

The CHAIRMAN. The time of the gentleman from Florida has expired.

Mr. GREEN. Mr. Chairman, I ask unanimous consent to proceed for 1 minute more.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. GREEN. The loan has been approved by the voters of the town. The thing I should like to say further is this: That it is common practice by towns in my State for the city or town officials to give their notes for indebtedness over a period of years. Individuals and firms accept these notes and they are invariably paid at maturity. Our individuals and firms sell to cities on credit and also loan money, taking only such open notes as security, but the Reconstruction Finance Corporation attempts to hold that the city cannot borrow for more than 12 months upon such open notes, even though the project would be self-liquidating. In my opinion this Waldo project is in fact a self-liquidating project, and the city will meet the obligations which it seeks to enter. The corporation now has it under consideration and, we hope, may even yet act favorably. I call this case to the attention of my colleagues for consideration in connection with the bill before us, which will allow a huge sum for the large corporate interests.

Mr. STEAGALL. Mr. Chairman, I simply desire to let the Committee understand what is involved in the amendment now under consideration. The original bill as it passed the Senate contained language which we thought was not entirely definite in fixing the limit of loans that might be made by the Reconstruction Finance Corporation under this bill. The House Committee on Banking and Currency amended it to make it most specific and definite and unquestioned that there cannot be loans in excess of a total amount of \$50,000,000. That is the amendment on which the Committee is about to vote.

Mr. GLOVER. Mr. Chairman, I move to strike out the last three words.

Mr. Chairman, I regret that a bill of this kind at this time of the session has found its way into the House. I thought when the insurance companies borrowed \$90,000,000 of the taxpayers' money that they would be satisfied, but now they come back here today. Possibly the indemnity companies have not got all they wanted, and they come back now and want \$50,000,000 more to be loaned to them. Oh, you say, let the Reconstruction Finance Corporation advance the money. Do you know what you are doing with the Reconstruction Finance Corporation? You are dealing out the public's cash through that agency. Let us think for a moment where we are going. The Reconstruction Finance Corporation has already loaned over \$2,000,000,000 of the people's money on the direction of this Congress. We have advanced \$2,000,000,000 to go to the relief of farm mortgages, \$2,000,000,000 to go to the relief of home owners, which they needed so badly. That makes \$4,000,000,000. Tomorrow we are coming back with a little bill asking you for only \$3,300,000,000; more than \$7,000,000,000 for this Congress alone. I am not going to vote for anything in the way of a further appropriation that does not go to relieve some man who is out of employment. These big indemnity companies are not out of business. When they are able to pay such salaries as have been put into the RECORD here today, some of them as much as \$200,000 per year, they ought to be ashamed to come here at this time and ask this Congress to appropriate further money to carry on such conduct as that.

The members of the Reconstruction Finance Corporation only get \$10,000 a year. The men at the head of these insurance companies, or some of them, drawing \$175,000 a year, and now they come here and want you by your vote to put a further burden on your people to give them more money. I am not going to do it as far as I am concerned.

I believe this bill ought to be killed right here on the floor of this House today and this extravagance stopped.

Mr. CAVICCHIA. Will the gentleman yield?

Mr. GLOVER. I yield.

Mr. CAVICCHIA. Does not the gentleman realize that the list of high-salaried men which the gentleman read a moment ago applies to life-insurance companies?

Mr. GLOVER. Oh, did you not hear him tell how it might be applied to life-insurance companies and indemnity companies?

Mr. CAVICCHIA. They might come in, yes; but this is for a type of insurance company that cannot afford to pay such salaries.

Mr. GLOVER. Will you please tell me what the president of the Globe Indemnity Co. is drawing now?

Mr. CAVICCHIA. I do not think he is drawing anything today.

Mr. GLOVER. Oh, no. He is like the gentleman over in the Senate who does not make anything, Mr. Morgan. [Laughter.]

Mr. CAVICCHIA. Would the gentleman like to pay the losses that Mr. Morgan had from 1929 to 1932?

Mr. GLOVER. I am not associating with Mr. Morgan's kind of business. He has been trying to put over some things, and lost, and he might have had a right to lose some of it, because he was trying to do things he ought not to have done.

Mr. CAVICCHIA. Why does the gentleman not be fair and wait until the investigation is finished?

Mr. BLANTON. Will the gentleman yield?

Mr. GLOVER. I yield.

Mr. BLANTON. If Mr. J. Pierpont Morgan has such a wonderful defender and protector in the United States Senate, surely my friend from Arkansas ought not to object to Mr. Morgan's having an equally good defender in the House. [Laughter.]

Mr. GLOVER. Well, I do not want to be spokesman for him myself, and that is not all of it. I am not going to be. I am going to think of the good people back home who are going to be burdened with every cent of this if it is voted out. You have to dig it out of the people by taxation. During the administration that has just gone out we chided you for such extravagance, and what are we doing? You set a pace for us that is a snail's pace compared to what we are doing. [Laughter.] I tell you as Democrats we ought to come to a halt on this kind of thing. I am going to do it as far as I am concerned on this bill.

The CHAIRMAN. The time of the gentleman from Arkansas [Mr. GLOVER] has expired.

Mr. STEAGALL. Mr. Chairman, I ask unanimous consent that all debate on this amendment do now close. This is purely a perfecting amendment.

The CHAIRMAN. The question is on the adoption of the committee amendment.

The committee amendment was agreed to.

Mr. BEEDY. Mr. Chairman, I have an amendment on the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. BEEDY: Pages 1 and 2, strike out section 1 and insert in lieu thereof the following section:

"Whenever during the existing emergency any insurance company, whether through bad management or otherwise, has exhausted its resources, it may be accommodated with funds by the Reconstruction Finance Corporation by delivering to the said Corporation promissory notes."

Mr. STEAGALL. Mr. Chairman, I ask unanimous consent that all debate on this section and all amendments thereto close in 10 minutes.

Mr. SWANK. Mr. Chairman, I want 5 minutes.

Mr. TRUAX. Mr. Chairman, I want 5 minutes.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto close in 15 minutes.

The motion was agreed to.

Mr. BEEDY. Mr. Chairman, I have tried to boil down into a few words the real meaning of this bill. All this bill provides is that whenever during the existing emergency any insurance company, whether through bad management or otherwise, has exhausted its resources, impaired its capital, and needs money, it may be accommodated through the Reconstruction Finance Corporation, if it will sign a promissory note.

That is all there is to this bill. Let me make this clear, that no life-insurance company asked for this legislation. The thousands and hundreds of thousands of policyholders in life-insurance companies may as well be informed now as any time that no life-insurance company in this country is demanding any such kind of legislation; and it seems to me that we have come to the point where we must take pretty serious thought before we travel further in the direction we have been heading.

Up to this time whenever we have loaned money through the Reconstruction Finance Corporation we have loaned it on adequate and safe security. It has been a business proposition. Now we have come to the day when a few casualty companies come to us and say: "We have no more collateral; our capital is impaired; we need some of the people's money. We want the Government to come into this business with us. We want the Government to buy capital stock with public moneys but we will not agree to match it with cash capital in the new set-up."

The gentleman from North Carolina explained how they are going to get their capital stock. They are simply going to go out and induce those who have a claim, either actual or claimed, against the insurance company to accept preferred stock for it. The Reconstruction Finance Corporation must pay good money for its stock and insurance companies will take the money they get from the Reconstruction Finance Corporation and go right back to the Reconstruction Finance Corporation with it and demand the collateral they have left with it for former loans. Is it wise for us to make this possible? Of course not. When the transaction is completed the applying insurance company has as much or more of the public moneys than it had when it borrowed from the Reconstruction Finance Corporation and furnished adequate and safe collateral, but the Reconstruction Finance Corporation has given up good collateral and taken preferred stock. In other words, this bill would enable insurance companies to get more of the people's money and get back collateral pledged for former loans. If the bill could be amended to compel these casualty insurance companies to match every dollar of Government money put into preferred stock with new cash capital stock of their own we could justify the passage of this bill.

In these few words in this proposed amendment I have endeavored, in my own way, to bring before the House the whole picture that is presented by this pending bill.

Mr. SNELL. Mr. Chairman, will the gentleman yield?

Mr. BEEDY. I yield.

Mr. SNELL. I was told by a member of the committee that it was not the intention to do any more under this bill for the insurance companies than had been done for the banking interests in the former bill and that these insurance companies will not have any money or paid-in capital stock except on the same conditions.

Mr. BEEDY. That has been stated. It has been said that is what is intended; but when we offered to test their sincerity by a cash capital-matching amendment offered by the gentleman from North Carolina in our committee, the amendment was not accepted.

Now, let us put such a provision right in this bill. Let us amend it here on the floor as suggested by the gentleman from North Carolina. It was the desire of the gentleman from North Carolina—and it is my desire—to insert a provision that would compel these borrowers who are to put their hands into the Government purse through the Reconstruction Finance Corporation to contribute an amount of cash stock—stock for which they must pay cash—equal to the amount of stock the Government is asked to buy through the Reconstruction Finance Corporation. But they said,

"We cannot do that." Of course they cannot. They have no more money. They are not going to put any new money into this new set-up. They are just going to bleed us white, and I am telling you we have just got to stop somewhere. I think this is the place to stop.

Mr. REILLY. Mr. Chairman, will the gentleman yield?

Mr. BEEDY. I yield.

Mr. REILLY. Is there any difference as regards the solvency of an operating company if it wipes out \$5,000,000 of its liabilities by preferred stock instead of securing cash?

Mr. BEEDY. Not if the liabilities it wipes out are real and not concocted for the express purpose of distributing stock allegedly to match stock paid for with good money by the Reconstruction Finance Corporation.

Mr. REILLY. As far as the Government is concerned, the loan is just as good, is it not?

Mr. BEEDY. Of course, we can put enough money into any company that is involved to set it up on its feet again.

[Here the gavel fell.]

Mr. BEEDY. Mr. Chairman, I ask unanimous consent to proceed for 3 additional minutes, and I am not going to speak any more on this bill.

The CHAIRMAN. Is there objection to the request of the gentleman from Maine?

There was no objection.

Mr. REILLY. Mr. Chairman, will the gentleman yield further?

Mr. BEEDY. I yield.

Mr. REILLY. When you wipe out \$5,000,000 of the company's liability they are \$5,000,000 nearer being solvent. It is just the same as though they had got that much money; there is no difference.

Mr. BEEDY. Let us be perfectly frank about the matter. When they can induce claimants and creditors to accept preferred stock they relieve themselves of the demands of those creditors.

Mr. REILLY. It is just the same as though they had secured \$5,000,000 in money.

Mr. BEEDY. That is true if the claims are legitimate, but I am saying that under the terms of this bill the insurance companies themselves do not put in any new money. I am speaking about that feature.

Mr. REILLY. That is true.

Mr. BEEDY. And I call attention to the fact that we have got to decide whether it is to be an accepted obligation of this Government to rehabilitate companies which have exhausted their resources and impaired their capital stock. If that is an obligation of Government then let us go ahead with it, but then when we have taken that step and are a partner in these businesses, how shall we resist those who will come to us and say: "It is a proper function of Government to run the banks; it is a proper function of the Government to run the railroads and the insurance companies, because they are all affected with a public interest; the Government is already a partner in them and it is in the interest of the whole people that the Government take over, in their entirety, these different activities." You will find it difficult if you take this first step to refuse to take the final step. Once you start on this journey I think you will be compelled to go the whole way.

I think we ought to consider very carefully before we vote to support this bill in its present form. I shall vote against it unless the cash capital matching amendment to be offered by the gentleman from North Carolina is adopted. [Applause.]

Mr. CULKIN. Will the gentleman yield?

Mr. BEEDY. I yield.

Mr. CULKIN. The inference has been given out here that all these insurance companies have to do is to go in with a promissory note and walk out with the funds.

Mr. BEEDY. That is right; that is all they have to do under the provisions of section 2.

Mr. CULKIN. Is it not true, I will ask the gentleman from Maine, that they have to deposit collateral, the same as the banks?

Mr. BEEDY. No; if they had collateral, they would not be asking for this legislation. They have exhausted their collateral already.

[Here the gavel fell.]

Mr. SWANK rose.

The CHAIRMAN. The gentleman from Oklahoma [Mr. SWANK] is recognized for 5 minutes.

Mr. SWANK. Mr. Chairman, I ask unanimous consent to revise and extend my remarks in the RECORD.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. SWANK. Mr. Chairman, I have always believed in, worked for, and practiced economy in public office. For several years I have stated that expenses of government—Federal, State, county, city, and local—must be reduced. A few years ago we reached the point where we could not pay the increased expenses, and especially the expenses of government where the money must be derived by direct taxation. Direct taxation has now become unbearable, and even if there were no mortgages thousands of our citizens would lose their homes because they cannot pay the high taxes. As long as additional methods of raising revenue can be devised and put into effect we need not look for much reduction in public expenses. The taxes that are collected should be levied largely upon those most able to pay, but many times those who are most able to pay do not contribute anything to governmental expenses.

The gross public debt of the United States now amounts to more than \$20,000,000,000, and the annual interest appropriated and paid to these nontaxable bondholders amounts to more than \$600,000,000. This is one of the most outrageous provisions of our taxing system. Money can be derived when needed to loan on farms and city homes to relieve our distressed and debt-burdened citizens in other ways than by nontaxable bonds. Congress can authorize the Treasury Department to issue bonds at a small rate of interest, which will not be sold, and can be presented to the Federal Reserve Board for the issuance of Federal Reserve notes which circulate as other money. Another method of deriving these funds is for Congress to direct the Treasury Department to issue Treasury notes and appropriate the interest that has to be paid upon these nontaxable bonds, put it in a sinking fund, and retire the total issue in a certain period of years. If a man has \$1,000,000 invested in 4 percent nontaxable bonds he receives an income of \$40,000 per year upon which he pays no taxes. If a widow has a cheap shack that she calls home she is required to pay taxes under this system.

Our salaries are reduced 15 percent under the present law, but the real decrease is much more than that by reason of the fact that we increased income taxes which apply to these salaries. I supported this reduction and voted to reduce our salaries 25 percent. All Federal salaries have been reduced except those of the Federal judges, and those salaries should be reduced just the same as other salaries. I noticed in the papers that while these judges have been advised that they can contribute this 15 percent reduction there have been only 11 who complied with this suggestion. The annual salaries of the Federal judges are as follows:

United States Supreme Court: Chief Justice, \$20,500; eight Associate Justices, at \$20,000 each.

United States Circuit Court of Appeals: Forty judges, at \$12,500 each.

United States district courts: One hundred and fifty-one district judges, at \$10,000 each.

Court of Customs and Patent Appeals: Presiding judge and four associate judges, at \$12,500 each.

Customs Court: Presiding judge and eight judges, at \$10,000.

Court of Claims: Chief justice, at \$12,500; four judges, at \$12,500 each.

Territorial courts—Hawaii: Chief justice, at \$10,500; two associate justices, at \$10,000 each. Four judges of circuit courts, at \$7,500 each for the first circuit, and one judge

each for the second, third, fourth, and fifth circuits, at \$7,000 each.

The total salary of all these judges amounts to \$2,494,000.

Under the law a Federal judge may retire on full salary when he becomes 70 years of age after serving 10 years. April 1, 1933, there were 21 Federal judges retired on full pay and the total sum of their annual retirement salaries amounts to \$236,000, which is \$11,238 per year each on an average.

Mr. Chairman, I am opposed to this retirement pay for Federal judges, and that law should be repealed. If such a public official who has a lifetime job, with no expense in getting the position, cannot save enough to live upon comfortably after he retires, then the people of the United States should not be taxed because he has not laid aside enough to live upon. There is no more reason, in my judgment, for retiring a Federal judge upon a salary than there is of retiring any other American citizen who has contributed his time, money, and labor to pay these salaries.

Under the present provisions of our Constitution, salaries of Federal judges cannot be reduced by taxation or otherwise, except those of district judges in Alaska, Puerto Rico, Hawaii, and judges of the Court of Claims, Customs Court, and Court of Customs and Patent Appeals. In order to permit a reduction in these salaries, on the 4th day of April, 1933, I introduced House Joint Resolution 144, which proposes an amendment to the Constitution of the United States, and, if adopted, the salaries of these Federal judges could be reduced the same as those of other Federal officials. The resolution is as follows:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two thirds of each House concurring therein), That in lieu of section I, article III, of the Constitution of the United States of America the following be proposed as an amendment to the Constitution, which shall be valid to all intents and purposes as a part of the Constitution when ratified by the legislatures of three fourths of the States.

The judicial power of the United States shall be vested in one Supreme Court and in such inferior courts as the Congress may from time to time ordain and establish. The judges, both of the Supreme and inferior courts, shall hold their offices during good behavior, and shall receive a compensation for their services, to be ascertained by law, and paid out of the Treasury of the United States.

Mr. Chairman, when salaries are reduced, there should be no large salaries exempted, whether for Federal judges or any other officials. The laws of the United States should be so written that they will apply to all our citizens alike. This resolution should be passed by Congress and the Constitution of the United States amended so these salaries will be reduced the same as other salaries. It is not right to take all pensions and compensations from so many of our disabled soldiers and not reduce the salaries of these judges, the same as other officials.

Mr. Chairman, the cruelest piece of legislation enacted since I have been in Congress is the so-called "economy bill", or the bill that strikes so many of the disabled veterans and their dependents from the compensation rolls. Economy for whom? Instead of taking the small allowances from these soldiers, I prefer to take it from the big nontaxable bondholders who receive their allowances in the way of interest and upon which they pay no taxes. Ah, Mr. Chairman, when the boys donned their khaki jackets in 1917 and 1918 and left their jobs and their families for the World War, they were acclaimed by all, including the international bankers who reaped such a financial harvest from that war. We promised them then that the wounded and sick, their dependent widows, and little children would be cared for by a grateful people, and the people are grateful, but not the National Economy League which sponsored the bill and at whose behest it was enacted into law. The bill eliminates the allowances of a great majority of the Spanish-American veterans and the World War veterans, as well as their dependents. What have the boys done, Mr. Chairman, to cause this sort of treatment? It is more cruel and painful to them than an enemy bullet or a saber thrust. The letters that I receive from these soldiers and their wives would

cause tears to come to the eyes of any man. They will be cared for. We are not going to permit the children of these boys to starve. It will be a question for the local communities to deal with, and I believe those who reaped such large financial benefits during the World War should pay taxes to help care for the sick and wounded.

The farm bill, which recently passed the House, provides for a bond issue of \$2,000,000,000, the town mortgage bill \$2,000,000,000 more, and the public works bill provides for a bond issue of \$3,000,000,000, making a total of \$7,000,000,000 of bonds bearing 4 percent interest. This will make \$280,000,000 per year that Congress will have to appropriate for the pockets of these nontaxable bondholders. The Government can take these small allowances from our soldiers and give it to these nontaxable bondholders, but not with my consent. If Congress would appropriate \$280,000,000 per year and put it in a sinking fund, Treasury notes or currency could be issued and the total issue of \$7,000,000,000 would be retired in 25 years.

Mr. Chairman, another piece of legislation that we should enact, in my judgment, is the "bonus" bill, or the bill to pay the soldiers' adjusted-service certificates. This has to be paid and now is a good time to pay it. This money would be placed in circulation in every nook and corner of the United States and a just debt be paid. It would not increase anybody's taxes either to pay it. The Treasury Department can issue Treasury notes and pay the "bonus", or the Federal Reserve Board can issue currency against these adjusted-service certificates. There is a motion now on the Speaker's desk to discharge the committee that has this "bonus" bill in charge and bring the bill before the House for consideration. I have signed the motion and hope the bill will come before the House for consideration at this special session.

Mr. Speaker, as the days go by and as the many pitiful letters come to my office from these wounded boys and their dependents, I feel that my vote against this so-called "economy bill" is more justified than ever. I was against the bill then and I am against it now. When the bill was enacted I feared that great injustices would be done many of our soldiers and for that reason opposed the bill. I am going to keep my promise to these boys. [Applause.]

Mr. STEAGALL. Mr. Chairman, I desire to ask the gentleman from Maine if he desires to withdraw his amendment?

Mr. BEEDY. Yes; I ask unanimous consent to withdraw the amendment, Mr. Chairman. We ought to pass on the bill in toto.

The CHAIRMAN. Is there objection to the request of the gentleman from Maine?

There was no objection.

The Clerk read as follows:

Sec. 2. In the event that any such insurance company shall be incorporated under the laws of any State which does not permit it to issue preferred stock, exempt from assessment or additional liability, or if such laws permit such issue of preferred stock only by unanimous consent of stockholders, or upon notice of more than 20 days, the Reconstruction Finance Corporation is authorized for the purposes of this act to purchase the legally issued notes, bonds, or debentures of such insurance company, which may be subordinated in whole or in part or to any degree to claims of other creditors.

With the following committee amendment:

In line 10, after the word "issued", insert the word "capital" and strike out the words "notes, bonds, or debentures"; and in line 11, after the word "company", insert the words "or to make loans secured by such notes as collateral."

Mr. STEAGALL. Mr. Chairman, there is a clerical error in the first part of the amendment. The committee amended the section by striking out the words "bonds or debentures" in lines 10 and 11, but the erasure of the word "notes" is a clerical error, and I ask unanimous consent that this correction may be made.

The CHAIRMAN. Without objection, the correction will be made.

There was no objection.

Mr. TRUAX. Mr. Chairman, much as I regret to so state, I am firmly of the opinion that this bill is a wolf in sheep's clothing.

We were first told that this bill was for the purpose of saving the life-insurance-policy holders of this country, a project toward which each one of us would be sympathetic.

But the fact is that this \$50,000,000 is to save practically four casualty companies that are nearly, if not quite, bankrupt. The life-insurance companies, the gentleman from Maine says, and I agree with him, which number more than 300 in this country, are not demanding loans nor are they seeking this legislation. The total combined assets of the 300 life-insurance companies of this country is \$20,000,000,000, of which one quarter of those assets are held by two of the large companies, the Prudential and the Metropolitan.

Why are the assets of the life-insurance companies solvent and sound? Simply because they have confined themselves to legitimate investments, paying not more than 4, 5, or 6 percent. The casualty companies have taken all sorts of risks, even including the hazardous business of insuring bank deposits.

So I say to you that the \$50,000,000 is what might well be termed, as the illustrious predecessor of the man in the White House said, "a raid on the Federal Treasury."

I yield to no man in wanting to favor the life-insurance-policy holders of this country, but when it comes to taking \$50,000,000—when we are making every effort to raise \$220,000,000 to finance the \$3,300,000,000 public-works program—I say it is little short of criminal negligence on the part of the House to enact this bill just to help four or five casualty insurance companies in this country who have taken too great a risk in gambling too much and are practically insolvent today, and cannot be saved by this \$50,000,000 or another \$50,000,000 added to it.

At a time like this, when we are witnessing at the other end of the Capitol the richest banker in the world sitting calmly and serenely in that body and saying that he paid no income tax for 2 years, when \$250,000,000 was deposited in his bank last year, who has money enough to lease three whole floors in the luxurious Carlton Hotel, when we are straining to devise new taxes, sales tax, and gasoline taxes in order to finance the public-works program, I say that we should call a halt.

I agree with my friend from Texas when he said that this Morganism and Mellonism must come to a halt.

The people of the country have voted for a new deal. I would like to see made a public statement from the Reconstruction Finance Corporation as to just how liquid the loans are that they have already made. Up until September last \$213,000,000 was loaned to life-insurance companies of this country. What did they do with the money? The Union Central Life, of Cincinnati, Ohio, borrowed \$16,000,000, and in the meantime sold out and confiscated the homes of thousands of farmers in the country.

[Here the gavel fell.]

The CHAIRMAN. The question is on the committee amendment.

The question was taken, and the committee amendment was agreed to.

The Clerk read as follows:

Sec. 3. The Reconstruction Finance Corporation shall not subscribe for, purchase, or accept as collateral for a loan under this act any preferred stock, notes, bonds, or debentures of any applicant insurance company (1) until the applicant shows to the satisfaction of the Corporation that it can furnish an amount of new capital equal to that for which application is made to the Corporation, (2) if at the time of such subscription, purchase, or acceptance any officer, director, or employee of the applicant is receiving total compensation in a sum in excess of \$17,500 per annum from the applicant and/or any of its affiliates, and (3) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees, and not to retire any of its stock, notes, bonds, or debentures issued for capital purposes while any part of the preferred stock, notes, bonds, or debentures of such company is held by the Corporation. For the purposes of this section, the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise, for personal services.

With the following committee amendments:

Mr. STEAGALL rose.

The CHAIRMAN. For what purpose does the gentleman rise?

Mr. STEAGALL. Before the Clerk reports the committee amendments, I rise to correct a clerical error. On page 4, in lines 14 and 15, the italicized words "what appears reasonable to the Reconstruction Finance Corporation" should be stricken out and the words "\$17,500 per annum from the applicant and/or any of its affiliates" should stand.

Mr. BLANTON. Then on page 4 the language "total compensation in a sum in excess of \$17,500 per annum from the applicant and/or any of its affiliates" remains.

Mr. STEAGALL. Yes.

Mr. BLANTON. So that there will be a limitation of \$17,500?

Mr. STEAGALL. In that section; yes.

Mr. BLANTON. But the gentleman expects to strike them out on the next page?

Mr. STEAGALL. We will take that up when we get to them.

The CHAIRMAN. Without objection, the proposed committee amendment in lines 12 and 13 will be rejected.

There was no objection.

The CHAIRMAN. The Clerk will report the committee amendment.

The Clerk read as follows:

Page 3, beginning in line 15, strike out down to and including the word "Corporation" in line 21 and insert:

"The Reconstruction Finance Corporation shall not subscribe for or purchase any preferred stock or capital notes of any applicant insurance company (1) until the applicant shows to the satisfaction of the Corporation that it has unimpaired capital stock or that it will furnish new capital which will be subordinate to the preferred stock or capital notes to be purchased by the Corporation equal to the amount of said preferred stock or capital notes so purchased by the Corporation: *Provided, however,* That the Corporation may lend upon said capital stock, common or preferred, or capital notes, if, in its opinion, it will be adequately secured by said stock or capital notes, and/or such other forms of security as the Corporation may require."

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 4, line 11, after the word "receiving", insert "from the applicant and/or any of its affiliates."

The CHAIRMAN. The question is on the committee amendment.

Mr. BLANTON rose.

Mr. STEAGALL. Mr. Chairman, will the gentleman yield?

Mr. BLANTON. Yes.

Mr. STEAGALL. I ask unanimous consent that all debate upon this section and all amendments close in 15 minutes.

Mr. BLANTON. Mr. Chairman, I should like to ask the chairman of the committee about the attempt of the committee on page 5, line 5, to strike out the limit of \$17,500. Is the chairman going to insist on that amendment?

Mr. STEAGALL. Yes; that is the section in which the amendment was placed by the committee.

Mr. BLANTON. And if I understand my friend from Alabama, he is in favor of making no limitation whatever upon these big salaries?

Mr. STEAGALL. We will talk about that when we get to the question.

Mr. BLANTON. I think we ought not only to leave this language in on page 4, but we ought to leave it in on page 5.

Mr. BEEDY. Mr. Chairman, will the gentleman yield?

Mr. BLANTON. What position does the gentleman take on that? Is he in favor of paying \$200,000 per year to one insurance president?

Mr. BEEDY. No; I am not, and I could not do it if I were in favor of it.

Mr. BLANTON. I refuse to yield further.

Mr. BEEDY. If the gentleman wants some information, I should be glad to give it to him.

Mr. BLANTON. I am in favor of using my own 5 minutes. If the gentleman is in favor of continuing to pay \$100,000 to the president of the Equitable Life Insurance Co.

and \$200,000 to Mr. Eckert, the president of the Metropolitan Life—

Mr. LUCE. Mr. Chairman, will the gentleman yield?

Mr. BLANTON. No; I regret I have not the time.

Mr. LUCE. Then, Mr. Chairman, I rise to a point of order. The gentleman is discussing a matter to be found in the following section, which has not yet been read.

Mr. BLANTON. No; it is in this section. Mr. Chairman, in this section there is a limitation of \$17,500 on line 12.

The CHAIRMAN. That is true; but that is not the amendment pending. The gentleman must speak to the pending amendment.

Mr. BLANTON. Then, Mr. Chairman, I move that the Committee do now rise and report this bill back to the House with the recommendation that the enacting clause be stricken out.

The CHAIRMAN. The Clerk will report the amendment. The Clerk read as follows:

Mr. BLANTON moves that the Committee do now rise and report the bill back to the House with the recommendation that the enacting clause be stricken out.

Mr. BLANTON. Mr. Chairman, my friend from Massachusetts [Mr. LUCE] is one of the best parliamentarians in this House, and he knows sometimes how to take a man off the floor, but he has taught me how to keep the floor when I want it, and through my long association with him here I have learned from him how to keep him from taking me off the floor when I want to discuss some bad provision that his committee has brought in here in its bill for the House to pass.

Mr. LUCE. Mr. Chairman, will the gentleman yield?

Mr. BLANTON. No; I regret I have not the time. The gentleman tried to take me off the floor and I did not let him do it. If his constituents in Massachusetts, when millions of men are without jobs, when soldier boys are having their compensation cut, when disabled Spanish-American veterans are having their compensation taken away from them, are in favor of this Congress providing for the sale of \$50,000,000 of bonds so that the money can be loaned to insurance companies to pay salaries to their presidents of \$125,000 a year, yes, of \$200,000 a year, then they are not like my constituents. They are a different kind of people.

Mr. LUCE. Is that a question?

Mr. BLANTON. No. I was giving the gentleman some information about which he should pause and reflect.

Mr. LUCE. I do not want to pause now.

Mr. BLANTON. I am giving some information to the great Committee on Banking and Currency, and it is a great committee and the chairman of it is one of my best friends, and the distinguished ranking minority member [Mr. LUCE] knows, is one of my good friends, and I would do anything in the world for him; and the distinguished gentleman from Maine [Mr. BEEDY] is one of my good friends, and I would do much for him, but I am informing this committee that they cannot pass this kind of law over on the people of the country, to continue these salaries of \$200,000 a year. [Applause.] We ought to kill this bill right here. [Applause.] We ought to stop it. [Applause.] If you boys will stay with us and vote, we will knock it out and stop it here. [Applause.]

Mr. STEAGALL. Will the gentleman yield?

Mr. BLANTON. I yield.

Mr. STEAGALL. The gentleman understands that the section under consideration at this time is section 3. In section 3 have we not incorporated a limitation on the salaries?

Mr. BLANTON. But in section 4—

Mr. STEAGALL. We have not reached that yet.

Mr. BLANTON. But you are proposing to leave it wide open, and I have no confidence in the Reconstruction Finance Corporation reducing these big salaries. [Applause.]

Mr. STEAGALL. But I am asking the gentleman if he will not wait until we get to section 4 and deal with that proposition then as the gentleman sees fit, and permit the

Committee to pass on it. It is for this Committee to decide whether or not we will leave it in.

Mr. WEIDEMAN. Will the gentleman give us time on that?

Mr. STEAGALL. Certainly.

Mr. BLANTON. Since I have kept the gentleman from Massachusetts [Mr. LUCE] from taking me off the floor, and since I have had a right to express my opinion about these big salaries, I am now going to ask unanimous consent to withdraw my motion to strike out the enacting clause, temporarily, until we find out what the gentleman from Alabama [Mr. STEAGALL] does with the limitation in the next section. If that limitation is stricken from the bill, I shall renew this motion to strike out the enacting clause. I ask unanimous consent to withdraw the motion at this time.

The CHAIRMAN. The gentleman cannot place any restrictions on the withdrawal of the motion, so far as the Chair is concerned.

Mr. BLANTON. I ask unanimous consent to temporarily withdraw the motion.

Mr. GOSS. Mr. Chairman, I object.

Mr. BLANTON. All right. Let us vote to kill the bill right now by striking out its enacting clause.

Mr. STEAGALL. Mr. Chairman, I do not care to debate the matter. The gentleman has stated that we can deal with it in section 4.

Mr. McFARLANE. Mr. Chairman, regular order.

The CHAIRMAN. The question is on the motion of the gentleman from Texas [Mr. BLANTON].

The question was taken; and on a division (demanded by Mr. STEAGALL) there were ayes 74 and noes 94.

Mr. BLANTON. Mr. Chairman, I ask for tellers.

Tellers were ordered, and the Chair appointed Mr. STEAGALL and Mr. BLANTON to act as tellers.

The Committee again divided; and the tellers reported there were ayes 91 and noes 94.

So the motion was rejected.

Mr. HANCOCK of North Carolina. Mr. Chairman, I ask unanimous consent to return to page 4, line 1, to insert the amendment referred to this morning, and which I undertook to present a few minutes ago when the chairman rose to offer a committee amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina [Mr. HANCOCK]?

There was no objection.

The Clerk read as follows:

Amendment offered by Mr. HANCOCK of North Carolina: On page 4, line 1, after the word "new", insert the word "cash."

Mr. HANCOCK of North Carolina. Mr. Chairman, before discussing the merits which I believe this amendment holds I wish to call to the attention of the House, and especially to those who appear so zealous regarding the placement of a limitation upon the salaries to be paid officers who serve the institutions now borrowing or which may hereafter borrow from the Reconstruction Finance Corporation, that you were about to kill your own opportunity. If the motion of the distinguished gentleman from Texas [Mr. BLANTON] had carried, it would have defeated the exact purpose which prompted the gentleman to present it.

Mr. Chairman, my amendment calls for the substitution of but one word. By reference to page 4, line 1, of the bill, I am suggesting that between the words "new" and "capital" the word "cash" be inserted. If this is done, the applicant companies will be required to furnish an equal amount of cash capital to that which they may receive from the Corporation. Since we are extending the privileges of the Corporation beyond its original scope and intent, it is my judgment that this requirement is entirely reasonable and consistent with the best principle involved in this legislation. It is inconceivable to me that these companies could face the Corporation in good faith to secure a loan before their private stockholders had used their own funds toward the rehabilitation of their companies. If this amendment is not adopted, I am convinced that the majority of the applicant companies will place the entire burden of new cash capital upon the Government and in no wise further involve them-

selves in the liabilities of their companies. The old axiom that "he who would be helped must first help himself" seems to me should apply here with full force. I recognize that meeting the requirements which this amendment will necessitate will make it more difficult to carry out the reorganizations which are proposed to be undertaken by those interested. At the same time, where a general partnership exists it is understood that each partner contributes an equal part of capital. Then, too, it should be remembered that if this legislation is justified it can be only on the basis that the rehabilitation of these companies will inure to the public welfare.

If the applicant companies are required to first make up their own part of the new capital in cash, certainly such contribution of funds will inure to the benefit of the creditors who have a first and prior lien. Each creditor will benefit in the ratio of his individual claim to the total amount of new capital supplied. All of us know that some of these companies, because of no fault of their own, are today unable to meet their claims. In other words, they have outstanding unadjusted losses and cancellations which they are unable to make good with returned premiums. My understanding is that these companies will first undertake solvency by the conversion of these claims against them into an issue of preferred stock junior to that offered to the Reconstruction Corporation. The Corporation will then get a prior claim on the assets. It will not be in the form of a secured loan, but in the form of a prior stock. Through this plan the Corporation simply occupies a prior position to other stockholders, and at the same time frees the pledged assets so as to make the companies liquid. In other words, the Reconstruction Corporation, through this process, would turn loose good assets for a doubtful investment. Is that sound business practice? Without my amendment it is probable that the Corporation would do what neither you nor I nor any well-managed business institution would do. You well know that if you had a note of mine adequately secured you would not think for a minute of releasing the security and just retaining the plain note.

To illustrate again, suppose you had the note of a corporation, well secured, and the corporation needed the security with which to operate its business and came to you and asked you to exchange the secured obligation which you held and accept in lieu thereof the same amount in preferred stock? In the ordinary course of business no man would last long financially who engaged in transactions of that kind. He would soon be a candidate by his own nomination for the asylum.

Mr. O'MALLEY. Mr. Chairman, will the gentleman yield?

Mr. HANCOCK of North Carolina. I yield.

Mr. O'MALLEY. Does the gentleman believe there is any justification at all in taking money away from the veterans and kicking them out in the street, and then bringing in a bill which would give \$50,000,000 to insurance companies that made some "bum" guesses?

Mr. HANCOCK of North Carolina. Why, certainly, I do not. But I do not consider that you have stated the facts correctly. I remind you again of my reference this morning to the rules and regulations of the Corporation with respect to aiding closed banks in reopening. I am a great believer in equal privileges to all, and in my own mind I am satisfied that unless this amendment is adopted and becomes a part of the act the insurance companies will receive special privileges and be accorded easier treatment than will our banks.

My distinguished friend from Wisconsin [Mr. REILLY], in addressing Mr. BEEDY awhile ago, asked if there was any difference as regards the solvency of a borrowing company if it wipes out a portion of its liability by preferred stock instead of securing cash. I admit that in a sense there is no difference, but that is not the proposition which is before us. Surely no one here believes that the Reconstruction Corporation should be asked to contribute a sufficient amount of money to bring the assets of these companies up to the level of their liabilities. We are asked to assume that no company would apply for capital unless its assets

did equal its liabilities. In the case of banks this is required, and the Corporation goes so far as to require that the bank shall not have outstanding one penny of debts beyond its deposit liabilities. I think it fair to state that the goodwill of some of the companies which are likely to be assisted if this measure becomes a law has a real, tangible value well worth preserving and saving. Personally, however, I attach very small importance to the suggestions made here today regarding certain insurance business going to foreign countries. You cannot make me believe that America is without adequate insurance companies as well fortified in their reserves as any companies which may be found on the face of the globe.

Please understand that if I did not feel that this amendment was constructive and designed for the public good I would not propose it. Personally, I hold a very friendly interest toward insurance companies, having been in former years engaged in writing all kinds of contracts. Here, however, we cannot, under any circumstances, weigh these matters on friendly scales or permit our sentiments to control our better judgment. If this amendment is adopted, as I am confident it will be, I believe the bill would be greatly improved and will satisfy the misgivings of many Members regarding its soundness. I also feel that many worthy institutions will be able, through the assistance of the Government to rehabilitate their capital and thereby meet its obligations to the individuals. The mere fact that they can show to the public that their new set-up was sound enough to invite Government participation will go a long way in restoring the confidences of the people generally in our American companies. Through this legislation, with this and other desirable amendments, it is possible to bring about this worthy accomplishment more quickly and with less cost than any other plan yet suggested during this emergency. All of us realize that extraordinary conditions such as we face today call for extraordinary legislation.

[Here the gavel fell.]

The CHAIRMAN. The question is on the amendment of the gentleman from North Carolina to the committee amendment.

The amendment to the committee amendment was agreed to.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The Clerk read as follows:

SEC. 4. The Reconstruction Finance Corporation shall not make, renew, or extend any loan under the Reconstruction Finance Corporation Act, as amended, or under the Emergency Relief and Construction Act of 1932, (1) if at the time of making, renewing, or extending such loan any officer, director, or employee of the applicant is receiving compensation at a rate in excess of \$17,500 per annum, and (2) unless at such time the applicant agrees to the satisfaction of the Corporation not to increase the compensation of any of its officers, directors, or employees to any amount in excess of \$17,500 per annum while such loan is outstanding and unpaid. For the purposes of this section the term "compensation" includes any salary, fee, bonus, commission, or other payment, direct or indirect, in money or otherwise for personal services.

With the following committee amendment:

On page 5, line 5, strike out "\$17,500 per annum" and insert "what appears reasonable to the Reconstruction Finance Corporation."

Mr. BLANTON. Mr. Chairman, I rise in opposition to the committee amendment. Will not the gentleman from Alabama agree to waive this committee amendment and leave the \$17,500 in the bill as the maximum salaries these insurance companies may pay their officials? He will secure a great many more votes for his bill if he will.

Mr. STEAGALL. I may say to the gentleman that I cannot agree to change this bill as it was reported to the committee. I am but the servant of the committee and I am standing by its action and defending it.

Mr. BLANTON. As this bill was introduced in the Senate it carried a maximum limitation of \$17,500 on such salaries, and that language was stricken out in the House committee.

Mr. GOLDSBOROUGH. The change was made by a very close vote in the committee, and the chairman is not at liberty to reveal who voted for it and who voted against it.

Mr. BLANTON. What I am wondering about is why it was changed.

Mr. STEAGALL. If the gentleman will permit, I shall be glad to tell him.

Mr. GOLDSBOROUGH. The bill came from the Senate with that limitation in it.

Mr. BLANTON. The bill came from the Senate with this limitation in it. It so appealed to Senators that even they saw fit to put a limitation in here of \$17,500, yet the House, which is supposed to look after the interests of the common people of America, are striking out this limitation so as to continue the payment of these \$200,000 salaries.

Now, if the Reconstruction Finance Corporation will pay great, big, outrageous salaries to its own employees, which it is doing right now, it certainly will approve of paying big salaries to the officers of incorporated insurance companies.

Mr. STEAGALL. Will the gentleman now let me answer his question?

Mr. BLANTON. Yes.

Mr. STEAGALL. I may say to the gentleman that a Texan is in charge of the Reconstruction Finance Corporation, and the gentleman should be more kindly in his reference to it.

Mr. BLANTON. Texas is the biggest State the gentleman ever saw.

Mr. STEAGALL. I agree with the gentleman.

Mr. BLANTON. And there are so many men down there that they do not always agree, especially as to what shall be a maximum salary.

Mr. STEAGALL. Lots of them, including my friend.

Mr. BLANTON. Yes.

Mr. STEAGALL. Let me say this to the gentleman: This bill had only two sections as it was introduced in the House.

In the Senate it was amended and one of the amendments put on in the Senate was a salary limitation.

Mr. BLANTON. Here is what I want to impress on my friend from Alabama. The gentleman saw this committee a while ago come within three votes of striking out the enacting clause of this bill. Does the gentleman know why we did not get quite enough votes to strike it out? There were some Members here who thought the gentleman was going to let this limitation on salaries remain in the bill. If the gentleman does not do it, I hope that we will find three more Members on this floor who will help strike out the enacting clause. If the gentleman will allow this limitation to stay in the bill he may pass his bill. I doubt if he passes it without some restriction in the bill on these salaries.

Mr. GREEN. Oh, we want the whole insurance section stricken out of the bill.

Mr. STEAGALL. This is the situation: This amendment fixing a limitation upon salaries to be paid by borrowing institutions was incorporated in the bill by the Senate.

Mr. BLANTON. Yes; and it ought to stay in the bill.

Mr. STEAGALL. And the limitation was placed at \$17,500. The House amended that provision at the first place where it was applicable so as to say that the Reconstruction Finance Corporation officials should determine whether or not a salary was in excess of a reasonable sum.

Mr. BLANTON. The limitation is in section 3, and now we want to vote down the committee amendment as to this section, so that this proper limitation on big salaries may stay in section 4.

[Here the gavel fell.]

Mr. STEAGALL. Mr. Chairman, the Senate amended the original bill by fixing a salary limitation of \$17,500 for officials of insurance companies obtaining loans and as to officials of all institutions renewing loans. The Committee on Banking and Currency was of the opinion that as to new loans or purchases made by the Corporation it was all right to fix a salary limitation of \$17,500 as to officials in borrow-

ing institutions. But in section 4 we are dealing with the matter of salaries in institutions that have already borrowed and are in debt to the Corporation under contracts already in existence. They were entered into under the original law that contained no limitation of salaries paid officials of borrowing institutions. So the committee thought that in the first instance where new loans are to be made, a salary limitation as to officials should be included, but we thought that as to borrowing institutions that are already indebted to the Corporation, it would be in moral effect interference with an existing contractual relationship if we attempted to disturb the status that existed at the time the original loans were made. So it was provided that as to extensions of existing loans, the Corporation officials would determine whether or not salaries paid to officials in a borrowing institution were in excess of a reasonable sum.

This is all there is to this matter, and it is for the Committee to decide whether they think this limitation saying that what sum is reasonable for salaries should be passed upon by the Corporation officials or whether we should restore the limitation of \$17,500, or any other sum that the Committee may see fit. The matter is left for decision by the Members of this Committee of the Whole House.

Mr. BLANTON. Will the gentleman yield?

Mr. STEAGALL. Yes.

Mr. BLANTON. Then, the gentleman's position is that where we have already loaned to insurance companies large sums of money, that are paying \$200,000 salaries to their presidents, if they want some more money the gentleman is perfectly willing for them to come back and get \$50,000,000 more without putting any limitation whatever on the salaries paid.

Mr. STEAGALL. No; quite the contrary. The specific limitation applies to new loans, but it does not apply to existing loans or the renewal of existing loans.

Mr. BLANTON. I think we ought to vote down this committee amendment, and I do not think the gentleman will object very much.

Mr. STEAGALL. I cannot agree with the gentleman about that.

[Here the gavel fell.]

Mr. McFARLANE. Mr. Chairman, I rise in opposition to the committee amendment and call your attention to the first section of the bill, which states the emergency under which we are considering this legislation.

In this connection I want to read you a statement of the Chairman of the Reconstruction Finance Corporation appearing in the *Wichita Falls Record News* of May 22. This is a statement by Mr. Jones, of the Reconstruction Finance Corporation. The article is headed "Extreme Crisis Is Passed", and is as follows:

"Reports to Washington from the loan agencies throughout the country", Jones said, "substantiate both of these conclusions, a clear indication that the period of extreme gravity is behind us."

Therefore, the preamble of the bill stating that it is an existing emergency under which we are supposed to consider this legislation, is not in fact recognized by those who are to administer this act under the provisions of the bill.

The gentleman from New York [Mr. O'CONNOR] yesterday placed in the *RECORD* the names of two insurance companies who with their affiliates seem to be in great distress and want help under the provisions of this bill.

I have in my hand here a photostatic copy of the financial report, showing the financial status of those companies.

The *Globe & Rutgers Fire Insurance Co.* report shows that the capital stock is \$7,000,000. In the statement they say that the salaries, rents, and so forth, the company paid in 1931 were \$2,619,166.

I am wondering how much was paid to the president and the higher officials of the company. The Internal Revenue Department has the information, but they have refused to give it to Members of Congress, yet we are sitting here trying to pass legislation without this necessary information.

Mr. O'MALLEY. Will the gentleman yield?

Mr. McFARLANE. I will yield to the gentleman.

Mr. O'MALLEY. Does the gentleman say that this company with \$7,000,000 capital paid \$2,600,000 in salaries?

Mr. McFARLANE. Yes; last year.

Now, the National Surety Co. reports a capital stock of \$15,000,000.

Mr. GREEN. Will the gentleman yield?

Mr. McFARLANE. I yield.

Mr. GREEN. I should like to ask the gentleman if that company borrowed money from the Reconstruction Finance Corporation?

Mr. McFARLANE. Yes; the National Surety Co. mentioned yesterday by the gentleman from New York [Mr. O'CONNOR] borrowed \$400,000 in January 1933, according to the report filed March 1, 1933, with the Banking and Currency Committee by the Reconstruction Finance Corporation.

Now, quoting from the report of the National Surety Co., as I say, the capital stock was \$15,000,000. In 1931 they paid for salaries, rents, administration expenses, and so forth, \$3,507,993.

Now, the Senate put a provision in this bill limiting the salaries paid to officials to \$17,500.

Mr. BLANTON. If we vote down both committee amendments we will limit the salaries to \$17,500.

Mr. McFARLANE. I have an amendment prepared here that I think we should adopt in any event, limiting the salaries under which all officers coming to the Reconstruction Finance Corporation to secure a loan shall be limited.

Mr. BLANTON. We can do it by voting down the committee amendments.

Mr. McFARLANE. Yes; we want to vote down the committee amendments, and then strike out sections 1, 2, and 3 of the bill.

Mr. GREEN. I hope we will fix it so that we will knock out the insurance feature.

[Here the gavel fell.]

Mr. WOLCOTT. Mr. Chairman, I think in our desire to economize that we have probably lost sight of the effect that the amendment will have to write back into this bill this limitation upon the salaries to be paid to officers of corporations seeking aid from the Reconstruction Finance Corporation. I hold no brief whatever for the president or the executive of any bank or insurance company receiving \$100,000 a year salary. I believe that what constitutes a fair salary should be left to the discretion of the Reconstruction Finance Corporation. I do not think this House should limit the amount to be paid. To do so would destroy the effectiveness of the Reconstruction Finance Corporation immediately. So it is logical to leave to the Reconstruction Finance Corporation, within its discretion, this question of what they consider a reasonable amount. Let me give you something of the history of this affair. This matter was brought up in committee. We had Jesse Jones, the chairman of the Reconstruction Finance Corporation, before our committee, and we asked him to make a recommendation. He made the recommendation, and his recommendation was that this salary should not be in excess of what might appear to be reasonable to the President of the United States. Some of us did not believe that we should further delegate legislative powers to the Executive, and we objected strenuously to that. I remember one question which was put to Mr. Jones. One of the members of the committee was astounded that the President should ask for that authority. He said:

Mr. Jones, do you mean to say that the President of the United States wants authority to regulate the salaries paid by borrowers from the Reconstruction Finance Corporation?

And he replied:

Gentlemen of the committee, I would not ask for that if I had not conferred with the President.

The President, therefore, wanted the authority himself to set these salaries. We did not think that we should dele-

gate that power to the President, and as a compromise we agreed that the Reconstruction Finance Corporation should set the salaries.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. Yes.

Mr. MAY. Does the gentleman mean to say by his argument that he would decline to grant that authority to the President of the United States and at the same time grant it to the Reconstruction Finance Corporation?

Mr. WOLCOTT. Yes; because we feel that the Chief Executive of this Nation should not be bothered with these details.

Mr. ROGERS of Oklahoma. And the gentleman says that the President wants that?

Mr. WOLCOTT. He wants this authority to set these salaries, either in himself or in the Reconstruction Finance Corporation. I am glad of every opportunity I can go along with the President of the United States in worthwhile legislation. If you men over there are as zealous as I am over here in my desire to go along with him on worthwhile legislation, you will vote to retain this amendment.

Mr. McFARLANE. Did the gentleman get this information direct from the President that he wants this authority?

Mr. WOLCOTT. We got it through Mr. Jones who said that the President wanted it and he conferred with the President before asking for it. So if you want to vote with the President of the United States you vote to accept the committee amendment. If you do not want to vote with the President of the United States, vote to eliminate it.

HIGH OFFICIALS OF BANKRUPT CORPORATIONS ASKING GOVERNMENT AID SHOULD NOT GET \$200,000 SALARIES

Mr. WEIDEMAN. Mr. Chairman, I happen to be a new Member, and I want to speak to the new Members. You men know that when you were sent down here by the people to Congress you were sent here by the common people and not by the bankers—that is, the great majority of you. That is why you are here. I see some of my colleagues from Michigan. I have heard most of you speak before election and you all said that you would come down here and defend the rights of the people; that you would legislate in their behalf; and now my good friend from Michigan [Mr. Wolcott] wants to ask Jesse Jones, the head of the bankers, what salary we are going to fix as the pay for these men who are at the head of corporations asking Government aid. If you go back to our State and say that you voted in favor of continuing salaries of \$200,000 to insurance officials and railroad officials and all other officials, while your folks are back there starving, you will not be back here to vote again in another Congress. They sent you down here to legislate. They did not send you down here from Michigan to have Mr. Jones and Mr. Morgan or any of the other bankers tell you what to do. That is the trouble. The bankers have been legislating for years. I propose to use my own discretion. I am responsible. Whether I come back or not is my funeral and not Mr. Jones'. [Applause.]

BANKERS CRY ON J. P. MORGAN'S SHOULDER

Think of the audacity of Mr. Morgan going before a committee and saying that he did not make any money, while at this very minute he is maintaining three complete floors in the Carlton Hotel, with private cooks and valets, so that his stomach will not be upset by this investigation they are having over there. I say that you are the direct representatives of the people. We do not have to go to Jesse Jones or anybody else for a recommendation. Members of Congress are individually responsible for their vote. If a company is in such position that it has to borrow millions of dollars to keep going, it has no business to pay its officials \$200,000 a year salary. We have a Vice President of the United States who is devoting every minute of the day to the welfare of the country, to keep it from bankruptcy, and he gets only \$15,000 a year. Of course, if you want to vote to continue this \$200,000 a year salary, do it, and I hope that we will have a roll call on this bill. [Applause.]

With the consent of the House, I am offering the following information concerning salaries paid to high officials in corporations. The following salaries are just a few, and

the same rate of salaries are paid in all the big corporations in this country.

Here are the salaries of executives of five leading companies:

	1929	1932
Equitable Life Assurance Society:		
T. I. Parkinson, president.....	\$75,000	\$100,000
L. M. Fisher, vice president.....	34,375	40,000
W. J. Graham, vice president.....	34,375	40,000
R. D. Murphy, vice president.....	20,000	30,000
D. A. Walker, vice president.....	17,187	20,000
Metropolitan Life Insurance Co.:		
F. H. Ecker, president.....	175,000	200,000
L. A. Lincoln, vice president.....	66,875	125,000
A. C. Campbell, vice president.....	35,000	40,000
H. E. North, vice president.....	30,000	35,000
F. W. Ecker, treasurer.....	27,500	32,500
The Mutual Life Insurance Co.:		
D. F. Houston, president.....	100,000	125,000
F. L. Allen, vice president.....	40,000	40,000
G. K. Sargent, vice president.....	40,000	40,000
W. Shields, vice president.....	31,250	40,000
P. M. Foshay, vice president.....	30,000	30,000
New York Life Insurance Co.:		
T. A. Buckner, president.....	100,400	125,400
W. Buckner, vice president.....	55,360	55,400
T. A. Buckner, Jr., assistant secretary.....	8,604	10,000
A. L. Alken, vice president.....	45,000	45,000
J. C. McCall, vice president.....	56,200	55,000
L. H. McCall, secretary.....	18,892	18,000
H. Palagano, treasurer.....	46,400	45,000
The Prudential Insurance Co. of America:		
E. H. Duffield, president.....	125,000	125,000
F. D'Olier, vice president.....	75,000	75,000
G. W. Munsick, vice president.....	48,000	50,000
J. W. Stedman, vice president.....	43,000	43,000
J. K. Gore, vice president.....	43,000	43,000

The President of the Missouri Pacific Railroad, which borrowed over \$27,000,000 from the Reconstruction Finance Corporation, was drawing a salary of \$85,416 from the company until it was cut to \$40,000 by a Federal judge just this month. At the same time the vice president was cut from \$40,000 to \$19,000 per year.

In addition to President Baldwin's salary of \$80,000 from the Missouri Pacific, he was drawing \$12,700 a year as chairman of the board of the Denver & Rio Grande Railroad and \$6,000 a year as President of the Missouri Transportation Co., making his yearly salary in excess of \$100,000 a year. And President Baldwin is not the exception among big corporation executives.

I know that the common people of this country, who are demanding a minimum wage of \$15 per week, will cry over the sad plight of these corporations.

Section 4 of Senate bill 1094 provides that no corporation seeking aid from the Government shall pay its officials over \$17,500 per year. Our House committee now recommends that this be amended, and to allow the Reconstruction Finance Corporation to fix their salaries. This is wrong. Corporations claiming Government aid and loans of large sums of money have no business paying their officials these exorbitant salaries. It was these same corporation officials who were demanding "economy" and who forced the Government employee to take a 15-percent cut on his small salary, and who forced the unconscionable cuts on war veterans, who now cry out against cutting their unearned large salaries. And lo and behold, in the very Halls of Congress this afternoon, we have heard Members of Congress take up their wail and join them in their weeping.

LARGE SALARIES MAKE HIGH RATES

In paying these large salaries to themselves these officials raise your rates of insurance, make your railroad fares higher, and increase the cost of goods they manufacture, if they are in the manufacturing business, and deprive stockholders of dividends.

Mr. HOLLISTER. Mr. Chairman, I rise in opposition to the pro forma amendment.

Mr. Chairman, I think there is a great deal of uncertainty over this particular aspect of the question which we are considering now.

There are entirely two different classes of borrowers from the Reconstruction Finance Corporation, or perhaps I should say two classes of those who are taking advantage of the facilities of the Reconstruction Finance Corporation. Our

first step in the Reconstruction Finance Corporation was to make loans to banks, insurance companies, and railroads. It was only recently that we got into the business of bolstering up the capital structure, first of banks and then of insurance companies, through assistance from the Reconstruction Finance Corporation resources.

There is quite a difference in a company coming to the Reconstruction Finance Corporation and asking for money to bolster up its capital structure, in other words, to put money behind the company so that it may go ahead with business, and the original idea of the Reconstruction Finance Corporation, which was to act as a bank, because of the fact that banking facilities in the country had broken down. Are we quite keeping faith with the borrowers from the Reconstruction Finance Corporation who have found it impossible to pay immediately the sums they have borrowed? Are we keeping faith with them when they have treated this as a bank, to ask that the Reconstruction Finance Corporation do more than any good banker would do under the circumstances? A good banker, when a borrower comes in to borrow, says to the borrower, "Your overhead is too much. Your salaries are too high. You must cut your operating costs so much."

Gentlemen, you cannot consider every corporation under one rule of thumb. You cannot say that one corporation which may be a small one in some country district should be treated the same as one of our great railroad corporations which has ramifications all over the country. Is it not better to leave it to the Reconstruction Finance Corporation as a good banker to handle this in the way a good banker would handle his borrowers? Let them say, "We will decide what the salaries shall be and what the overhead shall be", instead of trying to make a rule of thumb. Why should we pick \$17,500 instead of \$2,500 or \$5,000, or some other figure? Is it not better to let the organization in charge of the matter settle each case as it comes up?

Mr. McFARLANE. Will the gentleman yield?

Mr. HOLLISTER. I yield.

Mr. McFARLANE. How does the gentleman reconcile that line of thought with the proposition of the record made in the past, when we know they have used such bum judgment in the past in passing on loans?

Mr. HOLLISTER. I do not know what particular loan the gentleman is referring to.

Mr. McFARLANE. Well, the Missouri-Pacific loan and the Dawes loan. I could name a dozen others.

Mr. HOLLISTER. Does the gentleman know how much of the Dawes loan has been repaid?

Mr. McFARLANE. Some gentlemen said about \$30,000,000; but I know how much was loaned, and I know there is about twenty-five or thirty million dollars lost in connection with that loan. Will the gentleman deny that?

Mr. HOLLISTER. I deny that absolutely.

Mr. BLANTON. Will the gentleman yield?

Mr. HOLLISTER. I yield to the gentleman.

Mr. BLANTON. The gentleman asks, Why should we limit salaries to a maximum of \$17,500?—intimating that it is an arbitrary maximum. That is approximately the salary that a distinguished Justice of the Supreme Court of the United States receives. It is approximately the salary which the distinguished Minister of this country to the renowned Court of St. James's receives.

Mr. HOLLISTER. Allow me to answer the gentleman in this way, that the Government has never properly paid its best employees.

Mr. BLANTON. It is approximately the salary which a Cabinet officer of the United States Government receives. We fixed it according to the salary which the very best talent we could get in the Nation receives. We get the best talent for Cabinet officers, the Ambassadors, and Justices of the Supreme Court of the United States, do we not?

Mr. HOLLISTER. Permit me to say in answer to the gentleman that salaries are fixed by the law of supply and demand. The gentleman may object and others may object to salaries of more than \$17,500 being paid. They are paid, however, and it is true that in order to be able to get proper

men to operate some of the great organizations in this country, greater salaries than that must be paid, and if we are not able to continue those salaries we will be in the position of having Reconstruction Finance Corporation money invested in corporations which are losing their best men so that second-rate men may be going ahead trying to operate these corporations.

Mr. BLANTON. The gentleman says that salaries are fixed by the law of supply and demand. Supply and demand is what they demand, and what we supply, when they demand that we supply them with public money to pay their presidents a salary of \$200,000 per year.

The CHAIRMAN. The time of the gentleman from Ohio [Mr. HOLLISTER] has expired.

Mr. KELLER. Mr. Chairman, I have a substitute amendment on the Clerk's desk which I ask be read.

The Clerk read as follows:

Amendment offered by Mr. KELLER: Page 5, line 5, after the word "of", strike out the erasure lines and restore "\$17,500 per annum"; and strike out all of line 6 and the word "Corporation" in line 7; and in line 10 strike out the erasure lines and restore "\$17,500"; and strike out the words in italics in lines 10 and 11.

The CHAIRMAN. The Chair will recognize the gentleman, but the amendment offered by the gentleman is not a substitute, because it attempts to strike out something that has not been adopted. That language is now in the bill and the committee amendment seeks to strike it out. That amendment is pending now.

Mr. KELLER. Then I understand a vote "aye" is to strike out "\$17,500"?

The CHAIRMAN. It is already in the bill. That is what the committee amendment seeks to do.

Mr. BLANTON. So we want to vote down the committee amendment.

Mr. KELLER. I desire to be recognized, Mr. Chairman.

The CHAIRMAN. The gentleman from Illinois is recognized for 5 minutes.

Mr. KELLER. Mr. Chairman, a few minutes ago I voted not to strike out the enacting clause for this special reason: In section 4 of this bill we have an opportunity to get exactly what the Progressives, as we call ourselves sometimes, want; that is, a real, straight vote on whether we are going to cut out this salary abuse or not. I am for cutting out the salary abuse. I believe this House is for it. The truth of the matter is it has been one of the disgraces of the business of our country, and of our income-tax department and our income-tax laws that have permitted and are now permitting men to draw salaries of even 20 times what the President of the United States is getting.

All of you who have followed these matters know that this is true. It is time we called a halt on it, for when great corporations come here and say that they do not make anything for the actual reason that they paid out these amounts of money in salaries and bonuses we ought to waken to the fact that that is the sore spot. We ought to strike at the heart of this abuse. We should fix the maximum salary at \$17,500. Better men, abler men than those who are getting a million or more a year in salaries and bonuses and other robberies of the business they control are working around these same greedy pigs for a small part often of the \$17,500 we propose here. These outrageous premiums are not paid because of ability or character or service, but because of their unfair control of the stock of their companies. Then when these people come down here to get the renewals of their loans from the Reconstruction Finance Corporation the Board will be compelled to say, if their officers are receiving more than \$17,500 per annum, that if the company wants to get its loan renewed the company officers and directors must reduce their salaries to not exceed this amount.

The bill before us is to be a part of Reconstruction Finance Corporation law.

Now, I desire to ask a series of questions of the chairman of this Banking and Currency Committee.

My recollection is that the Reconstruction Finance Corporation is simply a revamping of the War Finance Corpo-

ration of war time and for the recovery of business after the panic of 1921. Is this correct?

Mr. STEAGALL. That is true. It is predicated upon the former War Finance Corporation Act.

Mr. KELLER. And it is doing exactly the same thing now which the War Finance Corporation did then, only on a much larger scale?

Mr. STEAGALL. Yes; on a larger scale.

Mr. KELLER. Notwithstanding the cheating and defrauding that was carried on at that time by the men who controlled the War Finance Corporation, what was the financial result of the War Finance Corporation? Did that Corporation pay back all the money into the Treasury which it received from the Government? Did the people lose anything?

Mr. STEAGALL. The War Finance Corporation made a profit of many millions of dollars. I hesitate to name the amount.

Mr. KELLER. Did it not in fact not only pay back all the money the Government advanced to it but also a net profit of \$60,000,000?

Mr. STEAGALL. Something like that.

Mr. KELLER. If the present Corporation does its business as it ought to, handling so much more money than the War Finance Corporation handled, it ought to pay much more net profit back to the people when it is closed up?

Mr. STEAGALL. Yes; it certainly should.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. PATMAN. Section 4 will apply to all corporations, will it not?

Mr. KELLER. Yes, sir; it will.

Mr. PATMAN. I hope the gentleman will make it plain that under existing law it does not apply to banking or to railroads. However, if section 4 becomes a law, then when the railroad loans and the banking loans, and these other loans fall due and application is made for their renewal, this salary feature will apply.

Mr. KELLER. Exactly so. That is the reason I voted as I did, so as to get a chance to provide for that very thing.

Mr. TRUAX. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. TRUAX. The gentleman stated that the War Finance Corporation made \$60,000,000. Did that amount include the millions they made out of the farmer by fixing the price of his wheat at \$2.20 a bushel?

Mr. KELLER. No; that does not enter into it, of course.

Mr. HOEPEL. Mr. Chairman, will the gentleman yield?

Mr. KELLER. I yield.

Mr. HOEPEL. Would the gentleman care to state how many millions of men were unemployed during the time the War Finance Corporation was in operation?

Mr. KELLER. It ran as high as 5,000,000 men at one time, but not more.

Mr. HOEPEL. I did not think there were any unemployed at that time.

Mr. KELLER. Yes; a report by Secretary of Commerce, Hon. Herbert Hoover, made of that in the early part of 1922 showed 5,000,000 men in enforced idleness.

Mr. WEIDEMAN. Mr. Chairman, will the gentleman yield for a question?

Mr. KELLER. I yield.

Mr. WEIDEMAN. I am wondering if the gentleman would not see fit to emphasize this fact, that a vote "no" on the committee amendment will allow the heads of the Reconstruction Finance Corporation to say to the heads of the insurance companies and railroad companies, whose executives are getting \$200,000 or \$300,000 a year, "We cannot help you unless the salaries of your executives are cut down to \$17,500 a year."

Mr. KELLER. The gentleman is correct. That is exactly what I am driving at.

Mr. WEIDEMAN. In order to do this the Member should vote "no" on the committee amendment?

Mr. KELLER. The gentleman is right.

Mr. SEARS. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. SEARS. What is pending before the committee, Mr. Chairman?

The CHAIRMAN. There are pending two committee amendments in respect of the salary limitation of \$17,500.

Mr. SEARS. After the next speech I shall make the point of order that all debate on these amendments has closed under the rules of the House.

Mr. STEAGALL. Mr. Chairman, I ask unanimous consent that debate on this section and all amendments thereto close in 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. LUCE. Mr. Chairman, as a member of the committee, I want to inform as to the exact situation in order that all may vote understandingly.

There came to us from the Senate a measure comprising numerous changes in the Reconstruction Finance Corporation Act, a dozen or so in number. A motion to strike out the enacting clause will destroy all these proposals if it succeeds. If, however, the pending matter is settled by direct and immediate vote, then the remaining sections of the bill, which are of much importance, may survive, or may not.

We have now provided that for the four or five surety companies which are the only companies likely to take advantage of section 3, salaries shall not be more than \$17,500 a year.

In the Senate there was inserted a provision extending far beyond the scope of the original measure, providing that no corporation in the United States might be allowed to borrow or renew loans from the Reconstruction Finance Corporation if it paid any salaries of more than \$17,500.

There came before us the chairman of the Reconstruction Finance Corporation, Mr. Jesse Jones, of Texas, and he expressed a sentiment which I am sure was echoed by every member of the committee, that many salaries are too large. Nobody contests that. It is desirable that they shall be reduced.

The proposal before us is one that reminds me of the legendary bed of Procrustes, where they laid the victim and cut off his head or his feet if he were longer than the bed, or if he were shorter than the bed, stretched him out to match the bed.

The iron-clad rule of \$17,500 would work a great deal of harm if kept in the precise shape in which it came from the Senate. So we consulted with Mr. Jones as to what we should do, and I would corroborate what the gentleman from Michigan said of that discussion, in spite of the fact that I dislike to refer to the President on this floor. I would modify slightly the emphasis that the gentleman from Michigan gave to his statement, for as I understood it, the President averred himself to be willing to undertake this duty, and as it is a very unpleasant duty, naturally, the Chairman of the Reconstruction Finance Corporation was willing that the President should do it; but when we thought of that anxious, troubled, burdened man in the White House, with the great responsibilities of the Nation and of the world on his shoulders, it seemed to us unwise to expose him to the pressure that would be brought by the corporations of the country to save their pay rolls, and we found that the Chairman of the Reconstruction Finance Corporation, if the President was not to do it, was willing to undertake the task.

I think we have a very capable man at the head of this institution. I believe that he understands the spirit and temper of the House and of the people. He told us that he thought these salaries were too large and as far as one man may give assurance of his intentions and purposes, he gave us assurance that the purpose of the House would be carried out; and what we are asking you to do today is to allow him to apply the rule as in his judgment may seem wisest. He may be expected to require salary reductions to the point where a corporation will not be embarrassed—and when you embarrass a railroad corporation you embarrass the users

of the railroad, you increase the dangers of travel if you do not have the best administrator you can find, and so it is with every type of corporation—unless you get the best man that can be secured you do the public and yourselves injury.

So I ask you to leave this to Mr. Jones and the Reconstruction Finance Corporation.

[Here the gavel fell.]

Mr. CELLER. Mr. Chairman, I offer a substitute amendment.

The Clerk read as follows:

Substitute amendment offered by Mr. CELLER: Page 5, line 5, strike out "\$17,500" and insert "\$25,000"; page 5, line 10, strike out "\$17,500" and insert "\$25,000."

The question was taken and the substitute amendment was rejected.

The CHAIRMAN. The question is on the adoption of the committee amendment.

The question was taken; and on a division (demanded by Mr. LUCE) there were—ayes 115, noes 73.

So the committee amendment was agreed to.

Mr. BLANTON. Mr. Chairman, I offer the preferential motion that the Committee do now rise and report the bill back to the House with the recommendation that the enacting clause be stricken out.

Mr. STEAGALL. Mr. Chairman, I make the point of order that the Committee has voted on that identical motion.

Mr. BLANTON. But the Committee has transacted some business since then.

The CHAIRMAN. Two amendments have been adopted since that motion was last made. The Chair overrules the point of order.

The question is on the motion of the gentleman from Texas.

The question was taken; and on a division (demanded by Mr. BLANTON) there were—ayes 75, noes 115.

So the motion was rejected.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Page 5, line 10, strike out "\$17,500 per annum" and insert "what appears reasonable to the Reconstruction Finance Corporation."

The CHAIRMAN. The question is on the committee amendment.

The question was taken; and on a division (demanded by Mr. BLANTON and Mr. McFARLANE) there were—ayes 121, noes 65.

So the committee amendment was agreed to.

The Clerk read as follows:

SEC. 9. The first sentence in section 201 (a) of such act, as amended, which follows paragraph (6) thereof is hereby amended by striking out the period at the end of such sentence and inserting in lieu thereof a comma and the following: "except that for the purposes of clause (b) of paragraph (6) of this subsection a project shall be deemed to be self-liquidating if the construction cost thereof will be returned by any means, including taxation, within a reasonable period, not exceeding 20 years: *Provided*, That nothing contained in sections 5, 6, 7, 8, and 9 of this act shall apply to any area, except the area defined in the first sentence of paragraph 6 of section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended.

Mr. SABATH. Mr. Chairman, I move to strike out the proviso beginning in line 12, page 7.

The Clerk read as follows:

Amendment by Mr. SABATH: Page 7, line 12, strike out the proviso which reads: "*Provided*, That nothing contained in sections 5, 6, 8, and 9 of this act shall apply to any area except the area defined in the first sentence of paragraph 6 of section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended."

Mr. SABATH. Mr. Chairman, ladies, and gentlemen, there are many of you who are in favor of the bill because it seeks to amend section 201 of the Reconstruction Finance Corporation Act, which would make possible loans to States and municipalities and to eliminate certain provisions under which no loans were made as originally intended by the House by the Reconstruction Finance Corporation. The

proviso that I have moved to strike out refers only to matters pertaining to the California situation.

I am willing that the provision that will relieve the situation in California should be adopted, but why should we restrict municipalities in all other States from being authorized to receive money from the Reconstruction Finance Corporation? The securities of these municipalities are good, and loans will be repaid, every dollar.

When I originally advocated the passage of the Reconstruction Finance Corporation Act it was because I believed that it was going to give rise to employment and relieve the existing conditions. I want to read to you the title of the act that we passed in January 1932. It was—

To provide emergency financing facilities for financial institutions, to aid in financing agriculture, commerce, and industry, and for other purposes.

So far no relief has been given to commerce or industry of the United States. All the loans that have been made, with a few exceptions, are loans to the railroad companies, to the banks, and to the insurance companies, and now we come in with this bill to increase loans to insurance companies.

We amended that act in July 1932, and that was to relieve the destitution. The title of the act of July 1932 was "To relieve the destitution, to broaden the lending powers of the Reconstruction Finance Corporation, and to create employment by providing for and expediting public works."

I say now that the Reconstruction Finance Corporation has failed to provide or extend any credit or relief for the purposes that were originally contemplated in the legislation that was passed, though I have reasons to believe that under the new management the Government will be protected and deserving applications for loans will receive consideration and those not deserving will be rejected.

But I am of the opinion that if this bill is passed in its present form it will only aid four or five casualty companies. It will not help construction, because, as I pointed out early in the afternoon, the public works bill that will come in tomorrow precludes the making of any loans provided in the bill we are now considering.

So these provisions are nothing but gestures and inserted merely to get votes for the insurance loans that gentlemen are interested in.

[Here the gavel fell.]

Mr. STEAGALL. Mr. Chairman, the amendment offered by the gentleman from Illinois [Mr. SABATH], as he has suggested, will have very little time within which to be operative. If the legislation coming before this House tomorrow should be enacted into law, the activities contemplated in this amendment will be taken over by another organization. In view of the situation that exists, there will be no objection to the amendment on the part of the committee.

The CHAIRMAN. The question is on agreeing to the amendment offered by the gentleman from Illinois.

The amendment was agreed to.

The Clerk read as follows:

SEC. 10. That an act entitled "An act to provide emergency financing facilities for financial institutions, to aid in financing agriculture, commerce, and industry, and for other purposes", approved January 22, 1932, and amended by an act approved July 21, 1932, be further amended by adding at the end of section 5 thereof the following: "*Provided further*, That the Corporation may make said loans to trustees of railroads which proceed to reorganize under section 77 of the Bankruptcy Act of March 3, 1933."

Mr. SHOEMAKER. Mr. Chairman, I move to strike out section 10.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Amendment by Mr. SHOEMAKER: Page 7, line 17, strike out all of section 10.

Mr. SHOEMAKER. Mr. Chairman, we have been financing some of these railroad companies and pouring money into this bottomless hopper for a number of months, and here we find in this section 10 in line 22, the following:

Provided further, That the Corporation may make loans to trustees of railroads which proceed to reorganize under section 77 of the Bankruptcy Act of March 3, 1933.

We are not satisfied with trying to finance going concerns in distress, but we want to finance receivers of bankrupt organizations.

Mr. HANCOCK of North Carolina. Mr. Chairman, will the gentleman yield?

Mr. SHOEMAKER. Yes.

Mr. HANCOCK of North Carolina. Does the gentleman understand that under the existing law it is permissible to make loans to receivers of railroads, but since the passage of the bankruptcy bill of March 3, 1933, instead of having receivers, those in charge of railroad properties appointed by the courts are trustees, and this provision only extends the right to lend to trustees who occupy the same position as receivers would before the passage of the bankruptcy act. It should also be noted that the present Chairman of the Reconstruction Finance Corporation has requested this clarifying amendment.

Mr. SHOEMAKER. That is the very thing that I am opposed to, whether it happens to be a receiver or a trustee. Our farmers are going bankrupt all over the country. Their homes are being taken from them. Workingmen's homes are being taken from them. Nobody steps in to give those receivers money out of the Treasury of the United States to save their property.

Mr. HANCOCK of North Carolina. To remedy the situation the gentleman complains of, he would have to go back and have Congress repeal the original act of January 1932, and later amended by an act approved July 21, 1932.

Mr. SHOEMAKER. Mr. Chairman, I don't see any reason why this Corporation should exist any longer. Everybody is going bankrupt. It is not helping anybody but the big insurance companies and financial institutions and railroad companies at the expense of the taxpayer. Every day we are appropriating more money and issuing more tax-free bonds for the people to pay interest on. We are not going to alleviate this situation by perpetuating a system of appropriating more money. Yesterday it was \$150,000,000, and today it is another \$50,000,000, and if we keep on for another 30 days we will not have to come back here at all.

We will not have any Government. The people will take it into their own hands and the Congress of the United States will be out on the streets along with the 16,000,000 unemployed, and the veterans that have their feet sticking through their shoes. We may as well turn the entire Government over to Morgan and give him keys to the Capitol and say that we are done, and let him run the rest of the show.

He is now here in the very Capitol, and we would not even have to pay mileage to bring him here to get the keys; give him the rest of the Government bag and boodle. [Applause.]

The CHAIRMAN. The time of the gentleman from Minnesota has expired.

Mr. STEAGALL. Mr. Chairman, I desire to say to the membership of the House that this bill represents the purpose of the administration to carry on a comprehensive war against this depression and to accomplish relief for every section and for every class of citizenship in the United States. If this bill did not represent that purpose it would not be before this body this afternoon and I would not be taking your time at this moment. I hope the House will not turn aside from the course upon which we have embarked in support of this administration in the stupendous task that has fallen to its hands, but that we shall go forward waging the battle on every front until we have accomplished the purpose of this extraordinary session to start forces that will ultimately bring complete economic recovery in the United States. [Applause.] That is the purpose of this legislation. The references to what is going on at the other end of the Capitol, as well as many other references and suggestions that have been made here, though they spring from the highest purposes, with which all Members of this House are in accord, have no legitimate bearing on this legislation or its purposes. This administration is entitled to continue the use of the Reconstruction Finance Corporation in this struggle. It was used on a large scale by the former

administration. To terminate its activities or withdraw its support now would be unjust to the administration and hazardous to its program. [Applause.]

I move that all debate on this section and amendments thereto be closed.

The motion was agreed to.

The CHAIRMAN. The question is on the adoption of the amendment offered by the gentleman from Minnesota.

The amendment was rejected.

The Clerk read as follows:

Sec. 11. As used in this act the term "insurance company" shall include any corporation engaged in the business of insurance, irrespective of the nature thereof, and operating under the supervision of a State superintendent or department of insurance in any of the States of the United States.

With the following committee amendment:

Line 3, after the word "insurance", insert the words "or in the writing of annuity contracts."

Mr. McFARLANE. Mr. Chairman, I should like the chairman of the committee to explain the purpose of this amendment.

Mr. STEAGALL. It is simply to extend the provisions of this act, as far as it may be done, to all insurance companies. There are insurance companies who write annuity contracts, and there is no reason why, in the judgment of the committee, they should not be included in the provisions of this act. That is the purpose of it.

The CHAIRMAN. The question is on agreeing to the committee amendment.

The committee amendment was agreed to.

The Clerk read as follows:

Sec. 12. Section 5 of the Reconstruction Finance Corporation Act, as amended, is amended by adding at the end thereof the following new paragraph:

"The Reconstruction Finance Corporation is further authorized and empowered to make loans to any State insurance fund established or created by the laws of any State for the purpose of paying or insuring payment of compensation to injured workmen and those disabled as a result of disease contracted in the course of their employment, or to their dependents. As used in this paragraph, the term 'State' includes the several States and Alaska, Hawaii, and Puerto Rico."

Mr. HOLLISTER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment by Mr. HOLLISTER: Page 8, line 11, after the word "loan", insert the words "if adequately secured."

Mr. HOLLISTER. Mr. Chairman, that language should have been printed in the bill. It was adopted in the committee.

Mr. STEAGALL. It is merely a clerical error, and I hope the House will correct it.

Mr. GREEN. Mr. Chairman, I rise in opposition to the amendment.

My colleague, I would not feel that I had performed my full duty to the constituency which I try to represent if I did not voice final disapproval of the Congress of the United States once more contributing indirectly in this case \$50,000,000 to large corporations which pay their officials as high as \$175,000 per year.

Mr. GOLDSBOROUGH. Mr. Chairman, a point of order. The gentleman is not speaking to the amendment.

Mr. GREEN. I hope the gentleman will not insist upon that. I do not intend to use all of the 5 minutes.

Mr. GOLDSBOROUGH. I insist on the point of order, Mr. Chairman.

Mr. GREEN. Large corporations paying \$175,000 a year to the officers of such corporations. I hope my colleagues will think over this matter in a serious, personal manner. How can a corporation official honestly earn twice as much as is paid the President of the United States. The corporations should pro rate profits to their stockholders and, in case of insurance companies, to their policyholders, instead of the officers gobbling it up in high salaries.

Mr. GOLDSBOROUGH. Mr. Chairman, I insist on the point of order. The gentleman is not speaking to the amendment.

The CHAIRMAN. The gentleman from Florida must confine himself to the amendment.

Mr. GOLDSBOROUGH. There cannot possibly be any objection to the amendment. I must ask the gentleman to address himself to the amendment.

Mr. GREEN. I know at times facts seem harsh. If the Clerk will please read the amendment, I will confine myself to it.

There being no objection, the Clerk again reported the amendment.

Mr. GREEN. Very well. "Adequately secured." [Laughter.] My colleagues, do you believe that the corporations that will borrow this \$50,000,000 can give adequate security? They have borrowed an enormous amount. We are informed by those high in official circles that the purpose of this \$50,000,000 loan is to enable those corporations to pay a portion of which they have already borrowed. In conscience, when our people are unemployed and when ex-service men are given a dollar a day to work in the forests—

Mr. GOLDSBOROUGH. Mr. Chairman, I insist the gentleman is not speaking to the amendment. I insist that he confine himself to the amendment. The amendment provides that loans secured from the Reconstruction Finance Corporation should be adequately secured. I ask that the gentleman confine himself to that limitation.

Mr. GREEN. I will try my best to do so, because the Reconstruction Finance Corporation has not, I fear, confined itself to ample security in disposing of \$2,800,000,000. [Applause.] My friends, it is ridiculous—I am sincere in this—when we are about to give \$50,000,000 more to these same corporations, when our people are in destitution—

The CHAIRMAN. The time of the gentleman from Florida [Mr. GREEN] has expired.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

The motion was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. HOLLISTER].

The amendment was agreed to.

The Clerk read as follows:

Sec. 13. Section 5 of the Reconstruction Finance Corporation Act, as amended, is amended by adding at the end thereof the following new paragraph:

"The Reconstruction Finance Corporation is further authorized and empowered to make loans if adequately secured to any fund created by any State for the purpose of insuring the repayment of deposits of public moneys of such State or any of its political subdivisions in banks or depositories qualified under the law of such State to receive such deposits. Such loans may be made at any time prior to January 23, 1934, and upon such terms and conditions as the Corporation may prescribe; except that any fund which receives a loan under this paragraph shall be required to assign to the corporation, to the expense of such loan, all amounts which may be received by such fund as dividends or otherwise from the liquidation of any such bank or depository in which deposits of such public moneys were made. As used in this paragraph, the term 'State' includes the several States and Alaska, Hawaii, and Puerto Rico."

Mr. LUCE. Mr. Chairman, in line 7, on page 9, I am quite certain the word "expense" is a misprint for the word "extent." I ask unanimous consent to substitute the word "extent" for the word "expense."

The CHAIRMAN. Without objection, the correction will be made.

There was no objection.

Mr. KVALE. Mr. Chairman, I offer an amendment.

Mr. STEAGALL. Mr. Chairman, I move that all debate on this section and all amendments thereto do now close.

Mr. KVALE. Mr. Chairman, I have offered an amendment, and I desire to know whether the gentleman from Alabama is asking unanimous consent or whether he moved to close debate.

The CHAIRMAN. The Chair did not put the motion, pending the gentleman's amendment.

The Clerk will report the amendment offered by the gentleman from Minnesota [Mr. KVALE].

The Clerk read as follows:

Amendment offered by Mr. KVALE: Page 9, line 13, after the word "Rico", at the end of section 13, add a new section, to read as follows:

"Sec. 14. Section 5 of the Reconstruction Finance Corporation Act, as amended, is hereby amended by adding at the end thereof the following new paragraph:

"The Reconstruction Finance Corporation is further authorized to make loans to any municipality or municipal subdivision of any State for the purposes of furnishing food, clothing, shelter, fuel, medical attention, or other direct relief to poor persons residing in such municipality or municipal subdivision, such loans to be secured by the pledge of the bonds or certificates of indebtedness of such municipality or municipal subdivision, and the said Reconstruction Finance Corporation is hereby authorized to submit proposals and/or bids for the purchase of such bonds or certificates of indebtedness from such municipality or municipal subdivision and to otherwise comply with the laws of any State relating to the issuance and sale of such bonds or certificates of indebtedness, and the interest to be charged such municipality or municipal subdivision on such loans or on such bonds or certificates of indebtedness shall not exceed the rate of five (5) percent per annum."

Mr. KVALE. Mr. Chairman, I shall not consume the 5 minutes on this amendment. My reason for offering the amendment is to make sure that the action of the committee upon the Sabbath amendment which strikes out the proviso in section 9 and applies to the operation under section 7, will make unnecessary my amendment.

The chairman of the committee knows the delegation from one of the large cities in my State has been in consultation with him. He knows of the need for such an amendment.

If I can have the assurance that my amendment will be unnecessary in view of the committee's earlier action, I shall be glad to ask unanimous consent to withdraw it.

Mr. STEAGALL. If I understand the purport of the gentleman's amendment the purpose is accomplished by the Sabbath amendment, but I may say to the gentleman that neither his amendment nor the Sabbath amendment will probably be effective very long for the reason that under legislation now contemplated the activities to which the gentleman refers in his amendment will be transferred to another administration of the Government. That is what is in contemplation at this time.

I may say also we recently passed a \$500,000,000 relief bill, and an administration has been set up for the purpose of handling this very fund which is empowered to do everything contemplated by the gentleman's amendment.

Mr. KVALE. I beg the gentleman's pardon. The emergency relief bill will take care of about 30 percent of the immediate acute needs out there, and that is why I am interested in seeing that this amendment which I offer, or some similar amendment, will take care of the acute need until the new legislation can be brought into operation.

Mr. STEAGALL. I think that would.

Mr. KVALE. Then, Mr. Chairman, I ask unanimous consent to withdraw my amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. STEAGALL. Mr. Chairman, I move that debate on this section and all amendments thereto do now close.

The motion was agreed to.

The Clerk concluded the reading of the bill.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. FULLER, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee having had under consideration the bill (S. 1094) to provide for the purchase by the Reconstruction Finance Corporation of preferred stock and/or bonds and/or debentures of insurance companies, pursuant to House Resolution 156, he reported the bill back to the House with sundry amendments adopted by the Committee.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment?

Mr. BLANTON. Mr. Speaker, I demand a separate vote on the twin amendments of the committee, the first one beginning in line 5, page 5, and the other one beginning in line 10, of page 5, and being identical amendments dealing

with the same subject matter. I ask unanimous consent that we may vote on them in block in order to save time.

The SPEAKER. Is a separate vote demanded on any other amendment? If not, the Chair will put them in block.

The amendments were agreed to.

The SPEAKER. The gentleman from Texas asks unanimous consent to consider the two committee amendments on page 5 in block. Is there objection?

There was no objection.

The SPEAKER. The Clerk will report the amendments.

The Clerk read as follows:

Page 5, line 5, strike out "\$17,500 per annum" and insert "what appears reasonable to the Reconstruction Finance Corporation;".
Page 5, line 10, the same amendment.

The SPEAKER. The question is on the committee amendments.

Mr. BLANTON. Mr. Speaker, I demand a division, and pending that I ask for the yeas and nays.

The yeas and nays were refused.

The Committee divided; and there were—ayes 128, noes 74. So the amendments were agreed to.

The bill was ordered to be read a third time, and was read the third time.

Mr. BLANTON. Mr. Speaker, I move to recommit the bill to the Committee on Banking and Currency.

The Clerk read as follows:

Mr. BLANTON moves to recommit the bill, S. 1094, to the Committee on Banking and Currency.

The motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

The question was taken; and on a division (demanded by Mr. BLANTON and Mr. McFARLANE) there were—ayes 147, noes 96.

Mr. BLANTON. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 203, nays 137, not voting 90, as follows:

[Roll No. 45]

YEAS—203

Adams	Cooper, Tenn.	Hill, Samuel B.	Oliver, N.Y.
Allen	Corning	Holdale	Parker, N.Y.
Allgood	Cross	Hollister	Perkins
Almon	Crowe	Holmes	Peterson
Andrew, Mass.	Culkin	Hooper	Peyster
Andrews, N.Y.	Cullen	Hope	Powers
Ayres, Kans.	Darden	Huddleston	Prall
Bacharach	Darrow	Jacobsen	Ragon
Bacon	Dear	Jeffers	Ramspeck
Bakewell	Delaney	Jenckes	Ransley
Beedy	Dickinson	Jenkins	Reid, Ill.
Beiter	Dickstein	Johnson, W.Va.	Reilly
Blanchard	Dingell	Kahn	Richardson
Bland	Dirksen	Kee	Robertson
Bloom	Disney	Keller	Rogers, Mass.
Boehne	Ditter	Kelly, Pa.	Rogers, N.H.
Bolleau	Dockweiler	Kenney	Rudd
Boland	Dondero	Kinzer	Sandlin
Boylan	Doughton	Kleberg	Schuetz
Brooks	Doutrich	Knutson	Schulte
Brown, Mich.	Drewry	Kopplemann	Sears
Brunn	Duffey	Kramer	Seger
Brunner	Duncan, Mo.	Kurtz	Shannon
Buchanan	Durgan, Ind.	Kvale	Sirovich
Buck	Eagle	Lea, Calif.	Sisson
Burch	Eaton	Lehlbach	Snell
Burke, Calif.	Edmonds	Lindsay	Somers, N.Y.
Burke, Nebr.	Ellzey, Miss.	Lloyd	Spence
Burnham	Englebright	Lozier	Stalker
Byrns	Farley	Luce	Steagall
Cady	Fish	McClintic	Stokes
Caldwell	Fitzpatrick	McCormack	Stubbs
Cannon, Mo.	Flannagan	McDuffie	Studley
Carden	Ford	McGrath	Sullivan
Carley	Fuller	McKeown	Sutphin
Carter, Calif.	Gibson	McSwain	Swick
Carter, Wyo.	Goldsborough	Mansfield	Taber
Cavicchla	Goodwin	Mariand	Treadway
Celler	Greenwood	Marshall	Turner
Chavez	Guyer	Martin, Mass.	Turpin
Church	Haines	Martin, Oreg.	Underwood
Cochran, Mo.	Hancock, N.Y.	Mead	Utterback
Cochran, Pa.	Hancock, N.C.	Meeks	Vinson, Ga.
Colden	Hartley	Millard	Wadsworth
Collins, Calif.	Hastings	Moran	Waldron
Condon	Hess	O'Connell	Walton
Connolly	Higgins	O'Connor	Watson
Cooper, Ohio	Hill, Ala.	Oliver, Ala.	Welch

West, Ohio
West, Tex.
Wigglesworth

Wilcox
Willford
Wilson

Withrow
Wolcott
Wolfenden

Wolverton
Woodruff

NAYS—137

Adair	Fletcher	Lee, Mo.	Rogers, Okla.
Arens	Focht	Lehr	Ruffin
Arnold	Frear	Lemke	Sabath
Bailey	Gasque	Lundeen	Sanders
Beam	Gavagan	McCarthy	Schaefer
Blanton	Gilchrist	McFadden	Secrest
Brennan	Gillette	McFarlane	Shallenberger
Bulwinkle	Glover	McGugin	Shoemaker
Carpenter, Kans.	Goss	Major	Smith, Wash.
Carpenter, Nebr.	Gray	Maloney, Conn.	Smith, W.Va.
Cary	Green	Mapes	Snyder
Castellow	Griffin	Martin, Colo.	Strong, Tex.
Chapman	Griswold	May	Swank
Chase	Hamilton	Miller	Tarver
Christianson	Harlan	Milligan	Taylor, Colo.
Clalborne	Hart	Mitchell	Taylor, S.C.
Clark, N.C.	Healey	Monaghan	Taylor, Tenn.
Collins, Miss.	Hildebrandt	Morehead	Thom
Colmer	Hill, Knute	Mott	Thomason, Tex.
Connery	Hoeppel	Murdock	Thompson, Ill.
Cox	Howard	Musselwhite	Truax
Cravens	Imhoff	Nesbit	Umstead
Crosby	Johnson, Minn.	O'Malley	Vinson, Ky.
Crosser	Johnson, Okla.	Owen	Warren
Cummings	Jones	Parker, Ga.	Wearin
Deen	Kelly, Ill.	Parsons	Weldman
Dies	Kennedy, N.Y.	Patman	Werner
Dobbins	Kloeb	Pettengill	White
Doxey	Kniffin	Polk	Whitley
Dunn	Kocialkowski	Ramsay	Whittington
Elcher	Lambeth	Randolph	Young
Elte, Calif.	Lamneck	Rankin	Zioncheck
Faddis	Lanham	Rayburn	
Fernandez	Lanzetta	Reece	
Fiesinger	Larrabee	Richards	

NOT VOTING—90

Abernethy	Douglass	Lesinski	Robinson
Auf der Heide	Dowell	Lewis, Colo.	Romjue
Ayers, Mont.	Driver	Lewis, Md.	Sadowski
Bankhead	Evans	Ludlow	Scrugham
Beck	Fitzgibbons	McLean	Simpson
Berlin	Foss	McLeod	Sinclair
Biermann	Foulkes	McMillan	Smith, Va.
Black	Fulmer	McReynolds	Strong, Pa.
Bolton	Gambrill	Maloney, La.	Summers, Tex.
Britten	Gifford	Merritt	Sweeney
Brown, Ky.	Gillespie	Montague	Terrell
Browning	Granfield	Montet	Thurston
Buckbee	Gregory	Moynihan	Tinkham
Busby	Harter	Muldowney	Tobey
Cannon, Wis.	Henney	Norton	Traeger
Cartwright	Hornor	O'Brien	Wallgren
Clarke, N.Y.	Hughes	Palmisano	Weaver
Collin	James	Parks	Williams
Cole	Johnson, Tex.	Peavey	Wood, Ga.
Crowther	Kemp	Pierce	Wood, Mo.
Crump	Kennedy, Md.	Pou	Woodrum
De Priest	Kerr	Reed, N.Y.	
DeRouen	Lambertson	Rich	

So the bill was passed.

The following pairs were announced:

On the vote:

Mr. Tobey (for) with Mr. Johnson of Texas (against).
Mr. Brown of Kentucky (for) with Mr. Wallgren (against).
Mr. Bankhead (for) with Mr. Pierce (against).

Until further notice:

Mr. Black with Mr. Crowther.
Mr. Ludlow with Mr. Beck.
Mr. Busby with Mr. Dowell.
Mr. Gregory with Mr. McLean.
Mr. Lewis of Maryland with Mr. Muldowney.
Mr. Abernethy with Mr. Simpson.
Mr. Cartwright with Mr. Reed of New York.
Mr. Crump with Mr. James.
Mr. Scrugham with Mr. Gifford.
Mr. Fulmer with Mr. Britten.
Mr. Driver with Mr. Traeger.
Mr. Gambrill with Mr. Bolton.
Mr. Kemp with Mr. Foss.
Mr. Woodrum with Mr. Evans.
Mr. Summers of Texas with Mr. Buckbee.
Mr. Weaver with Mr. Lambertson.
Mr. Smith of Virginia with Mr. Clarke of New York.
Mr. Parks with Mr. McLeod.
Mr. Montet with Mr. Strong of Pennsylvania.
Mr. Sweeney with Mr. Thurston.
Mr. Granfield with Mr. Moynihan.
Mr. Montague with Mr. Rich.
Mr. Kennedy of Maryland with Mr. Merritt.
Mr. DeRouen with Mr. Peavey.
Mr. Tinkham with Mr. De Priest.
Mr. Browning with Mr. Sinclair.
Mr. Maloney of Louisiana with Mr. Cannon of Wisconsin.
Mr. McMillan with Mr. Biermann.
Mr. Gillespie with Mr. Terrell.

Mr. Hughes with Mr. Henney.
Mr. Wood of Georgia with Mr. Williams.
Mr. Fitzgibbons with Mr. Harter.
Mr. Kerr with Mr. Hornor.

Mr. TRAEGER. Mr. Speaker, I was on my way over here at the first bell but did not arrive in season. If present, I would have voted "aye."

The result of the vote was announced as above recorded.

On motion of Mr. STEAGALL, a motion to reconsider the vote whereby the bill was passed was laid on the table.

Mr. BYRNS. Mr. Speaker, if there is no objection, I should like to announce that my colleague the gentleman from Tennessee, Mr. McREYNOLDS, is absent on account of a consultation at the State Department. If present, he would have voted "aye." Also, that the following gentlemen are unavoidably detained and, if present, would have voted "aye": Mr. SADOWSKI, Mr. ROBINSON, Mr. POE, Mr. COLE, Mr. O'BRIEN, Mr. AUF DER HEIDE, Mr. LESINSKI, and Mrs. NORTON.

ALFRED E. SMITH AND THE REPEAL OF THE EIGHTEENTH AMENDMENT

Mr. KENNEDY of New York. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record.

The SPEAKER. Without objection, it is so ordered.

Mr. KENNEDY of New York. Mr. Speaker, I listened with great interest on Monday evening to the radio appeal of the State chairman of my party, exhorting the voters of New York to register conclusively their opinion for the repeal of the prohibition amendment. As the speaker proceeded with his appeal I listened intently for him to pay at least a word of most deserved tribute to that man who has done more than any other person to bring about the magnificent triumph of liberalism and sanity that took place yesterday in the State of New York.

I was disappointed when the able chairman passed completely over the name of Alfred E. Smith. I have deep respect for the sincerity and industry of our chairman, as I have for our able President, Franklin D. Roosevelt. Nevertheless, I am convinced, as is the vast majority of our citizens, that without the unceasing efforts, without the transcendent ability of Alfred E. Smith, we would never have reached the pinnacle of victory that became ours yesterday; and on the eve of victory, nothing would have been more fitting than to acknowledge the splendid role that this great man played in the course of events leading up to the wonderful climax.

The whole life of Alfred E. Smith has been spent in an endeavor to make secure the voice of the people. We have only to scan his public record to find an unbroken sequence of labor for the common weal, toward the making secure of toleration.

When prohibition became a law in 1919 the developing events thereafter aided the country in recognizing the rare ability of Alfred E. Smith, and he was raised to a position of national prominence. As a pioneer in the cause of toleration, he was instrumental in inserting in the State Democratic platform of 1918 a plank calling for a State referendum submitting the question of prohibition to the voters of New York. Here was evidence of a characteristic that has intrenched him deeply in the hearts of the masses. From the beginning, his attitude on prohibition, as on all other public questions, has been clear-cut, well-defined, unequivocal. He has never parried, never straddled, never curried political preferment through ambiguous policies.

In the election of 1920 he temporarily sacrificed his political career because he preferred to be honest, open, and frank when hedging would have assured him of victory at the polls. In 1922 he returned to the Governorship of the State, called back by the voters when the far-seeing predictions he had made regarding the detestable State enforcement law, the Mullan-Gage Act, came true. His political foresight was paid tribute to in the fact that the same legislature which had passed the Mullan-Gage Act voted for its repeal three years later. In the same year, following his leadership, the Democratic State Convention inserted a plank in its platform favoring an amendment to the Volstead Act

permitting the States, under certain restrictions and after popular referendum, to permit traffic in light wines and beer, and the voters of the State supported him overwhelmingly.

In 1926, as a result of his leadership, the referendum as to what should be the attitude of the State regarding modification of the Volstead Act, carried by more than a million votes. In 1928 the Nation witnessed the event of his famous telegram to the National Democratic Convention, advising them, when they had failed to include a liquor plank in their platform, that if selected to carry the banner of democracy in the ensuing campaign, he would do so only on condition that his views on the repeal of the Eighteenth Amendment be made a part thereof. This splendid gesture of unselfishness was made to allow the convention to select another candidate, if they were unwilling to support him on this stand—in a word, refusing the greatest honor the Nation can bestow on one of its citizens unless he were permitted to make known in definite, clear, honest language his stand on the question of prohibition.

As a last milestone, no one need be reminded of the part Alfred E. Smith played in committing the Democratic Party at the last election away from a policy of ambiguity and evasion to a definite, honest, open stand for repeal.

Ladies and gentlemen, I would be shirking my duty to my constituents if I did not rise today and pay tribute to that great leader of men, Alfred E. Smith, for his magnificent efforts to repeal the Eighteenth Amendment.

UNJUST ECONOMY

Mr. THOMASON of Texas. Mr. Speaker, I ask unanimous consent to extend and revise my own remarks.

The SPEAKER. Without objection, it is so ordered.

Mr. THOMASON of Texas. Mr. Speaker, the comprehensive and carefully prepared plans of the President for the relief of the distress occasioned by the economic situation have had my enthusiastic support, and it is my belief that no Executive in our history has met such a grave condition with more courage and determination than Franklin D. Roosevelt. I particularly admire his candor and his frankness. He has admitted that in this emergency experimental legislation is necessary, and I trust and believe that he will be quick to acknowledge errors when they are made by some of those persons to whom he has intrusted administration of some of the recently enacted laws.

I firmly believe that serious errors in judgment have been made by the officials of the Veterans' Administration in promulgating rules and in interpreting provisions of the regulations issued pursuant to the act. As I told this House on May 11, during consideration of the appropriation for the Veterans' Administration, I intend to do everything in my power to see that the sick and disabled veterans are treated with justice and fairness. I was one of the first Members of this House to sign the petition calling for a Democratic caucus on this important subject, and you may be sure that I intend to continue my efforts to see that the injustices in the administration of the Economy Act are abolished.

Mr. Speaker, my particular interest is in the reductions applied to certain classes of service-connected cases of disability. I submit that it was not the intention of the Congress, nor do I believe it was the intention of President Roosevelt, to slash the allowances to these veterans by 50, 60, and 70 percent. Yet I have the evidence in my office, in the form of statements from veterans in my own district, that this very thing is being done. It appears that those charged with carrying out the act have disregarded the spirit of the law as passed by the Congress, and have not only reduced the allowance for particular disability ratings but have also revised the schedule of ratings for certain disabilities and injuries so that the veteran is subjected to an unreasonable reduction.

There are a number of other important phases of this matter that demand attention immediately. If action is not taken without delay by the Veterans' Administration officials and the Executive, I predict that it will be taken by the Congress, and I for one intend to do all in my power to right these wrongs.

All classes of our citizenship have been called upon to make sacrifices in the economic crisis that recently confronted the Nation. No greater patriotism was shown by any of them, however, than by the veterans. Those in my district—and I know this is true of the Nation at large—have cheerfully accepted the added burden they have been called upon to bear. They should not, however, be subjected to unfair treatment and great suffering.

Our President has shown himself to be a man of great sympathies and a strong sense of justice and fair play. He is doing an almost superhuman task and I know that he is not able to examine minutely all details of the vast emergency program he has inaugurated. However, I feel sure that when the serious wrongs that have been committed in the name of economy are called to his attention, he will take prompt steps to rectify them.

HOUSE RESOLUTION 159

Mr. LAMBETH. Mr. Speaker, by direction of the Committee on Printing, I call up from the Speaker's desk House Resolution 159.

The Clerk read the resolution, as follows:

House Resolution 159

Resolved, That in accordance with paragraph 3 of section 2 of the Printing Act approved March 1, 1907, the Committee on Labor of the House be, and it is hereby, empowered to have printed for its use 1,000 copies of the hearings held before said committee relative to 30-hour work week, Seventy-second Congress, second session.

With the following committee amendment:

In line 4, page 1, strike out "1,000" and insert "500."

The committee amendment was agreed to.

The resolution as amended was agreed to.

HOOR OF MEETING TOMORROW

Mr. BYRNS. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet tomorrow at 11 o'clock a.m.

The SPEAKER. Is there objection?

There was no objection.

GOVERNORSHIP OF HAWAII

Mr. McCANDLESS. Mr. Speaker and colleagues, there was read in this Chamber Monday a message from the President asking that the residence qualifications for the Governor of Hawaii, as set forth in the organic act of Hawaii, be temporarily set aside to enable the President to select for that post, if he so chooses, a nonresident of Hawaii.

Ladies and gentlemen, to say that this action came as a surprise to me is putting my emotions mildly. I was stunned. Nor do I yet comprehend the reason for such a request from the administration, for it is well known that Hawaii has among her own citizens many men well qualified for the governorship of the Territory. And the message indicates an intention, or at least a desire, to name someone not a resident, someone from the mainland United States; in short, to appoint what is known in the South as a carpet-bagger.

Mr. Speaker and Members of this House, as Delegate in Congress from Hawaii, as a resident of Hawaii for the past 51 years, and as a Democrat, I must oppose any action by Congress that will in any way curtail the measure of self-government and of home rule which the Territory of Hawaii has enjoyed since it became by joint resolution of Congress part and parcel of the United States.

Since 1840 the people of Hawaii have governed themselves under a form of constitutional government patterned closely after that of the United States, to whom Hawaii has always looked for example and to whom she voluntarily annexed herself in the closing years of the last century.

From 1840 to 1893, under the monarchy, Hawaii had a constitution, was recognized by the United States as an independent member of the family of nations, and showed herself capable of producing leaders qualified to direct the affairs of her people. Under the provisional government from 1893 to 1894 the constitutional form of government was retained, and was continued under the Republic, which endured for the following 4 years. The Republic of Hawaii

in 1898 voluntarily became annexed to the United States, and since that date the Constitution of the United States and its allied body of laws has applied.

Thus for 93 years Hawaii has proven herself capable of handling her own affairs, of making her local laws, electing her legislators, and of producing her leaders, be they kings, presidents, or governors, from among her own people.

I call your attention to the report of the Committee on Territories of the Fifty-fifth Congress, third session, which accompanied H.R. 10990. This bill set up a new government for Hawaii, and in its report the commission appointed to make recommendations incorporated in a majority of instances the laws and practices then in vogue in Hawaii into the new form of government which was established in 1900, when Hawaii became a Territory of the United States.

Ladies and gentlemen, I would call your attention to this fact in particular: Whereas the organic act, as first passed by this body, and which was in force for 21 years, specified that the Governor of Hawaii must be a citizen of the Territory, which meant a residence there of but 1 year, on July 9, 1921, the Congress of the United States amended this organic act to increase that residence requirement to 3 years, and specified that this term of residence must be next preceding appointment.

Was not this action an indication that Congress believed 3 years' residence in Hawaii a necessary qualification for the Governor? Does not that indicate that this body once decided that in order to know conditions in Hawaii, to understand her people, and to be able to perform the duties of governor with fairness and justice to the people of Hawaii the Governor should have lived among those people for at least 3 years next preceding his appointment to office?

If on two previous occasions Congress decided that the Governor of Hawaii had best be drawn from her own citizens, would you now rescind that action, remove the safeguard which assures the people of this Commonwealth that their chief executive be one of their own citizens, a friend who knows and understands them, and whom, because of this knowledge and understanding, they can trust as their leader?

The new Governor of Alaska, whom the President but recently appointed, and who was confirmed by the Senate, was a resident of the Territory of Alaska at the time of his appointment. Why, then, should an exception be made in the case of Hawaii?

Why even a temporary repeal of the residence qualifications for the Governor of Hawaii? There is no national emergency in which Hawaii is involved, and in which a mainland appointee for Governor would better serve the interests of the Nation than a resident of Hawaii. To be sure, Hawaii is suffering from the depression, but so are the 48 States, and yet there is no threat to name a carpet-bagger as governor of any of the States. If the economic situation in Hawaii is acute, is it not logical to assume that one familiar with conditions in the Territory, with its people, its history, and its problems, can better serve as chief executive?

Our racial situation in Hawaii may be unique, but this very fact indicates the need of one familiar with the mental reactions, habits, and conduct of its racial groups in order to best inspire in them the trust and confidence which the Governor must have to properly fulfill his duties and obligations.

There is nothing in the racial problems of Hawaii that is a menace to harmony and the proper development of the Territory if allowed to develop naturally. This is indicated in a report submitted after a personal investigation by Mr. William Atherton Du Puy, former executive assistant to the Secretary of the Interior under the previous administration.

Hawaii has developed business, commercial, and industrial enterprises that compare favorably with those in any part of the United States. To do this she has had citizen leadership able to cope with unique and unusual situations, from which the Territory has always emerged victorious. We have our full quota of business executives and men of public

affairs who are keenly alive to the problems of the Territory and who are willing and capable of maintaining this leadership.

I am frank to confess that I do not see how the principles of Jeffersonian Democracy, of State rights and home rule, and the horror of carpetbaggers, all of which is part and parcel of the Democratic political faith, can permit of any action which would deprive Hawaii or any other Commonwealth of the United States of the fullest measure of local self-government and home rule which our present laws guarantee.

Certainly the passage of any legislation which would permit the appointment of a nonresident, a carpetbagger, as Governor of Hawaii, would not be keeping faith with the people of Hawaii or of the continental United States who are now looking to the Democratic Party as the guardian of their rights.

In short, Mr. Speaker and ladies and gentlemen, I oppose any move to allow the appointment of a nonresident as Governor of Hawaii on the grounds that for nearly a century the people of Hawaii have maintained a just and fair government; that they have shown themselves capable of meeting their own problems and solving them satisfactorily; that they have had in the past, and have now, many men capable of the leadership which the Governor should assume; that no nonresident is qualified for this leadership; that no emergency now exists which makes necessary the change of existing laws to permit the appointment of a nonresident; and that, on the contrary, the unemployment and other economic conditions existing as a result of the depression make it peculiarly necessary that the Governor of Hawaii be a citizen of that Territory.

I am forced to believe that the President has been misinformed regarding conditions in Hawaii, for on no other assumption can I understand his request. Certain it is that the people of Hawaii do not favor such a move, for on Monday there was read into the record of the Senate, and appears on page 3875 of the RECORD of May 22, a concurrent resolution passed by the Territorial legislature vigorously opposing any change in the residence qualifications of Hawaii's Governor.

I am a Democrat, have always been a Democrat, and shall continue to be a Democrat. But while I have heartily approved most of the legislation so far sponsored by the present administration, I have no course but to oppose this effort to make possible the appointment of a carpetbagger as Governor of Hawaii. My duty to Hawaii and my own personal convictions, the result of half a century of residence in Hawaii, dictate this opposition.

I therefore submit to this honorable body that a change in the organic act of Hawaii to permit the appointment of a nonresident as Governor is not an emergency measure. It is rather an undemocratic deal, an unfair deal, an unjust deal for the people of Hawaii.

CHILD-LABOR AMENDMENT TO CONSTITUTION

The SPEAKER laid before the House a communication from the Governor of the State of Washington announcing the ratification by the legislature of that State of an amendment to the Constitution of the United States to prohibit the labor of persons under 18 years of age.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. GILLESPIE, for 3 days, on account of the illness of a relative.

ENROLLED BILLS AND JOINT RESOLUTION SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled a joint resolution and bills of the House of the following titles, which were thereupon signed by the Speaker:

H.J.Res. 159. An act granting the consent of Congress to a compact or agreement between the State of Kansas and the State of Missouri authorizing the acceptance for and on behalf of the States of Kansas and Missouri of title to a toll bridge across the Missouri River from a point in Platte

County, Mo., to a point at or near Kansas City, in Wyandotte County, Kans., and specifying the conditions thereof;

H.R. 4014. An act to authorize appropriations to pay in part the liability of the United States to the Indian pueblos herein named, under the terms of the act of June 7, 1924, and the liability of the United States to non-Indian claimants on Indian pueblo grants whose claims, extinguished under the act of June 7, 1924, have been found by the Pueblo Lands Board to have been claims in good faith; to authorize the expenditure by the Secretary of the Interior of the sums herein authorized and of sums heretofore appropriated in conformity with the act of June 7, 1924, for the purchase of needed lands and water rights and the creation of other permanent economic improvements as contemplated by said act; to provide for the protection of the watershed within the Carson National Forest for the Pueblo de Taos Indians of New Mexico, and others interested, and to authorize the Secretary of Agriculture to contract relating thereto; and to amend the act approved June 7, 1924, in certain respects;

H.R. 5152. An act granting the consent of Congress to the State Highway Commission of Virginia to replace and maintain a bridge across Northwest River in Norfolk County, Va., on State highway route no. 27;

H.R. 5173. An act granting the consent of Congress to the State Highway Commission of Virginia to maintain a bridge already constructed, to replace a weak structure in the same location, across the Staunton and Dan Rivers, in Mecklenburg County, Va., on United States Route No. 15;

H.R. 5476. An act to extend the times for commencing and completing the construction of a bridge across the Savannah River at or near Burtons Ferry, near Sylvania, Ga.; and

H.R. 5480. An act to provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof, and for other purposes.

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 753. An act to confer the degree of bachelor of science upon graduates of the Naval, the Military, and the Coast Guard Academies.

ADJOURNMENT

Mr. BYRNS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 34 minutes p.m.), in accordance with the order heretofore made, the House adjourned until tomorrow, Thursday, May 25, 1933, at 11 o'clock a.m.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. POU: Committee on Rules. House Resolution 160. Resolution providing for the consideration of H.R. 5755, a bill to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes; without amendment (Rept. No. 160). Referred to the House Calendar.

Mr. LAMBETH: Committee on Printing. House Resolution 159. Resolution authorizing the Committee on Labor to have printed for its use additional copies of hearings on "30-Hour Work Week"; with amendment (Rept. No. 161). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. DICKSTEIN: A bill (H.R. 5765) to provide for review of the action of consular officers in refusing immigration visas, and for other purposes; to the Committee on Immigration and Naturalization.

By Mr. STEAGALL: A bill (H.R. 5766) to amend the Reconstruction Finance Corporation Act, as amended, and the Emergency Relief and Construction Act of 1932, to re-

move limitations upon the aggregate amount of funds which the Reconstruction Finance Corporation may lend to aid in the reorganization or liquidation of banks and savings banks either closed or in process of liquidation, and to authorize the Corporation to disburse funds after the date of expiration of its power to make loans under existing law pursuant to commitments made prior to such date, and for other purposes; to the Committee on Banking and Currency.

By Mr. RANKIN: A bill (H.R. 5767) to authorize the appointment of the Governor of Hawaii without regard to his being a citizen or resident of Hawaii; to the Committee on the Territories.

By Mr. SANDLIN: A bill (H.R. 5768) to provide for the commemoration of Fort Humburg, in the State of Louisiana; to the Committee on Military Affairs.

Also, a bill (H.R. 5769) to provide for the commemoration of the Battle of Mansfield, in the State of Louisiana; to the Committee on Military Affairs.

By Mr. POUL: Resolution (H.Res. 160) providing for the consideration of H.R. 5755, a bill to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes; to the Committee on Rules.

By Mr. SIROVICH: Joint Resolution (H.J.Res. 190) to create the position of liaison officer; to the Committee on the Civil Service.

By Mr. FISH: Concurrent resolution (H.Con.Res. 19) expressing sympathy for the Jews in Germany; to the Committee on Foreign Affairs.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the Territory of Hawaii, protesting against any action by the Congress of the United States of America toward the elimination of the 3-year residence qualification for the Governor of Hawaii; to the Committee on the Territories.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ADAMS: A bill (H.R. 5770) for the relief of the Hamburg-American Line; to the Committee on Claims.

By Mr. ALLEN: A bill (H.R. 5771) granting a pension to Sarah A. King; to the Committee on Invalid Pensions.

By Mr. BECK: A bill (H.R. 5772) for the relief of William Renicks; to the Committee on Military Affairs.

By Mr. CHAPMAN: A bill (H.R. 5773) for the relief of Maggie Standeffer; to the Committee on Military Affairs.

By Mr. HARTLEY: A bill (H.R. 5774) granting compensation to Wallace B. Bogart; to the Committee on World War Veterans' Legislation.

Also, a bill (H.R. 5775) for the relief of the estate of George B. Spearin, deceased; to the Committee on Claims.

Also, a bill (H.R. 5776) for the relief of Fred Baker; to the Committee on Military Affairs.

Also, a bill (H.R. 5777) for the relief of Robert C. Lehr; to the Committee on Military Affairs.

By Mr. IMHOFF: A bill (H.R. 5778) granting an increase of pension to Ursula Gates; to the Committee on Invalid Pensions.

By Mr. LEHLBACH: A bill (H.R. 5779) authorizing the appointment of Charles W. Albright as a warrant officer, United States Army; to the Committee on Military Affairs.

Also, a bill (H.R. 5780) for the relief of Lt. H. W. Taylor, United States Navy; to the Committee on Naval Affairs.

Also, a bill (H.R. 5781) authorizing Frederick W. Vanduyne, colonel, United States Army, to accept the decoration of the Legion of Honor, tendered him by the Republic of France; to the Committee on Foreign Affairs.

Also, a bill (H.R. 5782) for the relief of Michael Giannetti; to the Committee on Claims.

Also, a bill (H.R. 5783) for the relief of William H. Chambliss; to the Committee on Claims.

By Mr. MONAGHAN: A bill (H.R. 5784) for the relief of the Western Montana Clinic; to the Committee on Claims.

By Mr. MONTAGUE: A bill (H.R. 5785) for the relief of the Butler Lumber Co., Inc., Richmond, Va.; to the Committee on Claims.

By Mr. PETTENGILL: A bill (H.R. 5786) for the relief of George N. Strike; to the Committee on Claims.

By Mr. SANDLIN: A bill (H.R. 5787) for the relief of Edward W. Gcetz; to the Committee on Military Affairs.

Also, a bill (H.R. 5788) for the relief of William Bernard Clancy; to the Committee on Naval Affairs.

By Mr. THOM: A bill (H.R. 5789) granting a pension to Lee J. Bethel; to the Committee on Pensions.

By Mr. CARTWRIGHT: Joint resolution (H.J.Res. 191) conferring upon the United States District Court for the Eastern District of Oklahoma the power to retain jurisdiction and to hear, try, and give judgment in case no. 6091 law, entitled "Charles Pope Hollingsworth against United States of America"; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1173. By Mr. CONNERY: Resolution of the City Council of the City of Revere, Mass., protesting contemplated reductions in veterans' compensation; to the Committee on Economy.

1174. By Mr. CULLEN: Petition of the Warehousemen's Association of the Port of New York, protesting against the passage by the Congress of the United States of Senate bill no. 158, to the enactment of any law under which a definite limit of the hours of any working day shall be placed; to the Committee on Labor.

1175. Also, petition of the Chas. E. Wescott Post, No. 173, American Legion, Bath, N.Y., protesting against the enactment into law of bill S. 583 on the grounds that it is unjust and discriminatory to employees who have, and still are, rendering faithful and efficient services to our Government; to the Committee on Appropriations.

1176. Also, petition of the Phoenix Camp, No. 1, United Spanish War Veterans, protesting against the requirements of the Administrator of Veterans' Affairs which will result in nullifying Executive Order and Regulation No. 12 as promulgated March 31, 1933, upon the grounds, and for the reasons that the Veterans' Administration appears to have exceeded the provisions of the law, are contrary to common sense and American sense of justice and fair play, are in reckless disregard of our substantial rights heretofore recognized and granted to us and to our widows and dependents, discriminate against us, and are ill-advised; all for the alleged reason and under the guise that it has now become necessary for the greatest Government on earth to eliminate and/or reduce pensions and benefits to Spanish War veterans now averaging 60 years of age; to the Committee on Appropriations.

1177. By Mr. McFADDEN: Petition of some 26 citizens of Mount Holly, N.J., urging the passage of the following seven great bills by Congress: (1) Relief for the unemployed, (2) to create work and prosperity, (3) the soldiers' bonus, (4) helping taxpayers, (5) saving homes and farms, (6) safe banking facilities, and (7) automatic machinery; to the Committee on Labor.

1178. By Mr. LINDSAY: Petition of Charles E. Wescott Post, No. 173, American Legion, Bath, N.Y., opposing Senate bill 583; to the Committee on World War Veterans' Legislation.

1179. Also, petition of World Trade League of the United States, Inc., New York City, concerning reciprocal tariff arrangements; to the Committee on Ways and Means.

1180. By Mr. RUDD: Petition of Automobile Club of New York, opposing the proposed increase in the Federal gasoline tax to 1¼ cents; to the Committee on Ways and Means.

1181. Also, petition of World Trade League of the United States, favoring giving the President full authority to negotiate and conclude such tariff arrangements, the exercise of

this authority to involve such compensatory reciprocal advantages as the President may deem desirable in America's best interest; to the Committee on Ways and Means.

1182. Also, petition of Charles E. Westcott Post, No. 173, American Legion, Bath, N.Y., opposing the passage of Senate bill 583; to the Committee on World War Veterans' Legislation.

1183. Also, petition of Pacific Coast Borax Co., New York City, opposing the passage of House bill 3759 or any similar bill; to the Committee on the Judiciary.

1184. Also, petition of Rabbi Harris L. Levi, Calmud Corah Rechoboth, 478 New Lots Avenue, Brooklyn, N.Y., and the children of that school, all young citizens, protesting against the tragic experiences suffered by the Jews of Germany since March 5, and appealing to Congress to voice the protest of humanity against the return of any organized group to inhuman medieval practices; to the Committee on Foreign Affairs.

1185. By the SPEAKER: Petition from the Veterans' National Rank and File Convention; to the Committee on Ways and Means.

1186. By Mr. THOMASON of Texas: Petition of the El Paso (Tex.) Chamber of Commerce, urging that highway construction be given favorable consideration in the execution of the public-works program in Texas; to the Committee on Ways and Means.

SENATE

THURSDAY, MAY 25, 1933

(Legislative day of Monday, May 15, 1933)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

Mr. McNARY. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Coolidge	Johnson	Pope
Ashurst	Copeland	Kean	Reed
Austin	Costigan	Kendrick	Reynolds
Bachman	Couzens	Keyes	Robinson, Ind.
Bailey	Dale	King	Russell
Bankhead	Dickinson	La Follette	Schall
Barbour	Dieterich	Lewis	Sheppard
Barkley	Dill	Logan	Shipstead
Black	Duffy	Loung	Smith
Bone	Erickson	Long	Steiwer
Borah	Fletcher	McAdoo	Stephens
Bratton	Frazier	McCarran	Thomas, Okla.
Brown	George	McGill	Thomas, Utah
Bulkeley	Glass	McKellar	Townsend
Bulow	Goldsborough	McNary	Trammell
Byrd	Gore	Metcalf	Tydings
Byrnes	Hale	Murphy	Vandenberg
Capper	Harrison	Neely	Van Nuys
Caraway	Hastings	Norris	Wagner
Carey	Hatfield	Nye	Walsh
Clark	Hayden	Overton	Wheeler
Connally	Hebert	Patterson	White

Mr. LEWIS. I wish to announce the absence of the Senator from Arkansas [Mr. ROBINSON] for the day on official business.

The VICE PRESIDENT. Eighty-eight Senators have answered to their names. A quorum is present.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hattigan, one of its clerks, announced that the House had passed the bill (S. 1094) to provide for the purchase by the Reconstruction Finance Corporation of preferred stock and/or bonds and/or debentures of insurance companies, with amendments, in which it requested the concurrence of the Senate.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 5390) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes; that the

House had receded from its disagreement to the amendments of the Senate numbered 1 and 7 to the said bill and concurred therein, and that the House had receded from its disagreement to the amendments of the Senate numbered 2 and 14 to the said bill and concurred therein, each with an amendment, in which it requested the concurrence of the Senate.

RETURN OF COURT RECORDS USED IN IMPEACHMENT TRIAL

The VICE PRESIDENT. The Chair asks that the following order be entered returning papers used in the trial for the purpose of withdrawing them from the files of the Senate. The clerk will report the order.

The legislative clerk read as follows:

Ordered, That the Secretary of the Senate be, and he is hereby, directed to return to the clerk of the United States District Court for the Northern District of California the original papers filed in said court which were offered in evidence during the proceedings of the Senate sitting for the trial of the impeachment of Harold Louderback, judge of the court aforesaid.

The VICE PRESIDENT. Is there objection?

Mr. NORRIS. Mr. President, just a moment. I did not hear the reading, and before the order is entered I should like to inquire what it is and who offers it?

The VICE PRESIDENT. The Chair is informed by the Parliamentarian that the district court in California desires the return of the original papers, and, therefore, the order has been prepared.

Mr. NORRIS. I am only anxious to ascertain what is being returned. Does it include everything that was offered in evidence during the impeachment trial?

The VICE PRESIDENT. It includes everything that was filed in evidence from the records of the district court in California. The order authorizes the return of those records to the files of that court.

Mr. NORRIS. I have no objection to that, but there was other evidence that never was offered.

The VICE PRESIDENT. It has all been printed in the record the Chair is informed.

Mr. NORRIS. Certain returns made by Judge Louderback to the assessment never were filed. Are they in the clerk's possession?

The VICE PRESIDENT. They are not included in this order, the Chair is informed by the Parliamentarian.

Mr. NORRIS. Very well.

The VICE PRESIDENT. Without objection, the order will be entered.

RATIFICATION OF CHILD-LABOR AMENDMENT BY LEGISLATURE OF WASHINGTON

The VICE PRESIDENT laid before the Senate a letter from the Governor of Washington, transmitting certified copy of a joint resolution adopted by the Legislature of the State of Washington, ratifying the proposed so-called "child-labor amendment to the Constitution", which, with the accompanying resolution, was ordered to lie on the table and to be printed in the RECORD, as follows:

STATE OF WASHINGTON,
OFFICE OF GOVERNOR,
Olympia, May 19, 1933.

The PRESIDENT OF THE SENATE OF THE UNITED STATES,
Washington, D.C.

SIR: I have the honor to transmit herewith certified copy of Senate Joint Resolution No. 1 of the State of Washington, proposing an amendment to the Constitution of the United States, as follows:

"ARTICLE —

"SECTION 1. The Congress shall have power to limit, regulate, and prohibit the labor of persons under 18 years of age.

"SEC. 2. The power of the several States is unimpaired by this article except that the operation of State laws shall be suspended to the extent necessary to give effect to legislation enacted by the Congress."

Respectfully yours,

CLARENCE D. MARTIN, Governor.

STATE OF WASHINGTON,
DEPARTMENT OF STATE.

To all to whom these presents shall come:

I, Ernest N. Hutchinson, secretary of state of the State of Washington and custodian of the seal of said State, do hereby certify that the annexed is a true and correct copy of Senate Joint Resolution No. 1 as received and filed in this office on the 6th day of February 1933.

In testimony whereof I have hereunto set my hand and affixed hereto the seal of the State of Washington. Done at the capitol, at Olympia, this 19th day of May A.D. 1933.
[SEAL]

ERNEST N. HUTCHINSON,
Secretary of State.

Senate Joint Resolution 1

Whereas both Houses of the Sixty-eighth Congress of the United States of America, by a constitutional majority of two thirds thereof, did adopt a joint resolution proposing the following amendment to the Constitution of the United States, which is in words and figures as follows, to wit:

"Joint resolution proposing an amendment to the Constitution of the United States

"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two thirds of each House concurring therein), That the following article is proposed as amendment to the Constitution of the United States, which, when ratified by the legislatures of three fourths of the several States, shall be valid to all intents and purposes as a part of the Constitution:

"ARTICLE —

"SECTION 1. The Congress shall have power to limit, regulate, and prohibit the labor of persons under 18 years of age.

"SEC. 2. The power of the several States is unimpaired by this article except that the operation of State laws shall be suspended to the extent necessary to give effect to legislation enacted by the Congress."

Therefore be it

Resolved by the Legislature of the State of Washington, That said proposed amendment to the Constitution of the United States of America be, and the same is hereby, ratified by the Legislature of the State of Washington.

Sec. 2. That certified copies of this preamble and joint resolution be forwarded by the Governor of the State to the Secretary of State of the United States, to the Presiding Officer of the United States Senate, and to the Speaker of the House of Representatives of the United States.

Adopted by the senate January 17, 1933.

VIC MEYER,
President of the Senate.

Adopted by the house February 3, 1933.

GEO. F. YANTIS,
Speaker of the House.

Filed February 6, 1933, 4:50 p.m.

ERNEST N. HUTCHINSON,
Secretary of State.

THIRD DEFICIENCY APPROPRIATIONS

The VICE PRESIDENT laid before the Senate the action of the House of Representatives on certain amendments of the Senate to House bill 5390, the third deficiency appropriation bill, which was read, as follows:

IN THE HOUSE OF REPRESENTATIVES, UNITED STATES,
May 24, 1933.

Resolved, That the House recede from its disagreement to the amendments of the Senate numbered 1 and 7 to the bill (H.R. 5390) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes, and concur therein;

That the House recede from its disagreement to the amendment of the Senate numbered 2 to said bill and concur therein with the following amendment:

In the last line of the matter inserted by said amendment, after "\$8,500", insert "to be disbursed by the Sergeant at Arms of the House"; and

That the House recede from its disagreement to the amendment of the Senate numbered 14 to said bill and concur therein with the following amendment:

In line 8 of the matter inserted by said amendment, after "earthquake", insert "fire."

Mr. BRATTON. I move that the Senate concur in the amendments of the House of Representatives to the amendments of the Senate numbered 2 and 14 to the bill.

The motion was agreed to.

MUNICIPAL RELIEF—PETITION OF MAYORS

The VICE PRESIDENT. The Chair lays before the Senate a petition from the mayors of 50 of the largest cities of the United States, which will be printed in the RECORD at this point and referred to the Committee on Finance.

Mr. LA FOLLETTE. Mr. President, the petition referred to, which is signed by the mayors of 50 of the largest cities of the United States, has been presented to the Presiding Officer of the Senate and to the Chairman of the Senate Finance Committee. At the request of some of those who have signed the petition I ask unanimous consent that the body of the petition may be read at this point at the desk

by the clerk and that the list of the signatures may be printed in the RECORD, and that the petition may then be referred to the Senate Committee on Finance.

The VICE PRESIDENT. Without objection, the petition will be read from the desk.

Mr. LONG. Mr. President, would there be any objection to the signatures to the petition being read? I should like to know the names of those 50 cities.

Mr. LA FOLLETTE. I have no objection. I should be glad to have them read.

The VICE PRESIDENT. In the absence of objection, the clerk will read, as requested.

The Chief Clerk read the petition and signatures, as follows:

PETITION OF THE UNITED STATES CONFERENCE OF MAYORS

To the PRESIDING OFFICER OF THE SENATE.

To the SPEAKER OF THE HOUSE.

To the CHAIRMAN OF THE HOUSE WAYS AND MEANS COMMITTEE.

To the CHAIRMAN OF THE SENATE FINANCE COMMITTEE.

We, the undersigned, being mayors of 50 of the largest cities of the United States and representing as we do the consensus of opinion of the 93 cities with a population of 100,000 and over, and representing 45 percent of the population of the United States, in conference assembled at the Mayflower Hotel in Washington, D.C., on this 24th day of May 1933, respectfully call your attention to the following preamble and resolution unanimously adopted:

"We call to your attention a grave crisis that threatens the very foundation of all credit in the United States. Municipal credit due to inability of citizens to pay taxes, and because no market exists for tax certificates permits of no further borrowing. The banks, in fact, loan us less money to meet our needs than they did before the war. So far, over 1,000 local units have defaulted on their bonds. If municipal credit is allowed to collapse, we warn you that all faith and credit in banks and industry will be undermined and collapse with it.

"Practically every city has cut its budget to the bone. We have learned that overreduction of budgets simply increases expenditures for poor relief out of all proportions. We have in many cities already cut our police and fire service and crippled our schools. Within a relatively short time a large additional number of cities will be forced to default on their bonds for the first time in history.

"Municipal bonds are held by banks, insurance companies, and trust funds, not to speak of savings accounts of widows and orphans.

"In most instances local banks have completely failed in advancing even the minimum of loans necessary.

"The Federal Reserve banks claim their funds must be liquid so as to serve member banks, and are powerless in any event to meet more than a fraction of our needs.

"The Reconstruction Finance Corporation is designed to loan money to private corporations except only for partially or wholly self-liquidating projects that are so few as to be inconsequential.

"We assert that if Congress will do for municipal corporations what you have done and are now doing for private corporations we will need to ask no other consideration. The advancement of not to exceed \$1,000,000,000 a year for not to exceed 2 years will meet all our needs.

"Our private banking institutions using persuasive methods come to Washington and secure financial aid—not to the extent of millions but to the tune of billions of dollars of our taxpayers' money. Railroads, insurance companies, and other fiduciary institutions are saved by you because it is deemed wise public policy to do so.

"If the Congress of the United States does not at this moment protect our cities and the 65,000,000 people who live under our care and whom we must serve, then the sole responsibility for a collapse of democratic municipal government will lie on the doorsteps of your body—the people's body to whom we look for assistance.

"We did not cause the economic depression. We are not responsible for the utter inability of thousands of our citizens to pay their taxes. We are not responsible for the 15,000,000 willing people who would work could they but find it. We are not responsible for the closing of the door of legitimate credit in our faces.

"This situation is nothing more than a national calamity requiring national action. Just 1 year ago many of you believed we were extravagant in our statements when we said people were destitute; today all of the \$300,000,000 you provided in response to our demands is gone. Then we were right. We knew because we had to look into the faces of needy people out of work and in dire circumstances.

"Now for a few millions of dollars our cities can be saved, our employees can be paid, our health, welfare, educational, fire, and police services can be continued, our credit can be maintained, and we can be tided over the most serious emergency that has ever confronted the American cities.

"If this is not done, we warn you that the collapse of municipal credit will ultimately affect the entire credit structure of the country, including the credit of the United States Government.

"We therefore inform you, since you alone can afford a remedy to prevent the rapidly approaching collapse of city government, that we shall not be charged with neglect in failing to apprise you of the facts or that you shall fail to share your just portion of responsibility.

"We therefore recommend that the Reconstruction Finance Corporation Act be amended at this session to authorize the purchase of or loans upon tax anticipation or tax delinquency certificates or notes of municipalities and public bodies issuing the same in the ratio of 75 percent of the 1933 or current taxes and 50 percent of past due outstanding taxes or delinquencies and on such plans as State-debt limitations will not be exceeded. These securities have back of them the full faith and credit of our cities.

"If your reason for refusing us this remedy be, as alleged by some, that the credit of the Federal Government will be impaired, then we insist that you amend the National Industrial Recovery Act which you are soon to consider or any other pending measure, so that the Comptroller of the Currency be directed to accept our legal municipal bonds and our tax certificates as a basis of an issue of an equal amount of bank notes and their delivery to us. This is a privilege you now extend to national and Federal Reserve banks. What excuse may be offered for not extending this privilege to cities?

"We hereby also inform you that the present public-works bill now before Congress will not serve its purpose if you do not take the above action. Practically no city is in a position to issue bonds for these proposed construction projects when it is absolutely impossible to secure funds to finance current operations. If this Congress is looking to the cities to embark upon large works programs with the incentive of a 30-percent direct grant, then your body will be disappointed. Many are already bonded up to their constitutional debt limits now, and you expect us to issue additional bonds and thus plunge us into further financial difficulties.

"Our only opportunity for fulfilling our share in a great national movement to put people back to work, with which we are in hearty accord, is dependent upon adoption of the above proposals; and, second, to completely liberalize this bill now before you. Not only must the Federal Government increase the present 30-percent provision but repayments, payments of principal and interest on bonds issued by us should not begin until January 1, 1936. The act should specifically provide for the purchase of the bonds against the balance of the cost of municipal projects.

"Any failure on your part to act at this session will mean in our solemn opinion chaos in most cities.

"With this attending collapse of credit there comes all the attending evils of governmental breakdown. The failure of municipalities to provide proper police protection and adequate fire defense means disaster to every American home. The additional failure to safeguard our health and sanitation means to revert to the deprivations and hardships of our grandfathers.

"The sole question is, Will you assist our people in their hour of greatest need?"

Respectfully submitted by executive committee of United States Conference of Mayors.

James M. Curley, mayor of Boston, Mass.; Daniel W. Hoan, mayor of Milwaukee, Wis.; T. S. Walmsly, mayor of New Orleans, La.; Oscar F. Holcombe, mayor of Houston, Tex.; James E. Dunne, mayor of Providence, R.I.; John P. Mahoney, Jr., city solicitor of Lawrence, Mass., representing William P. White, mayor of Lawrence, Mass.; E. T. Buckingham, mayor of Bridgeport, Conn.; Thomas Williams, mayor of Elizabeth, N.J.; Joseph F. Loehr, mayor of Yonkers, N.Y.; Walter G. C. Otto, mayor of Somerville, Mass.; Angus F. Thorne, superintendent Department of Public Welfare, Bridgeport, Conn.; Louis Marcus, mayor of Salt Lake City, Utah; Lawrence J. Fenelon, senior assistant attorney, Sanitary District of Chicago, Ill.; Herbert Fallon, budget director, Baltimore, Md.; John D. Karel, mayor of Grand Rapids, Mich.; Watkins Overton, mayor, Memphis, Tenn.; Hilary House, mayor, Nashville, Tenn.; Percival D. Oviatt, mayor of Rochester, N.Y.; Ed. Hall, mayor of Chattanooga, Tenn.; John Milton, Jersey City, N.J.; Frank Hague, mayor of Jersey City, N.J.; John T. O'Connor, mayor of Knoxville, Tenn.; Neil Bass, city manager, Knoxville, Tenn.; Charles A. Walschmidt, city solicitor, Pittsburgh, Pa.; Edward G. Long, director Department of Public Works, Pittsburgh, Pa.; C. K. Quinn, mayor of San Antonio, Tex.; J. Fred Manning, mayor of Lynn, Mass.; Walter F. Fitzpatrick, city treasurer of Providence, R.I.; C. A. Reardon, secretary Board of Street Commissioners, Boston, Mass.; George W. Hardy, Jr., mayor of Shreveport, La.; Edward W. Lee, director of revenue and finance, representing Hon. George B. LaBarre, of Trenton, N.J.; Sewall Myer, city attorney, Houston, Tex.; Burnett R. Maybank, mayor of Charlestown, S.C.; Reginald H. Sullivan, mayor of Indianapolis, Ind.; R. O. Johnson, mayor of Gary, Ind.; J. Leo Sullivan, mayor of Peabody, Mass.; G. D. Fairtrace, city manager, Fort Worth, Tex., representing William Bryce, mayor; R. E. L. Chancey, mayor of Tampa, Fla.; C. Nelson Sparks, mayor of Akron, Ohio; Meyer C. Ellenstein, mayor of Newark, N.J.; James Seccombe, mayor of Canton, Ohio; William J. Hosey, mayor of Fort Wayne, Ind.; Walter J. Mackey, attorney, financial adviser to mayor of Canton, Ohio; Mark E. Moore, mayor of Youngstown, Ohio; Ray T. Miller, mayor of Cleveland,

Ohio; Mr. Lamb, director of finance, Cleveland, Ohio; John C. Mahoney, mayor of Worcester, Mass.; A. Q. Thacher, mayor of Toledo, Ohio; Charles Slowey, mayor of Lowell, Mass.; G. T. Jones, mayor of Birmingham, Ala.; E. J. Kelly, mayor of Chicago (by telegram); S. F. Swively, mayor of Duluth (by telegram); Henry W. Worley, mayor of Columbus, Ohio (by telegram).

The VICE PRESIDENT. The petition will be referred to the Committee on Finance.

Mr. COPELAND. Mr. President, the petition just read calls attention to a very serious condition in our country. It was serious when we first considered the Reconstruction Finance Corporation Act. At that time I offered an amendment permitting loans to cities. This received a considerable number of votes in the Senate, but not enough to bring about its adoption.

I assure you, Mr. President, that conditions in municipalities and in counties are serious indeed. I was home last week, and while there drove over to the county seat of Rockland County, which is a small but well-to-do county.

I talked with the county treasurer. The authorities have just finished their tax collections. I was shocked to learn that 40 percent of the taxes assessed against property in that county are unpaid—40 percent—almost one half of the taxes unpaid!

A similar condition exists in the cities. In consequence the municipal operations, the ordinary functions of city and county government, are breaking down. As the petition points out, those things which we have come to regard as fundamental, such as fire protection, police protection, health protection, are being hampered. In consequence of the necessities of the various divisions of government it has been necessary to do away with many of the activities which we have come to regard as essential.

I am not sure just how far we can go in the Congress in the relief of the situation. But if we are actually conscientious and honest in our statement that we believe there is an economic upturn in the country—and I believe that is true—we ought to extend such aid as we can to the cities and counties during the period of reconstruction. I hope, Mr. President, we may find it possible to grant the request of these mayors and to do what they have proposed.

I have had the feeling, and expressed it 2 years ago when we had the bill up originally, and I repeat it now, that there has not been that hearty cooperation on the part of the banks with the authorities in the various communities that there should have been.

We have gone far out of our way to provide resources for our banks. We have placed at their disposal tremendous sums of money. But I have the feeling that in many instances they have failed to do their part; for example, in the relief of municipal distress and the official distress of those in charge of the various divisions of government. I think we may well afford to give serious thought to the petition which has been presented.

Mr. McKELLAR. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from New York yield to the Senator from Tennessee?

Mr. COPELAND. Certainly.

Mr. McKELLAR. If the railroads, the banks, the insurance companies, the mortgage companies, and others that we selected for the purpose of borrowing from the Reconstruction Finance Corporation had been able to get the money from the banks, of course, there would have been no necessity for establishing the Reconstruction Finance Corporation. It was done because those institutions petitioned us and told us they could not get the money from the banks.

Now, it is true that the cities cannot get money from the banks. If we pity the railroads, and the banks, and the insurance companies, why should we be denying the same treatment to the cities and counties, and to other people, for that matter? It will be remembered that when the present Vice President was a Member of the House and Speaker of that body he was the author of a bill that allowed loans to be made generally—in other words, to furnish the people with credit facilities. He was very greatly taken to task. I am of the opinion that if we loan to one class of

our citizens, the Government ought, in fairness, to lend to all classes of our citizens.

Mr. COPELAND. I think the Senator is right. Yet I am in full accord with what we have done in the way of helping the banks and the railroads and the insurance companies. We had to do that. I have no criticism to offer of the relief we have extended in those directions. But I repeat that in my opinion the local banks have not been—I do not like to use the word “generous”, but they have not been fair with the municipalities. They have imposed burdens upon municipalities in the way of high rates of interest and conditions imposed that have been almost impossible for the officials to carry out. But we cannot permit these local divisions of government to break down.

To my mind one of the most distressing things of the economic situation is what has happened to the schools of America. We have boasted in America that the pupil of the school is the cornerstone of our national idealism and of our national life, and yet we find schools everywhere under the necessity of shortening their terms. I think I read that Chicago has recently determined that it will shorten the term of school this year 2 or 3 weeks in order that that money may be saved. We cannot permit this to go on. I remember that the ordinance of 1787 stated that “religion, morality, and knowledge being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged.” I think I have correctly quoted that immortal document.

Yet we find in various municipalities and other political units schools are being closed because of the inability of those communities to cash in on the taxes assessed. I am not sure how far we can go to relieve the situation, but I am confident we should go as far as we possibly can. We must do this in order that municipal and county governments shall not break down and that the schools may be maintained. Because of this feeling I have listened with the greatest interest to the reading of the petition.

Mr. WALSH. Mr. President, I desire to supplement what the Senator from New York has said in connection with the petition of the mayors of the cities of this country, and to say that I express the hope that the Finance Committee may give prompt attention to this very serious problem. The Senator from New York has not exaggerated the situation in the least.

The mayor of the city of Boston has been one of the leaders in this movement for organizing the mayors to bring this important problem to the attention of the Federal Government; and I know that the mayors of all the cities of Massachusetts are very much interested in having something done to prevent the economic collapse with which many of our cities are faced by reason of their inability to collect taxes upon real estate and meet the tremendous increase in their welfare appropriations. A conference between the governors of the several States and the President would be helpful in suggesting what the Federal Government should and can do in cooperation with the States to help the credit of our cities.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following joint resolution of the Legislature of the State of Wisconsin, which was referred to the Committee on Finance:

STATE OF WISCONSIN.

Joint resolution relating to the payment of the soldiers' bonus in cash

Whereas under the economy bill passed by Congress the payments to veterans have been reduced by not less than \$432,000,000, in addition to which the Federal Government is now contemplating a reduction of \$35,000,000 in the appropriation for veterans' administration; and

Whereas this last action, according to National Commander Louis A. Johnson, of the American Legion, will add to the many thousands of disabled veterans who have been cut off from all disability aid, 6,000 more veterans who are employed in the field offices of the Veterans' Administration, plus many more disabled veterans who have been getting lodging and a small wage for light work at hospitals and veterans' homes; and

Whereas in the Soldiers' Bonus Act of 1924, the United States Government promised the men who served this country during the World War at a wage of \$1 per day, that the pecuniary losses

which they sustained through this service would be partially compensated, but this debt, due and owing now for 9 years, still remains unpaid; and

Whereas under the leadership of President Roosevelt the country is now embarking on a policy of stimulating business recovery through the expansion of the currency; and

Whereas immediate payment of the soldiers' bonus in cash would not only save many veterans whose disability allowances have been taken from them from becoming public charges, but would fall in line with the President's policy of expanding the currency and would stimulate the revival of business activity: Therefore be it

Resolved by the senate (the assembly concurring), That the Legislature of Wisconsin hereby respectfully memorializes the Congress of the United States to enact legislation for the immediate payment in cash of the soldiers' bonus promised to veterans in 1924, such payment to be made in new currency, which through this method will come into general circulation; be it further

Resolved, That properly attested copies of this resolution be sent to both Houses of the Congress of the United States and to each Wisconsin Member thereof.

C. T. YOUNG,
Speaker of the Assembly.
JOHN J. SLOCUM,
Chief Clerk of the Assembly.
THOMAS J. O'MALLEY,
President of the Senate.
R. A. COBBAN,
Chief Clerk of the Senate.

The VICE PRESIDENT also laid before the Senate a letter from Hugh Lee Kirby, of New York City, N.Y., transmitting a draft of proposed legislation designed to relieve the depression, creating a new financial structure for the United States, guaranteeing all money issued, whether it be gold, silver, or paper, etc., which, with the accompanying paper, was referred to the Committee on Banking and Currency.

He also laid before the Senate telegrams in the nature of memorials from the Allendale Veneer Co., by C. P. Moore, and from sundry other citizens, all of Allendale, S.C., remonstrating against the imposition of an additional Federal tax on gasoline, which were referred to the Committee on Finance.

He also laid before the Senate resolutions adopted by the Lions Club of Galveston and members of the East Texas Division, Texas Good Roads Association, all in the State of Texas, endorsing the program of President Roosevelt and favoring inauguration of a public-works program providing unemployment relief through the construction of roads in the State of Texas, which were referred to the Committee on Finance.

He also laid before the Senate resolutions adopted by the executive committee of the Chamber of Commerce of the State of New York, favoring the imposition of special taxes to take care of interest and sinking-fund expenditures under the proposed industrial control bill, and opposing the application of normal income-tax rates to incomes from corporation dividends for such purpose, and recommending that the additional revenue necessary to meet the expenditures be raised by means of a sales tax, which were referred to the Committee on Finance.

He also laid before the Senate a resolution adopted by the board of directors of the Laundryowners National Association of the United States and Canada, at Joliet, Ill., favoring the passage of legislation to inaugurate a program of intra-industry cooperation through established national trade associations, which was referred to the Committee on Interstate Commerce.

He also laid before the Senate a letter in the nature of a memorial from R. E. Poole, of Alexandria, La., endorsing Hon. HUEY P. LONG, a Senator from the State of Louisiana, and remonstrating against a senatorial investigation of his alleged acts and conduct, which was referred to the Committee on the Judiciary.

Mr. KEAN presented a telegram from F. S. Albright, city clerk of Camden, N.J., embodying a resolution adopted by the Board of Commissioners of the City of Camden, N.J., favoring amendment of the Reconstruction Finance Corporation Act so that that Corporation may be authorized to loan municipalities 75 percent upon estimated tax income for the year 1933, and 50 percent on 1932 tax delinquencies upon tax-anticipation bonds, etc., which was referred to the Committee on Banking and Currency.

He also presented telegrams in the nature of memorials from J. H. Bachelier, president of the Fidelity Union Trust Co., of Newark; Kelley Graham, president the First National Bank of Jersey City; and William J. Couse, president Asbury Park National Bank & Trust Co., all in the State of New Jersey, remonstrating against the passage of legislation providing guarantee of bank deposits, which were referred to the Committee on Banking and Currency.

Mr. TYDINGS presented a joint resolution adopted by the Legislature of the State of Maryland, memorializing Congress to enact House Joint Resolution 191, commemorating the one hundred and fiftieth anniversary of the naturalization as an American citizen in 1783 of Brig. Gen. Thaddeus Kosciuszko, a hero of the Revolutionary War, by issuing special series of postage stamps in his honor, which was referred to the Committee on Post Offices and Post Roads.

(See joint resolution printed in full when laid before the Senate by the Vice President on the 20th instant, p. 3797, CONGRESSIONAL RECORD.)

Mr. COPELAND presented a resolution adopted by Gun Hill Post, No. 271, Veterans of Foreign Wars of the United States, of the Bronx, New York City, N.Y., favoring reconsideration of the Executive orders and regulations relative to hospital and domiciliary care of veterans, which was referred to the Committee on Finance.

GREAT LAKES-ST. LAWRENCE DEEP WATERWAY TREATY

Mr. COPELAND. Mr. President, I ask that there may be inserted in the RECORD resolutions adopted by the Cleveland Chamber of Commerce in opposition to the ratification of the Great Lakes-St. Lawrence Deep Waterway Treaty. I do this because this body has taken pains to investigate very thoroughly all the arguments used in favor of the treaty. Likewise it has outlined its own opposition founded upon studies made by the chamber in opposition to the treaty.

I ask that the resolutions may be printed in the RECORD and lie on the table.

There being no objection, the resolutions were ordered to lie on the table and to be printed in the RECORD, as follows:

THE CLEVELAND CHAMBER OF COMMERCE,
May 20, 1933.

HON. ROYAL S. COPELAND,
United States Senate, Washington, D.C.

DEAR SIR: As a matter of information I enclose herewith a copy of a resolution urging opposition to ratification of the Great Lakes-St. Lawrence Waterway Treaty, adopted by the board of directors of the Cleveland Chamber of Commerce May 17.

Yours very truly,

FRANK H. BAER,
Transportation Commissioner.

Whereas there is now pending in the Senate of the United States a treaty providing for the construction and operation by the United States and Canada of the Great Lakes-St. Lawrence waterway; and

Whereas the board of directors of the Cleveland Chamber of Commerce, desiring its study of this subject to be made from the broadest possible standpoint, assigned that study to several of its most important committees—the manufacturers committee, the river and harbor committee, the transportation committee, the foreign trade committee, and the committee on American merchant marine; and

Whereas these committees, viewing the subject not merely from the point of view of Cleveland but more broadly from the point of view of the industrial region of the Great Lakes, and from the point of view of its great shipping and transportation interests, have made careful reports on this subject to the board of directors; and

Whereas the great majority of the membership of these committees signed reports to the directors adverse to the ratification of the treaty, and a small minority only signed reports favorable to the ratification of the treaty:

Resolved, That the board of directors of the Cleveland Chamber of Commerce finds the arguments in favor of ratification to be stated as follows:

(1) It is urged that, though present conditions clearly do not show a sufficient volume of probable traffic to and from Cleveland to justify heavy expenditures on a deep waterway, our future foreign trade may justify its construction.

(2) Savings in freight charges, particularly on exported wheat, will be of substantial advantage to agriculture and some industries.

(3) It is suggested that opposition to ratification might adversely affect Cleveland's position with the Federal Government in connection with harbor-improvement appropriations.

(4) Failure on the part of the Senate of the United States to ratify a treaty now signed may possibly have an adverse effect on some of our foreign relations.

(5) Continued enforcement of Federal provisions against Chicago's diversion of water from the Great Lakes would be more adequately safeguarded; and

Resolved, That the board of directors finds the arguments opposed to ratification to be stated as follows:

(1) The cost of the project to the United States, arising from the navigation features alone, on a conservative estimate, will be not less than \$300,000,000. As it is contemplated that the use of the waterway shall be free, it cannot be self-sustaining, and its capital and operating costs must be paid out of the Public Treasury. Not only is it obvious that no such expenditure should be undertaken under present conditions but no national program of economy can be made successful if future commitments of this sort are to be made. The expense involved would constitute a subsidy to whatever interests can make use of the waterway, with the expense being met by the general public.

It is pointed out that the expense to the United States not only will constitute a subsidy to certain interests but that those interests will be largely foreign. At least 60 percent of the grain making use of the waterway would be of Canadian origin and it appears certain that this percentage will increase. To the extent that ship operators may be benefited, the subsidy will go to foreign ships for reasons shown below. The foreign consumer of exported products, particularly grain, will receive some if not most of the possible transportation savings, and producers in foreign countries will be able to use transportation savings to increase their sales in the United States.

(2) The water-power features of the project, the cost of which is not included in the estimate made above, will be of limited benefit, for modern steam-power plants have so reduced costs that it is impossible that water power can be distributed from St. Lawrence River plants to areas of greatest power consumption. The production of water power on the proposed waterway will not be self-sustaining for years, probably until unforeseen industrial development near the proposed plants takes place. Such development would be, to some extent at least, competitive with Cleveland and every other industrial center. Its furtherance through governmental expenditures would be a most unjustifiable subsidy.

(3) A study of present traffic and future possibilities is conclusive that there is no vital need of the deep waterway and that its construction would not be followed by the entrance of fleets of great ocean liners into harbors of the Great Lakes. In fact, only a revolutionary change in manufacture and the processes of distribution could result in the establishment of any substantial and regular shipping schedules between the Great Lakes and foreign ports. Such support as the project has received in Cleveland is based almost entirely on future hopes and not at all on any definite showing of present or future needs.

(4) Savings in transportation charges urged by supporters of the waterway have been exaggerated in amount and misconceived in effect. It has been urged that the farmers will benefit to the extent of from 6 to 10 cents per bushel by reason of increased prices resulting from reduced transportation costs to world markets. In the first place, the amount of possible saving must come out of costs by existing agencies, and during the past season the cost of moving grain from the head of the Lakes to the seaboard has been less than 6 cents, so that, unless ocean ships are to be expected to make the inland journey for less than nothing, there could have been no saving of 6 cents, to say nothing of 10. Even under higher lake and canal charges it is impossible to arrive at sound figures which would indicate a saving of as much as 6 cents. Even when the amount of the saving is ascertained, the problem remains as to whether it would be reflected in prices on the farm or be absorbed by foreign consumers and ships. In a buyer's market such as that of the past few years it is entirely probable that the saving would be reflected in lower world prices and not in increases for the American farmer.

Savings to Cleveland shippers have been generally over-estimated, and, whatever they may be, they are subject to reduction by reason of losses through slower movement, lesser frequency of service, higher insurance rates, etc., than prevail in connection with present available routes. At any rate, no allegation of saving in transportation costs appears in support of the waterway in the committee reports.

(5) Construction of the waterway will increase foreign competition in certain important respects. Competition from foreign countries having low wage scales is already being met in our seaport cities in such commodities as iron ore, pig iron, wire and wire goods, copper, coal, lumber, pigments, and petroleum products. Cleveland is interested in all of these and the same competitive developments would follow the free movement of foreign-registry vessels through a deep waterway such as that proposed.

The case of coal is cited particularly, for the reason that it can be definitely shown, and its effects are so broad. About 6,000,000 tons of bituminous coal are annually moved via Lake Erie ports to Canada, a highly desirable business for the suffering coal industry of this general area, worth-while traffic for our railroads, and excellent return tonnage for the lake fleet. The construction of the waterway would permit the through movement of Welsh and Nova Scotian coals to the joint injury of the mines, railroads, and lake carriers of the United States.

Similar adverse influences upon the interests of this country can be shown as probable in connection with other commodities.

(6) Present modes of service will be injured by the construction of the new route just to the extent that it may prove useful. If it moves little or no traffic it will not seriously injure the railroads nor the Lake carriers, but it should not be built unless it does carry a large tonnage. If it does divert a large amount of

business, the railroads and the present Lake fleet will be the losers. The Federal Government has attempted to prevent financial collapse of the railroads by extending its credit to them. To spend additional sums on a competing agency which will tend to make the security for railroad loans less valuable would be a paradoxical move. Moreover those communities which do not have access to the waterway would find their rail service weakened as the result of Government expenditures made to benefit other localities.

(7) It is apparently quite certain that serious injury would result to the lake carriers. They are today operating under the best labor conditions and the highest wage scale for maritime service in the world. Their costs are such that they cannot possibly compete with foreign registry vessels which could undertake service into and from the lakes. A part of their present traffic in grain would be diverted to through ocean vessels, not under the flag of the United States, and part of the coal tonnage now used to balance the downward movement of ore and grain would be taken away by the direct entry of Welsh and Nova Scotian coal into the western Canadian market.

(8) No consideration has yet been given to the cost of harbor and shore terminal construction which would be necessary before the proposed waterway would be of any particular benefit to the city of Cleveland. Whatever the public cost would be, it would certainly be more than either the city, county, State, or National Government could afford; and no private sources have been discovered from which the funds could be raised.

(9) The lack of present demand for through movement, mentioned above, is evidenced by the complete failure of three attempts to establish such service through existing facilities. One of these three attempts was supported by the fact that inbound cargoes of foreign rails actually did move to a port on Lake Erie, and only return tonnage was needed to assure success.

Therefore be it

Resolved by the board of directors of the Cleveland Chamber of Commerce, That its action be recorded in opposition to the ratification of the Great Lakes-St. Lawrence Waterway Treaty by the Senate of the United States.

Adopted May 17, 1933, Cleveland, Ohio.

FEDERAL AID IN MUNICIPAL FINANCING

Mr. BARBOUR. Mr. President, I ask unanimous consent for printing in full in the RECORD and the appropriate reference of the resolution adopted by the Board of Commissioners of the City of Camden, N.J., requesting legislation to assist municipal financing.

There being no objection, the telegram was referred to the Committee on Banking and Currency and ordered to be printed in the RECORD, as follows:

CAMDEN, N.J., May 24, 1933.

Hon. W. WARREN BARBOUR,

Senate Office Building, Washington, D.C.:

The following resolution was adopted today by the Board of Commissioners of the City of Camden:

"Be it resolved by the Board of Commissioners of the City of Camden, N.J., That the President of the United States, the Senate and House of Representatives in Congress assembled, be requested to amend the Reconstruction Finance Corporation law so that the Reconstruction Finance Corporation may be authorized to loan municipalities 75 percent upon estimated tax income for the year 1933 and 50 percent on 1932 tax delinquency upon tax-anticipation bonds; and be it further

"Resolved, That the President of the United States, the Senate and House of Representatives in Congress assembled, be requested to amend the public works bill to allow the Government to loan 70 percent of the total upon bonds to be redeemed over a period of years after the present depression is over; and be it further

"Resolved, That a telegraphic copy of this resolution be forwarded to the President of the United States, the Senate and House of Representatives in Congress assembled, to the two United States Senators from the State of New Jersey, and to the Congressman from the First Congressional District of the State of New Jersey."

F. S. ALBRIGHT, City Clerk.

REPORTS OF COMMITTEES

Mr. SMITH, from the Committee on Agriculture and Forestry, to which was referred the joint resolution (S.J.Res. 54) limiting the operation of sections 109 and 113 of the Criminal Code, reported it without amendment.

Mr. WHEELER, from the Committee on Indian Affairs, to which was referred the resolution (S.Res. 79) authorizing an additional expenditure in connection with a general survey of Indian conditions in the United States, reported it without amendment, submitted a report (No. 94) thereon, and moved that the resolution be referred to the Committee to Audit and Control the Contingent Expenses of the Senate, which was agreed to.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. McNARY:

A bill (S. 1763) for the relief of Noah C. Dugan; to the Committee on Military Affairs.

By Mr. NEELY:

A bill (S. 1764) granting a pension to Ella A. Barker; to the Committee on Pensions.

By Mr. TYDINGS:

A bill (S. 1765) for the relief of Herbert J. Myers; to the Committee on Claims.

By Mr. BYRNES:

A bill (S. 1766) to provide for organizations within the Farm Credit Administration to make loans for the production and marketing of agricultural products, to amend the Federal Farm Loan Act, to amend the Agricultural Marketing Act, to provide a market for obligations of the United States, and for other purposes; to the Committee on Banking and Currency.

By Mr. JOHNSON:

A bill (S. 1767) for the relief of the Wells Fargo Bank & Union Trust Co., successors to the Union Trust Co., of San Francisco, Calif.; to the Committee on Claims.

A bill (S. 1768) to authorize the acceptance of certain lands in the city of San Diego, Calif., by the United States, and the transfer by the Secretary of the Navy of certain other lands to said city of San Diego; to the Committee on Naval Affairs.

By Mr. WHEELER:

A bill (S. 1769) to provide for the more efficient administration of the Indian Service, and for other purposes; to the Committee on Indian Affairs.

By Mr. ROBINSON of Indiana:

A bill (S. 1770) for the relief of James E. Emison; to the Committee on Military Affairs.

A bill (S. 1771) granting a pension to Effie Howard; to the Committee on Pensions.

By Mr. WHEELER:

A bill (S. 1772) for relief of the Western Montana Clinic, Missoula, Mont.; to the Committee on Indian Affairs.

By Mr. DIETERICH and Mr. LEWIS:

A bill (S. 1773) authorizing the State of Illinois to abandon the Illinois and Michigan Canal in Illinois, and to grant to the State of Illinois all right, title, and interest of the United States in and to the land comprising the right of way of the Illinois and Michigan Canal, as the same was routed and constructed through the public lands of the United States in the State of Illinois, pursuant to the act of Congress of the United States of March 2, 1827, and in and to the 90 feet of land on each side of said canal, vested in the State of Illinois, pursuant to the act of Congress of the United States of March 30, 1822; to the Committee on Commerce.

AMENDMENT TO THE BANKING BILL

Mr. LOGAN submitted an amendment intended to be proposed by him to Senate bill 1631, the banking bill, which was ordered to lie on the table and to be printed.

EMERGENCY RELIEF OF RAILROADS—AMENDMENT

Mr. BLACK submitted an amendment intended to be proposed by him to Senate bill 1580, the railroad emergency relief bill, which was ordered to lie on the table and to be printed.

AMENDMENT OF FEDERAL RESERVE ACT

Mr. DIETERICH submitted an amendment intended to be proposed by him to the bill (S. 1539) to amend section 13 of the Federal Reserve Act, as amended, with respect to rediscount powers of Federal Reserve banks, which was referred to the Committee on Banking and Currency and ordered to be printed.

INVESTIGATION OF HOUSING CONDITIONS IN THE DISTRICT

Mr. CAPPER submitted the following resolution (S.Res. 86), which was referred to the Committee on the District of Columbia:

Resolved, That the Public Utilities Commission of the District of Columbia is hereby directed and empowered to investigate all facts relating to the cost and character of housing in rented premises in the District of Columbia; and be it further

Resolved, That for the purpose of executing this direction the said Commission may call witnesses and subpoena records and accounts in the same manner as provided for the performance of the duties of the said Commission with respect to public utilities; and be it further

Resolved, That the said Public Utilities Commission shall prepare a full and comprehensive report of the matters investigated under the terms of this resolution and shall transmit the same to the President of the Senate of the United States on or before January 30, 1934.

PAYMENT FOR SERVICES RENDERED TO DISTRICT ATTORNEY FOR NEBRASKA

Mr. NYE submitted the following resolution (S.Res. 87), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay from the appropriation for expenses of inquiries and investigations, contingent fund of the Senate, fiscal year 1932, to the following-named persons the amounts hereinafter mentioned for professional and other services rendered during the fiscal year 1932 in assisting the United States district attorney for Nebraska in the matter of the United States against Victor Seymour, arising from an indictment for perjury before the special committee of the Senate investigating contributions and expenditures of senatorial candidates, under authority of resolution of April 10, 1930, to wit: John Andrews, \$200; William M. Day, \$160; Frank Healy, \$750.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

RECOGNITION OF SENATORS

Mr. ROBINSON of Indiana and Mr. GLASS addressed the Chair.

The VICE PRESIDENT. The Senator from Virginia.

Mr. ROBINSON of Indiana. Mr. President, I should like to direct an inquiry to the Chair. Is it the policy of the Chair to substitute the House rules for the Senate rules? I was on my feet and looked directly at the Chair and the Chair looked directly at me minutes before anybody else asked for recognition. I have been trying to secure recognition ever since and the Chair deliberately ignores me. Now, is it the policy of the Chair to do that? That is what I want to know.

The VICE PRESIDENT. It is the policy of the Chair to recognize the Senator who is in charge of the legislation pending before the Senate. The banking bill is the unfinished business; the Senator from Virginia asked recognition and the Chair recognized him.

Mr. ROBINSON of Indiana. That is contrary to the rule of the Senate and I insist that the rules of the Senate be adhered to.

The VICE PRESIDENT. The Senator can appeal from the ruling of the Chair in recognizing the Senator from Virginia if he so desires.

Mr. ROBINSON of Indiana. Mr. President, I shall not appeal from the ruling of the Chair, but the rules are there and the Chair should enforce the rules, and I hope the Senate will be fair enough to see that they are enforced.

The VICE PRESIDENT. The Chair desires to be perfectly fair with every Member of the Senate, but it does seem to the Chair that it is his duty to recognize the Senator in charge of legislation that is pending before the Senate as the unfinished business. Therefore, the Chair recognized the Senator from Virginia.

Mr. ROBINSON of Indiana. Just a final suggestion. It is the duty of the Chair, as I understand the Chair's duty, to abide by the rules and adhere to the rules of the Senate and not those of the House.

The VICE PRESIDENT. The Chair is not trying to enforce the rules of the House. However, he has the right of recognition, and he is going to exercise that right so long as he occupies this position.

REGULATION OF BANKING

The Senate resumed the consideration of the bill (S. 1631) to provide for the safe of more effective use of the assets

of Federal Reserve banks and national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

Mr. GLASS. Mr. President, I deem it unnecessary to go into any further explanation of the unfinished business, S. 1631, because on last week I made a rather exhaustive exposition of the bill. I find that there are 3 or 4 amendments proposed to the bill, the most important of which is the amendment submitted by the junior Senator from Michigan [Mr. VANDENBERG] to section 12 (c), on page 45, after line 3. I should like to say to the Senator from Michigan that upon consultation with the subcommittee in charge of the bill now before the Senate, the subcommittee decided to accept the amendment and let it go to conference.

Mr. BYRNES. Mr. President, will the Senator from Virginia yield?

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from South Carolina.

Mr. GLASS. I yield.

INVESTIGATION OF BANKING OPERATIONS

Mr. BYRNES. Mr. President, I dislike to interrupt the Senator from Virginia in the consideration of the unfinished business, but it is exceedingly important that I ask unanimous consent for the immediate consideration of a resolution reported yesterday, being Senate Resolution 70. There is no objection to it. The Senator from Oregon [Mr. McNARY] states that it is satisfactory to him to have immediate consideration, and I would appreciate it if the Senator from Virginia would yield to me for that purpose.

Mr. GLASS. If it will not displace the banking bill or take me from the floor, I shall have no objection.

The VICE PRESIDENT. If no one should make the point of order, the Senator would not lose the floor. Unless he asks unanimous consent for that purpose, he will lose the floor if anyone makes the point of order.

Mr. GLASS. I ask unanimous consent for that purpose.

The VICE PRESIDENT. The Senator from Virginia asks unanimous consent to yield to the Senator from South Carolina to consider a resolution without the Senator from Virginia losing the floor. Is there objection?

Mr. McNARY. Mr. President, is that the resolution to which I objected last evening?

Mr. BYRNES. It is.

The VICE PRESIDENT. Is there objection to the request of the Senator from South Carolina?

There being no objection, the Senate proceeded to consider the resolution, which had been reported from the Committee to Audit and Control the Contingent Expenses of the Senate, with an amendment, in line 10, to strike out "\$25,000" and insert "\$20,000", so as to read:

Resolved, That Senate Resolution 56, agreed to April 4, 1933, authorizing and directing the Committee on Banking and Currency to make investigations of the business of banking, financing, and extending credit and other practices therein mentioned in addition to the authority contained in — Resolution 84, agreed to March 4, 1932, hereby is continued in full force and effect until the beginning of the second session of the Seventy-third Congress, and the amount authorized to be expended from the contingent fund of the Senate for above-mentioned purposes hereby is increased \$20,000 in addition to the amounts previously authorized to be expended in pursuance of the purposes of such resolutions.

The amendment was agreed to.

The resolution as amended was agreed to.

REGULATION OF BANKING

The Senate resumed the consideration of the bill (S. 1631) to provide for the safe and more effective use of the assets of Federal Reserve banks and national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

Mr. GLASS. Mr. President, I understood that the Senator from Michigan desired in some respect to perfect his proposed amendment to the bill.

Mr. VANDENBERG. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Michigan?

Mr. GLASS. I yield.

Mr. VANDENBERG. The only possible change that would be made in the text is incidental and was suggested by the able junior Senator from Ohio [Mr. BULKLEY]. He indicated to me this noon that he thought it would be perfectly proper for the amendment in its printed form to go to conference, and the incidental correction, if necessary, can be made in conference.

Mr. GLASS. I think that would expedite the matter.

Mr. VANDENBERG. May I thank the Senator for his expression on behalf of himself and his colleagues on the subcommittees, and say to him that inasmuch as the amendment is now pending and inasmuch as it appears to be satisfactory to the subcommittee, I am perfectly willing that it may be voted upon immediately without any further observations on my part or any debate.

Mr. LONG. Mr. President, who has the floor?

The VICE PRESIDENT. The Senator from Virginia has the floor.

Mr. LONG. Can no one else get the floor this morning at all?

The VICE PRESIDENT. Certainly.

Mr. LONG. I want to be recognized before the vote is taken. The Senator from Indiana [Mr. ROBINSON] cannot get recognition, but I want to be recognized before we vote. I want to say something.

Mr. ROBINSON of Indiana. Mr. President, will the Senator yield? What is the procedure now? Is there to be rank favoritism in the recognition of one Senator or another? I have the floor now apparently by grace of the yielding of the Senator from Louisiana, but I cannot get it on direct appeal to the Chair.

The VICE PRESIDENT. If the Senator from Virginia yields the floor, the Chair will recognize some other Senator who asks recognition. Until the Senator from Virginia yields the floor, the Chair cannot recognize any other Senator.

Mr. NORRIS. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. NORRIS. The Chair stated the question is on the amendment of the Senator from Michigan. Is not that debatable?

The VICE PRESIDENT. It is.

Mr. NORRIS. Has not any Senator the right to debate it?

The VICE PRESIDENT. He has.

Mr. NORRIS. Can he debate it as long as the Senator from Virginia holds the floor?

The VICE PRESIDENT. He cannot.

Mr. NORRIS. Does it not follow naturally that any Senator is entitled to debate the amendment?

The VICE PRESIDENT. Any Senator who can obtain the floor. When the Senator from Virginia yields the floor the Chair will recognize any other Senator asking for recognition.

Mr. GLASS. Mr. President, I have no disposition on earth to deprive any Senator of the floor, neither the Senator from Indiana [Mr. ROBINSON] nor the Senator from Louisiana [Mr. LONG]. That has not been my purpose. My only purpose has been to proceed as expeditiously as the Senate may permit with the consideration of the unfinished business. I had hoped that it would not involve a great deal of discussion and that therefore the Senator from Indiana might obtain the floor a little later and proceed to the discussion of any matter he desired to discuss. May I ask if the Senator from Indiana wants to discuss any provision of the pending bill?

Mr. ROBINSON of Indiana. I do not intend to discuss the pending measure at all. I have an entirely different matter I desire to present to the Senate, and, of course, I suspect the Chair knew that. Whether I desire to talk about the bill or some other matter, I should be recognized as soon as I rise on the floor and ask for recognition if the Chair sees me first. That is the rule of the Senate. That is not the House rule, but it is the rule here. We have never had a czar here with the power of an autocrat. I do not think the Senate desires one. Things have been going along that way lately, and it has become more and more difficult for one to

be recognized, especially a Member on this side of the Chamber. That is why I objected. I propose to discuss an entirely different matter, unrelated to the measure in charge of the Senator from Virginia, as I have a perfect right to do.

Mr. GLASS. Mr. President, I may say to the Senator from Indiana that his quarrel seems to be with the Chair. He certainly did not indicate to me that he desired to proceed with any other discussion. I have no disposition to exclude him from the floor or prevent his discussion of matters. I simply hoped to go along with the bill of which I am in charge.

Mr. ROBINSON of Indiana. I appreciate the Senator's attitude. I never knew it was necessary for me to discuss the question of whether I wanted to speak or not with any other Senator on the floor or even with the Vice President. I always assumed that all a Senator needed to do, if he is properly commissioned here and has been seated, was to ask for recognition courteously and it would be accorded. It has always been done during the 8 years I have been here. Only in these latter days have I seen any departure at all from that rule.

Mr. GLASS. I shall be glad to yield to the Senator, provided it does not displace the unfinished business.

Mr. ROBINSON of Indiana. I cannot displace the unfinished business. I merely want to make some observations about our mythical ambassador abroad who has never been confirmed by the United States Senate to my knowledge, and, therefore, has no particular authority to represent the Government. That is all.

Mr. President, who has the floor now?

The VICE PRESIDENT. The Senator from Virginia has the floor.

Mr. GLASS. I yield to the Senator from Indiana if he wants to make a speech.

Mr. ROBINSON of Indiana. I will very gladly assume that I can get recognition when the Senator from Virginia has concluded. I do not seek to displace the Senator. I just want to speak before there is a vote on the bill or any amendment, and I wanted to get the floor as early as I could. That is why I appealed to the Chair.

Mr. GLASS. I should think the Senator would speak right now because the question is a vote on the amendment of the Senator from Michigan [Mr. VANDENBERG].

Mr. ROBINSON of Indiana. The Senator yields to me for that purpose?

Mr. GLASS. Yes.

Mr. ROBINSON of Indiana. I thank the Senator.

The VICE PRESIDENT. Will the Senator from Indiana permit the Chair to make a statement?

Mr. ROBINSON of Indiana. Of course.

The VICE PRESIDENT. The Chair has no knowledge whatever of the subject about which the Senator from Indiana desires to speak. The Chair repeats that when two Senators rise on the floor of the Senate and ask for recognition, one being in charge of the legislation pending before the Senate, it is his duty to recognize the Senator in charge of that legislation, under the rule of the Senate, both Senators having desired recognition by the Chair. The Chair desires to treat every Senator absolutely fair. He has no desire to be a czar or autocrat of the Senate.

The Senator from Indiana will proceed.

Mr. GLASS. Mr. President, in fairness to the Chair I desire to state that I took the precaution to notify the Chair that I expected to proceed with the unfinished business immediately this morning and asked him to recognize me. I have been on my feet ever since the hour of 12 o'clock.

Mr. BYRNES. Mr. President, may I say that from the hour of 12 o'clock I, too, was on my feet seeking recognition when the Chair recognized the Senator from Virginia. I certainly had no complaint against the action of the Chair.

Mr. ROBINSON of Indiana. Mr. President, I did not suggest that the Senator from South Carolina had any complaint against the Chair. I do not believe he has. If I were in his position I would not have, either. [Laughter.]

Mr. LA FOLLETTE. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from Wisconsin?

Mr. ROBINSON of Indiana. I yield.

Mr. LA FOLLETTE. In view of what seems to me to be an unfortunate controversy that has arisen, I ask unanimous consent to have paragraph 1 of rule XIX inserted in the RECORD at this point.

The VICE PRESIDENT. Without objection, it will be inserted in the RECORD at this point.

The paragraph is as follows:

RULE XIX

DEBATE

1. When a Senator desires to speak, he shall rise and address the Presiding Officer, and shall not proceed until he is recognized, and the Presiding Officer shall recognize the Senator who shall first address him. No Senator shall interrupt another Senator in debate without his consent, and to obtain such consent he shall first address the Presiding Officer; and no Senator shall speak more than twice upon any one question in debate on the same day without leave of the Senate, which shall be determined without debate.

Mr. NEELY. Mr. President—

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from West Virginia?

Mr. ROBINSON of Indiana. I yield.

Mr. NEELY. Mr. President, it would be impossible for me to favor the repeal or defend a willful violation of the Senate rule which requires the Presiding Officer to recognize the Senator who first addresses the Chair. But it is very respectfully submitted that the Senator from Indiana [Mr. ROBINSON], the fairness of whose usual argumentation is exceeded only by the vigor of his debate, is not justified in charging the distinguished Vice President with impropriety in recognizing the Senator from Virginia instead of the Senator from Indiana. The Senator from Virginia arose and properly sought recognition before the result of the roll call had been announced. The Senator from Indiana, with similar promptitude and propriety, endeavored to obtain the floor. Manifestly two Senators could not be recognized at the same time. In the circumstances, the Presiding Officer was obliged to favor one of those seeking to be heard. He appropriately discharged his duty, and to criticize him for his failure to perform the impossible task of recognizing two Senators at the same time is neither equitable nor kind.

The Senator from Indiana charges, by implication, that the action of the Chair was the result of political favoritism. This implication is refuted by the fact that the number of Republican Senators who have been called by the Chair to preside over the Senate during the last 11 weeks exceeds the number of Democratic Senators who were invited by the Republican Vice President to preside during the preceding 2 years.

Those present will instantly recall that within the last 2 weeks the Vice President appointed Republican members to preside over the important impeachment proceeding against Judge Louderback for 3 entire days. Those Senators are Mr. HEBERT, of Rhode Island, Mr. HASTINGS, of Delaware, and Mr. ROBINSON of Indiana, who has so energetically complained of the decision of the Chair.

It is submitted that upon due reflection all of the Members of the Senate, including the Senator from Indiana, will be compelled to concede that a more courteous, just, and efficient Vice President than Mr. Garner has not presided over the Senate in the memory of living men.

Mr. ROBINSON of Indiana. Mr. President, I have no comment to make on the statement of the Senator from West Virginia, except to say that I addressed myself to one particular situation and one particular question. That was the duty of recognizing the first Member of the Senate on his feet and addressing the Chair. That is the rule. I ask that the rule be enforced.

Mr. GLASS. Mr. President—

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from Virginia?

Mr. ROBINSON of Indiana. Yes; I yield to the Senator.

Mr. GLASS. On that point, I insist that the Senator from Virginia was first on his feet. I came into the Senate

Chamber 10 minutes before the Senate convened, and I got on my feet immediately at the hour of 12 o'clock, and received recognition.

Mr. ROBINSON of Indiana. Mr. President, this is not the first time this question has arisen, as the Chair very well knows; and the Chair, of course, perfectly well knows that I have had something to say on this question privately in the past. This is the first time I have ever discussed it before the Senate; but all I ask is that the rule be enforced—nothing more than that; that is all—and that it be fairly interpreted and fairly adhered to.

The VICE PRESIDENT. The Senator from Indiana may proceed.

PROPOSED CONSULTATIVE PACT

Mr. ROBINSON of Indiana. Mr. President, it is merely stating a fact to say that the American people have been shocked in the last 48 hours by the astounding news emanating from Geneva to the effect that Norman H. Davis has presumed to lay before the Disarmament Conference a plan that would unquestionably involve the United States in all the wars that are now brewing throughout the world and those that may come in the future.

It is, of course, to be assumed that Mr. Davis is speaking for President Roosevelt, and it would be interesting to know where either of these gentlemen get the idea that they can possibly be clothed with any such authority.

If we agree to enter into a consultative pact with the great powers of the earth, we unquestionably abandon our traditional policy of neutrality among warring nations. If we enter into a consultative pact, we must agree to sanctions; that means that we bind ourselves to ratify any sanctions that may come out of consultation, and sanctions inevitably mean war.

This is frankly admitted by both France and Britain.

We also undertake to assist in designating the "aggressor" power and to league with other nations against the so-called "aggressor."

When we take that step, we throw neutrality to the winds.

With control of so many great news sources, Britain and France could easily make it appear that any war in which they should engage would be a defensive war. Accordingly, the moment we take this step, Uncle Sam will be expected to throw men and treasure into the balance and back up with armed force the demands of those with whom we are to be leagued.

If our masters are bound to involve us in foreign entanglements, it would seem to be better to go in by the front door, rather than the rear, and enter into an open alliance, offensive and defensive, with those powers, for then at least the American people would not be kept in suspense. They would frankly know what to expect. The truth is that the American people would never give their consent to any foreign entangling alliance of any kind, actual or implied, because they know it would eventually lead to war.

If the statement of Mr. Davis is to be taken at its face value, we also ratify the infamous Versailles Treaty, which we definitely refused to do when the matter was before the Senate. Instead, we negotiated a separate peace with the Central Powers.

Does anyone for a moment think that the Versailles Treaty will stand? Of course it cannot.

To both England and France the world conflict was a war of conquest. Germany was divested of Alsace-Lorraine and her colonial empire. Furthermore, her European territories were dismembered, as were those of Austria and Hungary. Boundaries are in a hodge-podge. If we were to follow the lead of Mr. Roosevelt and his agent in this matter, we should be forced to guarantee the status quo, unfair, inequitable, and impossible as it is. That could only mean that we should become involved immediately in all the wars of the earth. To this, the American people will never consent.

France and Britain have so thoroughly mismanaged matters that they have ruined Europe, and the results of the World War have almost ruined America.

President Roosevelt has no authority to negotiate any such consultative, war-producing agreement. For attempting it, Woodrow Wilson was thoroughly rebuked by his own people, and the present Chief Executive should profit by his example. There is enough trouble in this country to engage all of his attention. With more than 13,000,000 out of employment, it is the hope and prayer of the Republic that he will give his best thought and best efforts to remedying conditions here. We have enough to do to attend to our own business. Let Europe and the rest of the world look after their own affairs.

Mr. LONG. Mr. President—

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from Louisiana?

Mr. ROBINSON of Indiana. Just a second, and I will have completed this statement. Then I shall be glad to yield to the Senator.

It is utterly amazing that any one man would presume to arrogate to himself such vast power, such great authority, and such overwhelming responsibility.

Where does Mr. Roosevelt expect to get the men and money to back up this proposed agreement? Where will he get the soldiers, the cannon fodder, when veterans of our past wars are maligned and slandered and libeled from one end of this country to the other now, and disabled veterans are discharged from United States hospitals in their underwear, the clothing they wore in the hospital being taken from them before they are set out on the streets? Where does Mr. Roosevelt expect to get the men, the soldiers, the sailors, the marines to fight these foreign wars and to back up these treaties, this consultative pact that he proposes to enter into? Where does he expect to get the money, the finance?

We have enough to do to attend to our business here, Mr. President. We have difficult problems here. Where does Mr. Roosevelt expect to get the money and the men? Perhaps this question has not occurred to him.

I know not what may be in the Presidential mind, but I have complete confidence in the good sense of the American people, and I am certain that at the earliest opportunity they will definitely and completely repudiate any such plan as that announced from Geneva by Mr. Davis.

I yield now to my friend from Louisiana.

Mr. LONG. Mr. President, the Senator is speaking about Mr. Davis, and where he gets his appointment. I do not believe the Senator has been reading the newspapers. Is it not possible that Mr. Davis might be over there on a mission connected with the House of Morgan? In that event he would not only be representing the two parties and the American Government, but probably England as well. I do not think the Senator is fair.

Mr. ROBINSON of Indiana. I think there is a lot in what the Senator says. I am wondering whom Mr. Davis represents in Europe. Someone has called him our "mythical ambassador at large." Undoubtedly he is not an ambassador. I never heard of his nomination having been sent to the Senate. I never heard of the Senate's having confirmed him as an ambassador. For whom is he an ambassador? He has apparently no authority; he is a traveling free agent there, making wild statements about what the United States proposes to do, departing from our traditional policy of 150 years; suddenly, in the midst of these remarkable statements, it develops that he is on one of the two confidential lists of Mr. Morgan and has been for years; that he is today obligated to the House of Morgan in a considerable sum—today, at this moment. Well, if that be true, can he be representing the House of Morgan over there?

It would be interesting to know some of these things. Mr. Morgan has a house in London—Morgan, Grenfell & Co., I believe. Mr. Morgan stated on the witness stand that Mr. Grenfell is a member of Parliament, elected from London, according to the press. He also stated, if I remember correctly, that Mr. Grenfell is a director in the Bank of England. He is the head of the Morgan House in London; and it is generally understood, I think, undenied,

that the House of Morgan is the fiscal agent for the British Government.

Mr. LONG. Mr. President—

The VICE PRESIDENT. Does the Senator from Indiana yield to the Senator from Louisiana?

Mr. ROBINSON of Indiana. I yield to the Senator.

Mr. LONG. Is not the House of Morgan the fiscal agent for the American Government?

Mr. ROBINSON of Indiana. Apparently so, Mr. President.

I notice this morning a headline in the press, as follows:

Woodin offered stocks for half of market price. Letter from partner in firm called him "one of our close friends."

I think I will read just a little of this:

How J. P. Morgan & Co. considered William H. Woodin, now Secretary of the Treasury, "one of our close friends" and wanted Woodin to know the partnership was "thinking of you" was revealed yesterday at the Senate inquiry.

Woodin was solicited on a list of "close friends" by Morgan & Co. to buy a 1,000-share block of stock at \$20 a share. It was then selling on the market at from \$35 to \$37, making it possible for Woodin to realize an immediate \$16,000 profit if he wished.

Mr. President, that is the way they fleece the lambs. A few, representing organized wealth in America, get in on the ground floor, and are given the stock at \$20 a share. They have an artificial market for the stock at \$35 to \$40 per share. Then they solicit the lambs they expect to fleece, and there were 21,000,000 of them at the time of the blow-up in 1929. These 21,000,000 go in and buy those securities for the price of \$35 to \$50 a share, when the insiders, the little crowd represented in the National Economy League and in organized wealth generally—big business—have obtained this stock, they being on a confidential list, for \$20 a share. They then sell at the market and increase their swollen fortunes. Thus the lambs are fleeced. That is why we are in the trouble we are in today. My friend from Mississippi [Mr. STEPHENS], the distinguished chairman of the subcommittee of the Committee on the Judiciary, investigating the Harriman National Bank in New York—I have the honor to be serving on the same committee with the junior Senator from Mississippi—knows of the skulduggery that goes on in big business; and he knows, and we all know, why today the people have so little confidence in the banks of the country and in the financial interests that have been directing the country to its ruin during the past 10 or 12 years.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. ROBINSON of Indiana. I will yield, if the Senator will permit me to finish the article I was reading.

Mr. WHEELER. I want to make a suggestion just in line with the article.

Mr. ROBINSON of Indiana. The article continues:

A letter from partner William Ewing, of Morgan & Co., under date of February 1, 1929, introduced in evidence by Senate Counsel Pecora, read in part:

"DEAR MR. WOODIN: You may have seen in the paper that we recently made a public offering of \$35,000,000 of Allegheny Corporation 15-year 5-percent bonds, which went very well.

"In this connection the Guarantee Co. offered today \$25,000,000 Allegheny Corporation 5½-percent preferred stock. There was a strong demand for this stock.

"The Guarantee Co. also sold privately some of the common at \$24 a share.

"We have kept for our own investment some of the common stock"—

"We have kept for our own investment some of the common stock"—

"at a cost of \$20 a share, and although we are making no public offering of this stock, as it is not the class of security we wish to offer publicly, we are asking some of our close friends if they would not like some of the stock at the same price it is costing us—\$20 a share.

"I believe that the stock is selling in the market around \$35 to \$37 a share, which means very little except that people wish to speculate."

The "lambs" again, the "lambs." The article continues:

"We are reserving for you 1,000 shares at \$20 a share, if you would like it.

"There are no strings tied to the stock, so you can sell it whenever you wish.

"For further information regarding this corporation I am enclosing a circular.

"We just want you to know that we were thinking of you in this connection and thought you might like to have a little of this stock at the same price we are paying for it. * * *

The remainder of the letter expressed wishes that Woodin, then executive of the American Car & Foundry Co., would enjoy a pleasant trip through the Panama Canal. Accompanying was a photostat of a letter acknowledging receipt of a \$20,033.33 check from Woodin, indicating acceptance of the Morgan offer.

The stock subsequently sold over \$50 a share and then almost down to \$1 a share. Woodin's eventual profits depended on what disposition he made of the purchase.

Mr. President, I think that answers the question of the Senator from Louisiana. He wondered whether the House of Morgan was the fiscal agent for both the British Government and the American Government. Apparently it is, because Mr. Davis, heavily obligated to the House of Morgan, is now abroad undertaking to overturn policies a century and a half old, traditional American policies, and to foist on this Nation extremely dangerous policies which are satisfactory to the House of Morgan. Everybody knows he wants the debts canceled; everybody knows he would have us in the League of Nations and its subsidiary, or back door, the World Court. Everybody knows he would have us bolster up Europe with our own men, our own blood, and our own treasure.

Now it develops that that is not only true but there is also a close friend in the Treasury—to quote the language of the House of Morgan, "our close friend"—who had a thousand shares reserved for him at \$20 a share when the "lambs", 21,000,000 investors among the investing public of America, were charged \$35 to \$50 a share. Now the stock is selling at around a dollar a share.

Imagine that! Does that answer the Senator's question? I imagine, perhaps, that the House of Morgan is the fiscal agent for this Government. The House of Morgan seems to be the fiscal agent of both the British Government and the American Government. Of course Mr. Davis should be brought back from Europe immediately. The American people can have no further confidence in him. He should be recalled; and, of course, we should not ratify what he has said or done. Mr. Woodin, too, is occupying an unenviable position at the moment, with the vast powers of the Treasury, which in their administration call for the confidence of the people to be lodged squarely behind him. He cannot command the confidence of the American people now; therefore his usefulness as Secretary of the Treasury has ended.

I yield to the Senator from Montana.

Mr. WHEELER. Mr. President, I was going to call the Senator's attention to the fact that, notwithstanding the fact that the House of Morgan may be the fiscal agents of Great Britain, apparently the Parliament of the British Government is not so tender with them as the American Congress has been, with reference to their income taxes.

Mr. ROBINSON of Indiana. The Senator is quite right.

Mr. WHEELER. It will be noted that the House of Morgan pay income taxes in Great Britain, but they pay none in the United States; and my understanding is that one of the reasons for that, at least, is that the British Parliament has not seen fit to let these financiers deduct their capital losses, whereas the Government of the United States has permitted that to be done. If we here in the United States prevented those men from deducting their capital losses, as has the British Parliament, we would probably have money enough in the Treasury of the United States to meet the debts confronting us at the present time, rather than having to go out and try to impose a sales tax, or to impose a further tax upon the small taxpayers of this country. It would undoubtedly solve the needs of the unemployed of this country today. It seems to me that if the investigation now in process has not done anything else, it has shown the difference between the British system in dealing with these financiers and the way our own Congress and our own Government have dealt with them.

Mr. ROBINSON of Indiana. Mr. President, I may suggest in this connection, too, that the Internal Revenue De-

partment is right in the Treasury. The Secretary of the Treasury directs all of the income-tax collection activities, the collection of the internal revenue of the country.

Mr. WHEELER. Mr. President, that was one of the reasons why practically all of the great newspapers of the country were saying that Mr. Mellon was the greatest Secretary of the Treasury of the United States since Alexander Hamilton, during his term of office.

Mr. ROBINSON of Indiana. Mr. President, insofar as I am concerned, I would not in the slightest degree attempt to shield any of them, regardless of their politics. The House of Morgan has no politics; it is neither Republican nor Democratic. It has its agents, and it has them all over the world, and I have every reason to believe, from many of the disclosures that have come about, that the agents obey orders, whether they be in this country or abroad.

Mr. President, that is all I have to say on this question, except that I think it has been a definite shock to the Nation to find that J. Pierpont Morgan was too poor to pay any income tax for the past 3 years, but that at the same time he could find money enough to pay an income tax in England.

It is high time we should take care. The American people have been patient and long suffering. Mr. President, feeble though my influence may be, insignificant though any efforts of mine seem, I nevertheless warn big business in this country to have a care while they continue to trifle with the millions and hundreds of millions of toiling Americans, who during the past 3 years have experienced hardship, suffering, and sacrifice, as no other people have, probably, in the history of the world.

I have in my hand an editorial comment from the New York Evening Sun dated May 23, 1933; an editorial reprint also from the New York Evening Post dated May 23, 1933, an editorial comment from the Washington Times, and an editorial from the New York American of this morning, which I ask to have incorporated in the RECORD at this point.

The VICE PRESIDENT. Is there objection?

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

SPEECH BY DAVIS ENDS UNITED STATES ISOLATION, SAY NEW YORK PAPERS—SUN QUESTIONS HIS AUTHORITY TO SPEAK FOR AMERICA; POST STATES ADDRESS MAY LEAD TO TROUBLE WITH JAPAN

WHAT IS DAVIS' AUTHORITY?

[From New York Evening Sun, May 23, 1933]

Communication between the State Department at Washington and its special ambassador at Geneva seems astonishingly bad. Norman H. Davis' speech yesterday so far transcended the interpretation of American policy given out at the White House last week as to suggest that he may have taken the oratorical bit between his teeth and run away. The White House declared that there was no intention to depart from historic American policy with regard to consultation among nations in the event that any agreement reached at Geneva were hereafter broken. That policy would require the United States to judge each separate breach upon its own merits and take such action as circumstances might prescribe.

Who gives Mr. Davis authority to repudiate on behalf of the United States the American doctrine of neutrality which has been a cornerstone of American foreign policy for a hundred and fifty years? Who gives him authority to pledge the United States to wield a rubber stamp validating the decrees of any group of foreign nations? By what right does he presume to declare in advance the action this Nation shall take in regard to some putative violator of a putative treaty? Who are the "we" of whom he speaks with such glibness?

Plenipotentiaries abroad among whom the proposed agreements are to be reached ought to be informed that Mr. Davis is making promises which no American has authority to make on behalf of the United States, promises which in all probability the United States Senate would refuse to ratify.

[From New York Evening Post, May 23, 1933]

WHITHER?

To the Times the speech of Norman H. Davis, chief delegate of the United States to the Disarmament Conference at Geneva seems merely a following up of President Roosevelt's message to the world last week. To the Herald Tribune it appears to be only something wherewith to bridge over the summer's negotiations. To us it stands out as one of the most astoundingly important statements ever made affecting the world fate of the United States.

It puts us into the affairs of Europe. It may let other nations force us into trouble with Japan. It reverses our Senate's rejection of article X and the Covenant of the League of Nations. It practically makes us a part of the League. It ends our world isolation. It is a triumph for Woodrow Wilson.

The direct undertakings, and above all, the implied obligations in these proposals seem to us to alter the whole world position of the United States, as it has existed since the days that Washington warned us against the peril of entangling alliances. We no longer base our armament upon the needs of our national defense but upon faith in other nations.

We may have to give up neutrality and probably freedom of the seas.

How anyone can say that these proposals do not affect the very life of America itself we cannot see.

[From the Times, Washington, D.C., May 24, 1933]

SENATE, NOT MR. DAVIS, TO DECIDE FOREIGN POLICY

By James T. Williams, Jr.

According to a press dispatch from Geneva, "Norman H. Davis, American ambassador at large", has offered on behalf of the United States to "abandon its traditional policy of isolation."

There are several errors in this report. In the first place, Mr. Davis is not "an American ambassador at large." There is no such American envoy at large.

Moreover, Mr. Davis is not an ambassador at all. He has never been nominated to the Senate for that office, and unless so nominated by the President and confirmed by the Senate, he cannot be an American ambassador anywhere.

Mr. Davis is only an agent of the Executive branch of the Government. In that capacity he is representing that branch as our delegate at the League conference for the limitation and reduction of armaments. Therefore he speaks not for the Government of the United States but only as an agent of one of its branches.

MYTHICAL AMBASSADOR—NONEXISTENT POLICY

The second error in this report is the alleged abandonment by a mythical ambassador of a so-called "American policy" that never existed. The so-called policy of "isolation", which Mr. Davis is supposed to have renounced for us before the League conference, is not traditional either in American theory or in American practice.

Our traditional foreign policy is an inheritance from George Washington. He bequeathed it to us in the farewell address.

In that immortal legacy the Father of his Country thus advised his people:

"Observe good faith and justice toward all nations; cultivate peace and harmony with all. . . ."

"The great rule of conduct for us in regard to foreign nations, is, in extending our commercial relations, to have with them as little political connection as possible."

Because Europe "must be engaged in frequent controversies, the causes of which are essentially foreign to our concern," Washington believed that it "must be unwise in us to implicate ourselves, by artificial ties, in the ordinary vicissitudes of her politics, or the ordinary combinations and collisions of her friendships or enmities."

THE FRUITS OF WASHINGTON'S POLICY

And the promise of Washington was that if we would heed his warning, cherish his counsel, and act upon his advice, the time would soon come—

" . . . when we may defy material injury from external annoyance; when we may take such an attitude as will cause the neutrality we may at any time resolve upon to be scrupulously respected; when belligerent nations, under the impossibility of making acquisitions upon us, will not lightly hazard the giving of us provocation, when we may choose peace or war, as our interests, guided by justice, shall counsel."

And all American history proves him right.

The great objective of this policy was, as Washington wrote Patrick Henry, when he offered him the Secretaryship of State in 1796, to make us as a nation "respected abroad and happy at home."

This was not a policy of "isolation" for a hermit nation. It was a policy designed to insulate us against any entanglement of "our peace and prosperity in the toils of European ambition, rivalry, interest, humor, or caprice."

John Hay, who was the Secretary of State in the Cabinet of two Presidents—William McKinley and Theodore Roosevelt—once said that the two cardinal principles of American foreign policy were "the Golden Rule and the Monroe Doctrine."

By following Washington's policy and refusing to meddle in European quarrels and intrigues, we were only doing unto others as we would that they should do unto us.

NATIONAL BIRTHRIGHT OR MESS OF POTTAGE

This is Washington's policy. And its corollary is the Monroe Doctrine, by which we put Europe on notice that she meddles in the political life of this hemisphere at her peril.

Washington's policy was the policy of Adams and Jefferson, of Madison and Monroe, of Andrew Jackson and Abraham Lincoln, of Grover Cleveland and Theodore Roosevelt, and Calvin Coolidge.

After the Great War, the attempt was made at the Versailles Conference to swap our traditional foreign policy—our national

birthright—for an European mess of pottage in the form of an entangling alliance called "the League of Nations."

By luring us into that alliance, Europe sought to obtain our aid in enforcing the terms of the Versailles Treaty and to use American blood and treasure to guarantee Europe's national boundaries.

But this proposed exchange of America's birthright for Europe's mess of pottage was stopped when our Senators in Congress refused to ratify the Treaty of Versailles, which included the covenant of the League of Nations.

By this refusal the United States reaffirmed the policy of Washington and the Monroe Doctrine as America's permanent foreign policy. By this reaffirmation we put the world on notice that we would not meddle in European politics and that it would be wise for Europe not to meddle in the politics of the Western World.

THE VERDICT RESTS WITH THE SENATE

This is the traditional foreign policy which has been renounced for the United States, not by its Government, but by an agent of that Government's executive branch. And the Europe which bestowed upon him the high-sounding title of American ambassador at large is the same Europe which slanders our traditional foreign policy of insulation against the quarrels and intrigues of European politics by falsely branding it as "a policy of isolation."

In justice to Mr. Davis it must be assumed that his renunciation of America's traditional foreign policy from the days of George Washington until now was made with the full authority and approval of his immediate superior and fellow Tennessean, the Secretary of State, Mr. Hull.

The proposals of Mr. Davis, however, under the American system of government, must remain mere proposals of one branch of the Government pending final action upon them by that other branch of the Government to which the Federal Constitution entrusts the final control of our foreign policy—the United States Senate.

Whether the American people are now willing to swap the "Golden Rule and the Monroe Doctrine" for the rule of Europe's League and the Hull-Davis doctrine is the all-important question that must await the verdict of the representatives of the American people in the United States Senate.

[From New York American of May 25, 1933]

THE SUPINE SURRENDER OF AMERICAN PRINCIPLES AT GENEVA

A rather bad day for America, fellow citizens!

We refer, of course, to what took place on Monday at the Geneva Disarmament Conference.

We thought the Washington Disarmament Conference, when Secretary of State Hughes, without offset or recompense, sank the newest and finest ships in the American Navy, marked the limit of injury to the United States which could be self-inflicted.

It was nothing, however, compared to the amazing surrender at Geneva of our country's strength and security made in the name of the American people by a spokesman who no more speaks their wishes, convictions, or purposes than the man in the moon.

The first official act of George Washington, upon inauguration as the first President of the United States, was the declaration of America's neutrality in the wars then convulsing Europe.

In the century and a half of the Nation's life the policy of neutrality in conflicts to which we were not a party has protected us from the ravages of recurring wars, exempted us from the passions engendered by them, and assured our peaceful growth and development as a nation.

On Monday at Geneva this wise and beneficent principle of American policy was tossed to the winds.

And with it that most American of principles—the freedom of the seas.

To relinquish this natural and, to a maritime power such as the United States, essential right will be regarded by the American people as the most abject of surrenders. On more than one occasion in the past we have gone to war in defense of this right. And we will go again if need be. Its surrender will never be tolerated or condoned.

The oft-repeated refusal of the United States to bind itself in a consultative pact with Europe, and thus make itself a party and a judge in the innumerable, incessant, and clouded controversies of that feud-infested continent, was forgotten in a moment.

Without mandate from the people, without even their knowledge, without warning to Congress, and without an opportunity afforded either the Senate or House to speak, it is stated on behalf of the unsuspecting United States that "we are willing to consult the other states in case of a threat to peace."

Like children playing with firearms, the improvised statesmanship of the hour ignores the lessons of our history, rejects the warnings of experience, defies the restraints of the Constitution, and whirls us to the brink of untold disaster.

Should war break out—and sober opinion regards war, under the surcharged conditions now prevailing in the world, as an almost certain eventuality—we have involved ourselves in that most difficult and dangerous of undertakings—the designation of the aggressor.

What happens to us upon such designation is left in apparent obscurity, but it is only apparent. What we say is that we will "refrain" from any action tending to defeat the collective efforts of the nations who join with us in such designation.

But the consequences to us of taking part in so dangerous an operation are not limited by our declarations of intention. Such

a designation would be deeply resented by the nation so designated and would certainly be regarded as an act of war, particularly if our abstention from the assertion of neutral rights were interpreted as giving support to such designation by an overt act of hostility. This would be entirely reasonable, as the departure from the conduct of a neutral could not fail to be regarded as the conduct of a belligerent. We should be charged, and rightly, with having cast the weight of our attitude against a nation from whom we had received neither provocation nor injury.

In addition to these objections to the tenor and substance of the Geneva statement of America's altered policy there hangs over it a sickening insincerity of interpretation.

It is evidently the purpose of the administration to convince France and Germany of our intention to guarantee their mutual peace and security by concrete and definite collaboration and support.

Although we invite this interpretation in Europe, it is not at all the conclusion which we ask our own people to draw.

While the London Times refers to the Democratic administration as proposing to change the traditional attitude of the United States toward the whole question of neutrality and freedom of the seas, Secretary Hull, on the other hand, regards the Geneva statement as reserving to the United States Government full liberty of judgment and action.

It is open to question who are the more deceived—the people of Europe or the people of the United States.

We can say this, however—the people of the United States will not long be deceived.

They are a hard-headed people. They know how to effectuate their will and how on occasion to manifest their resentment if convinced that American principles have been betrayed or American interests compromised.

They are children of the day, not of the night nor of the darkness. They watch and are sober.

They do not propose that sudden destruction shall come upon them as a thief in the night.

Mr. ROBINSON of Indiana. The senior Senator from Nevada [Mr. PITTMAN] is not present, but I should like also at this time to have incorporated in the Record a letter written by Prof. Edwin M. Borchard, of Yale University, addressed to Hon. KEY PITTMAN, Chairman of the Committee on Foreign Relations, United States Senate, a copy of which I understand was sent to each member of the committee. In the absence of the Senator from Nevada, however, I shall not ask to have the letter incorporated without his permission. I should like to have it understood that if I can gain his permission to have the letter placed in the Record that may be done.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

Mr. TYDINGS. Mr. President, in the year 1914 we did not have ambassadors going about Europe trying to establish peace in the world. In 1914, nevertheless, a right fair war began, and although we remained at home for about 2½ years, before that war was over we had a national debt of \$20,000,000,000, and had transported about 2,000,000 men across the seas to try to preserve the rights and the property of American citizens. Staying away from Europe in 1914 did not keep us out of the war, and going to Europe now, in 1933, is more calculated, in my humble judgment, to keep us out of war than to get us into war.

I can remember 3 or 4 weeks ago when the soberest minds in this Chamber were of the opinion that war in Europe was almost a certainty. The great leader who is in the White House addressed a message to the governments of the world, and pointed out the folly of another war, with the world in an economic situation such as now confronts it, and almost overnight the leader of the German Republic retreated from a speech of a few days before, and amity was reestablished, temporarily at least, and a better feeling existed between the governments of the world.

Suppose that message had not been forthcoming; suppose Europe had gone to war; how hollow would be the words of the Senator from Indiana now with all of the countries of the Continent of Europe, in view of the poison gas of the last war, and the imminence of disease germs in the next, if another conflict had unfolded through silence on the part of this Government.

I think Mr. Davis, whether he made a loan or did not make a loan, has shown a stature of statesmanship for which this world is hungry. Everyone knows that we cannot attain disarmament through one nation acting alone, that armaments are comparative, and each nation keeps an

army and a navy because another nation, forsooth, keeps an army and a navy.

Is it too much to ask that the most powerful nation in the world—and that is what we claim for our country—should have no responsibility in establishing peace, in furthering international trade, in stabilizing currency, in adjusting the world's problems? Are we going to play the ostrich and stick our heads in the sand until the prairie fire scorches our tail feathers? Or shall we keep our heads toward the sky and view what is going on by the exercise of calm judgment and avert another world conflict, if possible?

It is regrettable, in my judgment, that the Congress does not support rather than decry the efforts of this administration to establish peace in the world and to settle international difficulties in a proper way, rather than by a resort to arms. I am not afraid of our going to Europe or to say that I believe in international cooperation. We did not go to Europe in 1914, but we went there before 1918, with money and men and treasure, and that is the precedent that shows that wars are not to be avoided by isolation, by the silly policy of remaining at home while fires break out all around us. If you lived in a house in a city block with fires commencing on either end, would you sit there and twiddle your thumbs or would you join with others in helping to put those fires out?

Further than that, let us not lose sight of the fact that for the last 12 years we have been selling to foreign peoples about \$5,000,000,000 worth of American-made goods every year, one tenth of our whole production. Therefore, if we sold them one tenth of the production of the commodities of our farms and our mines and our factories, one tenth of all the people employed were working to make and produce the goods to be sold abroad; and if we had 50,000,000 workers, which we have in this country, then 5,000,000 of them earned their bread and butter by making the goods to sell to foreign nations. The reason we have unemployment today is because we are no longer selling those goods to foreign nations in the quantities with which we formerly supplied foreign markets.

We ought to be applauding the efforts of the President to reestablish world trade and to reconcile the differences of nations by means other than war. The man who attacks his ambassador abroad, when that ambassador is making signal successes in accomplishing better international feeling in the promise of some disarmament, is attacking humanity; he is attacking the sons and daughters of every man and woman in this country, because he is sowing the seed of international hate; he is sowing the seed of international ill will; and that is the food upon which wars thrive and grow. I think we have had enough of silly attacks upon our foreign neighbors, decrying them here in this Chamber; and yet we would be the first to rise here and repel any attack upon our own Government that sprang from the floor of any other parliament than our own. Foreign peoples are sensitive; they have pride; and these short-visioned attacks about a lot of scheming going on, in my judgment, are not calculated to help the situation.

Mr. Davis needs no defense from me. We sent him abroad to negotiate a disarmament treaty, and he has been the most efficient negotiator who has been sent to that conference from any government on the face of this earth. Four or five times there have been possibilities of a rank failure on the part of that conference, but Mr. Davis, with an energy which was unparalleled, with an intensity that might be imitated, has gone on and rebuilt the structure himself, and has kept the nations in conference through conciliatory and advantageous proposals.

This world wants disarmament; it wants an end to war, if it is possible to achieve it. That cannot be obtained by sitting down and doing nothing. Like any other worthwhile thing in life, you have got to work for it if you want to get it; and I, for one, do not intend to sit here day after day and see the efforts of a man who, apparently, is giving everything he has to accomplish some measure of disarmament, belittled, particularly by members of the Government that he purports to represent in the councils of the world.

THE "BAREFOOT" SOUTH

Mr. RUSSELL. Mr. President, on account of the arduous duties which have fallen to the lot of every Senator, I have been unable to keep intimately in touch with every one of the various plans that have been advanced to speed economic recovery and rehabilitate our labor and general economic conditions. This morning I did note the most ingenious plan I have yet seen advanced. It is brought forward by our very able and distinguished Secretary of Labor, Miss Perkins, who is reported in the press as having stated in an address which she delivered in New York City that if one would enter into the shoe-manufacturing business in the South and teach the people of the South to wear shoes they would find that business a veritable gold mine. The headlines of two outstanding papers published in a southern city heralded the account of this speech by saying that the "South is virtually shoeless, Labor Secretary declares", while the other one headlined it "South barefooted. Frances Perkins, Labor Secretary, sees social revolution in wearing of shoes."

Mr. President, I should dislike very much to remove any windmill on which the distinguished Secretary might splinter a lance, but I can assure her that the people of the South do wear shoes. As is pointed out in an editorial which also contained this news account printed in the State which it is my honor to represent, there are shoe factories in my State that produce as many as 30,000 pairs of shoes a week.

Mr. McKELLAR. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. OVERTON in the chair). Does the Senator from Georgia yield to the Senator from Tennessee?

Mr. RUSSELL. Certainly.

Mr. McKELLAR. Does not the Senator think he could go a little farther and state that the people of the South do wear shoes?

Mr. RUSSELL. I was coming to that point in a moment.

Mr. McKELLAR. I have been living in the South for many years and I want to say in all fairness to the people down there that I have not seen a barefooted person in my part of the country for many years.

Mr. RUSSELL. I should like to say in reply to the Senator from Tennessee that it is true at the present time that many of our shoes are much worn and have been often repaired. In fact, many of us, in common parlance, are "on our uppers" now, but still we do wear shoes.

The purpose of my brief remarks is merely to invite the distinguished and able Secretary of Labor down to the South in order that she might ascertain for herself the conditions that actually obtain there.

Mr. KING. Mr. President—

The PRESIDING OFFICER. Does the Senator from Georgia yield to the Senator from Utah?

Mr. RUSSELL. I yield.

Mr. KING. May I call the attention of the able Senator from Georgia [Mr. RUSSELL] that many people are asserting that we are entering upon a new dispensation. Some insist that it is a new epoch which calls for a repudiation of the social, economic, and, indeed, the political policies of the past, and that the policies of government announced by Jefferson and other founders of the Republic, it is asserted by protagonists of this new school, are no longer of any use, that local government is no longer in fashion—indeed, it is not to be tolerated—and that the States are to be compounded into one great mass and their sovereign rights and prerogatives abolished.

This school of thought, as I am advised, contends that the Federal Government, with the enormous powers which are to be assumed by it and the agencies in existence or to be created, is to take over the functions of the State, and establish a new social order, a new political system, and exercise control over our entire social and economic system. This, it is contended, is to be a social revolution, the object of which is to place not only business, but the lives and activities of the people under the control of agencies and bureaus set up by the Federal Government.

Social reformers and those who have but little regard for individualism or the competency of the people to govern themselves, or the ability of individuals to steer their own course in life, it is urged, must now take charge of the lives and activities and conduct and business affairs of the people and, indeed, their habits, and direct their thoughts and control individual, family, and local life.

Some individuals who are advocates of this philosophy are seeking positions in the Federal Government and are earnestly working to obtain authority to put the same into practice. They seem to regard it as proper under this new social revolution, which they insist has come or is near at hand, that Federal agencies and an army of protagonists of this cult, shall enter into all the communities and, indeed, into the very homes of the people and direct how people shall live and act and think and conduct themselves and the character, training, and education which they shall enjoy or possess. Indeed, that they shall supervise the entire conduct of the people of the United States.

Our theory of government given to us by the fathers, has developed a strong, reliant, and patriotic people. Under that system, the foundations of democratic institutions were laid. There are those now who would destroy the fruits of the labors of our fathers and superimpose upon the American people an oppressive socialism and a despotic bureaucracy. Initiative and self-reliance and all those fine qualities essential to a progressive civilization are to be eliminated from our political system.

It is to be hoped that those who hold positions and have sworn to uphold and defend the Constitution of the United States, will not attempt to impose upon the American people, alien institutions and socialistic policies, the consequences of which will be destructive of constitutional government.

Mr. RUSSELL. Mr. President, let me say to the distinguished Senator from Utah that the very purpose of calling attention to this matter is to get the Secretary of Labor to pry and probe around in the South in order to inform herself of conditions there. I can assure her that the statement is not correct, as she is quoted by the Associated Press—I presume it is correctly quoted—that "a social revolution will take place if you put shoes on the people of the South." This editorial I hold in my hand and shall have inserted in the RECORD attributes this statement to a "quaint sense of humor."

I hope the Secretary of Labor will see fit to visit the South. I assure her that a crowd will not gather on the streets to view her leather-clad feet as anything out of the ordinary or as any rare phenomena. She will not find, in any of the rural sections, the citizens all shamelessly wiggling their bare toes in the soil; and she will further find that in the cities our people do not expose the soles of their bare feet to the hot pavements.

Mr. President, I ask unanimous consent that this editorial from the Atlanta Journal of May 24, 1933, entitled "The 'Barefoot' South," be inserted in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The matter referred to is as follows:

[From the Atlanta Journal of May 24, 1933]

THE "BAREFOOT" SOUTH

Though we have long admired the formidable talents of Miss Frances Perkins, Secretary of Labor, we must confess that not till now were we aware of her quaint sense of humor. What delightful drollery there is in her remarks on the barefoot South! In a speech to the girls' work section of the Welfare Council of New York City she said, if the Associated Press reports her aright:

"Those of you who have lived all your lives in communities where the wearing of shoes is a commonplace have, perhaps, forgotten how important and significant a social contribution are shoes. When you realize that the whole South of this country is an untapped market for shoes, you realize we haven't yet reached the end of the social benefits and the social good that may come from the further development of the mass-production system on a basis of consuming power of the South, which will make possible the universal use of shoes in the South. * * * A social revolution will take place if you put shoes on the people of the South."

Some there are, including her New York audience, who may have taken seriously these broad satirical comments of the dis-

tinguished Secretary of Labor. If so, we invite them to come to Dixie and learn to laugh. At Buford, Ga., they will be welcomed by the Bona Allen Co., one of the largest leather-goods industries in America, which is turning out 30,000 pairs of shoes a week. In Atlanta they will find the J. K. Orr Co. producing upward of a thousand pairs a day; at Lynchburg, Va., the famous Craddock-Terry Co.; in Nashville, Tenn., two factories of major proportions; and in divers other parts of the South makers of all sorts of shoes, to say nothing of hundreds of importing jobbers and thousands of retail dealers.

It is not our intent to trespass upon the province of statistics, in which Secretary Perkins is, of course, a past master. But for the benefit of those who may not be as well informed as she, we say plainly that southerners do wear shoes. They commonly take them off when they go to bed and when they go swimming, but during the rest of the four-and-twenty hours they tread neat's leather. This they have done for longer than we can remember. A poet of ante-bellum days rhymed of the southern girl in this wise:

Her boots are slim and neat,
She is vain about her feet,
It is said,
She amputates her r's
But her eyes are like the stars
Overhead.

And, curiously enough, in the same issue of the Journal which published an account of Secretary Perkins' New York speech, a gifted Georgia author, in describing the colored people's observance of "Mancipation" Day in a southern town, wrote thus: "Merchants and grocers expected a large trade, and were not disappointed, in crackers, sardines, cheese, tobacco, fruit—and bedroom slippers. The reason for that last item is that almost all the colored people wore new shoes; and when the hot May sunshine poured down on paved sidewalks, the proud possessor of the patent-leather footgear was forced to ease her pedal extremities by removing the offending glories, substituting rose, blue, or green felt boudoir slippers and walking unconcernedly down the street with the original offenders in her hands."

Such is life and such is humor in the unsophisticated South. We do hope that Secretary Perkins will do us the honor and herself the justice of an early visit.

Mr. BAILEY. Mr. President, first of all I wish to express my gratitude to the junior Senator from Georgia [Mr. RUSSELL] for calling attention to this matter.

When I first saw in the Associated Press a statement purporting to report verbatim an address by our Secretary of Labor in New York City to the girls' work section of the Welfare Council of New York, in which she made these statements about our people in the South, I had some sense of resentment; but I am not going to speak in that sense.

Somehow, Mr. President, we people from the South have had great difficulty in getting before the rest of the people of our country anything like a fair conception of the civilization there. Every now and then I read miserable and contemptible statements about our mountain people. They are spoken of as "the poor mountain whites"; and miserable grafters go around the country taking up collections to assist those people from the depths of degradation which they attribute to them.

As a matter of fact, civilization has reached no higher point in America than it has amongst the people of the Appalachian system, called our mountain country. It was Mr. Galsworthy, who lately died—a notable novelist and a most distinguished representative of this English civilization of which we are the heirs, and in a way representative—who, upon a visit to our mountain country just 2 years ago, prolonged his stay in those mountains in order that he might drink, as he himself said, "once again from the fresh springs of English life and civilization".

And now our Secretary of Labor makes this extraordinary statement, I am sure with no malice and with no intention to offend; and I am sure of myself that I am without intention to be offended and that I am speaking for a people who have a profound respect for themselves and too much respect to protest; a people who will not be offended, either, because in the security of their self-respect they are immune from misunderstanding and likewise from ignorance.

I am going to read in the Senate of the United States what our Secretary of Labor has said, in the hope that I may bring not merely to her attention but to the attention of all men and women who are here something of the truth, nothing by way of resentment, but only by way of facts.

Here is what she said:

As an example, Miss Perkins cited the South as a market for shoes. "Those of you who have lived all your lives in communi-

ties where the wearing of shoes is a commonplace," Miss Perkins said, "have perhaps forgotten how important and significant a social contribution are shoes. When you realize that the whole South of this country is an untapped market for shoes you realize we haven't yet reached the end of the social benefits and the social good that may come from the further development of the mass-production system on a basis of consuming power of the South which will make possible the universal use of shoes."

[Laughter.]

Why, Mr. President, even the mules in the South wear shoes. [Laughter.]

I have said in the last few weeks, as we have been discussing the bills in Washington which have been proposed for the revival of industry, and which, among other things, provide for the fixing of hours of work and for the fixing of minimum rates of pay, that if the minimum rates of pay and the hours of work could be fixed in the southern mills and in the southern employments generally, those who wanted to get rich quick ought to buy a shoe factory; for the opportunity of buying shoes by people who may have their wages, for the first time in a generation—

Mark the words—

For the first time in a generation, come to the level of living wages, is perfectly enormous; and a social revolution—

Think of it, Mr. President! We are on the edge of a "social revolution." God speed the day!

A social revolution will take place if you put shoes on the people of the South.

[Laughter.]

Mr. President, when I read that, I thought about my knowledge of the Southern country. I thought about my own barefooted boyhood. I thought about many things, Mr. President; and then it occurred to me that I would get the facts from the Census Bureau, and read them into the Record, as to shoes. Here they are.

Total sales of shoes and other footwear for the year 1929—that being the latest year; figures furnished by the distribution division of the Bureau of the Census:

Florida, \$12,531,338 for shoes; population, 1,468,000. That is \$9 for every man, woman, and child in Florida for shoes; and Florida is a hot country. I do not blame a Florida boy for going barefooted in the summer, and I would not care if he went barefooted in the winter.

Mr. GLASS. Mr. President—

Mr. BAILEY. I yield to the Senator from Virginia.

Mr. GLASS. Would it shock the piety of the Senator from North Carolina if I should interject a remark to the effect that when I grew up as a boy we did not care a tinker's damn for a boy who wore shoes? We regarded him as a sissy and would not associate with him.

Mr. BAILEY. I thank the Senator; and, since the Senator has made a personal remark, may I be forgiven for making a remark that my own little boy, 10 years of age, was the only boy in the city schools of Raleigh this year who wore no shoes, and it was no shame to any of us.

Mr. RUSSELL. Mr. President, I should like to observe that in the event an effort is made to force the people of the South to wear shoes by legislative fiat, I am gratified to know that the Senator from Virginia and the Senator from North Carolina will at least seek exemptions permitting those under 14 to go barefooted in the summertime.

Mr. FLETCHER. Mr. President, may I interrupt the Senator to make an observation?

Mr. BAILEY. Since I mentioned Florida and shoes, I will yield to the senior Senator from Florida.

Mr. FLETCHER. There is a very considerable colored population down there who would regard it as a distinct punishment to be required to wear shoes the year around.

Mr. BAILEY. Since we are getting into personal matters, I believe I will add that when I brought my boy here last year, and he had to wear shoes, it nearly broke my heart to see the suffering he had to endure because he was in Washington and had to wear shoes; and when he got home there would have been no power on earth that could bring him back up here, wholly because he had to wear shoes in Washington. [Laughter.]

Let me go on a little more seriously.

Georgia, \$20,217,368 for shoes; population, 2,900,000; which is \$6.50 for every man, woman, and child in Georgia for shoes.

North Carolina, \$22,225,491 for shoes; and a population of 3,170,000; which is \$7 for every man, woman, and child that year for shoes. If shoes will make a social revolution, then we already have had one in North Carolina and did not know it. [Laughter.]

South Carolina spent for shoes \$9,215,797; population, 1,738,000; or \$5 per capita.

Virginia, \$15,840,148 for shoes; population, 2,421,000; which is \$7 per capita for shoes in Virginia.

Alabama, \$17,124,439 for shoes; population, 2,646,248; which is \$7 per capita.

Mississippi, \$14,312,411 for shoes; population, 2,000,000; \$7 per capita for shoes for every man, woman, and child, white and colored, rich and poor.

Louisiana—

Mr. LONG. Now you are coming to something. [Laughter.]

Mr. BAILEY. For shoes, \$14,912,640 against a population of 2,101,000, which is \$7 per capita for shoes.

Texas, \$52,300,949, against a population of 5,824,000—an average in Texas of \$9 for shoes.

Mr. President, that is a sufficient showing. There is no reason for resentment. People are foolish who resent the manifestations of ignorance. It is a matter of sympathy, and not of resentment.

I can make a comparison here, if the Senator from New York will permit me, and I assure him in advance that I do not intend to violate rule XIX and reflect upon his State. The Secretary of Labor comes from New York State. The figures show that for shoes in New York \$175,062,000 was spent in the same year, against a population of 12,588,000, which is \$14 per capita, against the southern average of \$8, and when we recall that we have the long summers, and that, as the distinguished senior Senator from Virginia has said, it is rather a shame in the South for a white boy or a Negro boy to wear shoes in the summer months, where they gather around their parents about the first of April and beg them to let them take off their shoes, and do not put them on again until about the first of October or of November or even December—when we consider our long season, when we consider our favored clime, I undertake to say that the South is today expending as much for shoes as are the people of New York per capita.

I remember the old song—and I will conclude this part of my remarks with it, a song I heard in one of the revival meetings:

I got shoes, and you got shoes,
All God's chillun got shoes;
When I get to heaven I'm goin' to put on my shoes
And walk all over God's heaven.

I hope to have the good lady with me. [Laughter.]

Mr. COPELAND rose.

Mr. BAILEY. I will yield, but I am not through. Does the Senator wish to interrupt me?

Mr. COPELAND. No.

Mr. BAILEY. I thought perhaps the Senator was going to make a speech on shoes in New York.

Mr. COPELAND. I intend to.

Mr. BAILEY. Then I will yield the floor, when the time comes, and let the Senator make his speech in defense of the shoe revolution in New York, or whatever he may call it. [Laughter.]

I have another word to say about this matter. There are statistics which tend to indicate that the people of the South are not as well off in this world's goods as are the people in other sections. I think there is some ground for the statistical position, but I think it is time that someone should say, and without prejudice and without offense, that there are reasonable grounds for that, and that the disparity in relative wealth is not due to the laziness of the southern people as some affect to think, not due to their worthlessness, as some would furtively insinuate, not due to labor conditions, either, as is intimated in this article here. I am here to say that there are reasons for the relative disparity.

Mr. President, before I go into those reasons, I want to point to one fact. The Southern States of the United States

in the year 1930 had more of wealth, according to the census, than the entire United States had in the year 1890. Now, let that sink in. Here is a space of 40 years in which that land, which had been devastated by war, came forward with such rapidity that in 40 years 13 Southern States developed, created, and possessed more of wealth than the whole American Union possessed after 100 years of history ending with the year 1890.

Those people who think we are a backward people, and those people who think the southern people are incapable of great things, and those people who think that conditions are bad in the South, I ask, what will they say in the presence of the fact that the Southern States in the last 40 years created and now possess more wealth than the whole American Union did after 100 years ending in 1890?

Mark you, Mr. President, that immense progress was made under the most difficult of conditions, and I want you to hear that. We came out of the Civil War a ruined country. The property of our people had been taken, the values destroyed. The condition of Germany after the World War was not to compare with the condition of the South after the War between the States. The indemnity exacted of France by Germany after the Franco-Prussian War did not compare with the indemnity imposed upon the South by the American Union in the years that followed. France had no reconstruction; France had no carpetbaggers; France had no adverse taxes; France paid her indemnity and was free; but the fathers of my generation—my father—came out of that war and, in a desolated country and without advantage from the outside, rebuilt that civilization; and I could pledge to my country now in this hour that if she is in distress, that if she wishes to look from this present pit of despair to some star of hope in the sky, she can look to that history, to that people, and to that section with the assurance that the sons of the fathers who rebuilt that civilization after the Civil War will rebuild this one. We have down there enough of example and of inspiration to save the population of this continent.

Did we have adverse tariffs? Yes; the tariff laws were written against the agricultural South for 60 years; but we came up with that burden on our backs. Who paid the pensions of the Union soldiers?—and I do not begrudge them their pensions. In this very Congress Thad Stevens, of Pennsylvania, wrote the laws imposing the taxes upon the tobacco of the South, and he said on the floor of the House yonder that if that war terminated as he hoped it would, "these tax laws will pay the bill of the war"; and they did.

Virginia and North Carolina today turn in, by way of revenue on tobacco—which is collected throughout the country, and I do not intend to get around that fact at all—more taxes into the Federal Treasury than any other two States in the whole land, if we take out New York and Pennsylvania. North Carolina ranks second amongst the American States in the amount of taxes paid into the Federal Treasury, second only to New York. It is said the taxes on tobacco are collected around the whole country, and they are; but hear me, Senators, every dollar of the tax collected is an impost upon the tobacco in the fields of the farmer.

Mr. GLASS. Mr. President, I regard the statement that the tax is paid all over the country as an utter delusion. It is paid right on the warehouse floor by the man who goes there to buy the tobacco.

Mr. BAILEY. I thank the Senator. I was taking the most liberal view, because, taking the most liberal view, the effect of the tax is precisely the same. It rests upon the tobacco in the patches on the farm, and that tobacco is on the hills of Virginia and of North Carolina. We turn into the Treasury every year from \$250,000,000 to \$400,000,000, and that is a Treasury which is getting only 4 or 5 times that sum from the whole American Union.

With an adverse tariff which laid its toll day by day upon everything the farmer bought, and paid him nothing whatever on the things he had to sell, and created this disparity, which has finally broken him down; with this additional toll upon his tobacco, hear me, that southern shoeless land has, nevertheless and notwithstanding, created, within the

short space of 40 years, and now possesses, as much of wealth as the entire American Union had in the year 1890.

Mr. President, I hope that all men in the United States will learn the truth about the South, and that is all I ask that they do learn. I do not think the South should stand up and protest against this sort of thing. I think it becomes the southern people rather to go on with their business, and do their work, and create their great civilization. But I did hope that such an utterance as this would not come from the Cabinet of the President of the United States, and I could have devoutly prayed to be spared making such protest as I have made against an utterance like this from a member of a Democratic Cabinet.

Mr. LONG. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from North Carolina yield to the Senator from Louisiana?

Mr. BAILEY. I will yield in a moment. I do not see how I could have discharged my duty, with this utterance from the high official source from which it has come, and more especially, Mr. President, in view of the insinuation that it is now proposed to take charge of the industries of the South in order to create a market for shoes to be manufactured in the North, had I done less.

I have not finished with that. The southern people have asked no assistance from the Government, except such as has been generally granted here in the last two extraordinary years. We have come thus far on our own. Thank God, we are capable of going the rest of the way. Can we not at least ask that the official sources of the United States—whether they give us sympathy or not is not the question—will at least inform themselves before they undertake to create a social revolution amongst us by way of putting shoes on our feet?

Now I yield to the Senator from Louisiana.

Mr. LONG. Mr. President, is this lady who has informed us about the shoeless South the person who is to be given jurisdiction under the so-called "industrial legislation"?

Mr. BAILEY. I would not be able to say what is going to happen along that line.

Mr. LONG. It looks to me as if the lady had better be sent to school. Somebody should teach her about something except manicuring sets, or something. Somebody ought to show her how to get in out of the rain before we turn her loose on the whole country.

Mr. BAILEY. Mr. President, I said in the beginning that I was not going to speak by way of any sense of offense. I would rather open the arms of the southern people to the lady Secretary of Labor and ask her to come down and see us, and I have some faint suspicion that if she would come, she would not only learn about shoes but that she would get a new schooling in the elementary principles of American life and government, and I know of nothing that is more needed than that at the present time.

If it was good for Galsworthy to come and drink from the springs of English civilization in our mountains, I think it would be worth while at just this moment for someone to go down to the land of the founders of the Republic—for we are not strangers here; I am in the house that the fathers built—to go down to the land of Washington and Jefferson, of Madison and Monroe, and John Marshall, to go down there and drink again from the great principles from which this Republic has drawn its life, by means of which it has lived to this good hour, and without which, for my part, I hesitate to say what the consequences would be.

Mr. COPELAND obtained the floor.

Mr. GLASS. Mr. President, may we proceed now? We have spent 2 hours, and there has not been a word of comment on the banking measure. May I not plead with the Senator from New York to let us get along with the bill?

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Virginia?

Mr. COPELAND. I yield.

Mr. GLASS. No; I will not ask the Senator to yield to me.

Mr. COPELAND. Mr. President, I shall not embarrass the Senator from Virginia, because what I say will be very brief.

Reference was made by my genial friend the able Senator from North Carolina [Mr. BAILEY] to my State of New York. I want to remind him that New York City in those awful days following the War between the States and the period of reconstruction was a firm friend and a very practical friend of the South. We have a large southern population in New York and have most congenial relationships, commercial and social, with the South.

I cannot respond in the same vein of humor and eloquence that was used by the Senator from Georgia and the Senator from North Carolina. But I do want to say that I think the Secretary of Labor has been misunderstood. Undoubtedly she was using but one example of the poverty which exists in all parts of our country, North and South.

Mr. McKELLAR. Mr. President—

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from Tennessee?

Mr. COPELAND. I yield.

Mr. McKELLAR. I wish to say that I sincerely hope that the Senator is correct in stating that the Secretary of Labor has been misquoted and that she will give the facts to the country, for I am quite sure that if she knew the facts she would not have made any such statement as that which has been quoted.

Mr. COPELAND. I think the Senator from Tennessee is entirely right as regards the spirit of this good woman.

She need not have gone to the South for an example of poverty. I am sorry to say that in her city and my own city of New York there is greater poverty than can be found anywhere else on the continent. We have 1 square mile in New York City where live 500,000 persons, 12 living in 3 rooms, 4 sleeping in the kitchen every night. Nowhere else in our country is there greater poverty than exists in the city of New York. If we buy more shoes per capita, it is because they wear out faster on the sidewalks of New York, being worn by people walking to find jobs. I am sure that the Secretary of Labor had in her mind simply one example of many she might have used. I am confident that I know the heart of that good woman. Her greatest joy is to relieve distress and human suffering.

Mr. BAILEY. Mr. President, may I interrupt the Senator from New York?

The PRESIDING OFFICER. Does the Senator from New York yield to the Senator from North Carolina?

Mr. COPELAND. I yield.

Mr. BAILEY. Assuming that all the Senator from New York has said is true, there is no foundation for the example. That is my point.

Mr. COPELAND. That may well be, and perhaps if the Secretary of Labor had used more thought, she would not have cited that particular example and, unless she was misquoted, would have been more accurate in her statement of facts.

Mr. BAILEY. I am going to ask the Senator from New York a question and not in a controversial way. Does he not think the Secretary of Labor of the United States, before making a statement like that, might have gotten the facts?

Mr. COPELAND. The Senator from North Carolina, perhaps, and I, too, have made many speeches in which we have spoken somewhat beyond the card in what we have said from time to time. But I know this woman; I know her great heart. Nobody in the State of New York is more devoted to the cause of the poor, to the cause of social reconstruction, and the upbuilding of our country. She had no thought of reflecting upon the South, I am confident, because, as I have said, she could have said, with more truth, that there is such poverty in the city of New York that our State and our city should be ashamed of the conditions which exist there. It might well be that a factory should be established to make clothing and shoes and stockings exclusively for the underclad children of New York.

Mr. President, it is no reflection on the South that there is poverty; it is no reflection on the North or the East or the West; it is a reflection upon our Nation at large. If we can work out here some way of solving this great social and economic problem, I am sure that those of us who come

from the North and the East will join those from the South in helping to find a solution. Nothing can be more important.

I do, however, want to bear testimony to the fact that Miss Perkins has had too long a record of fine social service and is too anxious to aid our country at large, to make any misstatements or to give any wrong impression. I am sure when the time comes for her to speak she will make full explanation which will satisfy my friends from the South.

I just wanted to say that word about this particular member of the President's Cabinet. Mr. Roosevelt selected her because of what she had done in the past in solving such problems as we have been discussing here this morning. I am sure that when you come to know her you will realize that she would be the last one to seek to reflect upon any section of our country. So I say, Mr. President, let us together, from every part of our great Nation, try to solve the problem and to make poverty unknown in America.

RELIEF OF INSURANCE COMPANIES

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 1094) to provide for the purchase by the Reconstruction Finance Corporation of preferred stock and/or bonds and/or debentures of insurance companies.

Mr. FLETCHER. I move that the Senate disagree to the amendments of the House of Representatives, request a conference with the House on the disagreeing votes of the two Houses thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to, and the Presiding Officer appointed Mr. FLETCHER, Mr. BARKLEY, Mr. REYNOLDS, Mr. COUZENS, and Mr. KEAN conferees on the part of the Senate.

REGULATION OF BANKING

The Senate resumed the consideration of the bill (S. 1631) to provide for the safe and more effective use of the assets of Federal Reserve banks and national banking associations, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes.

Mr. GLASS. Now, Mr. President, may we have a vote on the amendment proposed by the Senator from Michigan to the banking bill?

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Michigan.

Mr. ADAMS. Mr. President, I have a word or two which I wish to say about that amendment. I am not equipped to speak upon the shoe question, and perhaps not as to this amendment of the junior Senator from Michigan to the pending bank bill, but I think it is open to some criticism, at least to some inquiry.

At the last session of Congress a very admirable bill on the banking question was introduced and carried through this body by the distinguished and scholarly Senator from Virginia. Had I been here I should have voted for the bill as it passed. A number of amendments have been offered to that bill during the present session, and I think practically all the amendments tend to impair the original bill rather than to improve it.

The amendment that is now offered I think meets that same description, Mr. President. The bill as it is now framed with the deposit-guaranty provisions in it I think provides for a legal massacre of many hundreds if not thousands of State banks. I am speaking of sound State banks, not of the banks that are unsound. The bill in its present form means that the State banks must either go into the Federal Reserve System or perish. It lays down rules for admission to the Federal Reserve System with which it will be impossible for many sound State banks to comply. While it may not lay down a different rule for the admission of State banks, it does provide a different board of examiners. A State bank must pass the scrutiny of the Federal Reserve Board, while a national bank, in order to take advantage of the guaranty provision, is passed upon by the Comptroller of the Currency who has already passed upon it, for all the banks that are now open have passed the scrutiny of the Comptroller. The Federal Reserve Board before it can admit a State bank to the benefits of the guaranty provision

must find that the assets of the bank are unquestionably adequate to meet all its obligations, a degree of proof which today cannot be met by many banks.

The pending amendment—and I want to comment on that briefly—I think rather provides, as many of the State banks must themselves walk the plank, a means of greasing the plank so that they will go off the end of the plank more easily. It provides that State banks may enter a limited bank guaranty fund. In this case it is a Government guaranty; it is not limited to the fund which is provided by the banks, but the bill provides that the Treasury of the United States shall make up the deficiency. It does levy upon the banks, State and National, that go into the fund assessments first of one half of 1 percent, with the possible addition of another one half of 1 percent. Then following for 9 additional years, if there is a shortage in the fund, one fourth of 1 percent each year may be levied upon that bank even though it is no longer a member of the fund. At the end of the year during which this temporary deposit-guaranty fund lasts, any balance remaining in the fund is turned over to the permanent guaranty fund.

A State bank may contribute its half of 1 percent or its 1 percent; the fund may be intact; and if that State bank does not see fit to go into the new and permanent guaranty fund it gets no rebate of the amount it has paid; but its contribution for insurance goes into the general fund for the benefit of those banks that either can go in or choose to go in. It seems to me to be a gross injustice to the bank which does not go in or cannot go in to take its contribution to the fund and assign it to the insurance of other banks. That is the primary objection, Mr. President, that I am making to this amendment.

I think all of the bank guaranty provisions are fundamentally unsound. I think they have been demonstrated to be so in a series of efforts in this country. The distinguished Senator from Virginia has been good-natured and has made concessions to the point of allowing guaranty provisions to be incorporated in what would otherwise have been a sound bill, just as he has conceded that the Secretary of the Treasury shall be a member of the Federal Reserve Board when he says he does not belong there. I think the distinguished Senator from Virginia has allowed his spirit of conciliation and concession to carry him beyond the welfare of the banking interests of this country. I think he should have stood by the bank bill that he worked out with such care and such skill and piloted through the last session of Congress. Therefore, Mr. President, I am going to vote against this amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Michigan.

The amendment was agreed to.

Mr. GLASS obtained the floor.

Mr. WHEELER. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from Montana?

Mr. GLASS. Certainly.

Mr. WHEELER. I have a letter from the cashier of the Basin State Bank, located in Stanford, Mont., reading at follows:

BASIN STATE BANK,
Stanford, Mont., May 19, 1933.

Hon. B. K. WHEELER,

United States Senate, Washington, D.C.

DEAR SENATOR WHEELER: According to the press, the new Glass banking bill makes provisions for a guaranty of deposits or insurance of deposits to national banks and members of the Federal Reserve banks, but makes the minimum capital of national banks, as well as State banks that become members, \$50,000 in cities of 6,000 or less.

If this bill should become a law with the above provisions, it would in a very short time put all of the small State banks out of business, for no bank could operate, as I see it, against such competition; no bank could make it in the smaller towns with \$50,000 capital, for they would not have volume enough to warrant so much money tied up in capital. I feel that the guaranty of deposits or deposit insurance is a good thing, but feel that there should be provisions so that the small banks could get in on it by allowing them to become members of the Federal Reserve, or, better still, to allow them to get in on the deposit guaranty under proper examination, but without having to increase their capital to \$50,000.

In this State there are 56 banks capitalized for \$50,000 or over and 92 that are capitalized under \$50,000, mostly \$20,000 and \$25,000.

I hope that you will use your efforts to save the small country banks that are worthy.

Yours very truly,

N. B. MATTHEWS, *Cashier.*

As I understand the Senator from Virginia, he feels that the bill would not shut out banks that are organized for less than \$50,000 in towns of 6,000 or less population from becoming members of the Federal Reserve System at the present time, or, rather, after the passage of the bill.

Mr. GLASS. No; not after the passage of the bill.

Mr. WHEELER. Let me call the Senator's attention to a paragraph which I think should be amended if that is the way the Senator feels about it. I refer to paragraph (b), on page 59, reading as follows:

(b) The tenth paragraph of section 9 of the Federal Reserve Act, as amended, is amended to read as follows:

"No applying bank shall be admitted to membership in the Federal Reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National Bank Act, as amended."

It seems to me quite clear that that language shuts out any bank that is now organized with a capital of \$25,000 from becoming a member of the Federal Reserve bank.

Mr. GLASS. No; not of \$25,000; but of \$20,000, yes.

Mr. WHEELER. And of \$25,000.

Mr. GLASS. No; I do not think so.

Mr. WHEELER. If the Senator will follow the reading of the language that is in the bill at the present time, I believe he will agree with me. The language is:

No applying bank shall be admitted to membership in a Federal Reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National Bank Act, as amended.

Mr. GLASS. "In the place where it is situated." That is to say, in a small town where, for example, a national bank has the minimum capital of \$25,000, a State bank in that same place, in order to gain membership in the Federal Reserve System, would have to have a capital of only \$25,000. If the Senator will refer to the Federal Reserve Act itself, governing the application of State banks for membership in the Federal Reserve System, he will see that they are required to have only that capitalization which is provided for national banks in towns of the same population.

Mr. WHEELER. I am simply asking the Senator for information, because I am not as familiar with it as he is, but it seems to me when we amend the prior section so as to read:

After this section, as amended, takes effect, no national banking association shall be organized with a less capital than \$100,000, except that such associations with a capital of not less than \$50,000 may be organized in any place the population of which does not exceed 6,000 inhabitants—

Then—

Mr. GLASS. That applies, if I may interrupt the Senator, to banks organized after the enactment of this bill into law and not to any existing banks.

Mr. WHEELER. But the point is that the next provision is that "no applying bank shall be admitted to membership in a Federal Reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association"; in other words, it seems to me that this section, taken in connection with the other, will require the small bank, in the town of less than 6,000 population, to increase its capital stock from \$25,000 to \$50,000 before it may become a member of the Federal Reserve bank.

Mr. GLASS. The purpose of the committee in preparing the bill was to put an applying State bank on exactly the same basis as the national bank, which is compelled to become a member, and if there be any doubt about it we shall be very glad to clarify the matter so as to meet the point the Senator is making.

Mr. WHEELER. That is the thought I had in mind, that that language should be clarified.

Mr. GLASS. Mr. President, there is another proposed amendment offered by the Senator from Vermont [Mr. AUSTIN] which I ask may be stated at this time.

The PRESIDING OFFICER. The amendment will be read for the information of the Senate.

The LEGISLATIVE CLERK. On page 69, line 12, insert the following:

Provided, That in States with a population of less than one half million, and which have no cities located therein with a population exceeding 50,000, the capital shall not be less than \$100,000.

Mr. GLASS. The committee accepts the amendment and hopes that it may be adopted.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Vermont.

The amendment was agreed to.

Mr. BULKLEY. Mr. President, there has been considerable argument as to how long a time should be permitted commercial banks engaged in the investment business to get out of that business, and banks operating affiliates conducting an investment business to separate themselves from those affiliates. The committee reported the bill granting a period of 2 years for such separation. There is no evidence to indicate that 2 years will be necessary to accomplish the separation. I accordingly offer amendments which will take effect in several places in the bill, if adopted, to reduce the period of separation from 2 years to 1 year.

The VICE PRESIDENT. The Senator from Ohio proposes certain amendments, which the clerk will report.

The LEGISLATIVE CLERK. On page 58, line 7, strike out the words "two years" and insert "one year"; the same amendment on page 10, line 14; the same amendment on page 59, line 11; the same amendment on page 66, line 8; and the same amendment on page 67, line 8.

The VICE PRESIDENT. Without objection, the amendments are agreed to. Without objection, committee amendments will now be considered, and the clerk will report the first committee amendment.

The LEGISLATIVE CLERK. The committee proposes, on page 6, line 10, after the word "stock", to insert the following:

(and any other banking institution the capital of which consists of weekly or other time deposits which are segregated from all other deposits and are regarded as capital stock for the purposes of taxation and the declaration of dividends),

So as to read:

(c) Section 9 of the Federal Reserve Act, as amended, is further amended by adding at the end thereof the following new paragraphs:

"Any mutual savings bank having no capital stock (and any other banking institution the capital of which consists of weekly or other time deposits which are segregated from all other deposits and are regarded as capital stock for the purposes of taxation and the declaration of dividends), but having surplus and undivided profits not less than the amount of capital required for the organization of a national bank in the same place, may apply for and be admitted to membership in the Federal Reserve System in the same manner and subject to the same provisions of law as State banks and trust companies, except that such savings bank shall subscribe for capital stock of the Federal Reserve bank in an amount equal to six tenths of 1 percent of its total deposit liabilities as shown by the most recent report of examination of such savings bank preceding its admission to membership."

The VICE PRESIDENT. Without objection, the amendment is agreed to. The next committee amendment will be stated.

The next amendment was, on page 10, line 17, after the word "bank", to insert "or a corporation existing on the date this paragraph takes effect engaged solely in holding the bank premises of such State member bank", so as to read:

After 2 years from the date of the enactment of the Banking Act of 1933, no certificate representing the stock of any State member bank shall represent the stock of any other corporation, except a member bank or a corporation existing on the date this paragraph takes effect engaged solely in holding the bank premises of such State member bank, nor shall the ownership, sale, or transfer of any certificate representing the stock of any such bank be

conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank.

The VICE PRESIDENT. Without objection, the amendment is agreed to. The next amendment will be stated.

The next amendment was, on page 46, after line 17, to insert the following subparagraph:

(b) The paragraph of section 13 of the Federal Reserve Act, as amended, beginning "That in addition to the powers now vested in national banking associations" is amended (effective 6 months hence) to read as follows:

"Any national banking association located and doing business in any place the population of which does not exceed 5,000 inhabitants, as shown by the last preceding decennial census, may, under such rules and regulations as may be prescribed by the Comptroller of the Currency, act as the broker or agent for others in making or procuring loans on real estate located within 100 miles of the place in which such association is located, receiving for such services a reasonable fee or commission; but no such association shall in any case guarantee either the principal or interest of any such loan."

The VICE PRESIDENT. Without objection, the amendment is agreed to.

The next amendment was, on page 59, line 14, after the word "bank", to insert "or a corporation existing on the date this paragraph takes effect engaged solely in holding the bank premises of such association", so as to read:

SEC. 18. Section 5139 of the Revised Statutes, as amended, is amended by adding at the end thereof the following new paragraph:

"After 2 years from the date of the enactment of the Banking Act of 1933, no certificate representing the stock of any such association shall represent the stock of any other corporation, except a member bank or a corporation existing on the date this paragraph takes effect engaged solely in holding the bank premises of such association, nor shall the ownership, sale, or transfer of any certificate representing the stock of any such association be conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank."

The VICE PRESIDENT. Without objection, the amendment is agreed to.

The next amendment was, on page 59, to strike out lines 24 and 25, and on page 60 to strike out in lines 1 and 2 as follows:

In all elections of directors and in deciding all questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him.

And to insert in lieu thereof the following:

In all elections of directors, each shareholder shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate such shares and give one candidate as many votes as the number of directors multiplied by the number of his shares shall equal, or to distribute them on the same principle among as many candidates as he shall think fit; and in deciding all other questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him.

So as to read:

In all elections of directors, each shareholder shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate such shares and give one candidate as many votes as the number of directors multiplied by the number of his shares shall equal, or to distribute them on the same principle among as many candidates as he shall think fit; and in deciding all other questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him; except (1) that shares of its own stock held by a national bank as sole trustee shall not be voted, and shares of its own stock held by a national bank and one or more persons as trustees may be voted by such other person or persons, as trustees, in the same manner as if he or they were the sole trustee, and (2) shares controlled by any holding-company affiliate of a national bank shall not be voted unless such holding-company affiliate shall have first obtained a voting permit as hereinafter provided, which permit is in force at the time such shares are voted. Shareholders may vote by proxies duly authorized in writing; but no officer, clerk, teller, or bookkeeper of such bank shall act as proxy; and no shareholder whose liability is past due and unpaid shall be allowed to vote.

The VICE PRESIDENT. Without objection, the amendment is agreed to.

The next amendment was, on page 81, after line 14, to insert the following new section:

SEC. 33. Nothing in this act shall be construed to prohibit a national banking association from holding stock in a corporation organized by such association to liquidate a part of its assets pursuant to the direction of the Comptroller of the Currency.

The VICE PRESIDENT. Without objection, the amendment is agreed to.

The next amendment was, on page 81, line 20, to strike out the numerals "33" and insert the numerals "34", renumbering the section.

The VICE PRESIDENT. Without objection, the amendment is agreed to. That concludes the committee amendments.

Mr. BULKLEY. Mr. President, I send to the desk a minor technical amendment.

The VICE PRESIDENT. The amendment will be reported.

The CHIEF CLERK. The Senator from Ohio proposes, on page 48, line 25, to strike out the word "unconditionally" so as to read:

No member bank shall, directly or indirectly by any device whatsoever, pay any interest on any deposit which is payable on demand.

The VICE PRESIDENT. Without objection, the amendment is agreed to.

Mr. BULKLEY. I offer another amendment for the purpose of clarification.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 29, line 9, strike out the words "the amount by which", and in line 10 strike out the words "does not exceed" and insert in lieu thereof "not exceeding", so as to make the sentence read:

One hundred percent of such net amount not exceeding \$10,000.

The VICE PRESIDENT. Without objection, the amendment is agreed to.

Mr. McKELLAR. Mr. President, I offer an amendment at this point.

The VICE PRESIDENT. The Senator from Tennessee offers an amendment, which will be stated.

The CHIEF CLERK. On page 49, line 1, after the word "prohibiting", strike out all the remainder of the proviso and insert in lieu thereof the following:

money from being deposited as Postal Savings or from drawing interest as now provided by law or in any manner repealing or modifying the present law governing the receipt by the Government of Postal Savings and their management and control.

So as to read:

No member bank shall, directly or indirectly by any device whatsoever, pay any interest on any deposit which is payable unconditionally on demand: *Provided*, That nothing herein contained shall be construed as prohibiting money from being deposited as Postal Savings or from drawing interest as now provided by law or in any manner repealing or modifying the present law governing the receipt by the Government of Postal Savings and their management and control.

Mr. McKELLAR. Mr. President, this subsection and subsection (c) on the same page provide virtually for the destruction of the Postal Savings System. That System has been in effect many years and has been a wonderful work. I know there are cities in Tennessee and I think all over the country where the Postal Savings bank has been largely the one bank that has remained open. I know of at least two places in my State where for quite a while had it not been for the Postal Savings there would have been no money in those two cities.

The provision contained in the bill has been reported from the Banking and Currency Committee without any consultation with the Committee on Post Offices and Post Roads and without any consultation with the Post Office Department, without asking whether it was favored by that Department or not. The purpose of the amendment which I have just tendered, and one which I shall offer when this is disposed of, is to correct that situation.

In this connection, I want to read to the Senate, and I hope they will listen to it—it is not long—a letter from the Post Office Department which discusses this proposal.

It is a letter addressed to me by the Third Assistant Postmaster General:

POST OFFICE DEPARTMENT,
DIVISION OF POSTAL SAVINGS,
May 23, 1933.

HON. KENNETH MCKELLAR,
United States Senate.

MY DEAR SENATOR MCKELLAR: The so-called "Glass bill" (S. 1631), has been read with a great deal of satisfaction. However, paragraphs (b) and (c) of section 11, affecting Postal Savings, give me so much concern that I feel constrained to call your attention to the far-reaching effects of the section referred to from the Postal Savings standpoint.

Postal Savings deposits are evidenced by Postal Savings certificates of deposit in denominations of \$1, \$2, \$5, \$10, \$20, \$50, \$100, \$200, and \$500, samples attached hereto.

For the benefit of those who are interested in the RECORD, I desire to have printed in the RECORD at this point the samples which I send to the desk.

The VICE PRESIDENT. Without objection, it is so ordered.

The samples are as follows:

POST OFFICE DEPARTMENT
POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT
(Act of June 25, 1910)

Specimen	A 00000
(Depository office)	(Serial number)
(Name of depositor)	(Date of issue)
(Account number)	(Date when interest begins)

ONE DOLLAR

This certifies that the sum of one dollar has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLISON,
Postmaster General.

Not transferable
Not negotiable

Series of 1917

INDORSEMENT

The depositor must not indorse this certificate until it is presented at the post office for payment.

INFORMATION FOR DEPOSITOR

1. Before accepting this certificate the depositor must see that the amount for which it is issued is correct.
2. If this certificate is lost, the depositor should immediately notify the postmaster at the post office where issued.
3. Certificates begin to draw interest from the first day of the month following the month in which issued.
4. The postmaster will stamp in the spaces below the dates on which annual interest payments are made, deferred payments covering two or more years to be stamped separately in the spaces provided for the several years.

Number of years	Total accrued interest	Interest accruing annually	Dates of annual interest payments of two cents each
1	\$0.02	\$0.02	
2	0.04	0.02	
3	0.06	0.02	
4	0.08	0.02	
5	0.10	0.02	
6	0.12	0.02	
7	0.14	0.02	
8	0.16	0.02	
9	0.18	0.02	
10	0.20	0.02	

POST OFFICE DEPARTMENT
POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT
(Act of June 25, 1910)

Specimen	B 00000
(Depository office)	(Serial number)
(Name of depositor)	(Date of issue)
(Account number)	(Date when interest begins)

TWO DOLLARS

This certifies that the sum of two dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two per cent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLISON,
Postmaster General.

Not transferable
Not negotiable

Series of 1917

POST OFFICE DEPARTMENT
POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT
(Act of June 25, 1910)

Specimen	C 00000
(Depository office)	(Serial number)
(Name of depositor)	(Date of issue)
(Account number)	(Date when interest begins)

FIVE DOLLARS

This certifies that the sum of five dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLISON,
Postmaster General.

Not transferable
Not negotiable

Series of 1917

POST OFFICE DEPARTMENT
POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT
(Act of June 25, 1910)

Specimen	D 00000
(Depository office)	(Serial number)
(Name of depositor)	(Date of issue)
(Account number)	(Date when interest begins)

TEN DOLLARS

This certifies that the sum of ten dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLISON,
Postmaster General.

Not transferable
Not negotiable

Series of 1917

POST OFFICE DEPARTMENT
POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT
(Act of June 25, 1910)

Specimen	E 00000
(Depository office)	(Serial number)
(Name of depositor)	(Date of issue)
(Account number)	(Date when interest begins)

TWENTY DOLLARS

This certifies that the sum of twenty dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLISON,
Postmaster General.

Not transferable
Not negotiable

Series of 1917

POST OFFICE DEPARTMENT
POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT
(Act of June 25, 1910)

Specimen F 00000

(Depository office) (Serial number)

(Name of depositor) (Date of issue)

(Account number) (Date when interest begins)

FIFTY DOLLARS

This certifies that the sum of fifty dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLESON,
Postmaster General.

Not transferable
Not negotiable

Series of 1917

POST OFFICE DEPARTMENT
POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT
(Act of June 25, 1910)

Specimen G 00000

(Depository office) (Serial number)

(Name of depositor) (Date of issue)

(Account number) (Date when interest begins)

ONE HUNDRED DOLLARS

This certifies that the sum of one hundred dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLESON,
Postmaster General.

Not transferable
Not negotiable

Series of 1917

POST OFFICE DEPARTMENT
POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT
(Act of June 25, 1910)

Specimen H 00000

(Depository office) (Serial number)

(Name of depositor) (Date of issue)

(Account number) (Date when interest begins)

TWO HUNDRED DOLLARS

This certifies that the sum of two hundred dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLESON,
Postmaster General.

Not transferable
Not negotiable

Series of 1917

POST OFFICE DEPARTMENT
POSTAL SAVINGS SYSTEM

The faith of the United States of America is solemnly pledged to the payment of deposits with accrued interest.

CERTIFICATE OF DEPOSIT
(Act of June 25, 1910)

Specimen I 00000

(Depository office) (Serial number)

(Name of depositor) (Date of issue)

(Account number) (Date when interest begins)

FIVE HUNDRED DOLLARS

This certifies that the sum of five hundred dollars has been deposited with the Postal Savings System and will be payable to the depositor at the above-named depository office with interest at the rate of two percent per annum, payable annually on the presentation of this certificate properly indorsed.

A. S. BURLESON,
Postmaster General.

Not transferable
Not negotiable

Series of 1917

Mr. McKELLAR. I continue reading from the letter:

These certificates are payable on demand and bear interest at the rate of 2 percent per annum from the first day of the month next succeeding the date of deposit. However, the regulations have been amended to permit quarterly payment of interest when a certificate is surrendered for the full amount of the principal.

Postal Savings funds received at depository post offices are, in accordance with the act, deposited in local qualified banks substantially in proportion to the capital and surplus of the banks willing to qualify under the terms of the act. Funds deposited in qualified banks bear interest at the rate of 2½ percent per annum, which is debited on the banks' reports as of January 1 and July 1 of each year. The deposits in banks, together with investments in Government bonds, yielded a gross profit to the Government for the fiscal year 1932 of \$4,255,326.65, from which were paid the operating expenses of the System, leaving a net profit of \$1,023,901.77.

Section 8 of the organic Postal Savings Act, approved June 25, 1910, specifically states: "That any depositor may withdraw the whole or any part of the funds deposited to his or her credit, with the accrued interest, upon demand * * *." The Glass bill provides that "No deposit shall be made with any Postal Savings depository for a period of less than 60 days, and no depositor may withdraw the whole or any part of the funds deposited to his or her credit, or the accrued interest thereon, at any time prior to the expiration of 60 days after the funds sought to be withdrawn were deposited. Any funds not withdrawn at the expiration of the period for which they were deposited shall be deemed to be redeposited for a period of 60 days; and all funds deposited with any Postal Savings depository on the date this section, as amended, takes effect, shall be deemed to be deposited on such date for a period of 60 days. All withdrawals shall be made under such regulations, not inconsistent with this act, as the Postmaster General may prescribe."

Our present system of evidencing deposits by certificates, rather than by passbooks, is not adaptable to such restrictions. A deposit of \$2,500, the maximum amount permitted to the credit of an individual depositor, might easily be evidenced by dozens of certificates, embracing denominations of \$1, \$2, \$5, \$10, \$20, \$50, \$100, \$200, and \$500, all having different interest dates. In other words, not the entire deposit of a depositor would be subject to the 60-day limitation as a lump, but the minutiae of which it is composed. The restriction on withdrawals would be an endless embarrassment to 2,235,000 depositors; would greatly increase field expenditure and departmental overhead; and, consequently, run counter to the economic program of the administration.

The bill's annoying, artificial restrictions on withdrawals provide that on the day the bill becomes effective all deposits shall be deemed to have been deposited for a period of 60 days; that is, approximately \$1,200,000,000 will be automatically tied up for 2 months—the small savings of 2,255,000 citizens placed beyond their reach for that period. These people hold evidence of their deposits in the form of Postal Savings certificates on each of which is engraved the assurance that the faith of the United States of America is solemnly pledged to repayment on demand. Many of these people, with ample justification, no longer had confidence in established banking institutions. They turned to the facilities their Government offered. In normal times the Postal Savings System offers little attraction other than safety and the assurance of prompt repayment. For more than 20 years the 2-percent interest rate has been admittedly noncompetitive. If Congress demands that the pledge of repayment on demand be ignored and hedges the System about with hindrances whose only apparent function is to lessen the System's usefulness, the inescapable result will be that when, 60 days after the bill becomes effective, deposits are again accessible to the owners there will be an immediate demand to withdraw. There is a question whether local banks will be able to pay over their Postal Savings holdings and meet these demands. There is also the question whether any part of the funds withdrawn will be deposited in banks or whether all will go into hiding.

Section 9 of the Postal Savings Act, as amended May 18, 1916, provides "that Postal Savings funds received under the provisions of this act shall be deposited in solvent banks, whether organized under National or State laws, and whether member banks or not of the Federal Reserve System established by the act approved December 23, 1913, being subject to National or State supervision and examination, and the sums deposited shall bear interest at the rate of not less than 2½ percent per annum, which rate shall be uniform throughout the United States and Territories thereof; but 5 percent of such funds shall be withdrawn by the board of trustees and kept with the Treasurer of the United States, who shall be treasurer of the board of trustees, in lawful money as a reserve * * *. Such funds may be withdrawn from the treasurer of said board of trustees, and all other Postal Savings funds, or any part of such funds, may be at any time withdrawn from the banks and savings depository offices for the repayment of Postal Savings depositors when required for that purpose * * *. When, in the judgment of the President, the general welfare and interests of the United States so require, the board of trustees may invest all or part of the Postal Savings funds, except the reserve fund of 5 percent herein provided for, in bonds or other securities of the United States * * *."

The Glass bill provides that, "No member bank shall, directly or indirectly by any device whatsoever, pay any interest on any deposit which is payable unconditionally on demand * * *. Postal Savings deposits in banks, although considered by the Fed-

eral Reserve System as time deposits in computing reserves for member banks, are essentially demand deposits. To insure an operating revenue, the Postal Savings System being a self-supporting institution, it would be necessary to withdraw all Postal Savings deposits now in member banks and to deposit such funds in nonmember banks or invest them in Government bonds—a feature not in harmony with the apparent intent of the proposed legislation.

I call especial attention to the last three paragraphs, which set forth the position just exactly as it is:

The Postal Savings System acts as a magnet for secreted money putting the funds drawn from every known way of ingenious hiding to work for the benefit of 2,255,000 depositors, of 5,470 banks qualified to receive the funds of the System, and of national finance. The beneficiaries named all have their interests conserved by a system of checks and balances prescribed by existing Postal Savings law. To disturb this balance—give to any beneficiary special preferment—would be lamentably unfortunate. Every extreme proposal, when analyzed, whether that of making the Government enter the field of pure banking, or on the contrary, that of fettering the Postal Savings System, means a greatly increased governmental personnel and, hence, a financial outlay wholly inconsistent and inharmonious with the economy program of the administration.

To lay the ills of the banking world at the doors of the Postal Savings System is unwarranted. Had it not been for the Postal Savings System this country would have been honeycombed with hidden money. It is fundamental, absolutely so, that the Government must not compete with established banking institutions. It should be equally fundamental that banks should not insist on restrictions at variance with the true purpose of the Service. Extremes, in other words, must be avoided that the fullest cooperation may follow. It is believed that the proposed legislation is a revolutionary departure from the basic principle of postal savings in this country.

Legislation affecting the Postal Savings System should be formulated in a special bill giving spokesmen for the System, not merely spokesmen for organized opposition, opportunity to be heard prior to its passage.

Very truly yours,

CLINTON B. EILENEERGER,
Third Assistant Postmaster General.

Mr. President, I want to endorse that letter. Here is the Postal System, which has grown up through many years of experience. It has worked splendidly. The people have confidence in it. There is no one who does not have confidence in the Postal Savings banks. The small depositor knows that he can put his money there and that he can get it out.

To illustrate, a short time ago in one of the cities of my State all the banks failed and the Postal Savings accounts, of course, were tremendously increased. The System afforded practically the only money that they had. It ought not to be destroyed in this way. The Post Office Committee never has had the matter brought to its attention at all. There may be reasons for the destruction of the System; there may be reasons why we should do away with it; but they have not been presented. This bill absolutely destroys, or will destroy, the Postal Savings System, and I do not think it ought to be done, and I hope the Senate will adopt the amendment I have offered to prevent its destruction.

Mr. BULKLEY. Mr. President, the committee has had no purpose to destroy the Postal Savings System. The Postal Savings System gives depositors the benefit of the Government responsibility for their deposits. At the same time it permits them to have deposits withdrawn upon demand, and to receive interest upon those deposits.

It is true that the rate of interest paid has been low enough so that the System has been substantially noncompetitive. The bill which is now being considered prohibits commercial banks' paying any interest whatever on demand deposits. That being so, any interest paid on demand deposits by the Postal Savings System would be an unduly competitive rate. The committee has sought to remedy this by prohibiting the Postal Savings System from having any deposits withdrawable on demand.

The Senator from Tennessee has read a letter from the Third Assistant Postmaster General, which has come to him just this morning, suggesting some technical criticisms as to the method which the committee has proposed in the pending bill. I am impressed with the merit of some of the criticisms. There is not time here to consider and work out an amendment to the paragraph that is in the bill. I think I can safely assure the Senator from Tennessee that

the matter can be given proper attention in conference, so that the technical difficulties can be adequately and satisfactorily met.

The amendment that is proposed by the Senator from Tennessee, however, not only perpetuates the injustice of Government competition with banks, but accentuates it. He would give the depositors in the Postal Savings System not only a Government guaranty of their deposits but the right to draw interest on demand deposits, which commercial banks are by this bill prohibited from paying.

I hope the amendment will be rejected.

Mr. McKELLAR. Mr. President, just one word before we vote on the matter. I want to show the Senate what the provision recommended by the committee does to the Postal Savings System. It does not do anything but take a rapier and plunge it into the System and draw it around and absolutely disembowel the whole System. That is all it does to it. It is just like cutting the throat of an animal. If you cut the throat of a cat with a knife, you do not hurt the cat, except to cut its throat is to destroy it. That is all you do.

Mr. JOHNSON. Mr. President, will the Senator yield?

Mr. McKELLAR. Yes; I yield.

Mr. JOHNSON. Will the Senator do me the kindness to call attention to the particular provision to which he adverts?

Mr. McKELLAR. Yes. Turn to the bottom of page 48, line 23. I shall be very happy to explain just exactly what it means.

No member bank shall, directly or indirectly, by any device whatsoever, pay any interest on any deposit which is payable unconditionally on demand:

Of that I have no complaint; but here is a proviso about which I have very great complaint, and this is the crux of the situation:

Provided, That nothing herein contained shall be construed as prohibiting the payment of interest in accordance with the terms of any certificate of deposit or other contract heretofore entered into in good faith which is in force on the date of the enactment of this paragraph; but no such certificate of deposit or other contract shall be renewed or extended unless it shall be modified to conform to this paragraph, and every member bank shall take such action as may be necessary to conform to this paragraph as soon as possible consistently with its contractual obligations.

That means that many millions of obligations are out, such as those that I put in the Record a moment ago. The Government issues a certificate to a man who comes and deposits with the Post Office Department \$50 or \$100 or \$500. That is the limit of the deposit; but the Government issues an agreement. All this provision means is that it would not apply to those agreements that are already out; but that when those are taken in, there shall be no more agreements like them.

Now I call the Senator's attention to line 22, on page 49, at the bottom of the page. That also refers to this matter:

(c) Section 8 of the act entitled "An act to establish Postal Savings depositories for depositing savings at interest with the security of the Government for repayment thereof, and for other purposes", approved June 25, 1910, as amended—

I stop here long enough to say that this bill is from the Banking and Currency Committee. The Postal Savings System had its beginning in the Post Office Committee, and it seems to me the Post Office Committee ought at least to have been advised with before assuming authority to repeal these laws. But I read on, to give what the proposed change is—is amended by striking out the first sentence thereof and inserting in lieu thereof the following:

Now, get the language:

No deposit shall be made with any Postal Savings depository for a period of less than 60 days, and no depositor may withdraw the whole or any part of the funds deposited to his or her credit, or the accrued interest thereon, at any time prior to the expiration of 60 days after the funds sought to be withdrawn were deposited. Any funds not withdrawn at the expiration of the period for which they were deposited shall be deemed to be redeposited for a period of 60 days; and all funds deposited with any Postal Savings depository on the date this section, as amended, takes effect, shall be deemed to be deposited on such date for a period of 60 days. All withdrawals shall be made under such regulations, not inconsistent with this act, as the Postmaster General may prescribe.

That means that the Postal Savings bank, as we understand it now, is no more. We cannot pay interest on postal deposits. As it is now, the Government makes money by the transactions. It pays 2 percent on postal deposits; it receives from the depository banks $2\frac{1}{2}$ percent. The gross profit is about \$4,500,000 annually, and the net profit is more than a million dollars, after paying all expenses. It is a source of profit to the Government—one of the few things in the Post Office Department where the Government is making a profit.

As we all know, the Post Office Department itself is away behind. This is one function of the Department that is making money. Why should we repeal the act at such a time as this, when it is absolutely necessary for poor people, people of small means, people who have not learned how to avoid income taxes—if I may use the illustration—and who can put their money with the Government in the Postal Savings bank, and draw it out when they desire, and receive a small interest rate on it, knowing that their money will always be there?

Mr. BRATTON. Mr. President—

The VICE PRESIDENT. Does the Senator from Tennessee yield to the Senator from New Mexico?

Mr. McKELLAR. I yield to the Senator.

Mr. BRATTON. Mr. President, I do not know whether I understand this provision correctly. I desire, therefore, to direct a question to the Senator from Tennessee.

Mr. McKELLAR. Mr. President, I want to say to the Senator at the very outset that it is so marvelously drawn that I do not think anybody knows absolutely what it means. But it does mean this, it means a proposed destruction, the first great step in the destruction of the Postal Savings System. That is what it means.

Mr. BRATTON. Mr. President, the first sentence in the provision is:

No deposit shall be made with any Postal Savings depository for a period of less than 60 days, and no depositor may withdraw the whole or any part of the funds deposited to his or her credit, or the accrued interest thereon, at any time prior to the expiration of 60 days after the funds sought to be withdrawn were deposited.

The next sentence provides that—

Any funds not withdrawn at the expiration of the period for which they were deposited shall be deemed to be redeposited for a period of 60 days.

Does the Senator understand that under that provision a deposit must be drawn on the sixtieth day, or else it is automatically redeposited for another period of 60 days, during which period it cannot be withdrawn, so that the only right the depositor has is to withdraw the funds on the sixtieth day?

Mr. McKELLAR. If language means anything, the Senator is exactly correct about it. That is what I understand from it.

Mr. BRATTON. If it is redeposited, it is for another period of 60 days, during which the depositor cannot withdraw it.

Mr. McKELLAR. And cannot get interest.

Mr. BRATTON. So that once every 60 days—that is to say, on the sixtieth day—the depositor has the right to withdraw that money, but not between times.

Mr. McKELLAR. As I understand the language, that is what it means.

Mr. BRATTON. And it operates automatically.

Mr. McKELLAR. And, of course, no person would deposit his funds under any such condition.

Mr. BRATTON. Do those in charge of the measure understand it to operate in that manner?

Mr. BULKLEY. That is correct, with the exception of the misinterpretation of the Senator from Tennessee with respect to the prohibition of the payment of interest. It does not prohibit the payment of interest or change it.

Mr. McKELLAR. The preceding provision rejects interest, of course.

Mr. BULKLEY. No; there is nothing about interest in it at all.

Mr. McKELLAR. I beg the Senator's pardon.

Mr. BRATTON. Is it the intention of those in charge of the bill to require a depositor to be at the post office exactly on the sixtieth day, else his deposit is automatically redeposited for another period of 60 days, during which it cannot be withdrawn?

Mr. BULKLEY. I will say frankly to the Senator that the purpose of the authors of the bill was to prevent the acceptance of demand deposits by the postal depositories. If the Senator feels that that has not been effectively accomplished, or if it could be accomplished in a way that would be more convenient to the depositor, the committee would have no objection to listening to the Senator's suggestion, but we cannot prohibit commercial banks from paying interest on demand deposits, and, at the same time, permit the Postal Savings bank to continue to pay such interest.

Mr. BRATTON. It seems to me that it is a cumbersome and onerous system to provide that the money shall be automatically redeposited on the sixtieth day for another period of 60 days. If the depositor is not there at the window on the sixtieth day, if he is ill, if he is out of town, if he is incapacitated and cannot withdraw his money on that day, his money is redeposited for another 60-day period. That is onerous.

Mr. BULKLEY. Mr. President, I think there is much force in what the Senator says, and I am sure the committee would not oppose an amendment making it easier for the depositors.

Mr. McKELLAR. Mr. President, the Senator said that nothing was said about a prohibition of interest. Listen to this language. I do not know what it means—

Mr. BULKLEY. I accept the Senator's statement that he does not know what it means.

Mr. McKELLAR. And I do not believe the author knew what it meant when the language was put in here, because he has already stated—

Mr. GLASS. The Senator should confine his criticism to himself, and not direct it to those who prepared the bill.

Mr. McKELLAR. I am not the author of the bill. I read from the bill:

That nothing herein contained shall be construed as prohibiting the payment of interest in accordance with the terms of any certificate of deposit or other contract heretofore entered into in good faith which is in force on the date of the enactment of this paragraph.

Nothing there would prevent the payment of interest on contracts heretofore made; that is, deposits heretofore made in the Government post offices.

Mr. GLASS. Is not that simple enough?

Mr. McKELLAR. Just one minute.

Mr. GLASS. Is not that simple enough?

Mr. McKELLAR. That applies to those already made.

Mr. GLASS. Yes; it does.

Mr. McKELLAR. This is what it says about those to be made hereafter:

But no such certificate of deposit or other contract shall be renewed or extended unless it shall be modified to conform to this paragraph, and every member bank shall take such action as may be necessary to conform to this paragraph as soon as possible, consistently with its contractual obligations.

What does that mean?

Mr. GLASS. If the Senator will just give us an opportunity to tell the Senate what it means, there will not be any trouble in the world in telling him what it means.

The VICE PRESIDENT. The question is on agreeing to the amendment.

Mr. GLASS. Mr. President, the Committee on Banking and Currency of the Senate dealt with this question of the payment of interest on demand deposits, because it ascertained, upon inquiry, that it had gotten to be a dangerous vice in the banking system of this country, and we did not find it necessary to confer with the Senator from Tennessee or with the Post Office Department to enlighten us on that problem. In other words, the payment of interest on demand deposits, a system viciously and partially administered, particularly in the great money centers of the country, had

resulted in withdrawing from the interior country banks of the United States millions upon millions of dollars to the money centers, to be cast into the maelstrom of stock gambling, and we wanted to put a stop to that.

Mr. President, it was ascertained that over a period of 6 years last past the average interest paid on demand deposits by the banks of the Federal Reserve System alone aggregated \$230,000,000, and in 1929 that interest amounted to \$259,000,000. So that it was a magnet for all the surplus funds of every country bank in the United States, to draw these funds to the money centers for speculative purposes.

Moreover, it is a system that is subject to maladministration. As I have already stated to the Senate, the average banker, particularly the average country banker, meaning those bankers outside of the central reserve and reserve cities, has what he calls his standard rate of interest, and he utterly disregards the law of supply and demand. If he has an abundance of currency and credit on his books, which would enable him to be generous, certainly liberal and fair, to the tradesmen, the business men, the industries of his own community, he never departs from his standard rate of interest, he never lends them at a lower rediscount rate, but he would rather take his money, his surplus funds, and bundle them off to New York or Chicago, to be loaned on demand, even at a nominal rate, formerly 2 percent, now one and a half percent, than to grant a single, solitary concession to the business men of his own community, or to the industries of his own community, in order to stimulate and expand the business of that community, his very foolish contention being that, once departing from his standard rate of interest, which is always the limit of the law, he could not return to it. But, of course, he could return to it, under the very same logic that induced him to depart from it.

Mr. NORRIS. Mr. President—

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Nebraska?

Mr. GLASS. I yield.

Mr. NORRIS. I feel in sympathy with the proposition of preventing the banks from paying interest on demand deposits, but I am wondering whether, under the pending bill, they would not be able to evade the law by lending it on a very short time, making a time deposit of it, maybe of 2 days, renewing it from time to time.

Mr. GLASS. A 2-day deposit is not a time deposit. There is a well-defined meaning, in banking processes, of "time deposit", as distinguished from "demand deposit."

Mr. NORRIS. I understand that; but is there any well-defined meaning as to the exact limit?

Mr. GLASS. Only by practice.

Mr. NORRIS. Would it not be well to define that in the law?

Mr. GLASS. I do not think we well could. I will say to the Senator from Nebraska that if he will examine his bank certificates, judging Nebraska by Virginia, he will find printed on the face of them a statement that, "This deposit will bear 3-percent interest if left with the bank for a period of 4 months, or 4 percent interest if left a longer period." That is the practice.

Mr. NORRIS. I want to ask the Senator, if he will permit, in connection with the illustration he has just used, this question: Suppose that certificate which says on its face that one would be entitled to 3-percent interest if it were left 4 months, and 4-percent interest if left 6 months, is left 2 months. What would the construction be?

Mr. GLASS. Interest could not be demanded in 2 months.

Mr. NORRIS. The certificate says that it will draw 3 percent if left 4 months, but it does not follow that the depositor would have to leave it 4 months, does it?

Mr. GLASS. Under the laws of the various States, a time deposit is a time deposit, and the banker is entitled to a given number of months for notice.

Mr. NORRIS. But the certificate does not state any specific time.

Mr. GLASS. The law of the State does.

Mr. NORRIS. The depositor would not get interest, then?

Mr. GLASS. No.

Mr. NORRIS. It would be up to the depositor to say whether he would leave it for 2 months, or 3 months, or 6 months.

Mr. GLASS. If he should withdraw it in less than 3 months, he would not get interest at all. We undertook, for various reasons, some of which I have already enumerated, to put a stop to this vice of withdrawing the money of country banks for speculative purposes and uses in the money centers. If we were to permit interest on demand deposits in the Postal Savings System, that would be unfair to the commercial banks to which we are denying the right to pay interest on demand deposits. It would divert thousands of dollars of deposits from commercial banks to the Postal Savings banks.

Mr. NORRIS. Mr. President, I should like to ask the Senator a question about that. I have always felt that I was a friend of the Postal Savings Bank System; I feel that way yet; but I do not see any fair reason for objecting to the same kind of a time limit being applied to Postal Savings banks that is to be applied to the commercial banks.

Mr. GLASS. That is precisely what we propose to do in this bill; in other words, the Postal Savings bank is not permitted to receive a demand deposit. If money be deposited there it has to stay there for 60 days if it is going to draw any interest.

Mr. NORRIS. It could be deposited there and taken out the next day, could it not, except that it would not draw any interest?

Mr. GLASS. No; it could not be so deposited, because that would be a demand deposit.

Mr. NORRIS. As I see it, then, the Senator is proposing to apply a different rule to the Postal Savings bank to that which he proposes to apply to commercial banks?

Mr. GLASS. No.

Mr. NORRIS. Take the Senator's own illustration. A certificate of deposit provides that a certain sum of money, if it remains in the bank for 3 months, will draw 2 percent interest.

Mr. GLASS. Yes; but if it does not remain there that long, it will not draw any interest.

Mr. NORRIS. Exactly. Then it is really a demand deposit, is it not? The depositor can say whether it shall be a time deposit or a demand deposit.

Mr. GLASS. No; under the laws of the various States the depositors must give, in some instances, 60 days' notice and in others they must give 90 days' notice before they can withdraw a deposit at all.

Mr. NORRIS. If under the same kind of certificate—I would not quarrel with anyone as to what its form should be—in the case of the Postal Savings System it could be provided, as in the case of the commercial-bank certificate, that the deposit shall draw 2 percent interest if left for 60 days, and stop at that, as is done in the other case, I would have no objection. It seems to me that would be fair.

Mr. GLASS. We do not deal with certificates in the pending bill. It does not make any difference whether there is a certificate or not.

Mr. LONG. Mr. President—

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Louisiana?

Mr. GLASS. I yield to the Senator.

Mr. LONG. I just wish to say to the Senator from Nebraska that while the banks may voluntarily permit withdrawals of deposits before the prescribed time limit, under the laws of all the States, they are not susceptible of being withdrawn until the time limit expires.

Mr. NORRIS. Let us take this illustration. A certificate is issued which provides that if the money is left for 3 months it will draw 2 percent interest. Suppose the holder of that certificate goes in at the end of 2 months, is he not entitled to withdraw his deposit?

Mr. LONG. No, sir; he is not entitled to it.

Mr. NORRIS. Then the certificate on its face is a falsehood.

Mr. LONG. I want to explain that he is not entitled to his money until the time limit runs out. It is true that a number of banks have allowed depositors to withdraw money when they desire to do so by waiving all interest up to date. That, however, was a privilege that the bank might have allowed or not allowed.

Mr. NORRIS. Is it in the certificate?

Mr. LONG. No.

Mr. NORRIS. Take such a certificate as that to which the Senator from Virginia has referred. Take one with that wording—

Mr. GLASS. It is in the nature of a contract.

Mr. NORRIS. Exactly.

Mr. LONG. It is a contract.

Mr. NORRIS. It does not interfere with it being a contract if the depositor is left the right to get his money at any time.

Mr. LONG. Mr. President, will the Senator from Virginia yield to me further?

The VICE PRESIDENT. Does the Senator from Virginia yield further to the Senator from Louisiana?

Mr. GLASS. I yield.

Mr. LONG. The point is if we allow the Postal Savings banks to permit withdrawals at any time we will be giving those banks a distinct preference over the banks that are in commercial business, because they enter into a contract that if a man puts his money in the bank for 60 days or for 90 days he may draw 2-percent interest on it. If he goes to the bank and the bank wants to break that contract it can do so; it can absolve itself from that or any other contract, but, unless the two parties do agree to break the contract, the depositor cannot withdraw his money until the time runs out.

Mr. NORRIS. If the Senator will permit another interruption there, the Senator having stated the case that the Senator from Virginia stated, if one makes a contract and gets a certificate that says that the money deposited is to stay in the bank for 3 months and draw 2-percent interest, that is a contract; it cannot be drawn out before that time; but that is not the certificate I have been talking about and that is not the certificate the Senator from Virginia gave as an illustration. The certificate to which he referred says on its face, "If you leave this money here 3 months, you will get 2-percent interest on it." It follows, as a natural consequence, that the depositor does not have to leave it there 3 months.

Mr. GLASS. The law of the State of Virginia provides distinctly that the depositor must give 90 days' notice before he may withdraw.

Mr. NORRIS. That is all right.

Mr. GLASS. That is all there is to it.

Mr. NORRIS. There can be a State law, I concede, that can provide that the depositor cannot draw money out by a check without giving notice; that would be legal; but here is the case of the construction of a contract, and the contract says, "If you leave this money here for 60 days, you will get so much interest, and if you do not leave it here that long, you do not get any"; but one can get the money any time he wants to under that kind of a contract.

Mr. GLASS. Mr. President, if I may proceed now, just for a few minutes more, I have undertaken to explain to the Senate, particularly for the information of the Senator from Tennessee, just why the Banking and Currency Committee felt that it had jurisdiction of the subject of the payment of interest on demand deposits of banks whether they were commercial banks or whether they were Postal Savings banks.

I think it is a conservative estimate to say that two thirds of the letters received by the Banking and Currency Committee about the provisions of this bank bill were in protest against paying any interest at all by Postal Savings banks.

The assertion has been made over and over again, and I think with full justification, that the Postal Savings Bank System, under the guise of being a Government system, and

under the guise of receiving interest from the Government of the United States, has largely undermined the commercial and the savings-bank systems of this country. The Government does not pay a tithe of this interest; the statement that it does is a fraud and a pretense. It receives these deposits; it deposits them in commercial banks, I think exclusively in national banks, and the deposits thus made by the Government in the national banks are embraced in the funds sent forward for stock speculative purposes at the money centers.

Mr. BULKLEY. Mr. President, may I remind the Senator also that when the Post Office Department deposits these funds with the banks they require security, to the detriment of other depositors of those banks?

Mr. GLASS. Exactly; so that, in the view of most people who have criticized the bill, we ought to have prohibited altogether the payment of interest by Postal Savings banks. My distinguished colleague from Ohio, who was charged especially with drafting that feature of the bill, undertook to avoid that absolute prohibition by providing that there should be no demand deposits in the Postal Savings banks. To indicate that other members of the Senate have received the same sort of protests as the Banking and Currency Committee has received, I may state that, of the seven amendments proposed to this bill which are printed and on my desk, four of them are to prohibit the payment of any interest by Postal Savings banks.

Mr. NORRIS. Mr. President—

Mr. GLASS. I yield to the Senator from Nebraska.

Mr. NORRIS. The Senator is speaking of protests received. I should like to ask the Senator if it is not true that the protests which have come to the Senator—and they have come to me also—against the payment of any interest by the Postal Savings System do not come entirely from bankers who have a direct interest in the result of this proposed legislation?

Mr. GLASS. They do not.

Mr. NORRIS. Well, mine do.

Mr. GLASS. And of the 4 or 5 provisions offered here by Senators prohibiting the payment of interest on postal savings, I think I may actually say that not one of these Senators is a banker or was ever in the banking business.

Mr. DILL. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Washington?

Mr. GLASS. I yield.

Mr. DILL. Do I understand that the effect of this amendment will be that men and women can no longer put money in the Postal Savings banks as they now do and get certificates and draw the money out at any time under 60 days? Is that the effect of it?

Mr. GLASS. Yes.

Mr. DILL. Then it is proposed to put everybody in the position of not being able to draw out the money in less than that period?

Mr. GLASS. Just as if the Senator were to put his money in a savings bank in the State of Virginia, he could not draw it out without notice for 90 days.

Mr. DILL. I have here, for instance, a small certificate which entitles me to draw out money any time I want to draw it out. That puts me to the trouble of going to a Postal Savings bank to get any of the money. Now, it is proposed by this amendment to make it impossible to get the money out except on 60 days' notice. Is that correct?

Mr. GLASS. Yes.

Mr. DILL. I have an amendment to make it possible to check on these accounts, so that the depositor will not even have to go to the bank to get his money. That is how far apart I stand from the Senator from Virginia's position.

Mr. GLASS. That is pretty far apart.

Mr. DILL. It certainly is.

Mr. GLASS. It is a question for the Senate to determine if the Government is going into the checking business. That is a different proposition; but I do not think the Government ought to go into the bank checking business.

Mr. LONG. Mr. President—

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Louisiana?

Mr. GLASS. I yield.

Mr. LONG. I want to say to the Senator from Nebraska, more than to the Senator from Virginia, that there is not any difference in the laws of the States, I think, with regard to time limit on withdrawals of deposits; it is a universal law. I think the same law will be found to exist in Nebraska. Time deposits in any of the States, I do not care how the certificate may read, cannot be withdrawn, unless the bank consents to it, except upon notice of 60 days or 90 days, as the case may be. That is the universal law.

Mr. WHEELER. Mr. President, banks do not put that in operation.

Mr. LONG. Oh, yes; they do.

Mr. WHEELER. I beg to differ with the Senator, because I have deposited some money in that way myself, and I have been able to draw it out and the banks are willing to do it.

Mr. LONG. Unless they give you notice that they are not willing.

Mr. WHEELER. Yes; but in ordinary circumstances they let the depositor draw it out.

Mr. LONG. That may be true, but the facts are, none the less, that if the bank wishes to break the contract, all well and good; but if the bank does not wish to waive the contract which the depositor has entered into, he must wait until the time expires in order to withdraw his money, and if we should today allow them to put the money in the Postal Savings bank with the right to withdraw it at any time, the Government would be granting the depositor something that cannot be done under the laws of the States.

Mr. BONE. Mr. President—

The VICE PRESIDENT. Does the Senator from Virginia yield to the Senator from Washington?

Mr. GLASS. I yield.

Mr. BONE. I should like to ask the Senator from Louisiana if he thinks the Government should not provide a safe place in which the citizen may put his money? Out in my State the privately controlled banks have given no evidence of great stability and safety, and the one great safe banking institution in the State of Washington is the Postal Savings Bank System.

Mr. LONG. Mr. President, if the Senator from Virginia will let me answer the question, I wish to say to the Senator from Washington that the reason I am now favoring this bill so much as I am is because there has been written into it a section which will actually provide safe banks in Washington, such as heretofore it has not had.

Mr. BONE. I can see no reason why, in this type of legislation, we should proceed on the theory that we should destroy the Postal Savings banks, and by a process of attrition largely whittle away those features that have made them highly attractive to the great mass of people. I had hoped to support this bill, but if we are going to destroy the Postal Savings banks or render them of less service than they have been giving the people, I do not know that I can vote for this measure; and I think the Democratic Party will place itself in a very peculiar position if it sets about now to hamper or destroy the Postal Savings banks of this country. We have in our section of the country practically only one absolutely safe banking system. Bank after bank in the private banking system has crashed, carrying with it the savings of many people of a lifetime. For one, I want to see one banking institution left under the American flag which the people can look upon as sound and safe and which is in fact safe, and that is the Postal Savings banks. We are compelled to go out, as we have here in recent months, and borrow money from private bankers at $4\frac{1}{4}$ percent, when the Postal Savings banks pay 2 percent, to get for the Government the money it needs. With that picture confronting us, it presents rather a somber aspect to destroy the usefulness of these banks. I share very much the view of my colleague [Mr. DILL] in that respect.

Mr. GLASS. Mr. President, we, of course, do not propose to destroy the Postal Savings banks. If we had intended to

undertake to do that, we would have put such a prohibition into the bill. The Postal Savings bank is involved in the bill only because we want to correct a frightful abuse in the commercial banking system of the country, which cannot be done if we do not put the Postal Savings Bank System upon the same terms of regulation as that upon which we put the commercial banks. That is why the Postal Banking System is involved at all.

There is just one more item of discussion here. The banks of the country almost universally are protesting against the assessment of one half of 1 percent upon their time and demand deposits as a contribution to the capital fund set up to insure bank deposits. The aggregate of the sum that will be exacted from the member banks under the one half of 1 percent assessment in order to insure the deposits in all the member banks is \$175,000,000. If the banks are relieved of the competitive necessity of bidding for demand deposits on interest, they will not only have money to meet this assessment of one half of 1 percent to insure deposits, but they will have almost an equal amount left over. I have no doubt in the world that a vast majority of the commercial banks of the country will be glad to be prohibited by law from engaging in this competition of interest on demand deposits.

Mr. CONNALLY. Mr. President, the amendment now pending is the one offered by the Senator from Tennessee [Mr. McKELLAR], I believe?

The VICE PRESIDENT. It is.

Mr. CONNALLY. I do not care to discuss that amendment, but I desire to suggest that I have an amendment pending which will probably be brought before the Senate when the pending amendment is disposed of, with reference to the matter of Postal Savings banks. As I understand the bill, it prohibits the payment of interest by commercial banks on demand deposits. If that provision becomes the law, and the present law with reference to Postal Savings banks is retained, the Government is offering a premium to withdraw money from commercial banks and carry it across the street and put it in Postal Savings banks, because depositors can get 2 percent interest in the Postal Savings bank and they can get nothing in the way of interest in the commercial bank.

If the Senator from Washington [Mr. BONE] is correct that the Government ought to go into the general banking business, all right, that is one thing; but for it to undertake to set up a commercial banking system and then immediately attempt to destroy that system by setting up a competitor across the street and arming it with an advantage which the commercial banks are prohibited from employing, it seems to me the Government is adopting a ridiculous policy.

The amendment which I propose is to prohibit the payment of interest in Postal Savings banks, but not to destroy those banks. If the people want safety, if depositors will not trust the commercial banks, they can deposit their money in the Postal Savings banks, but will get no interest on it under my amendment.

I want to show what these banks are doing. I live in a rural community in a small county-seat town. The Postal Savings bank will do more harm to the small bank than to the large bank. Here is a rural community. Its cash resources are in no event large. The bank does not have a great deal of cash on deposit. The Postal Savings bank is competing with it. The local bank cannot get deposits from the Government, even for its local savings deposits, unless it purchases Government bonds and places them with the Treasury. What does that mean? It means that the local banks suffer the withdrawal of that much money from circulation in the community either by staying in the Postal Savings bank or if a local bank gets the deposit it has to spend an equal amount of cash to purchase Government bonds to put up as collateral for borrowing back from the Government what it loses through the Postal Savings bank account.

I have no interest in this except that I believe if we are going to prohibit the payment of interest by commercial

banks, we ought to prohibit the payment of interest by the Postal Savings bank.

Mr. DILL. Mr. President, will the Senator yield?

Mr. CONNALLY. Certainly.

Mr. DILL. If we are going to prohibit the Postal Savings banks from paying interest and allow the commercial savings banks to accept deposits and pay out those deposits on demand, why should we require the Postal Savings banks to permit no withdrawal of deposits made therein except after 60 days?

Mr. CONNALLY. If the Government is paying no interest I do not object to the depositor withdrawing his money whenever he gets ready. If we prohibit the payment of interest by the Postal Savings bank and simply allow the Government to furnish a safe depository for the funds of its citizens, I see no objection to permitting the depositor to withdraw his funds at any time.

Mr. McKELLAR. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Texas yield to the Senator from Tennessee?

Mr. CONNALLY. I yield.

Mr. McKELLAR. Of course the question of cost does not count for much in these matters, but I want to invite the Senator's attention to the fact that the cost of the Postal Savings bank, run in the interest of the poor man, the small depositor, is \$4,255,000 a year. Under the system we have thus created the Government pays 2-percent interest on deposits and then puts those deposits into a Government depository at 2½-percent interest, and that means that it pays the entire expense and cost to the Postal Savings System. It seems to me that does away with every objection. In addition to that, it brings in \$1,000,000 a year to the Government at the same time.

Why should not the small people, the people who do not know anything about banks but who do know about their Government, who know that it is safe, be able to deposit their money and get it when they want to, and get 2-percent interest on it? The Government loses nothing, because the banks are perfectly delighted to pay the 2½-percent interest and give a bond in order to get the funds.

Under these circumstances it seems to me that it is a peculiarly ideal system which has grown up since 1910, one of the most popular small banking systems that was ever carried into operation in this or any other country. It seems to me it is an admirable system to be continued.

Let me call the Senator's attention to the further fact that while our Federal Reserve System has not functioned as it should, while our State banks have not functioned as they should, as we all know—and I am not speaking in criticism of them—while the big concerns were failing, the ordinary, everyday people who use the Postal Savings banks have gone along just as usual and even as prosperous. It is a fine system. It is a system that I think we should not destroy, but if we agree to the proposal in the bill we will destroy it. I am in favor of the provision which prevents the commercial banks from paying interest on demand deposits. I do not object to that at all. But surely we ought not to destroy this splendid system of banking which has proven its worth and stability for nearly 25 years.

Mr. GLASS. Mr. President—

The PRESIDING OFFICER (Mr. CLARK in the chair). Does the Senator from Texas yield to the Senator from Virginia?

Mr. CONNALLY. I yield.

Mr. GLASS. May I intervene to say that the fancy of the Senator from Tennessee gets the better of his judgment and perverts the facts in the case. Nobody is attempting to destroy the Postal Savings bank.

Mr. CONNALLY. I was going to make that same observation.

Mr. GLASS. The committee is not attempting to destroy the Postal Savings bank.

Mr. McKELLAR. While a question of fact is being raised, let me ask the Senator from Ohio [Mr. BULKLEY], who is the author of the amendment, if it is not true that he is opposed to the Postal Savings Bank System?

Mr. BULKLEY. Mr. President, I do not think that has any reference to the question before the Senate.

Mr. ADAMS. Mr. President, will the Senator yield?

Mr. CONNALLY. I shall yield to the Senator from Colorado in a moment.

Mr. ADAMS. I want to make just an observation which I think in part answers the Senator's question. I want to know how the bank which is forbidden to pay interest on its demand deposits is going to pay interest on the Postal Savings bank deposits which come to that bank, inasmuch as the Postal Savings bank deposits in banks are demand deposits.

Mr. CONNALLY. Let me say first in answer to the Senator from Tennessee [Mr. McKELLAR] that he makes the point that the Postal Savings banks cost the Government \$4,000,000 a year to maintain. Under my amendment, if we cut off payment of interest by the Government we shall cut down the cost of maintaining them. Whatever interest the Government gets for the use of money will be velvet to the Government. Let me say to the Senator from Tennessee, furthermore, that I can readily understand how the payment of interest by commercial banks is becoming a racket, and I shall show the Senator why.

Mr. McKELLAR. I am not opposed to that.

Mr. CONNALLY. Oh, but the Senator said he was!

Mr. McKELLAR. No; only to the provision about the Postal Savings System.

Mr. CONNALLY. I understood the Senator to say that he was opposed to the provision in the bill which prevents the payment of interest on demand deposits.

Mr. McKELLAR. Oh, quite the contrary!

Mr. CONNALLY. I beg the Senator's pardon.

Mr. McKELLAR. The provision to which I object, and which my amendment is designed to correct, is—

Mr. CONNALLY. The 60-day provision?

Mr. McKELLAR. No; my amendment is simply to exclude Postal Savings banks from that rule, and leave them as they are, as the banks of the poor people of this country.

Mr. CONNALLY. Mr. President, the payment of interest on time deposits by banks has become a racket. If you have a thousand dollars or \$2,000 or a small account in a commercial bank, you do not get any interest on it. Take the case of some industrial concern with a large deposit, however, and what happens? Every bank in town is bidding to get that deposit; and the payment of interest on it is a form of rebate, a form of preference by which the banks accumulate these large deposits, and the ordinary depositor of the bank is bearing the burden. They are operating on his money and are paying preferential interest to industrial concerns and business concerns whose business they want to obtain.

So I believe the committee is right when it prohibits the payment of interest on demand deposits by commercial banks. A lot of the big banks are against it. Why? Because they want to be in position to bid for the country banker's deposits, and in order to do that they want the power to pay interest. I am with the committee on that provision; but if that is sound, if we are going to cut off the payment of interest by commercial banks on their deposits, we ought also to cut off the payment of interest by Postal Savings banks.

I have here some statistics that I should like to call to the attention of the Senator from Tennessee.

Mr. McCARRAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Nevada?

Mr. CONALLY. I do.

Mr. McCARRAN. Before the Senator from Texas proceeds, will he kindly answer the query propounded by the Senator from Colorado [Mr. ADAMS]?

Mr. CONNALLY. I did not understand that it was a query. I understood that he was making a statement in answer to the Senator from Tennessee. I shall yield again to the Senator, if he desires.

Mr. McCARRAN. I understood that the Senator from Colorado asked a question.

Mr. ADAMS. Mr. President—

Mr. CONNALLY. I yield to the Senator from Colorado.

Mr. ADAMS. I do not know whether I was making an inquiry or a suggestion, but this may be the inquiry:

How can the Postal Savings bank collect interest from member banks? Mind you, the Postal Savings bank can deposit its funds only with member banks. By this bill member banks will be forbidden to pay interest on demand deposits. Postal Savings bank deposits—that is, those made by the Postal Savings banks in the member banks—have been demand deposits. Therefore, if no interest can be paid to the Postal Savings bank, how is the Postal Savings bank going to pay interest to its depositors?

Mr. CONNALLY. Under the law, are the Postal Savings banks prohibited from making time deposits in commercial banks?

Mr. ADAMS. They are not prohibited, no; but their deposits have been payable on demand. Therefore they have made their deposits subject to call when they needed them.

Mr. CONNALLY. Under the proposed law, though, we are making the Postal Savings time deposits. If the Postal Savings System had the power under the law also to make time deposits in commercial banks, it would try to adjust them in that way.

I want to call the attention of the Senate to some statistics with reference to the increase in Postal Savings bank deposits because of the pressure on the commercial banks within the last few months.

In the United States on June 30, 1931, there were on deposit in the Postal Savings banks \$347,416,870.

On June 30, 1932, a year later, that sum had doubled. There were on deposit \$784,820,623.

Six months later, on the 31st of December 1932, that sum had increased to \$900,238,726.

On the 31st of March 1933, 3 months later, that sum had increased to \$1,111,575,385.

So that in about 18 months the Postal Savings had almost quadrupled in amount.

Mr. DILL. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Washington?

Mr. CONNALLY. I yield to the Senator.

Mr. DILL. Of course the Senator does not mean to imply that the great increase in the last few months was due to the payment of interest.

Mr. CONNALLY. No; I do not.

Mr. DILL. It was due to the fact that it was one place where the little man knew his money was safe.

Mr. CONNALLY. That is right.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. CONNALLY. Just a moment; let me answer that. I thank the Senator from Washington for that interruption, because it shows that these depositors were more interested in safety than they were in interest.

It shows that if we take away all interest, and still preserve the system, the man who is concerned with safety and security will still utilize the Postal Savings System, and that he has not been actuated entirely by the consideration of interest. By this bill, however, we are introducing the other element, because under this bill we are prohibiting the commercial bank from paying interest, and we are permitting the Postal Savings bank to pay interest. In that way we give the depositor two inducements for putting his money into the Postal Savings System—one, safety; the other, interest, which he cannot get from a commercial bank.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. CONNALLY. In a moment. So, instead of 4 times as many withdrawals, we shall probably have a larger proportion of withdrawals, because we shall have two motives operating on the human intellect instead of one.

Mr. McKELLAR. Mr. President—

Mr. CONNALLY. I yield to the Senator from Tennessee.

Mr. McKELLAR. Do not those figures show that there is over a billion dollars in the Postal Savings banks of this

country that flow into trade and business and commerce with perfect freedom? The depositors put them in the Postal Savings banks; they take them out at will. Is not that the only billion dollars in this country that is free to go into trade and commerce?

Mr. CONNALLY. I do not dispute the billion dollars, but I do dispute the freedom of movement. These Postal Savings accounts accumulate in the large cities. They operate to drain the rural communities, and I shall tell the Senator why.

Here is a small town with a small bank and a small amount of postal deposits. As I suggested awhile ago, in order to get those deposits back into the local bank it has to buy Government bonds; and the buying of those Government bonds takes just as much money as the bank will get back in Postal Savings. So the operation of the process is to drain that much cash out of that community. It is gone. The big banks in the great centers, on the other hand, always have plenty of bonds. They always have plenty of securities which, when they need cash, they can go over and deposit with the Government and get the Postal Savings accounts. Therefore the operation of the Postal Savings System with the payment of interest is to drain all of this money out of the little banks in the small communities and concentrate it in the great centers.

Mr. BONE. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Washington?

Mr. CONNALLY. I yield for a question.

Mr. BONE. Is it not a fact that most of the small banks of the country have kept their surpluses on deposit in New York? Regardless of the contention that the Senator makes with respect to Postal Savings accounts, is it not a fact that most of the small banks have retained their balances in New York?

Mr. CONNALLY. I cannot say as to most of them. A great many of them do, and I shall tell the Senator the reason why that is done. It is because the banks in New York give the small banks interest on their deposits, and we are cutting that off. We are trying to circumvent the process by which the big banks will bid for the deposits of the small ones, in order that they may not drain to the great centers the resources of the small banks; and the same process of reasoning is an argument why that result should not be accomplished in another way through the Postal Savings accounts. It operates in the same fashion. It tends to draw the money from the small rural communities and centralize it in the great cities.

Mr. President, I am not an enemy of the Postal Savings bank. Why was it established? It was not established in order that the Government might go into the banking business. It was not established for the purpose of offering high rates of interest to depositors. It was established purely in order to give a safe place of deposit for those people who preferred to use the Government as a depository rather than the private commercial banks.

I am not speaking for the banks. I am speaking for the people whom the banks serve. Why have all of this banking legislation? People talk about passing a bill for the aid of the banks. That is not our concern. Our concern is to pass legislation which will permit the establishment and operation of a banking system in order that it may serve the public, that it may serve the people, that it may furnish a reservoir of credit and money with which the people of this country can transact their normal business. The Government does not owe the Postal Savings depositors anything except security.

I dare say if the Senator from Tennessee would examine the records he would find that the Government does not make a dollar out of the Postal Savings. I dare say that the System is a liability. I dare say that the Government does not get back, through the 2½-percent interest which it gets from the member-bank depositories, as much money as it pays out in interest to the Postal Savings bank depositors.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield to the Senator from Tennessee.

Mr. McKELLAR. I have here a report from the official of the Post Office Department who has charge of this very matter; and, according to that report, the profit from the System last year was \$1,023,901.77.

I want to say to the Senator that this change is being made over the protest of the Post Office Department—

Mr. CONNALLY. Oh, to be sure.

Mr. McKELLAR. And over the protest of those who are in favor of the Postal Savings System. I do not think it ought to be incorporated in this bill.

Mr. CONNALLY. Of course, it is over the protest of the Post Office Department. Whenever the Congress entrusts any function to any Government bureau anywhere, it never disturbs the function with the consent of that bureau; of course not. If the Congress gives them a little function to perform, they not only will not surrender that function but they are up here at the next session of Congress asking that the function be extended, and that they have more employees and another bureau to help carry it on.

Let me say to the Senator from Tennessee also, as to this \$1,023,000 that the Government is said to have made, that I dare say there is not an item in the account that pays any of the expenses or the salaries of the postmasters that operate the system. I dare say there is no overhead charged up for the clerks here in the Department who are administering the system. That comes out of the Treasury. If we swallow the report of almost any Government agency, they will show us where they are making money for the Government. Why, yes; they can all show us where they are making money for the Government.

Mr. McKELLAR. I will give the Senator the figures again. The gross income from this bureau, if it may be called a bureau, is \$4,255,326.65; and after paying all the operating expenses of the system the balance is \$1,023,901.77.

Mr. CONNALLY. What are those expenses? Do those operating expenses include the payment of clerks?

Mr. McKELLAR. I am giving the Senator the report of the department. He can easily see that over 80 percent of the entire amount received is used in the expenses of the system. I take it that that includes all the expenses of the department.

Mr. CONNALLY. Those expenses include the payment of interest, too?

Mr. McKELLAR. Of course they do.

Mr. CONNALLY. Of course they do. We have to pay 2 percent, and we get only 2½ percent; and if four fifths of the expense is made up of the payment of interest, we would have just that much more profit if we did not pay interest. Furthermore, in the elements of cost I dare say there is not a nickel charged up for the overhead of the Government department that is running the system. Of course the man who is operating it wants to convince Congress that it is performing a great function, and that he is making money for the Government. He cannot make much money for the Treasury, however, because not all of these funds are loaned out all the time. Some of them are lying in the Treasury, idle at times.

Mr. DILL. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Washington?

Mr. CONNALLY. I yield.

Mr. DILL. I want to get clear on the status we will be in if we leave the provision in the bill as it is written and adopt the Senator's amendment.

As I understand, the Senator's amendment forbids the payment of interest upon demand deposits in the Postal Savings banks.

Mr. CONNALLY. Any kind of deposits.

Mr. DILL. Any kind of deposits. Then the Postal Savings System cannot pay any interest at all.

Mr. CONNALLY. That is right.

Mr. DILL. And yet we may have commercial savings banks that may pay interest.

Mr. CONNALLY. I understand so, under this bill, for time deposits.

Mr. McKELLAR. That is right.

Mr. DILL. Well, these are time deposits. Sixty-day deposits are time deposits.

Mr. CONNALLY. I call that a very short time deposit.

Mr. DILL. The Senator, then, proposes not to allow the Postal Savings System to pay any interest on time deposits?

Mr. CONNALLY. I do.

Mr. DILL. But he does allow the commercial savings banks to pay interest on time deposits.

Mr. CONNALLY. The Senator from Texas is not responsible for everything that is in the bill. I am attacking only this particular provision.

Mr. DILL. But there will be no demand deposits if this provision is adopted.

Mr. CONNALLY. My amendment does not disturb that provision.

Mr. DILL. Of course; but there will be no demand deposits.

Mr. CONNALLY. My amendment cuts off the interest.

Mr. ADAMS. Mr. President—

Mr. CONNALLY. Just a moment. Mr. President, I cannot see any reason why the Government should be in the banking business further than to give security to those who are afraid to put their money in the commercial banks. If this System is to be operated as a bank, then the money ought to go into the regular banks that we are establishing and providing for under this bill and under existing law.

I now yield to the Senator from Colorado.

Mr. ADAMS. Mr. President, I desire to advise the Senator that the requirement of the law is that deposits made in member banks by the Postal Savings banks must be withdrawable at any time. They cannot make time deposits.

Mr. CONNALLY. I thank the Senator. So what will be the result if the Senate does not adopt my amendment? The existing law provides that the Postal Savings banks can make only demand deposits in commercial banks.

Mr. DILL. Mr. President, section 11 amends that. The purpose of section 11 is to stop that.

Mr. ADAMS. I think the Senator misunderstood my remark. One deposit is the deposit which the individual makes in the Postal Savings, the second is the one made by the Postal Savings bank with the local bank, and that must be a demand deposit.

Mr. CONNALLY. Mr. President, when the Government gets this money in the Postal Savings bank, it then undertakes to reloan it to commercial banks, and it requires the deposit of Government bonds to secure that. The Senator from Colorado points out that when that is done, those deposits are demand deposits. Under the law, they cannot be time deposits. Therefore the banks cannot pay the Government any interest on Postal Savings deposits. Yet the Government, in turn, would be paying 2 percent to the Postal Savings depositors, without being able to recoup its losses by reloaning the money to the commercial banks. That is the situation the Senator intended to point out, is it not?

Mr. ADAMS. That is correct.

Mr. CONNALLY. That simply accentuates the contention I am undertaking to make, to the effect that the Government ought to maintain Postal Savings, if it is desirable, for the purpose of giving security to depositors, but it should not set up the Postal Savings as competitors with commercial banks and allow the Postal Savings to pay interest on deposits while denying that right to commercial or national banks.

My amendment is not offered now, but when the amendment of the Senator from Tennessee is voted upon, I hope Senators will bear in mind the fact that my amendment will then be offered, and I hope to get a favorable vote.

Mr. President, in connection with the discussion of the Postal Savings System, I ask that there may be printed in the RECORD in connection with my remarks an address delivered by J. E. Woods, president of the Teague National

Bank, of Teague, Tex., before the Texas Bankers' Association on February 13, 1933.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

THE POSTAL SAVINGS MENACE

(An address delivered by J. E. Woods, President Teague National Bank, Teague, Tex., before the fifth district meeting, Texas Bankers Association, Dallas, Tex., February 13, 1933)

Mr. Chairman, ladies and gentlemen of the convention: I shall not indulge in that favorite American pastime, "cussing the Government." But I shall try to present logically some observations supported by facts and authentic data to substantiate my conclusion that the present Postal Savings System is not only unfair competition to the banks of this country, but also in principle, it is inimical to the fundamentals upon which this Government was founded. I consider it an outrage—not only upon the banks, but upon the countless thousands of business men and institutions whose well-being depends upon a healthy banking structure. To me the serious encroachment which this iniquitous system is making upon the banking business of this country, the rapid rate of its increase, and the complacency with which bankers generally are accepting this imposition, are astounding.

BEGAN OPERATION IN 1911

The Postal Savings System was created by an act of Congress in 1910 and began its operation on January 2, 1911. On December 31, 1932, patrons of the System had on deposit in the post offices of this country more than \$900,000,000. On these demand deposits your Government is paying annually, at the rate of 2 percent per annum, interest amounting to more than \$18,000,000.

It was claimed that the possibility of large deposits being attracted to postal savings from the banks was guarded against by limiting the amount one person might have in the postal savings at any one post office to \$2,500. Actual practice has made a joke of this provision of the law. It is a common evasion for a depositor to have the maximum amount on deposit in the name of his wife, his children, and other members of the family. Not only may he do that, but he can go to the post office in his neighboring town and do the same thing. In view of these evasions, we can reasonably believe that actually the average amount on deposit in the post offices to the credit of each patron is more than \$1,000, rather than about \$600 as shown by the reports of the operation of the System. The effect of the \$2,500 maximum is also nullified by the provision for the issuance and sale of Postal Savings bonds bearing 2½ percent interest, into which patrons may, twice a year, convert their deposits, with no limit as to the amount of Postal Savings bonds one person may own. While these bonds are due 20 years from date, the Postal Savings System guarantees to purchase them at any time after date of issuance at par and accrued interest.

POSTMASTER GENERAL'S REPORT

I have a copy of the report made to Congress by the Postmaster General concerning Postal Savings System operations for the fiscal year ending June 30, 1932, and a supplemental report bringing the figures up to December 31, 1932. The statements and data which I quote are gotten from these reports. The amount on deposit at every post office in the United States as of the date of the report is shown. The report indicates that banks in our smaller cities and towns having populations from 2,000 to 15,000 or 20,000 are the greatest sufferers from this inexcusable governmental competition. The report also reveals that banks in towns having a considerable industrial pay roll are the greatest sufferers. Friend banker of such towns as I have described, if you will take the time to go into this matter carefully and ascertain what has become of some of your good deposits on which you have in previous years been able to make a little profit, you will find that a surprising amount of them have gone to the post office, and that you are losing them at an increasingly rapid rate.

TWO PERCENT INTEREST SPOILS CUSTOMER

Let a depositor, who has been in the habit of carrying a nice reserve in the bank without interest, by suggestive advertising put out by the Post Office Department, or by reason of the solicitation of some Postal Savings convert, once make a deposit in the post office and get a taste of the 2 percent interest which the Postal Savings pays on a demand deposit—a rate which the banks cannot afford to pay on such a deposit—and this added to his knowledge of supersafety for his funds—that account is forever lost to the bank. In many cases that frugal-minded depositor becomes so thoroughly sold on this proposition that he becomes a self-appointed solicitor for the Postal Savings System, suggesting to his relatives, his friends, and coworkers, at every opportunity how nice it is to keep the money, that he has for years kept in the bank without interest, in Uncle Sam's bank and receive every 90 days 2 percent interest on it.

Recently a widow who was a customer of our bank, but a better patron of the Postal Savings, called to see me. She had just received a check for several thousand dollars in payment of an insurance policy on the life of her late husband and consulted me as to what she should do with her money. She explained that she wanted, in addition to absolute safety, a little income to aid her without using the principal. She was frank enough to tell me she had the limit in Postal Savings; that she had been advised by the Post Office employees that a bill was now pending in Congress to increase the maximum that one patron might have on deposit from \$2,500 to \$5,000. She seemed a little cha-

grined at the delay of Congress in passing such a bill. She stated further that the postmaster had tried to sell her some Postal Savings bonds yielding 2½ percent interest, but that she didn't want to tie her money up for that long a period. The post office employees evidently did not explain to her that the System would buy her bonds at par and interest any time she wanted to dispose of them, and, of course, I did not volunteer that information. I questioned her as to what kind of an investment she wanted and asked her how some Fourth Liberty Loan bonds would suit. "Well", she said, "I have some Liberty bonds, and it had never occurred to me until recently that United States bonds were not perfectly safe. But Mr. So-and-so told me that the Government was getting shaky and money invested in Liberty bonds might not be safe. He said he had sold his Liberty bonds and invested his money in postal savings, where it would be safe, and advised me to do the same thing." I have a friend who has a very unique way of expressing himself. He does not use the modern term of "sold" on a proposition, but instead he would say that is "peddled" on it. Believe me! The Postal Savings booster just mentioned was certainly "peddled" on the Postal Savings idea.

DEPOSITS ONCE GONE—GONE FOREVER

As would naturally be expected, Postal Savings deposits are greatest in towns where, in the past, there has been bank trouble. It is observed, however, and that is the most serious phase of the question, that once the depositor moves his reserve from the bank to the post office, it is gone from the bank for good. In cities where, in the past, there has been some bank trouble, although such bank trouble occurred a number of years ago, and since that time the town has been blessed with excellent banking facilities, there has been no noticeable return of these deposits from the post office to the banks. In one good city of this State where there was some bank trouble, although the trouble occurred more than 10 years ago, and since that time the city has had two excellent banks, both well managed, conservatively operated, and kept in a most liquid condition, there is on deposit in the post office more than \$700,000, an amount far in excess of the total individual deposits of each of the banks. Many towns in Texas, as well as in other States, have more money in the post office than in the banks.

FOUR ADVERTISING POINTS STRESSED

Literally tons of high-powered advertising literature prepared by experts at the expense of the taxpayers of this country are sent out from Washington at frequent intervals to the post offices, where it is distributed among the patrons of the post office. I have a number of these leaflets and pamphlets in my office. These stress four attractive features: First, Government guaranty of deposits. Second, the attractive rate of interest. Third, the privilege of withdrawing the deposit on demand without loss of interest. Fourth, the absolute secrecy surrounding transactions with the Postal Savings System. On the cover of one of these pamphlets that I have is printed in bold-faced type, "The faith of the United States Government is solemnly pledged to the payment of the deposits made in Postal Savings depository offices." What more could they do to attract money from the banks to the post office? With conditions like they have been for the past 2 or 3 years and as they now exist, I am firm in my belief that the suggestion which this high-powered literature carries to the bank depositor has been the cause of starting bank runs that have resulted in the closing of a great number of banks that otherwise would have remained open and continued their most worthy service to the community.

A great deal of time has been taken up the past year debating proposed laws to reform the banks. We have become alarmed over the proposal to extend branch banking, but we seem to have lost sight of the fact that we have already a giant Government-owned bank with nearly 7,000 branches. Nothing has been proposed to remedy this situation. We frown upon the proposal to extend Federal guaranty of bank deposits, while in the Postal Savings System we already have it in a most vicious form. The reformers demand that the commercial banks divorce their investment affiliates while this giant institution has an investment affiliate at each of its 7,000 branches supplying its customers with an unlimited amount of Postal Savings bonds, bearing 2½ percent interest, which the System agrees to repurchase at par and accrued interest any time after date of issuance, these securities yielding a rate of interest entirely out of line with the current rates on other Government paper. In all of these debates the weakness of the country banks and the necessity for providing adequate laws for strengthening the country bank's structure has been stressed. As in every line of business, banking business has been hard hit, and there has, of course, been a lot of bank trouble. Let us bear in mind and let us have the public understand, nevertheless, that there are still plenty of good, sound, conservatively operated banks in this country. By eliminating this useless and unfair competition the banks would be more able to take care of themselves and there would be less need for help. The situation as it now exists presents the paradoxical picture of our great Uncle Sam with his strong right hand choking the breath of life out of us while with his left hand he administers a stimulant.

Conditions might exist, and conditions might arise in the future, that would justify the Federal Government maintaining facilities for the safe-keeping of scared funds that would otherwise be temporarily kept out of circulation. But in the name of justice, what reason can be advanced to require taxpayers of this country to maintain at an enormous expense a system that unfairly competes and is tearing down our banking structure by offering a rate of interest on demand deposits that the commercial banks

cannot pay, in addition to providing supersafety for the depositor's funds? Why should we be taxed to enable the Postal Savings System to pay 2½ percent on deposits that are being taken away from our banks, when the Government pays us only one fifth of 1 percent on our funds on a time deposit of 90 days.

POSTAL DEPOSITS UNATTRACTIVE TO BANKS

Proponents of the System in Congress advanced the puerile argument that postal savings is not a detriment to the business community because, as money is deposited in the post office, it may be brought to the local bank and deposited, and thus kept in the community to do its bit in taking care of the credit requirements of the community. Yes! The laws do provide that 85 percent of the money deposited in postal savings may be deposited in the local bank, but only after the local bank has purchased and deposited with the Treasurer at Washington, United States and other eligible bonds to secure the deposit. Under normal times and normal interest rates, if the depository bank is fortunate in handling its bonds purchased to secure the Postal Savings depository, a very meager profit may be made on the funds. But, so far as the good that the deposit does the bank in supplying the credit needs of the community is concerned, that money might as well be locked up in the vaults of the Treasury at Washington, or invested in some distant land. Every dollar, therefore, put in postal savings means 100 cents sent out of the community, which, multiplied by 10, the usual formula for measuring the purchasing power of local deposits, means a decrease of \$10 in credit and buying power of the community.

This suggests another phase of the question that I think is an outrage. With the extremely low yield on high-class investments available for use as collateral to secure Postal Savings deposits, banks have found that they cannot break even on Postal Savings deposits at 2½ percent interest, and they are returning these deposits at the rate of millions per day. More depository banks would return the deposits if they could liquidate the bonds that they have pledged to secure the deposit without taking a loss. I have been unable to ascertain the exact amount of Postal Savings deposits redeposited with depository banks, but at this time the amount probably does not exceed 65 percent of the total deposits—the balance, or 35 percent, is in Federal Reserve banks or in the Treasury with interest to the System. That means that the Government is paying out in interest to the depositors at the present \$19,000,000 per year. This loss, added to the enormous administrative costs of operating the System, has to be paid by the taxpayers. Two percent per annum, the rate paid Postal Savings depositors, is far above the current yield on short-term Government paper. On December 28, 1932, the highest rate accepted by the Treasury on an offering of Treasury bills was 0.09 percent. Why this favoritism to the Postal Savings depositors? I submit that it is not right to tax the whole people to favor a few. It is wrong to build up one class by destroying another.

NEITHER ATTACHMENT NOR GARNISHMENT

Another outrage, and what seems to me to be the most shameful of the many outrageous features of the whole question a depositor may use the Postal Savings System as an instrumentality for beating his honest debts! A debtor may, and this is not an uncommon practice, convert his property into cash, deposit it in postal savings, and tell his creditors to go to the devil, because money on deposit in the post office cannot be reached by attachment and garnishment.

Let us not get the idea that the friends of Postal Savings in Congress are not active. At this time a bill is pending providing for raising the maximum amount that one depositor may have in one post office from \$2,500 to \$5,000, and a proposal has been made to provide facilities for checking accounts at every post office in the land! Then where will the banks be?

WRITE YOUR CONGRESSMAN

We must all admit that a lot of ill-advised laws are made at Washington because we don't let our Representatives know just how we feel about the matter. My observation and experience with Senators and Congressmen is that they are just people like the rest of us. They like to know how we feel about questions coming up in Congress, and are amenable to suggestions. We are promised a "new deal" at Washington beginning March 4. I believe that by a concerted effort of the bankers of the country, through appeals to our Representatives in the Senate and in the House, pleading our cause, that the most oppressive provisions of the Postal Savings law could be eliminated at the special session of Congress. If we take no action, passing it with the usual statement that we are not in politics, leaving the matter to others to handle, we will get no relief and perhaps in that case we would not deserve it. One of the reasons that nothing has been done about this important matter is because the country bankers have formed the habit of depending too much upon our influential bankers of the city to look after matters of this kind. The city bankers have such a volume of business that their loss direct to postal savings is negligible. The city bankers are our friends. When our institutions become acutely ill, they run to our assistance. But I fear that they do not understand the seriousness of the Postal Savings menace. These fellows have the ears of those in position to remedy this situation, and we should appeal to them for their help and cooperation in this matter. The operation of the Postal Savings System has never been justified. It has been detrimental to the business structure of the country and the law ought to be repealed outright. There is no reason in the

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world, however, for the payment of interest on these deposits. In view of the extremely low interest rates prevailing, I believe the time is ripe for action. By a determined effort the payment of interest on these deposits could be eliminated and the sale of Postal Savings bonds discontinued, and the interest which the local bank is required to pay reduced to a nominal figure on the basis of cost to the Government in operating the System without profit.

Get in touch with your Senators and Congressmen. Don't merely ask them to vote for such a measure. Give them the facts; convince them that the System is ruining the small-town banks, and ask them to become active in getting some relief. I don't believe that is an exaggerated statement when I say—if something is not done to relieve this situation, it will in time absolutely eliminate the so-called "country and small-city bank." Why not a united effort to check the evil before it goes too far? It is useless to lock the stable after the horse has been stolen.

Mr. DILL. Mr. President, we ought to understand what this provision, section 11, means. It means that the Postal Savings banks are hereafter to be of no use to the little man who wants to put money in a place where he thinks it will be safe, and take out ten or fifteen dollars whenever he wants to. That is what it means. It has never been in any such condition.

At the present time—in fact, since the beginning of the Postal Savings System—anybody who put money in a Postal Savings bank could always go and secure any part of that money, and that has been of especial value to the small depositor. I do not believe there is any sentiment among the American people today to have that privilege taken away.

Mr. McKELLAR. Mr. President, I call the Senator's attention to the fact that that is absolutely true today. When one puts money in other banks, there may be some doubt about it, but when a man goes and puts his money into the Postal Savings he knows he can get it whenever he wants it.

Mr. TYDINGS. Mr. President, as I understand the position of the Senator from Washington, it is not that he objects to the provision about interest so much as that he wants to grant the right to deposit in Postal Savings banks funds which do not draw interest.

Mr. DILL. I am in full sympathy with the amendment of the Senator from Texas. If the commercial banks are not to be allowed to pay interest, then certainly we should not give the Postal Savings bank a preference right. The thing I am opposing is saying to the man who goes and puts \$40 or \$50 into the Postal Savings bank, the man who wants to put it there, that he must wait 60 days to draw it. It may be said he ought to have faith in the private bank, but you cannot change the fact that he does not have faith in it. If he has forty or fifty dollars in the Postal Savings bank, it ought not to be only on condition that he would have to wait 60 days before being able to get it out.

Mr. TYDINGS. It struck me that the point at issue might possibly be satisfactorily taken care of, in view of the position taken by the Senator from Virginia, with whose general philosophy I am in accord in this matter, by inserting on page 50, line 4, after the word "deposit", the words "upon which interest shall accrue."

Mr. DILL. I have no objection.

Mr. TYDINGS. Then it would read:

No deposit upon which interest shall accrue shall be made with any Postal Savings depository for a period of less than 60 days.

Mr. DILL. Of course, if that amendment is in the bill, I would have no objection.

Mr. TYDINGS. It struck me that that would, in effect, prevent the Postal Savings people from paying interest on general deposits unless they were deposited for a period of more than 60 days, and both sides of this controversy would, in effect, get what they seem to want.

Mr. DILL. The part of this section to which I am objecting—

Mr. TYDINGS. Would the Senator accept that amendment?

Mr. DILL. I have no objection.

Mr. McKELLAR. Mr. President, if that were done, it would cause the Government to pay interest on the funds, but it would give the Government no opportunity of recouping itself.

Mr. TYDINGS. I think the Senator misunderstood my suggestion—if he will wait just a moment. I will take but a second.

Mr. DILL. I yield.

Mr. TYDINGS. What I was trying to do was to provide that where sums are deposited for more than 60 days—that is, when they become time deposits—then interest shall be paid, but where a man has the right to draw the money out the following day, or 10 days hence, no interest shall be charged upon it.

Mr. McKELLAR. The Senator overlooks the fact that on pages 48 and 49 there is this provision—I read from the bottom of page 48:

Provided, That nothing herein contained shall be construed as prohibiting the payment of interest in accordance with the terms of any certificate of deposit or other contract heretofore entered into in good faith which is in force on the date of the enactment of this paragraph.

"This paragraph" is, "No member bank shall, directly or indirectly", and so forth.

Mr. TYDINGS. I suggest to the Senator that that would not affect it.

Mr. McKELLAR. I think it would, absolutely.

Mr. DILL. Mr. President, I think the amendment of the Senator from Maryland would not interfere with the demand deposits. There is no justification, as I see it, for the competition which we would create if we allowed the Postal Savings banks to pay interest on time deposits, when we do not allow the commercial banks to do it.

The thing I am objecting to about this section as it stands here is that the man with a little bit of money would not be able to get any of it out for 60 days. The amendment of the Senator from Maryland would permit that to be done.

Mr. McADOO. Mr. President, will the Senator yield?

Mr. DILL. I yield.

Mr. McADOO. I think perhaps this amendment proposed by the Senator from Maryland clarifies the situation very much. It makes it clear that if a Postal Savings depositor draws his money on demand, so to speak, he gets no interest, and it is, of course, important to preserve that right, and the intention of the committee was, I think, to preserve that right, but to put the Postal Savings banks on a parity with the commercial banks, which are permitted to pay interest on time deposits.

The point has been made here, and I think very properly made, that under the law as it now stands the Postal Savings banks are required to deposit their moneys with member banks of the Federal Reserve System on demand, taking from the member banks security therefor. I have never liked that method, because it does give the Government a priority over all the other depositors in a bank, and in case of the failure of a bank the other depositors are relegated, for the recoupment of their deposits, to the poorest securities in the bank.

I think that difficulty could be met by doing this: It will be necessary, under this plan, that the Postal Savings banks may make deposits with the member banks on time, at interest, because, as I said before, the law as it stands now requires that they shall make deposits on demand, and if we prevent the member banks from paying interest on demand deposits, they will be put at a disadvantage.

Mr. DILL. Mr. President, I hope I still have the floor. I was yielding to the Senator.

Mr. McADOO. I was just trying to bring out that point, for the Senator's information, and to make a suggestion. I think that we should add a proviso—I have not had a chance to consult with my colleagues on the subject—to this effect: "Provided, That Postal Savings depositories may deposit funds in banks on time, under regulations to be prescribed by the Postmaster General." I think that would cover the situation.

Mr. LA FOLLETTE. Mr. President—

Mr. DILL. Mr. President, the amendment of the Senator from Maryland appeals to me as meeting the situation I want to have taken care of, and I am very glad to know the committee is not intending to make it impossible for a

man with a small deposit to withdraw his funds from time to time.

Mr. BULKLEY. Mr. President, I see no objection to the amendment offered by the Senator from Maryland.

Mr. DILL. There is an amendment pending.

Mr. McKELLAR. There is an amendment pending. I want to say this about it, that it is better than the present provision in the bill, but it does not meet this fundamental situation. This is the first step—and we might as well recognize it—in destroying the Postal Savings System, in the interest of the commercial banks. We might as well understand that. It would necessarily destroy it.

Mr. DILL. The Senator is no better friend of the Postal Savings System than I am, and I should like to ask him this question: How can we justify taking away from the commercial bank the right to pay interest on demand deposits, and grant that right to the Postal Savings bank?

Mr. McKELLAR. Simply because it is a governmental function. That is the only way in the world it can be done. We have made the exception in favor of the Government from time immemorial, and there is no reason why we should not do it in this case, in my judgment.

If the Senator will allow me to interrupt him just a moment, when you take away the right of a depositor in the Postal Savings bank to take his money out whenever he or she desires, you are destroying the System.

Mr. DILL. That is what I objected to, but the Senator from Maryland has offered an amendment which the subcommittee is willing to accept, which restores that right.

Mr. McKELLAR. It does not restore that right. It restores the right only to the extent of time deposits.

Mr. DILL. No.

Mr. McKELLAR. Then I do not understand the amendment.

Mr. GLASS. No; the Senator does not. The Senator had a nightmare, that is all.

Mr. McKELLAR. No, I did not. I know it is undertaking to destroy this system.

Mr. DILL. Mr. President, I do not know what the undertaking is, but I know the thing about which I am concerned, that is, that we shall not prohibit the man with a small deposit from going in and withdrawing a small amount from time to time. I think that is the purpose of the Senator from Maryland, and the subcommittee, and if that is the effect, then I have no objection to this amendment.

I want to say this, that I have drawn an amendment with considerable care to provide for checking accounts in these demand deposits, and my reason for that was that I believed that the small depositor was entitled to a place where he could have safety and a checking account. Now the committee has accepted the amendment of the Senator from Michigan, which removes much of the reason which I had for offering that amendment. I still believe that until the system is working, it might be desirable to have in the law the checking provision as to Postal Savings accounts, but I am not so anxious about it as I was.

I do want to see that the people who have been putting their money in the Postal Savings, and still want to do that for a little while, until this thing proves to be safe, shall not be cut out by any such language as is before us.

Mr. GLASS. Mr. President, I will say to the Senator that the committee will accept the amendment suggested by the Senator from Maryland, and, further, the amendment suggested by the Senator from California, which clarifies the whole situation, as I see it.

Mr. LA FOLLETTE. Mr. President, I merely rose for the purpose of interrupting the Senator from Washington to suggest the importance of preserving this opportunity to small depositors to find a place where their deposits are welcome during this stressful period.

As Senators well know, many banks discourage small deposits because they find that as a matter of commercial operation the necessary bookkeeping and accounting makes them unprofitable. Yet for persons who have only small deposits to make, the opportunity to make them is perhaps of even greater importance than to people who have larger

deposits to make. I certainly hope that some suggestion will be worked out whereby the right of the small depositor to find a welcome and a safe depository for his small account will be preserved.

Mr. LOGAN. Mr. President, I submit an amendment and ask permission that it may be printed and lie on the table.

The PRESIDING OFFICER. Does the Senator offer the amendment to this bill?

Mr. LOGAN. Yes.

Mr. GLASS. I will say to the Senator that we expect to finish the consideration of the bill this afternoon.

Mr. LOGAN. Very well; I will call it up later.

The PRESIDING OFFICER. The amendment will lie on the table and will be in order later.

Mr. LOGAN. That will be satisfactory.

Mr. BONE. Mr. President, the amendment suggested by the Senator from Maryland [Mr. TYDINGS], which provides, I believe, that the words "upon which interest shall accrue" shall be interpolated after the word "deposit", in line 4, would not change the effect of the remainder of the proposed act. However, my colleague [Mr. DILL] referred to the case of the depositor in a Postal Savings bank who expected to receive interest and would be compelled to wait for the 60-day period to expire. That is one of the things I myself was objecting to. I feel that there should be a wider latitude given the little depositor in the Postal Savings banks. I think we all realize and appreciate that the little fellow on his deposit there wants to earn a little interest, a few dollars. That means a great deal to him.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. BONE. Yes.

Mr. TYDINGS. What the Senator has stated is true. As I understand, the point made by the Senator's colleague was that he was willing for the savings feature to be on the same plane with the general banking business features, and what he desired was the right of the little depositor to have a place where he could keep, without interest, his funds for a day or a month or any length of time he wished.

Mr. BONE. That is very true. Personally, I should like to see the checking system devised such as my colleague has suggested, without interest, where it is purely a checking operation with, perhaps, a nominal charge of 1 cent or 2 cents per check. That, however, is not a part of this argument, to be sure; but I think in voting on this question we should all understand that the person who desires to withdraw his or her money from a Postal Savings bank within the 60-day period is losing all interest; and I do not believe the American people will like that.

Mr. LONG. Mr. President, if I had not said a word or two about the Postal Savings question, I would not delay a vote on this matter, and I do not now want to delay a vote. The Senator from Tennessee [Mr. McKELLAR] has spoken about the little man getting benefits out of the Postal Savings Bank System. Had the Senator thought a little further—because he has had the experience in his State which we have had in ours—he would realize that the Postal Savings Bank System has not done the depositors of the United States any good at all. What the Postal Savings Bank System has done with these little communities like Huntington, Tenn., and Bell, Tenn., and other little places—where I was many years ago—is this: They take the money that the people have in those little towns and draw it into Memphis, and the little man in the little town of Huntington or the little town of Bell has never been able to borrow a dollar of that money at the Postal Savings bank. It has gone to Memphis and Nashville and other money centers.

That is not all it has done. Talking about the protection that it has given to the man who has deposited money, here is what it has done to him: When the Post Office Department deposited in the banks in Nashville—some of which closed their doors—the Postal Savings money they made the bank put up the cream of its assets; Government bonds had to be put up to protect the Postal Savings funds. Then, when a bank got shaky, the only one who could get its

money back was the Post Office, and the other millions of depositors in those banks had nothing out of which they could get their money because the banks had given the Government the cream to secure the Post Office funds. One of the greatest disasters that has ever happened to the banking institutions of this country is the Postal Savings Bank System, because, after the Postal Savings Bank System takes the farmer's money away from him and sends it to the cities, the farmer cannot borrow a cent or a dime of it, and the Government deposits are then preferred, leaving the poor ordinary man without anything whatever to get a dime on when the bank fails.

SEVERAL SENATORS. Vote!

Mr. McKELLAR. Mr. President, before we vote, I want to call the attention of the Senate to the amendment. I will read first from the bill, at the bottom of page 48, and then will read the amendment which I have offered:

No member bank shall, directly or indirectly by any device whatsoever, pay any interest on any deposit which is payable unconditionally on demand: *Provided*, That nothing herein contained shall be construed as prohibiting—

At that point I propose to insert these words:

money from being deposited as Postal Savings or from drawing interest as now provided by law or in any manner repealing or modifying the present law governing the receipt by the Government of Postal Savings and their management and control.

If this language shall be voted into the bill the Postal Savings System will constitute an exception to the general provision that I have just read, that is that no interest shall be allowed on demand deposits.

I want to call the attention of the Senate to the fact that not in a small place but in one of the larger cities in my State the banks unfortunately all failed and the increase in Postal Savings bank deposits, if I recall the figures aright—I may be wrong about it—was somewhere in the neighborhood of about fiftyfold. In other words, the only place where those who had money to deposit could go and put their money and be assured that they could draw it out was in the Postal Savings banks. Today that is so all over this entire Republic. The only safe place for the small depositor to put his money is in Postal Savings Bank System. It pays for itself; it is an exception to the general rule that has been put in, with which I have no complaint and no quarrel at all of any kind.

I simply ask that the Postal Savings System be allowed to stand just as it is and that we shall not take the first step to destroy it. If it ought to be destroyed, let somebody introduce a bill to repeal it, and then it would come up upon its own merits; but certainly in this way the Postal Savings Bank System ought not to be destroyed.

I am pleading for the small depositor, for the little fellow, who has just a little money and wants to save it, and to be certain that he can use it when he wants it. Surely, in enacting this bill, we ought not to make it harder for the little fellow who has only a few funds to put them in a safe place and to take them out whenever he wants to do so.

Mr. LONG. Mr. President—

The PRESIDING OFFICER. Does the Senator from Tennessee yield to the Senator from Louisiana?

Mr. McKELLAR. Yes; I yield.

Mr. LONG. How would the Senator feel about the little man who has no money and who cannot borrow a dime from the Postal Savings bank?

Mr. McKELLAR. From personal experience I feel very sorry for such a man. [Laughter.]

Mr. LONG. Very well. Then the Senator admits that he wants to see hampered the institution that can lend the man money, when we have already written into this bill a guaranty of bank deposits under \$2,500?

Mr. McKELLAR. We do not know whether that is going to remain in the bill or not.

Mr. President, I hope I may have the yeas and nays on the amendment. I ask for the yeas and nays.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Tennessee [Mr. McKELLAR],

on which he demands the yeas and nays. Is the demand seconded?

The yeas and nays were not ordered.

The amendment was rejected.

Mr. McKELLAR. Mr. President, in order that the record may be complete I offer the following amendment.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 49, in line 22, it is proposed to strike out all of subsection (c) down to and including line 17 on page 50.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Tennessee.

Mr. BONE. Mr. President, merely for the RECORD, I desire to say that I have offered an amendment similar to the one offered by the Senator from Tennessee to strike out all of subsection (c), and my amendment covers the same ground as the amendment offered by the Senator from Tennessee.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Tennessee.

The amendment was rejected.

Mr. CONNALLY. Mr. President, I offer an amendment.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 50, line 7, beginning with the first comma, it is proposed to strike through the comma following to the word "thereon", as follows:

Or the accrued interest thereon.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Texas.

Mr. CONNALLY. Mr. President, I will consume only a moment. This is the amendment to which I referred a little while ago. Its whole effect is simply to prohibit the payment of interest on Postal Savings deposits. It does not destroy the System; it provides safety and security for the depositor; but it denies payment of interest in order that the Government may not compete with commercial banks and enjoy an unfair advantage. I ask for a vote on the amendment.

Mr. TYDINGS. Mr. President, I do not understand the amendment exactly. May I ask the Senator from Texas to explain again what would be the effect of the amendment?

Mr. CONNALLY. The effect would be to deny the payment of interest on Postal Savings deposits, whether demand or time deposits.

Mr. TYDINGS. There would not be any interest paid on any of them?

Mr. CONNALLY. No.

Mr. TYDINGS. That is what I understood.

Mr. WHEELER. Mr. President, I think this is such an important matter, and I am so opposed to it, that I am going to ask for the yeas and nays, but before doing so I wish to make a brief statement.

I have been somewhat surprised to hear Senators stand on the floor of the Senate today and talk about the protection of the commercial banks and intimate that the trouble with the banking system of this country today is possibly the competition of the Postal Savings bank, so-called. It should be borne in mind, it seems to me, that the only safe place of deposit in the United States of America during the last 6 months, or possibly a year, has been the Postal Savings banks.

Mr. McKELLAR. Mr. President, may I interrupt the Senator?

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Tennessee?

Mr. WHEELER. I yield.

Mr. McKELLAR. And since the year 1900 I believe the statistics show that there have been about 11,000 failures of privately controlled banks in this country.

Mr. WHEELER. I thank the Senator for his contribution. With 11,000 bank failures, the Senator from Texas calls attention to how the deposits have increased in the Postal Savings banks. Is there any wonder in the world, when other banks have been looted by crooked bankers, in some instances, and in other instances have been looted by the

big bankers forcing the small bankers to take a lot of worthless bonds?

A banker from my State was in my office this morning, one of the most honorable, reputable bankers in the State. He has run his bank in a very high-class way, in a decent, orderly fashion. There has been no speculation, no gambling, but the bank did purchase bonds that were unloaded upon them by some of the big banks. When the House of Morgan sent them bonds and said to them, "These are high-class no. 1 bonds", they bought them thinking they could rely upon the reputation of that house and similar houses. But they had to take a loss on their bonds to the extent of \$128,000. They took a loss to such an extent that as a matter of fact the bank was closed. It was not in that instance because of anything the bank did, but solely because of the fact that they relied upon the confidence they had in the New York bankers whom we have let run this Government of ours during the last 10 or 15 years, particularly the financial end of the Government.

Mr. President, we are seeking to destroy the Postal Savings bank, the only place the workingman with a few hundred dollars has to put his money with safety.

Mr. McADOO. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from California?

Mr. WHEELER. I yield.

Mr. McADOO. I believe, if the Senator will allow me to say so, that he is wholly in error in saying that there is any attempt to destroy the Postal Savings bank. We want to conserve it. The amendment now practically agreed upon preserves the institution in full force, except that we do not permit the Postal Savings banks to pay interest on demand deposits, just as we are not going to permit commercial banks to pay interest on demand deposits.

Mr. WHEELER. That is quite a different thing. The little man comes in and deposits two or three hundred dollars in the Postal Savings bank. We have been saying to the working men of the country, "Save your money and buy a home and you will be a better American citizen." He has taken his little savings to a commercial bank and the bank has failed and he has lost his money there through no fault of his own. So we establish the Postal Savings System and we say to the man with his savings, "We are going to give you 2 percent upon your money", and now it is proposed to take away that 2 percent. There is no excuse for that. The commercial banks are not paying any interest at the present time on small deposits of \$100 or \$200 or \$300. The fight over deposits has been, as I understand it, and the complaint has been that the banks have been fighting for the larger deposits. They are not fighting for the little deposits. They are not paying high rates of interest or any rates of interest for the little deposits.

Under the bill we are proposing to give the little fellow 2 percent upon his money and we are going to give him a safe place to deposit it. If we had not had the Postal Savings System what would have happened? Instead of this money being deposited in the Postal Savings bank it would have been hidden in an old sock or an old shoe or buried in the ground some place. It would have been hoarded. The people would not have spent it. Instead of that, however, it has been put in the Postal Savings bank because they knew it was safe and that they were going to get a meager 2-percent interest upon it.

But some people are so much interested in protecting the bankers who have to a large extent wrecked the country that they want to take away the right of the little man to have 2-percent interest upon his money, because it is said the Postal Savings bank is going to compete with the commercial banks of the Nation.

Mr. McKELLAR. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Tennessee?

Mr. WHEELER. Certainly.

Mr. McKELLAR. The Senator said something about the money being hoarded. A lot of it would have been put in

the 11,000 banks that have failed and it would have gone out of circulation in that way.

Mr. WHEELER. Why, of course.

Mr. GLASS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Virginia?

Mr. WHEELER. I yield.

Mr. GLASS. If the Senator from Montana is addressing himself to the proposition presented by the Senator from Texas I have no quarrel with him.

Mr. WHEELER. That is what I am doing.

Mr. GLASS. But the bill itself, with the amendment suggested by the Senator from Maryland [Mr. TYDINGS] and the other amendments suggested by the Senator from California [Mr. McANULTY]—

Mr. WHEELER. Let me interrupt the Senator from Virginia to say that I am addressing myself to the amendment of the Senator from Texas [Mr. CONNALLY] which proposes to prohibit the paying of 2-percent interest. I think we ought to pay it. I am not in favor of paying interest to a man who deposits his money for a few days only, but if he deposits for a period of 90 days or 6 months he ought to be able to get 2-percent interest on his money. It is not right and fair for the Government not to pay that interest.

I hope the Senate of the United States will protect the little depositors. We have not sought to protect the depositors. We have left them at the mercy of the bank looters. The Government of the United States is responsible to some extent for the conditions in which we find the banks today. The Government of the United States has been derelict in its duty in its examination of some of these banks.

My attention was called the other night by a responsible party in the city of Washington to the recent failure of a prominent bank in this city—the Park Savings Bank. I was told that every time the bank was about to be examined somebody in that bank was notified that it was to be examined, and then some official in the Treasury Department who was borrowing money from the bank paid off his loan temporarily and the money was placed back in the bank just before the examination, and then more money was loaned to this official just after the examination.

Mr. BULKLEY. Mr. President—

The PRESIDING OFFICER. Does the Senator from Montana yield to the Senator from Ohio?

Mr. WHEELER. I yield.

Mr. BULKLEY. Is it clear to the Senator from Montana that the effort of the committee has been to make deposits in small banks safe for all depositors? In the meantime we have not suggested any change in the Postal Savings System or in the policy underlying it further than was necessitated by the provision in our bill prohibiting the payment of interest upon demand deposits. The committee is opposed to the Connally amendment.

Mr. WHEELER. I was not criticizing the committee. I was talking about the Connally amendment.

Mr. BULKLEY. I was hopeful that we could get a vote.

Mr. WHEELER. All right. With the assurance that the committee is going to vote with me on the Connally amendment I yield the floor.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Texas [Mr. CONNALLY].

Mr. CONNALLY. Mr. President, since the Senator from Montana [Mr. WHEELER] has so violently attacked the amendment I desire to submit a few remarks in reply. The Senator from Montana denounces the banking policies of many bankers of the country.

The Senator from Montana said that a Montana banker recently called at his office, that he was an honest high-minded banker, but he had been induced by New York bankers to invest the bank's money in bonds, which later proved to be practically worthless, and that as a result the bank failed. His bank failed, not because he stole the

bank's money, but because he did not have judgment enough to prevent somebody in New York from selling him a lot of fake bonds.

The situation so far as that community is concerned is just as bad as if the banker had stolen the money and gone to Canada, which is not far from Montana. [Laughter.] But, Mr. President, the fact is that the bank was wrecked. The bank is insolvent. The depositors have lost their money. We are trying to legislate here to protect the public, not the banks. No one is concerned with the banks. I did own stock in 2 or 3 but they have busted. [Laughter.]

The PRESIDING OFFICER. The Chair must admonish the occupants of the gallery that they are present by courtesy of the Senate, and that demonstrations of approval or disapproval are not permitted.

Mr. CONNALLY. I am not concerned with aiding the banks, but I am concerned with making it possible for banks to do business. I am anxious that banks may function, not for their own sake, but for the people who have to have banks to help run their business and for the purpose of getting credit.

I deny the inference of the Senator from Montana that anyone is trying to destroy the Postal Savings System. My amendment does not destroy it. It preserves it. But it does provide that the Postal Savings bank shall not have an undue advantage, under the sanction of the Government, over the commercial banks.

Let us see what has happened. We provided that the Postal Savings banks could pay only 2 percent interest. That meant that the interest rate was less than commercial banks were paying. At that time commercial banks were paying 3 or 4 percent on deposits, so we provided by law that the Postal Savings banks could pay only 2 percent. We did not intend that they should be on a parity with private banks. We intended they should have some disadvantage because they were safe, because the Government was guaranteeing the deposits in the Postal Savings banks, and so we provided that their interest rate should be lower than that which depositors might receive from commercial banks. That is the fact.

Now it is proposed to reverse that policy. Now the bill proposes to provide that commercial banks shall pay no interest on demand deposits, but that we shall give the Postal Savings banks an advantage by permitting them to pay interest on deposits. The process has been reversed. We started out by giving the commercial banks an advantage over the Postal Savings banks. In consideration of the safety which goes with Postal Savings banks we were willing to let them get less interest. Now it is proposed, not only to give safety to the Postal Savings banks, but to pay them a premium, to drain the money out of the small communities and send it into the great money centers where the Postal Savings will ultimately find their way.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Texas [Mr. CONNALLY].

On a division, the amendment was rejected.

Mr. TYDINGS. Mr. President, since offering awhile ago the amendment, on page 50, line 4, inserting after the word "deposit" the words "upon which interest shall accrue", I have conferred with the legislative counsel; and, without having a chance to digest fully what he has prepared, I offer the amendment which I send to the desk, which purports to carry out the intention I formerly expressed when I had the floor.

The PRESIDING OFFICER. The Senator from Maryland offers an amendment, which will be stated.

The legislative clerk read as follows:

Any depositor may withdraw the whole or any part of the funds deposited to his or her credit, with the accrued interest, only on notice given 60 days in advance, and under such regulations as the Postmaster General may prescribe; but withdrawals of any part of such funds may be made upon demand, but no interest shall be paid on any funds so withdrawn.

Mr. LA FOLLETTE. Mr. President, may I ask the Senator where this amendment would come in?

Mr. TYDINGS. It would be in lieu of the language on page 50, line 3, after the word "following"—in lieu of the remainder of that paragraph.

Mr. President, from a reading of this amendment it seems to be all right, so I suggest that those who like its philosophy vote for it; and in case, upon reflection, it appears that any loophole has been left in it, the matter can be corrected in conference.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Maryland.

The amendment was agreed to.

Mr. McADOO. Mr. President, I suggest the following amendment, to be added at the end of the amendment just adopted, proposed by the Senator from Maryland:

Provided, That Postal Savings depositories may deposit funds in member banks on time, under regulations to be prescribed by the Postmaster General.

The PRESIDING OFFICER. Will the Senator reduce his amendment to writing and send it to the desk, so that it may be stated?

Mr. McADOO. I will do so, Mr. President.

Mr. TYDINGS. Mr. President, while we are waiting for that to be done, if the Senator will permit me, I have an amendment already drawn which I should like to have read.

The PRESIDING OFFICER. The Senator from Maryland offers a further amendment, which will be stated.

The legislative clerk read as follows:

SEC. 21. (a) Within 2 years after the enactment of this section every person, firm, association, business, trust, or other similar organization (which now operates on the basis of unlimited liability of its owners or members for all its obligations) engaged principally in the business of issuing, underwriting, selling, or distributing at wholesale, retail, or through syndicate participation stocks, bonds, debentures, notes, or other securities who is also engaged at the same time to any extent whatever in the business of receiving deposits subject to check, or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor, shall elect as to whether or not the liability of such owners or members shall be limited as in the case of national banks to twice the capital invested in such business, or shall continue to operate with unlimited liability.

If the owners or members elect to limit their liability as aforesaid, they shall notify the Federal Reserve bank of the district in which such person, firm, association, business, trust, or other similar organization is located of such intention.

And in such event such notification shall be accompanied with a statement of the condition of said business, exhibiting in detail the reserves and liabilities, and such person, firm, association, business, trust, or other similar organization shall thereafter submit to periodical examination by the Comptroller of the Currency, or by the Federal Reserve bank of the district, and shall make and publish periodical reports of its condition, exhibiting in detail its reserves and liabilities; such examinations and reports to be made and published at the same time and in the same manner and with like effect and penalties as are now provided by law in respect of national banking associations transacting business in the same locality; or

(b) If any person, firm, association, business, trust, or other similar organization, shall determine to continue the unlimited liability of such individuals, partners, and associates with relation to deposits and other obligations of the organization, it shall be allowed to continue business as heretofore; provided, however, such person, firm, association, business, trust, or other similar organization shall submit semiannually to the Federal Reserve bank of its district, a certificate from a certified public accountant (satisfactory to such Federal Reserve bank) that said accountant has examined the affairs of said organization during the preceding semiannual period, and that in the opinion of said certified public accountant (based on examinations, values, and tests similar to those conducted by the Comptroller of the Currency) the business is in a sound financial condition.

And it shall be unlawful for any person, firm, association, business, trust, or other similar organization which has not complied with the above provision to engage in any extent whatever in the business of receiving deposits subject to check, or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor.

Whoever shall willfully violate any of the provisions of this section shall, upon conviction, be fined not more than \$5,000 or imprisoned not more than 5 years, or both, and any officer, director, employee, or agent of any person, firm, association, business, trust or other similar organization who knowingly participates in any such violation shall be punished by a like fine or imprisonment, or both.

Mr. TYDINGS. Mr. President, this is rather a long amendment, but the section with which it deals is likewise a long section; and those who are in favor of the bill will

realize that, for the most part, it is in the exact verbiage of the present bill.

Here is the situation with which the Senate must deal:

At present, private banking houses can receive deposits. After this bill is enacted into law they cannot receive deposits unless they conform to certain requirements set forth in the bill.

In my own State I have in mind one particular banking house. It is a private concern; a partnership. The depositors in that bank not only have the worth of the firm's assets behind every deposit, but they have everything that every partner is worth back of the assets of the partnership, and the deposits as well, with which to make good.

To the extent that we curtail that liability, we make these deposits unsafe. These men, under this new act, can still receive deposits. There is no question about that. We will not stop them from receiving deposits, but we will limit still further their liability to those depositors, as the bill is now drawn, over that which they would have to stand for in a partnership.

What I have attempted to do here is, using the same period of time set forth in the bill—namely, 2 years—that they shall decide whether they want to form a banking association which will limit their liability, and then be subjected to the examination of the Comptroller, or whether they may still give to these depositors the security not only of the assets of their firm but of every bit of property which each one of them is worth as well. My amendment simply makes that kind of a concern give a greater degree of security for deposits than the same concern will give under the terms of the bill.

Mr. COUZENS. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Maryland yield to the Senator from Michigan?

Mr. TYDINGS. I yield to the Senator.

Mr. COUZENS. I have been absent from the Chamber most of the day before the Banking and Currency Committee; and I was wondering whether this amendment requires any publicity with respect to the net worth of the partners.

Mr. TYDINGS. Yes, Mr. President; it requires inspection by the Government. It requires that they shall periodically submit to the Government a statement of their assets and liabilities in great detail, just as national banks do. What I am trying to point out—and I think in the confusion of this late hour I probably shall not be able to make it plain, but I should like to do so—is that under the bill as drawn a partnership will incorporate, but under the bill as I have proposed to amend it the partnership need not incorporate. If it does incorporate, it will be liable only to the extent of its incorporation. If it does not incorporate, it will be liable for all the firm's assets and all of the assets of every partner as well. It does not change at all the basic proposition of examination of these private banks.

Mr. BULKLEY. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Maryland yield to the Senator from Ohio?

Mr. TYDINGS. Yes.

Mr. BULKLEY. I should like to have it made clear whether what the Senator is proposing is by way of substitution for section 21 of the bill.

Mr. TYDINGS. It is. I am only giving to the depositor in a private bank additional security for his deposit. Under the bill all the security he would have would be the corporate assets. Under this amendment he would have not only the corporate or firm assets but the property of every partner in the concern. Otherwise the bill is just the same. The supervision by the Government is there. The penalties for violation of the law are there as well. All that this amendment does is to make the partners of a private bank liable.

Mr. COUZENS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Maryland further yield to the Senator from Michigan?

Mr. TYDINGS. Yes; I yield.

Mr. COUZENS. In other words, the Senator wants to perpetuate the private-banking system.

Mr. TYDINGS. No; let me say that under this amendment the private bankers can still operate.

Mr. COUZENS. I mean the Senator wants to perpetuate the private bankers under regulation.

Mr. TYDINGS. No; I am not interested in that. If they are to be perpetuated, however, then I want all the liability they have thrown in to protect the depositor instead of just a part of it.

Under this measure as now presented to the Senate the private banker is liable only to the extent of the corporate assets.

Mr. COUZENS. But after he incorporates, he is not a private banker any longer, is he?

Mr. TYDINGS. Why, of course he is. The stock could be held by 3 or 4 or 5 or 6 or 8 or 10 men who make up the firm.

Mr. COUZENS. He would not be a private banker any more after he became incorporated.

Mr. TYDINGS. Certainly he would be. He could still incorporate under his own firm name.

Take the case of Morgan & Co. Morgan & Co. can come in under this bill and incorporate as J. P. Morgan. They can go ahead and divide up their stock among the 20 partners; and what will we have done? We will have limited the liability of that banking house to their corporate assets only, whereas we have the opportunity to extend the liability of those men not only to their corporate assets but to all the property which they own.

Mr. COUZENS. I appreciate the Senator's point of view; but I am still insisting that after J. P. Morgan & Co. incorporated, they would not be private bankers any more.

Mr. TYDINGS. That is a distinction which perhaps I did not understand when the Senator first made it. I am not interested in whether J. P. Morgan & Co. are private bankers or incorporated bankers. What I am attempting to bring to the attention of the Senate is that by the adoption of the provision as drawn, Morgan & Co., if it does incorporate, will escape a degree of responsibility to its people that it has no right to escape. What I want to do is to make every partner in Morgan & Co. responsible to the last dollar for any deposits the firm receives. Under this provision they will incorporate as J. P. Morgan & Co., and divide the stock between their 20 partners, and the stock they own will be the extent of their liability.

On the other hand, we can say that they can still operate as J. P. Morgan & Co., and in that case they will be liable to the assets of the last partners; but if they accept deposits then they must be under the supervision of the National Government.

That is all I am attempting to do. I hope I have made it clear.

I might say in passing that I doubt very much whether we have the authority, certainly within a State, to prohibit a private bank from accepting deposits. If I want to take \$15 of my money and give it to some person for safe-keeping, he becomes a private banker, and I do not know what authority we have to prevent that; but I am not discussing that question here. What I am discussing is that if we are going to permit firms like Morgan & Co. to accept deposits, and the law is held good, we should not cut down their liability by allowing them to incorporate, but should keep all of the liability of that partnership, and then they will still be under the same supervision as they would be if they incorporated.

Mr. BULKLEY. Mr. President, the substitution of this amendment for section 21 as drawn would materially change one of the most important principles in the bill. We have proposed to separate investment from commercial banking. Other sections of the bill bring to an end investment banking by commercial banks within a period of 2 years, as the bill was reported, and within a period of 1 year, pursuant to amendments which have been adopted on the floor today.

This amendment of the Senator from Maryland would strike out of the bill section 21, which prohibits—

Any person, firm, corporation, association, business, trust, or other similar organization, engaged principally in the business of

issuing, underwriting, selling, or distributing * * * stocks, bonds, debentures, notes—

And so forth, from engaging—

At the same time to any extent whatever in the business of receiving deposits subject to check.

In other words, the bill as reported is an absolute prohibition against any organization, whether it be a corporation or an unlimited partnership, having as its principal business dealing in securities, from accepting any deposits whatever. It is vital to the principles of this bill that the amendment suggested should be defeated.

Mr. TYDINGS. Mr. President, I am not going over the same ground I have already covered, but perhaps I look at this matter a little differently from the way some other Senators look at it, in this respect. We had better be careful, if national banks are to be prevented—and I am thoroughly in accord with that—from financing private businesses, as is required at times, on long-time paper, and if the same is to apply to all of the private investment houses of the better class, not the bucket shops, but those of integrity, those with clean methods, those with 100 years' tradition back of them, like Alexander Brown & Sons, over in my section of the country, which have financed many of the major projects of this Government, helped to finance the Government when it needed money, financed some of our largest railroads when they were being constructed, men of the highest caliber; if we are to cut all of that business away from the national banks—and I am in favor of it, as I have said—we had better watch out how far we go in destroying the usefulness of bona fide, finely run and conducted private institutions. We may want that credit some day, and we may fix it so that credit will not be available.

In passing, I want to leave this thought with the Senate, although I dislike to drag the constitutional provision in, because that argument is always made, but under what stretch of imagination, under what phase of constitutional law, under what concept of Supreme Court decision can the Congress of the United States say to a private banker in Baltimore or Nebraska that he may not accept the deposit of a citizen of his own State?

I want to admonish the Senate that in my humble judgment, for whatever it may be worth, this provision will soon be challenged in the Supreme Court of the United States if it is enacted into law, and instead of doing what we could do now, namely, cover these banks in under the supervision and examination of the Federal Government, we are going to have no control over them, in my humble judgment, because section 21 is going to be held unconstitutional. There is not the slightest color of authority to prevent a private bank over in Maryland from accepting deposits from a citizen in that State.

Mr. GLASS. Mr. President, I am not a lawyer, and especially am I not a constitutional lawyer, but there is not only a substantial shadow of authority for this provision of the bill in law, and in constitutional law, but I will say to the Senator from Maryland that I have been supplied with a document, I would say without exaggeration at least an inch thick, which gave our committee opinion after opinion, of inferior, superior, supreme, Federal courts, in justification of the authority which we here try to assert. So much for the legal aspect of it.

As to the other suggestion, if we confine to their proper business activities these large private concerns whose principal business is that of dealing in investment securities, and so forth, and many of which unloaded millions of dollars of worthless investment securities upon the banks of this country, and deny them the right to conduct the deposit bank business at the same time, there will be no difficulty on the face of the globe in financing any business enterprise that needs to be financed at a profit in this country. Only the other day, in opening my remarks on this bank bill, I referred to the fact that, notwithstanding the protests which came to our Banking and Currency Committee, voicing the very thing now stated by the Senator from Maryland, the largest commercial bank in the world, I believe, the Chase National Bank, without waiting for the enactment of this

bill, but very likely prompted by the knowledge that it would be enacted, separated itself from its affiliate, and the very next day the New York papers recorded the fact that those who were chiefly active in the conduct of the affairs of that affiliate were proposing to immediately set up and investment banking house to do the very things that affiliate had been unlawfully doing ever since its establishment.

If there is money in the business, there need be no fear but that large investment houses will be set up in this country, just as they have been in all of the countries of continental Europe, and in England, to be conducted by experienced bankers rather than by blacksmiths and speculators. There will be no difficulty on earth in meeting that issue, and I concur most heartily with my colleague the Senator from Ohio in saying that this is a vital provision of the bill, and that it should not be amended as suggested by the Senator from Maryland.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Maryland [Mr. TYDINGS].

The amendment was rejected.

The PRESIDING OFFICER. The Senator from California [Mr. McADOO] has proposed an amendment, which the clerk will report.

The LEGISLATIVE CLERK. The Senator from California proposes the following amendment, to be inserted after the amendment adopted on page 50, line 3:

Provided, That Postal Savings depositories may deposit funds in member banks on time under regulations to be prescribed by the Postmaster General.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from California [Mr. McADOO].

The amendment was agreed to.

Mr. GLASS. Mr. President, responsive to the inquiry of the Senator from Montana [Mr. WHEELER], to make sure that no existing State bank with a capitalization of as much as \$25,000 may be precluded from becoming a member of the Federal Reserve banking system, and coming under the insurance of deposits provision of the bill, I propose, on page 59, at the end of line 7, to insert this proviso, which was prepared by the drafting bureau of the Senate:

Provided, That this paragraph shall not apply to State banks and trust companies organized prior to the date this paragraph as amended takes effect and having a capital of not less than \$25,000.

I hope the amendment will be agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Virginia.

The amendment was agreed to.

Mr. BULKLEY. Mr. President, I offer an amendment, which I send to the desk.

The PRESIDING OFFICER. The Senator from Ohio offers an amendment, which the clerk will report.

The CHIEF CLERK. On page 67, lines 11 and 12, to strike out the word "principally", so as to read:

(1) For any person, firm, corporation, association, business, trust, or other similar organization engaged in the business of issuing, underwriting, selling, or distributing, at wholesale or retail, or through syndicate participation, stocks, bonds, debentures, notes, or other securities, to engage at the same time to any extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor; or.

Mr. BULKLEY. Mr. President, this amendment relates to the same section we have been discussing. It has become apparent that at least some of the great investment houses are engaged in so many forms of business that there is some doubt as to whether the investment business is the principal one. Therefore this word must be eliminated in order to make sure that we will accomplish a separation of the investment and deposit banking.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Ohio [Mr. BULKLEY].

The amendment was agreed to.

Mr. NYE. Mr. President, I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. Beginning with line 18, on page 46, the Senator from North Dakota moves to strike out all down to and including line 7 on page 47.

Mr. NYE. Mr. President, the Senate committee amendment, which would be stricken from the bill, is one relating to section 13 of the Federal Reserve Act, which grants certain powers and rights to certain banks affiliated with the Federal Reserve System.

Mr. NORRIS. Mr. President, as I understand it, the Senator's amendment simply undertakes to strike out an amendment proposed by the committee.

Mr. NYE. That is correct.

Mr. NORRIS. I submit that the only way for the Senator to accomplish that would be to persuade the Senate to vote against the adoption of the committee amendment.

Mr. NYE. Mr. President, I understand that all the committee amendments have been adopted.

The PRESIDING OFFICER. The Chair is informed by the clerk that the committee amendment to which the Senator has reference has already been agreed to.

Mr. NORRIS. Mr. President, it would be out of order, of course, to move to strike out an amendment already agreed to.

The PRESIDING OFFICER. If the Senator will make a point of order, the Chair will sustain it.

Mr. NYE. Then I move, Mr. President, to reconsider the vote by which the committee amendment was agreed to.

Mr. GLASS. Mr. President—

Mr. NYE. I will say to the Senator that the purpose of my amendment is merely to restore to the banks affiliated with the Federal Reserve System the right they now have, which they would lose under the committee amendment, to write fire insurance and other insurance.

Mr. GLASS. I may say to the Senator that the committee had a tremendous amount of correspondence on the subject of prohibiting national banks from engaging in the insurance business, and this section of the bill prohibits them from engaging in the insurance business.

Mr. NYE. Mr. President, has consent been given to reconsider the action adopting the committee amendment?

The PRESIDING OFFICER. There is pending a motion to reconsider, but it has not been put. Does the Senator desire the motion put?

Mr. NYE. I desire it put.

The PRESIDING OFFICER. The Senator from North Dakota moves to reconsider the vote by which the committee amendment was adopted.

The motion was rejected.

Mr. BULKLEY. I offer an amendment to correct a typographical error in the bill that has been called to my attention.

The PRESIDING OFFICER. The amendment proposed by the Senator from Ohio will be stated.

The CHIEF CLERK. On page 31, line 23, it is proposed to strike out the figures "5158" and to insert "5138."

The PRESIDING OFFICER. The question is on the amendment of the Senator from Ohio.

The amendment was agreed to.

Mr. BARBOUR. Mr. President, I should like to address a brief question, if I may, to the Senator from Virginia [Mr. GLASS]. I refer to page 80, section 31. There seems to be a difference of opinion between certain attorneys in relation to the punctuation of that section, and they suggest that on line 15 the semicolon should be changed to a comma, and on line 19 the comma should be changed to a semicolon, for the reason that the clause in lines 19 and 20, without that change, apparently would only refer to the part of the section beginning in line 15 and not to the first part of the section. It is a small matter, and I think it has been explained to the Senator from Virginia.

Mr. GLASS. I may say to the Senator that I have no objection to the alteration suggested, except, in my judg-

ment, it is a bad alteration. People differ as to punctuation, and I think the punctuation as now revealed in the bill is the correct punctuation. I never heard of a comma being before a conjunction in a well-ordered writing, but I have heard of a semicolon being there.

Mr. BARBOUR. Would the Senator say, then, that the clause I mentioned which reads "unless in any such case there is a permit therefor issued by the Federal Reserve Board;" refers not only up to line 15 but on up to the beginning of the section? If the Senator does, I am perfectly willing to let the matter drop.

Mr. GLASS. I am perfectly willing to alter the punctuation as suggested by the Senator. I do not think it is material, one way or the other.

Mr. BULKLEY. Mr. President, it seems to me it makes quite a difference in the meaning of the section.

Mr. GLASS. In what respect?

Mr. BULKLEY. In line 19 there is a provision for a permit, and if the semicolon remains in line 15 it will probably be interpreted that the provision with respect to the permit should only go back so far as the clause beginning in line 15. With the change suggested by the Senator from New Jersey, the permit might be issued to cover the matter which is prohibited in the provision from lines 8 to 15 of the section.

Mr. BARBOUR. That is exactly the point I want to bring out. I thought that it was intended it should be applied to the whole section.

Mr. BULKLEY. I do not so understand it; and I did not want the Senator from Virginia to be under the misapprehension that it does not change the meaning.

Mr. BARBOUR. Neither do I.

Mr. GLASS. I do not think it does with the assurances given.

Mr. BULKLEY. The Senator from New Jersey suggests a modification so that the meaning shall be changed.

Mr. GLASS. I do not want to change the meaning, do you?

Mr. BULKLEY. I have thought that the paragraph was correctly punctuated as it is.

Mr. GLASS. I think it is now correctly punctuated, and I hope the Senator will not insist upon his amendment. When we get into conference if anybody wants to change the punctuation point there will be no trouble about doing it.

Mr. BULKLEY. Unless the House language in this respect is not changed.

Mr. GLASS. The House bill does not contain that provision.

The PRESIDING OFFICER. Are there further amendments?

Mr. KEYES. I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 79, line 17, after the words "or other member of", it is proposed to strike out "such governing body" and insert "the governing body of a national banking association, State bank, or trust company, which has a paid-in and unimpaired capital in excess of \$50,000."

Mr. KEYES. Mr. President, I am prompted to offer that amendment—

Mr. GLASS. I have no objection, at all, to the amendment.

Mr. KEYES. Very well.

The PRESIDING OFFICER. The question is on agreeing to the amendment proposed by the Senator from New Hampshire.

The amendment was agreed to.

The PRESIDING OFFICER. If there be no further amendment, the question is on the engrossment and third reading of the bill.

Mr. GLASS. Mr. President, I suppose this is the point at which I should ask the Chair to lay before the Senate House bill 5661, in order that I may move that the Senate

proceed to its consideration and then substitute the Senate bill for it.

The PRESIDING OFFICER laid before the Senate the bill (H.R. 5661) to provide for the safer and more effective use of the assets of banks, to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes, which was read twice by its title.

Mr. GLASS. I move that the Senate proceed to the consideration of the House bill.

The motion was agreed to; and the Senate proceeded to consider House bill 5661.

Mr. GLASS. I move to strike out all after the enacting clause of the House bill and to insert the Senate bill as agreed to today.

The PRESIDING OFFICER. The question is on the motion of the Senator from Virginia.

Mr. HEBERT. Mr. President, I wish to be heard for a few moments before the bill is finally passed, if it is going to be, and I assume that it will be.

Mr. President, with certain features of this measure I am in accord; I believe that for the most part it has a great deal of merit and will commend itself to the consideration of the Members of the Senate; but I cannot see my way clear to support that provision of the bill which would guarantee bank deposits. My investigation of that subject leads me to the conclusion that wherever that has been tried it has been a failure.

I find there have been guaranty deposit laws in eight States. The first of those was enacted in the State of Oklahoma in 1908. It continued to operate until 1922, and when it was repealed there was a deficit; in other words, there were bank deposits lost to the depositors in the sum of \$3,350,000 which were never repaid.

The next State to enact such a law was the State of Nebraska. That law was enacted in 1911 and repealed in 1930. At the time of its repeal there were unpaid deposits in failed banks aggregating somewhere in the neighborhood of \$20,000,000.

Next came the State of Mississippi, which enacted a guaranty deposit law in 1915. That law was repealed in 1930, with a deficit at that time of \$1,941,000.

Then in 1916 the State of South Dakota enacted a guaranty deposit law, which was repealed in 1930. At that time there was a deficit of \$36,769,000, which was never paid to the depositors.

Next came North Dakota, which enacted a deposit guaranty law in 1917 and repealed it in 1929, with a deficit of \$12,000,000.

Then Kansas in 1909 enacted such a law which continued in force for some 20 years, although that law was voluntary in its operation. It was repealed in 1929, leaving a deficit of \$15,000,000.

Texas enacted such a law in 1910, which was repealed in 1927, leaving a deficit of \$1,400,000.

Mr. CONNALLY. Mr. President, will the Senator from Rhode Island yield right there?

The PRESIDING OFFICER. Does the Senator from Rhode Island yield to the Senator from Texas?

Mr. HEBERT. Certainly, I yield.

Mr. CONNALLY. The Senator makes reference to the operation of the guaranty deposit law in Texas. It is true that my State abandoned the system, but it was not a failure in the sense that there were losses. Only recently I read that quite a large sum of money, running into more than a million dollars in that fund, was redistributed and paid back to the banks which had originally contributed to the fund. It was not a failure, in that the banks suffered any great losses. It is true that the banks paid in from time to time assessments, and a fund was accumulated, and, of course, there were losses out of that fund because of the payment of guaranteed deposits in banks which had failed; but I do not think the Senator can justly say that there was any substantial loss so far as the total operations of the system were concerned.

Of course, there will be losses whenever any bank fails; there will be losses under this bill if we consider the moneys which will be paid out in guaranteeing deposits; but in my State I do not think it can be said that the system was a failure. The State simply changed its policy and abandoned the system because there was so much pressure from the banks that had been contributing money and had never failed and had gotten no compensatory benefit from the law.

Mr. HEBERT. Mr. President, let me read, for the information of the Senate, from the report of a careful investigation of the operation of the law in Texas. Under the head of Bank Failures Under the Guaranty, this report goes on to say this:

However, in the 6-year period, 1920-25, about 150 guaranty-fund banks failed. Of these, 52 were reorganized without loss to the fund. Under the Texas plan no certificates were issued to the depositors, but when a bank was taken over by the banking department and liquidation begun, depositors were paid until its available cash was exhausted, then the guaranty fund was drawn upon, and as it became depleted assessments were collected from the banks up to 2 percent in a year of their average daily deposits. By this process about \$19,000,000 was pumped out of member banks in 1920-25; final liquidation of the closed banks returned about \$4,000,000 to them, leaving their net losses at \$15,000,000.

Mr. CONNALLY. Mr. President—

The PRESIDING OFFICER. Does the Senator from Rhode Island yield further to the Senator from Texas?

Mr. HEBERT. I yield.

Mr. CONNALLY. What the Senator from Rhode Island has read may be true, but the point I wish to make is that every depositor in a closed bank was paid; he got his deposit back. Of course, the money had to come from the other banks, and there were losses in that way.

Mr. HEBERT. Mr. President, so much for the record in those States where a guaranty deposit law has been in force.

I wish now to quote from the same report to which I have already referred, the Lessons of Experience, as follows:

These lessons of experience appear to demonstrate conclusively that in practice the guaranty-of-deposits plan generally tended to induce an unsound expansion in the number of banks and the volume of bank deposits under its supposed protection. This was clearly connected with the indiscriminate popular confidence created toward the banks under the guaranty. Unneeded, undersized, and unsound banks, as well as unqualified bank operators, were enabled to command public patronage because of the belief that the banks in the State system were guaranteed by the State and therefore the depositor could not lose.

The rate of bank failures was greater among guaranteed banks than among nonguaranteed banks doing business side by side with them. This produced a higher rate of loss than the guaranty funds, set up by assessments against member banks, were calculated to meet and resulted in the insolvency of the funds, their financial break-downs and larger deficits in unpayable claims in the hands of disappointed depositors.

The report goes on further to say:

The causes of insecurity of bank deposits are found for the most part in economic conditions and banking practices that can be identified. The logical procedure is to aim at prevention of these causes so far as possible and at fortifying the banks by good banking against adverse circumstances so as to avoid failures.

Mr. President, I am justly proud of the fact that in the State which I have the honor in part to represent there has not been a single bank failure during the entire depression. That may be due to many causes, but I venture the assertion that the basic cause is good management and good banking. I cannot believe that it is due altogether to careful supervision. I have known something about State supervision of financial institutions, the supervision of various classes of institutions by the State government, and I know from my experience that the well-being of those institutions has been due more especially to the character of the management behind them than to the supervision to which they have been subjected.

I can see no merit in the proposal to provide this guaranty for bank deposits. On the other hand, to my mind it is going to penalize the well-managed banks to take care of those where there is careless management, and surely that cannot be justified by any argument.

I repeat, in the main I am not opposed to the bank bill. I would vote for the remaining provisions of it were it not

for the inclusion within it of the provision for a guaranty of bank deposits. I felt I should make this statement in explanation of my attitude toward the measure.

The PRESIDING OFFICER. The question is on the motion of the Senator from Virginia to substitute the text of the Senate bill for the text of the House bill.

The motion was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

Mr. GLASS. Mr. President, I move that the Senate insist upon its amendment, ask for a conference with the House, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. GLASS, Mr. BULKLEY, Mr. McADOO, Mr. WALCOTT, and Mr. TOWNSEND conferees on the part of the Senate.

Mr. GLASS. I move that Senate bill 1631 be indefinitely postponed.

The motion was agreed to.

LEGISLATIVE INVESTIGATIONS—ADDRESS BY SENATOR NYE

Mr. NORRIS. Mr. President, on the 23d day of May there was delivered a short radio address by the Senator from North Dakota [Mr. NYE] upon the subject of "Legislative Investigations." I ask unanimous consent to have the address printed in the RECORD.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

The sponsors of this program are undertaking to carry to the radio audience of America knowledge concerning the relationship between you and your Government on the subject of "Legislative Investigations." I am sure that Professor Rogers, with whom I share place on this program tonight, rather easily enters upon this task with a contribution that is truly educational. He has been permitted to stand back and view broadly the merits of investigations. As for myself, I at moments doubt my ability to discuss the subject from an educational standpoint. I fear I have been too close to many of these investigations to permit an unprejudiced view. During my 8 years in the Senate I have participated in more investigations than one can possibly desire, if it can be said that one could desire a hand in any one investigation. My experience has given me two prejudices. One is that occasioned by the responsibility which accompanies the conduct of an investigation. The other prejudice is caused by my deep conviction that legislative investigations are essential, important, and highly productive of results beneficial to the people of the United States and to the perpetuity of whatever may now remain of a government of, by, and for the people. I shall strive, however, to prevent these prejudices standing in the way of my making some little contribution to the splendid purpose of the Council on Radio in Education.

There is wide belief that members of legislative bodies seek and welcome assignment to investigating committees and that they move for investigations only because they afford opportunity for personal publicity. But I have yet to meet the Member of Congress who has enjoyed the tremendous responsibility accompanying appointment to such a committee. The public can have only a faint notion of the labor, grief, and personal sacrifice assumed by those who draw these investigation responsibilities. The conduct of an investigation involves the necessity of most serious decisions, decisions which might easily be so unfair as to gravely injure innocent parties.

I might, were the time available, picture some of the trials which fall upon a committee and show how difficult it is to choose paths that are fair without inviting bitter criticism from those who by the thousands offer suggestions, tips, and demands concerning the manner in which the investigation should be conducted. There is little balm or glory for those who find themselves charged with the duty of conducting a legislative investigation. If there is any satisfaction for legislators thus charged it lies only in the final accomplishment of facts in the face of a world of obstacles. Men accept service upon these committees quite alone because they see a worthy purpose to be served by the investigations and because someone must serve upon them if the whole duty of a legislative body is to be done. So I say that it is most unfair to charge that legislative investigations are for the purpose of affording glory or publicity for legislators. There are many easier ways of winning that publicity.

Are legislative investigations costly, wasteful, and productive of no worthy return or results, as is so often charged? I insist that on the whole they are anything but that. I expect there is some waste of the moneys made available for the conduct of investigations, just as there is waste in courts and in industry generally, but the waste is not wanton. No matter how much waste may be involved I am sure it can be easily demonstrated

that the actual dollar-and-cents gains resulting from investigations easily outweigh the costs.

Investigations have become a most important duty of legislative bodies under our form of government. Through no other method would it have been possible to accomplish ends so worth while as were won in the Daugherty, the Teapot Dome, the Continental Trading Co. investigations, in the campaigns investigations, in the securities and banking investigations, and in other investigations with which listeners are acquainted. Will the cost of these investigations, which did not amount to as much as a million dollars, be a thing to stand out in importance above the information gained through them, the penalties inflicted upon wrongdoers, and the prevention of the purchase of places in legislative halls? I am sure none, knowing the facts, would permit such a choice and view to long exist in their own minds.

The argument in support of investigations should not be placed upon a mercenary ground. Investigations are essentially a function of the legislative arm of the Government and its cost is part and parcel of the cost of legislative action. One might as well argue that it is a waste of money to retain a democratic form of government and that great savings could be made by the dismissal of Congress from any part in our Government. But if there be desire to weigh the cost in the consideration of the merit of investigations, let us briefly consider the subject from that wholly mercenary standpoint.

It was not long ago that a leading figure in American political life protested strongly against the wastefulness of investigations. He pointed out that in the past 16 or 20 years the Senate had spent \$1,383,000 for investigations. He was a man of honest convictions and his demand for economies of this kind thoroughly sincere. His failing in this case was his blindness to the actual dollars recovered and paid into the United States Treasury by men who and corporations which the investigations revealed were cheating the Government. One investigation which I shall recite brought into the Federal Treasury many times the amount that was expended in the conduct of it. I refer to the Continental Trading Co. investigation, an aftermath of the Teapot Dome study. It was my lot to be chairman of the committee in question and to work with the late Senator Thomas Walsh, of Montana, in prosecuting that investigation, which involved the transactions and shady profits of the oil men—Sinclair, Stewart, O'Neil, and Blackmer. As a result of that one investigation the United States Treasury has successfully prosecuted actions to cause the payment of taxes evaded by these men and others in the amount of \$7,027,689.09. Further actions within the last year may have materially increased that total. The cost of the investigation was approximately \$30,000. It seems to me that the sums spent in prosecution of that investigation represent a reasonably fair investment from the standpoint of the Government. Consider with this the millions of dollars that were recovered by the Government as well as the vast and valuable resources worth hundreds of millions returned to the Government as a result of the naval oil lease investigations, and there must be agreement that these two investigations have been sufficiently profitable to pay for all the investigations conducted by the Houses of Congress during our lifetime as a nation.

So much for the cost end of any argument concerning the value of legislative investigations. What are the more material returns, if any? I answer they are many.

Who would have Harry M. Daugherty, formerly Attorney General of the United States, still enjoying the confidence of the people, as he would be doing but for a legislative investigation fearlessly prosecuted?

Who is there who wishes that Albert B. Fall, former Secretary of the Interior, was still in a commanding and influential position and exercising a voice in our democracy, as he would be doing but for the searching rays of an investigation played upon him and his betrayal of his trust?

Who is there desiring that Samuel Insull might continue to wield that influence which enabled him to lose the fortunes and savings of thousands of trusting investors; and who of all Americans would have the facts concerning Halsey Stewart & Co., as revealed by investigation, covered up so that the public might never have reason to know that this great firm participated in practices intended to defraud those who looked to it as an adviser?

Who would put back in important and responsible posts where they would enjoy continued public confidence bankers like Harri-man and Mitchell, who betrayed public confidence and contributed, they and their kind, to the terrible economic downfall which has brought such suffering to America as exists today?

Who would have legislative bodies, presumed to be representative, close their eyes to corrupt practices resorted to in winning election to those legislative bodies rather than insist, as those legislative bodies have, upon careful watching of the conduct of these election campaigns?

Who is there with such wishes and desires? Answer that and you name the men or the interests which would, if they could, turn every wheel of the peoples' Government into a piece of machinery to function for their own selfish interests and to the continued looting of the American people.

Out of practically every investigation there comes legislation improving the security of the Government and the people against selfishness and greed. It is often said that the same results could be obtained through regular prosecution in the courts of the land. Such a conclusion is not mindful of the fact that there can be no prosecution without facts. It ought also be said that a legislative investigation has access to facts which courts cannot hope

to gain under the rules of evidence which prevail. A legislative investigation can ask and require answers to questions which the rules of courts would not countenance. Without prejudice, but with that power, the legislator can gain knowledge upon which to base legislation and conclusions which contribute to the safeguarding of government and people.

Investigations serve a most healthy purpose in that they prevent many practices and serve as a caution against practices which might be considered proper and customary but for the development of a conscience by the existence of an investigating committee. In these days of overgrown corporations when the rule is "get all you can while the getting is good", occasional strokes by an investigating committee serve a splendid purpose.

In 1872 Judge Poland, of Vermont, chairman of a special committee of Congress appointed to investigate charges of corruption, said in his report:

"This country is fast becoming filled with gigantic corporations wielding and controlling immense aggregations of money and thereby commanding great influence and power."

Forty years later Woodrow Wilson said:

"We have come to be one of the worst ruled, one of the most completely controlled and dominated governments in the civilized world—no longer a government by conviction and the vote of the majority, but a government by the opinion and duress of small groups of dominant men. The Government of the United States at present is a foster child of the special interests. Our Government has been for the last few years under the control of the heads of great allied corporations with special interests. It is not allowed to have a will of its own. The trusts are our masters now."

With economic and political influence coming into such concentrated control it is of greatest importance that legislative bodies be on closest guard against encroachment which further threatens a free government. Honest investigations, prosecuted by legislators determined to reach and develop the facts, and by legislators who in their work can and will abandon partisanship, are of greatest value to the Government and its people. They afford necessary knowledge basic to helpful legislation. They educate people to practices unfriendly to their best interests. They throw fear into men and interests who would by any means at their command move governments to selfish purposes. They command respect for government and for law. They tend to make government cleaner and more responsive to public needs and interests. We should have not less, but more legislative investigations.

EMERGENCY RELIEF OF RAILROADS

Mr. DILL. Mr. President, I move that the Senate proceed to the consideration of the bill (S. 1580) to relieve the existing national emergency in relation to interstate railroad transportation and to amend sections 5, 15a, and 19a of the Interstate Commerce Act, as amended.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Interstate Commerce with amendments.

Mr. BLACK. Mr. President, I send to the desk an amendment which I intend to offer to the railroad bill and ask that it may be printed and lie on the table.

The PRESIDING OFFICER. Without objection, it is so ordered.

ABOLITION OF BOARD OF INDIAN COMMISSIONERS (H.DOC. NO. 57)

The PRESIDING OFFICER laid before the Senate a message from the President of the United States, which was read, and, with the accompanying Executive order, referred to the Committee on Indian Affairs, as follows:

To the Congress:

Pursuant to the provisions of section 1, title III, of the act entitled "An act to maintain the credit of the United States Government", approved March 20, 1933, I am transmitting herewith an Executive order abolishing the Board of Indian Commissioners.

There is no necessity for the continuance of this Board, and its abolition will be in the interests of economy.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, May 25, 1933.

MESSAGE FROM THE HOUSE—ENROLLED BILL SIGNED

A message from the House of Representatives, by Mr. Haltigan, one of its clerks, announced that the Speaker had affixed his signature to the enrolled bill (H.R. 5390) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes, and it was signed by the Vice President.

EXECUTIVE SESSION

Mr. KENDRICK. I move that the Senate proceed to the consideration of executive business.

Mr. McNARY. Mr. President, there is a contest over a nominee on the calendar; and on account of the lateness of the hour I suggest to the eminent Senator from Wyoming that we recess until 12 o'clock noon tomorrow.

Mr. HARRISON. Mr. President, does the Senator from Oregon object to an executive session?

Mr. McNARY. We were engaged a few days ago in a contest which will carry us now until a later hour. Inasmuch as it is nearly half past 5 now—

Mr. HARRISON. The Senator would have no objection to having the Chair lay down a message from the President which relates to certain nominations? That is the only object of the executive session, as I understand.

Mr. DILL. Mr. President, there is also a question of notification of the President of the confirmation of Mr. Ewin Lamar Davis as Federal Trade Commissioner. The nomination was confirmed the other day, and we are anxious that the President may be notified.

Mr. McNARY. I have no objection to an executive session if we can get through with it promptly; but I do not want to stay beyond this late hour with the contest still brewing that we had here last week.

Mr. KENDRICK. I renew my motion that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDING OFFICER laid before the Senate several messages from the President of the United States submitting nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

REPORTS OF COMMITTEES

The PRESIDING OFFICER. Reports of committees are in order.

Mr. KING, from the Committee on Finance, reported favorably the nomination of John Walter Doyle, of Honolulu, Hawaii, to be collector of customs for customs collection district no. 32, with headquarters at Honolulu, Hawaii.

Mr. SMITH, from the Committee on Agriculture and Forestry, reported favorably the nomination of Arthur E. Morgan, of Ohio, to be a member of the Board of Directors of the Tennessee Valley Authority.

The PRESIDING OFFICER. The nominations will be placed on the calendar.

FEDERAL TRADE COMMISSIONER—NOTIFICATION TO THE PRESIDENT

Mr. DILL. Mr. President, at one of the recent executive sessions Mr. Ewin Lamar Davis was confirmed for Federal Trade Commissioner.

Mr. McKELLAR. Mr. President, I ask unanimous consent that the President be notified of the confirmation of the nomination.

Mr. McNARY. Mr. President, do I understand that he was confirmed at an executive session several days ago?

Mr. McKELLAR. Yes; and the request now is to notify the President.

Mr. McNARY. How many executive sessions have intervened?

Mr. McKELLAR. One only.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Tennessee? The Chair hears none, and the President will be notified.

GREAT LAKES-ST. LAWRENCE DEEP WATERWAY TREATY

The PRESIDING OFFICER. The Calendar is in order.

The legislative clerk announced Executive C. (72d Cong., 2d sess.), a treaty between the United States and the Dominion of Canada for the completion of the Great Lakes-St. Lawrence deep waterway, signed on July 18, 1932, as first in order on the Calendar.

Mr. KING. Let that go over.

The PRESIDING OFFICER. The treaty will be passed over.

THE ADJUTANT GENERAL

The legislative clerk read the nomination of James Fuller McKinley to be The Adjutant General in the Army.

Mr. TYDINGS. Mr. President, I am compelled to be away tomorrow afternoon, and also Saturday. While I shall not vote for the confirmation of General McKinley, and I do not want to pursue any tactics which are purely dilatory or blocking, yet unless the nomination can be disposed of this afternoon I should like very much not to have it considered while I am away.

Mr. McNARY. Mr. President, inasmuch as we were only in the midst of the consideration of this nomination last week, on account of the lateness of the hour now I should not want it to be considered at this time unless we can act upon it immediately.

Mr. TYDINGS. I ask that it go over until Monday.

Mr. BULKLEY. Mr. President, is it understood that notification of the President of the confirmation of the nomination of General Conley is to be withheld until the McKinley nomination is disposed of?

Mr. McKELLAR. I ask unanimous consent that the Senate vote on the McKinley nomination on Monday.

The PRESIDING OFFICER. The Senator from Tennessee asks unanimous consent that the Senate vote on the McKinley nomination on Monday next. Is there objection?

Mr. LONG. Mr. President, I do not want to interfere with my friend from Tennessee, but I hope he will withdraw the request.

Mr. McKELLAR. We have had the nomination up several times.

Mr. LONG. The matter is going to require considerable discussion. I myself expect to speak at length on the nomination, and I know that others intend to do likewise. I shall have to object.

The PRESIDING OFFICER. The Senator from Louisiana objects.

Mr. BULKLEY. Mr. President, there was some confusion in the Chamber. I did not understand whether the Chair said the nomination of General Conley is to be held here until the McKinley nomination is disposed of.

The PRESIDING OFFICER. The Chair is informed that a unanimous-consent agreement to that effect was entered into at a previous executive session.

Mr. TYDINGS. Mr. President, the Chair stated that a unanimous-consent agreement had been entered into with reference to the Conley nomination. I think that was slightly in error. My recollection is that the Senator from Ohio [Mr. BULKLEY] moved that the nomination of General Conley be held up until the McKinley nomination could be disposed of, and I did not object to it.

Mr. BULKLEY. My recollection is it was a unanimous-consent request.

The PRESIDING OFFICER. The Chair is informed that an order was entered to that effect. In any event, it has the same effect.

Mr. McNARY. The Chair has been properly advised on that subject. That is correct.

ASSISTANT SECRETARY OF THE TREASURY

The legislative clerk read the nomination of Stephen B. Gibbons, of New York, to be Assistant Secretary of the Treasury.

Mr. HARRISON. Mr. President, let that go over until the next executive session.

The PRESIDING OFFICER. The nomination will be passed over.

That completes the calendar.

RECESS

The Senate resumed legislative session.

Mr. KENDRICK. I move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 30 minutes p.m.) the Senate took a recess until tomorrow, Friday, May 26, 1933, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate May 25 (legislative day of May 15), 1933

ASSISTANT SECRETARY OF THE TREASURY

Thomas Hewes, of Connecticut, to be Assistant Secretary of the Treasury, in place of James H. Douglas, Jr., resigned.

GENERAL COUNSEL FOR THE BUREAU OF INTERNAL REVENUE

E. Barrett Prettyman, of Maryland, to be General Counsel for the Bureau of Internal Revenue, in place of Clarence M. Charest, resigned.

COMMISSIONER OF EDUCATION

George F. Zook, of Ohio, to be Commissioner of Education, vice William John Cooper.

COLLECTORS OF CUSTOMS

James J. Connors, of Juneau, Alaska, to be collector of customs for customs collection district no. 31, with headquarters at Juneau, Alaska, in place of John C. McBride.

John Bright Hill, of North Carolina, to be collector of customs for customs collection district no. 15, with headquarters at Wilmington, N.C., in place of Mrs. Fannie Sutton Faison.

HOUSE OF REPRESENTATIVES

THURSDAY, MAY 25, 1933

The House met at 11 o'clock a.m.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Thou, who art the Creator and the Master of all life, we pause this moment at the altar of prayer and breathe the holy word—not unto us, not unto us, O Lord, but unto Thy excellent name be honor and glory, dominion and power, both now and ever. Here we wait in thanksgiving for the renewal of our strength. Gratefully mindful that we are Thine, do Thou put sacredness of duty upon all hearts, that we may ever frown upon all neglect as unworthy of our high calling. O free us from every fear save that of doing wrong. Be Thou that wise presence diffused in all our actions. By faith, love, and energy may we make our way toward the stature of the perfect man. Calm us when vexations distract and rebuke us, when scanty thoughts turn us from Thy matchless grace. We praise Thee that Thou art our God forever and ever and will be our guide even unto death. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Horne, its enrolling clerk, announced that the Senate, having tried Harold Louderback, judge of the District Court of the United States for the Northern District of California, upon five several articles of impeachment exhibited against him by the House of Representatives, and two thirds of the Senators present not having found him guilty of the charges contained therein: It is therefore

Ordered and adjudged, That the said Harold Louderback be, and he is, acquitted of all the charges in said articles made and set forth.

The message also announced that the Senate agrees to the amendments of the House to the amendments of the Senate nos. 2 and 14 to the bill (H.R. 5390) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes.

Mr. KVALE. Mr. Speaker, I make the point of order that there is not a quorum present.

The SPEAKER. The Chair will count.

Mr. KVALE. Mr. Speaker, I withdraw the point of order.

ACCEPTANCE AND TRANSFER OF CERTAIN LANDS IN SAN DIEGO, CALIF.

Mr. VINSON of Georgia. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (H.R. 1767) to authorize the acceptance of certain lands in the city of San Diego, Calif., by the United States, and the transfer by the Secretary of the Navy of certain other lands to said city of San Diego.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

The Clerk read as follows:

Be it enacted, etc., That the Secretary of the Navy be, and he is hereby, authorized on behalf of the United States to accept from the city of San Diego, Calif., when said city has been duly authorized to make such transfer by the State of California, free from all encumbrances and without cost to the United States, all right, title, and interest in and to the lands contained within the following-described area: Beginning at the intersection of the prolongation of the northwesterly line of Bean Street with the United States bulkhead line as established in February 1912; thence southwesterly along the prolongation of the northwesterly line of Bean Street to the pierhead line as the same has been or may hereafter be established by the United States; thence, northwesterly and southwesterly along the said pierhead line to its intersection with the prolongation of the northeasterly line of Lowell Street; thence northwesterly along the prolongation of the northeasterly line of Lowell Street to the United States bulkhead line as established in February 1912; thence northeasterly, easterly, and southeasterly along the United States bulkhead line as established in February 1912, to the point of beginning containing approximately 242 acres; and also, all of block 16, municipal tide lands subdivision, tract no. 1; said lands being desired by the Navy Department for national defense and for use in connection with existing naval activities at San Diego, Calif.

The said Secretary of the Navy is also authorized hereby to transfer to the city of San Diego, Calif., free from all encumbrances and without cost to said city of San Diego, all right, title, and interest of the United States in and to the lands contained within that part of the Marine Corps base, San Diego, Calif., described as follows: Beginning at a point on the United States bulkhead line as established in February 1912, distant 300 feet northwesterly from station no. 104 on said bulkhead line; thence north 7° east a distance of 2,160 feet; thence north 60°34'59" west to an intersection with the prolongation of the northwesterly line of Bean Street; thence southwesterly along the prolongation of the northwesterly line of Bean Street to an intersection with the United States bulkhead line, as established in February 1912; thence south 83° east along said bulkhead line to the point of beginning, containing approximately 67 acres.

The bill was ordered to be engrossed and read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

AMERICAN-GROWN APPLES AND PEARS IN FOREIGN MARKETS

Mr. BYRNS. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (H.R. 4812) to promote the foreign trade of the United States in apples and/or pears, to protect the reputation of American-grown apples and pears in foreign markets, to prevent deception or misrepresentation as to the quality of such products moving in foreign commerce, to provide for the commercial inspection of such products entering such commerce, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee [Mr. BYRNS]?

Mr. BLANTON. Mr. Speaker, reserving the right to object, I objected the other day, but since then I have ascertained that the majority leader is strongly in favor of this measure and seems to think that it is an emergency matter, and ought to be passed. I want to be assured of one fact, however, and that is that there is no junket of any kind in this bill anywhere in the United States or in any foreign country. I intend to try to stop all junkets of every kind.

Mr. ROBERTSON. I can absolutely assure the gentleman of that.

The purpose of the bill is to promote the export of American apples and pears. During recent years the average export of pears was 1,650,584 bushels, and of apples 2,593,466 barrels and 8,937,149 boxes. During the past 2 years some 26 nations have imposed restrictions of one kind or another on American apples and pears by specifying the qualities

which may be imported during certain periods, increasing the rigidity of sanitary requirements and inspection, and through increased import duties. Those interested in this large export business desire to have these restrictions discussed at the Economic Conference to be held in London next month, and to place our Department of State in position to assure foreign nations that nothing except standard grades of fruit will hereafter be shipped. This bill was prepared by the International Apple Association, composed of the leading shippers, shippers' organizations, outstanding growers and exporters from coast to coast, and by the Eastern Apple Growers Council, a federation of 19 State horticultural societies east of the Missouri River.

It provides for an inspection of export apples and pears by the Department of Agriculture and requires that every shipment shall be accompanied by a certificate issued under authority of the Secretary of Agriculture showing that such apples and pears meet the requirements of the established United States grades or the requirements of the country to which shipped. The bill will not require an appropriation. Under section 5 of the bill, the Secretary of Agriculture shall cause to be collected a reasonable fee for inspecting and certifying the grade, quality, condition, and so forth, of the fruit shipped provided additional personnel should be required of the Department in carrying out the provisions of the bill. This fee, however, shall not in any event exceed the cost of the service rendered.

The Secretary of Agriculture in reporting on the bill—which has his hearty approval—stated:

It is believed that the bill as drawn presents no serious administrative difficulties, and that its enactment will have a wholesome influence on our export trade in apples and pears.

The SPEAKER. Is there objection?

There was no objection.

The Clerk read as follows:

Be it enacted, etc., That it shall be unlawful for any person to ship or offer for shipment or for any common carrier to transport or receive for transportation to any foreign destination, except as provided in this act, any apples and/or pears in closed packages which are not accompanied by a certificate issued under authority of the Secretary of Agriculture showing that such apples or pears meet the requirements of that one of such United States grades as have been or may be established by the Secretary or State grades which may be designated by the Secretary as specifying the minimum quality of such fruits which may be shipped in export. The Secretary is authorized to prescribe, by regulations, the requirements, other than those of grade, which the fruit must meet before certificates are issued. No clearance shall be given to any vessel having on board any apples or pears which are not covered by a certificate complying with the provisions of this act.

Sec. 2. The Secretary shall give reasonable notice through one or more trade papers of the effective date of standards of export established or designated by him under this act: *Provided*, That any apples or pears may be certified and shipped for export in fulfillment of any contract made within 6 months prior to the date of such shipment if the terms of such contract were in accordance with the grades and regulations of the Secretary in effect at the time the contract was made.

Sec. 3. Where the government of the country to which the shipment is to be made has standards or requirements as to condition of apples or pears the Secretary may in addition to inspection and certification for compliance with the standards established or designated hereunder inspect and certify for determination as to compliance with the standards or requirements of such foreign government and may provide for special certificates in such cases.

Sec. 4. Apples or pears shipped in less than carload lots, as defined by the Secretary, may be shipped to countries in the Western Hemisphere without complying with the provisions of this act.

Sec. 5. For inspecting and certifying the grade, quality, and/or condition of apples and/or pears the Secretary shall cause to be collected a reasonable fee which shall as nearly as may be cover the cost of the service rendered: *Provided*, That when cooperative arrangements satisfactory to the Secretary, or his designated representative, for carrying out the purposes of this act cannot be made the fees collected hereunder in such cases shall be available until expended to defray the cost of the service rendered, and in such cases the limitations on the amounts expended for the purchase and maintenance of motor-propelled passenger-carrying vehicles shall not be applicable: *Provided further*, That certificates issued by the authorized agents of the United States Department of Agriculture shall be received in all courts of the United States as prima facie evidence of the truth of the statements therein contained.

Sec. 6. After opportunity for hearing the Secretary is authorized to refuse the issuance of certificates under this act for periods

not exceeding 90 days to any person who ships or offers for shipment any apples and/or pears in foreign commerce in violation of any of the provisions of this act. Any person or any common carrier or any transportation agency violating any of the provisions of this act shall be fined not less than \$100 nor more than \$10,000 by a court of competent jurisdiction.

Sec. 7. The Secretary may make such rules, regulations, and orders as may be necessary to carry out the provisions of this act, and may cooperate with any department or agency of the Government, any State, Territory, District, or possession, or department, agency, or political subdivision thereof, or any person, whether operating in one or more jurisdictions; and shall have the power to appoint, remove, and fix the compensation of such officers and employees not in conflict with existing law, and make such expenditures for rent outside the District of Columbia, printing, binding, telegrams, telephones, law books, books of reference, publications, furniture, stationery, office equipment, travel, and other supplies and expenses including reporting services, as shall be necessary to the administration of this act in the District of Columbia and elsewhere, and as may be appropriated for by Congress; and there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary for such purpose. This act shall not abrogate nor nullify any other statute, whether State or Federal, dealing with the same subjects as this act; but it is intended that all such statutes shall remain in full force and effect except insofar as they are inconsistent herewith or repugnant hereto.

Sec. 8. If any provision of this act or the application thereof to any person or circumstances is held invalid, the validity of the remainder of the act and of the application of such provision to other persons and circumstances shall not be affected thereby.

Sec. 9. That when used in this act—

(1) The term "person" includes individuals, partnerships, corporations, and associations.

(2) The term "Secretary of Agriculture" means the Secretary of Agriculture of the United States.

(3) Except as provided herein, the term "foreign commerce" means commerce between any State, or the District of Columbia, and any place outside of the United States or its possessions.

With the following committee amendments:

Page 1, line 6, strike out the word "closed" before the word "packages."

Page 2, line 3, after the first three words "apples or pears", strike out the balance of line 3, all of lines 4, 5, 6, and through the word "export" in line 7 and substitute the following: "are of a Federal or State grade which meets the minimum of quality established by the Secretary for shipment in export."

Page 2, line 12, after the word "issued", insert the following new sentence: "The Secretary shall provide opportunity, by public hearing or otherwise, for interested persons to examine and make recommendation with respect to any standard of export proposed to be established or designated, or regulation prescribed, by the Secretary for the purpose of this act."

Page 3, lines 13 to 16, strike out section 4 and substitute the following:

"Apples or pears in less than carload lots as defined by the Secretary may, in his discretion, be shipped to any foreign country without complying with the provisions of this act."

Page 4, line 17, after the word "agency", insert the word "knowingly."

Page 5, line 12, after the word "Congress", strike out the balance of line 12, all of lines 13 and 14, and the word "purpose" in line 15.

Page 6, line 10, insert a new paragraph, as follows:

"(4) The term 'apples and/or pears' means fresh whole apples or pears whether or not they have been in storage."

The committee amendments were agreed to.

The bill, as amended, was ordered to be engrossed and read a third time, was read the third time, and passed. A motion to reconsider was laid on the table.

THE PRICE OF CEMENT

Mr. WALTER. Mr. Speaker, I ask permission to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. WALTER. Mr. Speaker, within recent weeks there has occurred a renewed discussion of cement prices, which appears to have had its inception in a request made by the Secretary of the Interior that the Federal Trade Commission investigate cement bids for Illinois highway work.

In some quarters these discussions have led to the criticism that present cement prices are unduly high. It is to this criticism that I wish to address myself; first, on the ground that I believe such criticism unjust and uncalled for, and second, because I have the honor to represent a district in eastern Pennsylvania in which cement is one of the chief articles of production.

In eastern Pennsylvania alone the cement industry represents a capital investment of more than \$120,000,000. In normal times it produced more than 40,000,000 barrels of cement, employed about 10,000 wage earners, purchased annually more than \$40,000,000 in materials, and paid out approximately \$16,000,000 in salaries and wages.

There is no necessity for me to recite the situation of cement workers and manufacturers in eastern Pennsylvania at present, except to say that they have felt the depression as severely as any class in the country.

I am cognizant of the difficulties against which these companies have been struggling for several years, not only against the depression but because of a disastrous 2-year price war which brought selling prices to the lowest point in more than 16 years.

To make the conditions worse, the cement companies in eastern Pennsylvania, and, in fact, all companies on both coasts which ship into seaboard areas, have been harassed by foreign competition which has at times demoralized coastal markets, especially where the importer had the advantage of depreciated currencies.

The best answer to the criticism that the price of cement is unreasonable or even high enough to pay more than production costs lies in the fact that every cement company in the country which publishes figures showed heavy losses for the year 1932, the loss ranging up to \$2,000,000 for a single company.

It is precisely because of a comparison of present prices with those quoted at the height of the price war that the cement industry is under criticism today. In Illinois, for example, the price bid this year, including freight, averages \$1.62. This may seem high in comparison with the \$0.94 paid last year, when the price war was at its height, but it is lower than the State paid for cement prior to the price war and lower in fact than the State paid for cement in any of the 14 years it has bought cement except for the years 1931 and 1932, which were price-war years.

Governor Horner, of Illinois, has published the following figures, which bear out this contention:

	Per bbl.
1919-----	\$2.04
1920-----	2.03
1921-----	2.04
1922-----	1.86
1923-----	2.06
1924-----	2.15
1925-----	2.15
1926-----	2.15
1927-----	2.20
1928-----	2.00
1929-----	1.98
1930-----	1.78
1931-----	1.29
1932-----	.94
1933 (bid price)-----	1.62
• • • • •	
Average, 1919-32, including price-war years of 1931 and 1932-----	\$1.90
Average, 1919-30, excluding price-war years-----	2.04
Price bid 1933-----	1.62

As to the reasonableness of present prices, I am reliably informed by cement manufacturers that present prices will not cover costs and that they will lose money at present levels.

The meaning of these losses is clear to us all. They mean continued dearth of taxes to the Government, continued loss of dividends and interest, continued unemployment, continued reductions in salaries and wages, and a continued postponement of prosperity.

Another point upon which the cement industry has sometimes come in for criticism is the fact that at certain times and places its prices are uniform. Certain of my friends in the cement industry have consulted with me on this subject of uniform prices and they believe, and I believe, that the time has arrived to place on the public records an explanation of price uniformity in the cement industry, which that industry insists is not only justified but necessary in the conduct of its business.

The cement industry does not refer me to uniform price arguments in tobacco, in bread, in milk, in gasoline, or in many other basic industries, as a reason for its own selling

methods, even though these are entirely pertinent. The cement industry, on the other hand, is ready, even insistent, on standing on its own feet and in proving that uniformity of prices promotes competition rather than stifles it.

When this very question was before the courts an eminent authority, Dr. Thomas S. Adams, professor of political economy at Yale University, stated:

There is for all practical purposes a unanimity of opinion among economists that with a standardized commodity and conditions of effective competition there is the strongest tendency to uniform prices.

Later in this same case, in which uniformity and collusion in the making of prices were charged against the cement industry, the Supreme Court, in its decision upholding the industry, decreed in part:

It is conceded that there is substantial uniformity of the price of cement. Variations of price of one manufacturer are usually followed by variations throughout the trade. The fact is that any changes in the quotations of dealers promptly become well known in the trade through reports of salesmen, agents, and dealers of various manufacturers. It appears to be undisputed that there were frequent changes in price, and uniformity has resulted not from maintaining the price at fixed levels but in the prompt meeting of changes in price by competing sellers.

The defendants (the cement industry) offered much evidence tending to show independence of judgment and action by large expenditures in competitive sales efforts and by variations in the volume of their production, shipments, earnings, and profits.

A great volume of testimony was also given by distinguished economists in support of the thesis that in the case of a standardized product sold wholesale to fully informed professional buyers uniformity of price will inevitably result from active free and unrestrained competition and the Government in its brief (against the industry) concedes that "undoubtedly the price of cement would approach uniformity in a normal market in the absence of all combinations between manufacturers."

Since that decision of the Supreme Court was rendered there has developed within the cement industry a distinct tendency to lean backward in its dealings with the public. For years it has adopted the precept "let the seller beware" lest it again lay itself open to the charges of which it was held guiltless by the courts. In other words, its policy has been to avoid, at all costs, conflict with the Federal, State, and local Governments and the public; yet it is still faced with the necessity of adhering to uniform prices because of inflexible economic laws.

Cement is a highly standardized commodity, both as to quality and process of manufacture. Price is the determining factor. Most cement is sold to dealers and contractors who are necessarily professional buyers. Manufacturers' prices come into comparison with each other on almost every construction job of importance. This makes for keen and fully informed competition, and the delivered prices are necessarily uniform on any particular job or offering.

Such uniformity, however, is in the price quoted to the consumer at the time and not in the net return received by the manufacturers. Neither prices to consumers or net mill returns have been uniform at any one place over a period of years or in several places at the same time.

Cement is a cheap, heavy commodity; and because of the high freight rate the delivered price is usually the mill price of the plant nearest the job, plus the cost of transportation from mill to job. A simple illustration of how prices are arrived at is as follows:

A, B, and C are cement makers seeking business in Washington. A has a 30-cent freight rate, B a 35-cent rate, and C a 40-cent rate. This gives A a 5-cent advantage over B and a 10-cent advantage over C. A figures he can sell at \$1.50 a barrel at his mill, so adds the 30 cents freight and quotes cement at \$1.80 a barrel Washington. Then if B and C wish to do business in Washington B must absorb a 5 cents additional freight rate and C a 10-cent rate; that is, at his mill B will receive 5 cents less than A and C will receive 10 cents less. If their costs are the same as A's, their profits will necessarily be lower. Unless B and C can make the mill price sacrifices required by the market at Washington they must permit A to monopolize that market.

The cement industry asks only a chance to right itself in a rightful way. For years it has been buffeted; in 1926 the

Harding Department of Justice haled the industry before the courts, which culminated in a victory for its methods. Almost before it could readjust itself came the tariff bill, and again for 18 months the industry was uncertain as to whether Congress would decrease the steady flow of imports which were demoralizing its principal centers.

On the day the Hawley-Smoot bill was signed, giving cement a duty, the Senate passed a resolution citing the cement industry before the Tariff Commission to justify the duty which had only that day been granted it. In this case the Commission, after months of study, decided that the duty fixed by Congress was a just one.

In the meantime the Federal Trade Commission of its own volition had started an investigation on base prices in the cement industry—which comprised hundreds of pages with charts and graphs—and also went into uniform prices and kindred matters, and finally was printed.

But before the report was off the press, another Senate resolution was adopted by the Senate calling upon the Federal Trade Commission to investigate all phases of the cement industry, and this investigation is now being conducted. All these proceedings are a disturbance of the normal functions with which an industry naturally concerns itself; and the cement industry for one is ready to cry "enough" to Federal persecution and to ask for a measure of governmental assistance, or at least to be permitted to conduct its business without further badgering.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Latta, one of his secretaries.

NATIONAL INDUSTRIAL RECOVERY

Mr. POU. Mr. Speaker, I call up House Resolution 160 and ask its immediate consideration.

The Clerk read as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H.R. 5755, a bill to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill and shall continue not to exceed 6 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. At the conclusion of the consideration of the bill for amendment the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. POU. Mr. Speaker, I yield to the gentleman from Pennsylvania [Mr. RANSLEY] one half hour, to be used as he may see fit.

Mr. Speaker, I yield myself 10 minutes.

Mr. CARPENTER of Nebraska. Mr. Speaker, I make the point of order there is not a quorum present.

The SPEAKER. The Chair will count.

Mr. CARPENTER of Nebraska. Mr. Speaker, I withdraw the point of order.

Mr. POU. Mr. Speaker, this rule provides for 6 hours of general debate. It cuts off all amendments to the bill except amendments offered by the Committee on Ways and Means. Likewise it provides for waiving of all points of order against this bill.

It is a drastic rule. It is a closed rule. It is what I understand the President of the United States desires.

The bill which is brought before the House by the rule now being considered is the very capstone of the column which constitutes the program of recovery set up by the President of the United States. This session of Congress is a special session called by him for the purpose of presenting

to the Congress a program of recovery, and this is the most important measure in that program of recovery.

Mr. Speaker, if this bill is opened to amendment, the Lord only knows what will happen; I do not. But I do know the bill represents a program of economic recovery and re-employment carefully worked out. If left open to amendment, the purpose of the President might be thwarted. Friends of the administration in charge of this measure do not wish the bill imperiled.

Mr. GLOVER. Mr. Speaker, will the gentleman yield?

Mr. POU. I wish the gentleman would let me complete my statement.

Mr. GLOVER. I merely wish to ask if the gentleman will tell us the nature of the amendments which will be proposed by the committee.

Mr. POU. The committee will do that.

So, Mr. Speaker, it amounts to this: Those gentlemen who sincerely desire to follow the President of the United States in his effort to bring this Nation out of the bottomless pit of hell in which we found ourselves will support this rule. It is up to you, whether you take it or leave it. That is all there is to it. I make no apology for it. [Applause.]

It is very true that under this bill—and I shall not attempt to discuss its merits—the President of the United States is made a dictator over industry for the time being, but it is a benign dictatorship; it is a dictatorship dedicated to the welfare of all the American people.

The President of the United States will light up no fires of hate. He would make no schisms; he would inspire no conflicts. Under the providence of God, this man is pursuing the humble pathway of service to all the American people. [Applause.] And if you are afraid to trust him in the administration of this bill, you will probably vote against the bill and against the rule; but for my part, I am proud to trust him and proud to follow him. [Applause.]

When I remember the condition of the country less than 3 months back, and when I observe the conditions which already exist, I am actually afraid not to go down the line to the end of the row and help this man in the White House carry out his complete program of recovery. [Applause.] At this moment he is not only the leader in the effort to bring about recovery in this Nation but he is the leader of the world. [Applause.] He is bringing back prosperity at home, and already he is the leader in a world-wide movement for world peace.

As I stand here I thank Almighty God that in the change and political revolution through which we have passed such a man has been placed in the chair of the Presidency of the United States.

I follow him gladly in his efforts by voting to put through this great measure which will put millions of people to work, which will do away with the obstacles in the way of economic recovery, and will complete the program of this man, every drop of whose blood is dedicated to the great, noble, unselfish task of serving all the American people. [Applause.]

Mr. Speaker, I reserve the balance of my time.

Mr. RANSLEY. Mr. Speaker, I yield myself 5 minutes.

The SPEAKER. The gentleman is recognized for 5 minutes.

Mr. RANSLEY. Mr. Speaker, this is another closed rule. No amendment can be offered unless it is offered by the committee having the bill in charge.

To my mind the bill should have been divided into three separate bills under the headings of industrial, building, and tax. Title I of the bill, under the industrial recovery clause, has nothing whatever to do with the balance of the bill. It Russianizes the business of America. It makes orders from Washington final as to your business. There is no appeal, not even to the courts. It imposes penalties for disobedience of orders that will emanate from Washington. And still we call this the land of the free!

The building portion of the bill calls for the expenditure of \$3,300,000,000, which will place an additional tax on the taxpayers of your country. It is unjust, and when one thinks in terms of economy it is to laugh in derision at such a term. The bill increases the normal income-tax rate to

6 percent on the first \$4,000 and 10 percent on higher incomes. It increases the tax on gasoline and places a double tax on stock dividends. The numerous excise taxes are to be continued to July 1, 1935.

I believe the bill to be unconstitutional, but will leave that argument to one versed in the law.

I sincerely hope the Membership of this House will vote against the passage of the rule. [Applause.]

Mr. Speaker, I reserve the balance of my time.

Mr. POUL. Mr. Speaker, I yield 10 minutes to the gentleman from Indiana [Mr. GREENWOOD].

Mr. GREENWOOD. Mr. Speaker, this is one of the series of rules that has been proposed for legislation that originates with the administration in these particularly critical times. As a member of the Rules Committee I am perfectly willing to acknowledge that the procedure that is used in passing these emergency measures in these critical times is not the ordinary procedure of this House or the procedure that would be desired by most of the men on my side of the aisle; but I cannot believe that the United States as a nation was ever confronted with as critical a situation, calling for action, and immediate action, with reference to our economic relief in taking care of unemployment and in taking care of the many problems that have confronted the Congress such as the one we have today. So these unusual rules are offered for the purpose of taking care of unusual situations.

The people of America on the 4th day of March looked to the new leadership for action, and for immediate action, and for one, I am trying to follow this leadership and to get action in these days of emergency as soon as possible.

We are not living under any dictatorship. There never was a President of the United States who was more willing to cooperate and confer with the Congress than the man who now sits in the White House. He does not assume to himself any powers of dictatorship that he is not willing to surrender at the earliest moment, and the Congress at any time can take back any unusual powers given to the President to take care of the emergency that now exists.

Mr. BROWN of Kentucky. Will the gentleman yield?

Mr. GREENWOOD. I would rather finish my statement at this time. The gentleman can get time later.

The Rules Committee is endeavoring to get their major legislative committees in these times. We are supporting the Banking and Currency Committee, the Ways and Means Committee, and any of the other committees bringing out these emergency measures in order to give them an opportunity to pass these measures and pass them speedily and get action as soon as possible; and the House has supported these unusual rules each time one of them has been submitted on these unusual measures, and as long as a majority of this House sustain the Rules Committee with such majorities as they have on these unusual rules, we will take it to be the policy of the House to continue such rules with respect to this class of legislation.

This is probably the most important bill that has come before this session of Congress or will come before it. Unemployment is the gravest problem and the greatest menace confronting our Nation today. I can conceive of no situation that is more critical than to have as large a proportion of our people unemployed as we have now in America. Nothing but war could be more critical, and there are even phases of our unemployment that destroy the morale of our people and bring us to a lower level even than warfare. So it is to solve this situation that a public-works measure, a bill to take care of the unemployed, is brought out under this particular kind of rule.

My colleague the gentleman from Pennsylvania [Mr. RANSLEY] spoke of this measure as one that has three distinct proposals. I cannot reach the conclusion that the gentleman does that these proposals are not coordinated in this one measure.

The second title provides for public works. Nothing is needed more in America than an opportunity to be employed, and the Government must lead the States and municipalities

and the private corporations and lend every assistance to put every man and woman in employment in the next few months in order to save the industrial and economic situation of America. So title II provides for various projects.

Title III takes care of the taxation feature. We cannot expend a sum of \$3,300,000,000, in the present situation of our Treasury, without making provision for additional taxes, and we could sit here for 3 weeks and discuss the most painless and the best methods of taxation and no two of us would probably reach the same conclusion.

The bill contains a specific allocation of \$400,000,000 for highway construction. It has been the effort of both the States and the Federal Government that at least a portion of the money spent for highways shall be raised by gasoline taxes. This would be sufficient reason for putting this item in the bill.

Cash dividends of domestic corporations are also to be taxed. I have always been one who believed that this class of earnings should be taxed the same as other income is taxed.

Mr. ARNOLD. Will the gentleman yield?

Mr. GREENWOOD. I would rather finish my statement at this time.

So I believe it is just to tax the cash dividends of domestic corporations because it makes a new basis of earning power for those who receive them, and these same corporations that many times have cut large melons have not laid aside any reserve whatever to take care of unemployment and labor when times of distress arrive. The inventions with respect to machinery have been capitalized and have displaced man power and increased the earning power of corporations, and yet labor has not shared in any of the advantages of the increased earning power as a result of inventions of machinery; and when a depression like this comes, the first to suffer are the wage earners with no reserves set up to hold them on the pay rolls. I believe in creating such reserves and in imposing taxation on earnings of whatever character, whether paid in cash or paid as cash dividends.

Mr. MAY. Will the gentleman yield?

Mr. GREENWOOD. I should like to finish my statement, if the gentleman please. The gentleman can get his own time to answer these arguments.

As to title I, which is to take care of the industrial situation with codes of ethics for various industries, is one that is fair. I know of several industries where there has been a uniform agreement as to wages and working conditions, but one or two rebellious companies have destroyed just compensation in that field because they would not conform to a fair code of ethics.

I know the coal industry and the limestone industry in my district. Three or four companies persist in unfair practices and in not paying the prevailing wage. We are living in a new day. I know you can go back, and from the standpoint of constitutionality and individualism, say that this is revolutionary, but I say to you that the new day is going to be different from the old day. We may as well make up our minds that we are going through a transition period that will give the laboring man a fair opportunity to be sure of his security if unemployment arises in times of distress; that earnings will be distributed upon a basis of fairness between capital and labor.

I am willing that the Supreme Court should say whether the regulations of industry and individuals in these particulars of trade practices are constitutional.

[Here the gavel fell.]

Mr. POUL. Mr. Speaker, I ask unanimous consent that the time on the rule be extended 20 minutes, one half to be controlled by myself and one half by the gentleman from Pennsylvania. This is satisfactory to the gentleman from Pennsylvania.

The SPEAKER pro tempore (Mr. CULLEN). Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. RANSLEY. Mr. Speaker, I yield 7 minutes to the gentleman from Massachusetts [Mr. MARTIN].

Mr. MARTIN of Massachusetts. Mr. Speaker, no one can be more sympathetic with the purpose of this legislation than I. My sole regret is that the leadership of the House should bring this legislation to us in such a form we cannot eliminate some of the evils, because I think every Member of the House is anxious to contribute his full share toward business recovery.

Coming as I do from one of the greatest and most varied industrial districts of the country, I am in complete sympathy with the movement for uniformity of labor laws; with conditions which mean higher wages and better living conditions. I want to eliminate cutthroat competition and see legitimate business have an opportunity to thrive in this country; because if it does thrive, it will be able to improve conditions and solve this depression. I regret this bill is not more specific, that it does not give us more details as to operation.

There is nothing definite as to what will be done. We are expected to take it all in good faith. In other words, we are asked to sail an unknown sea, without chart or compass, and without knowledge of the navigator who is to steer us.

The Chairman of the Rules Committee said we must accept the legislation in good faith. I have faith in the President of the United States, and I have demonstrated that in the past. My faith, however, is not so great today as it was several weeks ago, when I look at the way the economy bill is being administered. No Member of Congress ever dreamed regulations would be drafted which would cut a disabled veteran who suffered in the World War. No one that I know of wanted to cut a soldier injured in battle, or who suffered disability because of service for his country. No one expected a Spanish War veteran, 35 years after the war, to try to prove war-service disability. I hope for an early revision of these unfair regulations.

I question whether the best interests of the country warrant this huge expenditure for public works. We can never spend the country into prosperity. If we are excessive in this type of expenditure, we are likely to find the heavy burden placed on those forced to pay the bills will retard business fully as much as it stimulates it.

The veteran has had his pension cut. The never-overpaid Government employee has been forced to lower his standard of living. With this as the background, should we now spend hundreds of millions of dollars for questionable projects, some of which will demand constant maintenance charges and will add to the regular expenditures of the Government? I grant the need of some program, but I question the wisdom of one of this magnitude.

I doubt very much, because of the fact that cities and towns will be forced to contribute, whether they can obtain the relief necessary because of their heavy welfare demands.

I am impressed with one outstanding thought when I observe who is to contribute the revenue to pay for this public-works program. Neither courage nor statesmanship are revealed here. If this is part of the new deal, it certainly is not a square deal. There is no extension of the tax burden. You just take the same group of small industries, manufacturers who are too few in number and too small in wealth to maintain a lobby; industries now groggy and on the verge of bankruptcy. You say to them, "We cannot place a sales tax on the big fellow; he will not stand for it. But we are going to put a tax of 5 and 10 percent on you and call it an excise tax." We impose increased taxes on the income-tax payer of the smaller brackets, many of whom are struggling desperately to retain homes bought when more favorable conditions existed in the country. Then there is another tax on gasoline, although that commodity bends heavily in carrying the burdens of State and Nation. I ask you seriously whether it would not be wise to stop and deliberate whether we should take up this legislation under a closed rule. Every one of you realizes the bill needs amendments, and the only way you can get them is to vote down this gag rule and give the Membership of the House an opportunity to adopt perfecting amendments. If you consider the bill under the amendment rule, I am sure

we will give the country a much better bill than the one before us.

At least, we will give them a bill which represents the views of 435 congressional districts and not the ideas of a select few. As one who wants to see business recovery, as one who is in hearty sympathy with the administration in its efforts to bring the country back where it belongs, I ask you to vote down this rule and proceed in an orderly way to amend the bill. [Applause.]

Mr. POUL. Mr. Speaker, I yield 5 minutes to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER of Tennessee. Mr. Speaker, it had not been my purpose to make any statement during the consideration of the rule which makes in order the consideration of this measure. Yet I feel it is fair that some member of the Committee on Ways and Means should give the Membership of the House the benefit of some information touching upon certain amendments which have been considered by the committee and upon which favorable action has been taken since the bill was reported by the committee. It is for the purpose of conveying that information that I rise at this time and ask your indulgence. As we all know, the Committee on Ways and Means was pressed for time in the consideration of this important measure. There are some 20 pages of the bill and it has many complicated sections and provisions. When the bill was originally introduced the tax section was not included. After the committee had considered the bill and acted upon various sections and provisions of it, then the tax section was incorporated and is a part of the new bill which is introduced, and will now be before the House for consideration. It was about 10 o'clock at night when we finished consideration of the tax section of the bill. It was thought then that certain other amendments would have to be worked and agreed upon. The bill provides for certain definite and specific taxes to finance this particular measure and the work that is contemplated under the public-works section, or title II of the bill. In addition the excise taxes now in existence are continued for a period of 1 year. That is for the very obvious purpose of making the tax base upon which this structure may rest not only safe and secure but as certain as possible, because we have to issue and sell \$3,300,000,000 worth of bonds to finance the public-works section of the bill.

I want now to briefly touch upon the amendments agreed upon in the Ways and Means Committee.

Mr. BROWN of Kentucky. Mr. Speaker, will the gentleman yield?

Mr. COOPER of Tennessee. Briefly.

Mr. BROWN of Kentucky. I want to know why the committee raised the income taxes up to incomes of \$10,000 and did not raise them on incomes above that.

Mr. COOPER of Tennessee. I think, if the gentleman will carefully consider the report accompanying the bill, he will get ample information on that point. He will observe that the increase in normal rates affects all incomes.

Mr. BROWN of Kentucky. I get information but no reason.

Mr. COOPER of Tennessee. I hope the gentleman will permit me now to touch on these amendments that were agreed on this morning. First, the committee has agreed and will offer an amendment providing that losses in income-tax returns cannot be extended over a year, as is now the case, and over a period of 2 years, as was the case before the last revenue measure. In other words, the credit for losses to be taken on a return must be taken for the year covering the return in which the loss was sustained. A subcommittee is now at work on appropriate language to accomplish that purpose, and that amendment will be offered by the committee.

In addition to that, the committee has agreed upon an amendment which will be offered, carrying out the express will of the House a short time ago with reference to the tax on electrical energy. The same provision will be incorporated in this bill by this committee amendment which was

adopted by the House when the revenue measure was under consideration a short time ago, which means that the tax will be levied on the producer instead of the consumer.

Mr. WHITTINGTON. In other words, the committee amendment will require that the tax on electrical energy for domestic and commercial consumption shall be paid by the producer and not the consumer?

Mr. COOPER of Tennessee. It is substantially the amendment that was offered by the gentleman and adopted by the House.

The SPEAKER. The time of the gentleman from Tennessee has expired.

Mr. POUL. I yield the gentleman 1 additional minute.

Mr. COOPER of Tennessee. In addition to that, I want to call attention to the fact that another change was made by committee amendment adopted this morning, which will be offered, restoring the provisions of the original bill on the question of the allocation of funds for road construction purposes. That is, instead of following the present provisions of the law with reference to an equal one third apportionment on the basis of population, area, and mileage, the provision contained in the original bill will be restored, to apportion among the several States, three fourths in accordance with the provisions of section 21 of the Federal Highway Act, approved November 9, 1921, as amended and supplemented, and one fourth in the ratio which the population of each State bears to the total population of the United States, according to the latest decennial census. [Applause.]

The SPEAKER. The time of the gentleman from Tennessee [Mr. COOPER] has again expired.

Mr. RANSLEY. Mr. Speaker, I yield 15 minutes to the gentleman from Michigan [Mr. MAPES].

Mr. MAPES. Mr. Speaker, I had hoped the day for closed rules was over as far as this Congress is concerned. We have considered this week under open rules the banking and currency bill and the insurance bill which was passed yesterday. Those bills were read under the 5-minute rule; everybody was given an opportunity to offer amendments at the end of each section and to express himself on his amendment as he saw fit. It seemed to me we got along all right under these rules. We proceeded as a legislative body should; but here today again we are confronted with a closed rule on perhaps the most important piece of legislation that ever came before the American Congress. It contains three unrelated, separate, and distinct legislative propositions of far-reaching importance, and this House, under the rule which we are now considering, if it is adopted, will not have an opportunity to express itself separately upon any one of the great questions of policy involved.

The distinguished gentleman from North Carolina [Mr. POW], the honored Chairman of the Rules Committee, quite frankly said he made no apology for the rule. I could not help but notice that he attempted no defense of it either, except to say it was an administration measure and the administration wanted it passed. The gentleman from North Carolina also said, and I use his exact language—that this legislation makes the President of the United States a dictator over industry for the time being.

That is a very accurate and fair statement. This legislation, to repeat the language of the gentleman from North Carolina, makes the President of the United States a dictator over industry for the time being, provides for a construction program that involves the expenditure of \$3,300,000,000, and adds an annual tax burden of \$220,000,000 to the carrying charges of the public debt. The House is asked to pass all those three propositions under a rule which permits of no amendment and which requires the House to vote upon all three of them together. If this rule is passed, we must vote them up or down together, without any opportunity to express our judgment on any one of them separately. I say that no legislation of this importance can be decently whipped into shape in the short time which has elapsed between the time when this bill was sent here by the President, together with his message, and today,

and certainly there has been no sufficient time to enable the House to get the reaction of the country in regard to it. I have looked in vain for some Member of the majority to resent that part of the President's message which said to this House in substance: "You must bring in a tax measure here by the first of this week or within 3 or 4 days from the time the message was delivered, or I will send up a tax measure of my own."

Has it come to pass that the House of Representatives and the Congress of the United States must jump at the crack of the whip by the President? Must the House of Representatives not only pass the legislation recommended by the President without the crossing of a "t" or the dotting of an "i", but must it do so on the exact minute he suggests as well? The House owes it to itself to take time to consider and digest legislation of this importance and to know what is proposed to be accomplished by it better than any Member of the House knows what is to be accomplished by this legislation before passing upon it.

As one who voted against the so-called "economy legislation", which was passed early in the session, I have been amused during the last few days to see Members rise on this floor and apologize for their vote on that legislation. They say now that they did not know what was in the legislation, that they did not know that those responsible for it intended to go so far as they have gone. They did not know that those who were to administer it were going to be as ruthless in the administration of it as they have been. That is the objection to clothing people with blanket authority. The law should determine the right and duties of people. I say to you now you do not know how this legislation is going to be carried out any more than you knew how that legislation was going to be carried out. It is quite probable that those who will be affected by this legislation will in a few months be just as bitter toward it as those are now who have been affected by the passage of the economy legislation.

Mr. BYRNS. Will the gentleman yield?

Mr. MAPES. I yield.

Mr. BYRNS. I was just thinking it would have been very interesting if the gentleman had made the same kind of speech he is now making against a rule of this kind when the Hawley-Smoot tariff bill was pending before the House and considered by his party under exactly the same rule that is proposed here. The gentleman gave that rule his hearty support.

Mr. MAPES. We have gone over that question so many times during this session of Congress that I do not want to take up time this morning in discussing it. [Laughter.] I supposed it had been admitted on all sides that as a practical matter, tariff legislation, which contains so many items, must be passed under some such rule, but in no case that I now remember did any Republican Administration ever propose to consider legislative proposals of this importance under a closed rule.

What does this bill do? Title I makes the President, as the distinguished gentleman from North Carolina has said, a dictator over industry. Title II authorizes a construction program amounting in the aggregate to \$3,300,000,000, and adds \$220,000,000 per year to the tax burden of the people of the United States at a time when they are already overburdened with taxes.

Insofar as it goes the bill breaks down, and is another blow at the Civil Service.

It seems to me there is a studied purpose in this Congress to tear down the Civil Service laws and regulations. This legislation, among other things, authorizes the President to appoint any officers and employees he sees fit to appoint, to fix their compensation as he sees fit, and to prescribe their powers and duties and length of office as he sees fit without regard to the Civil Service. The Members of the House received a letter this morning from the president and the secretary of the National Federation of Federal Employees protesting against and pointing out the hardship of this feature of the bill at a time when so many regular Civil Service employees are losing their jobs.

Do you gentlemen who yesterday attempted to limit the salary of executive officers of insurance companies to \$17,500 per year know that this bill authorizes the Administrator of Public Works, once he has been appointed by the President, to spend \$3,300,000,000 in any way he sees fit, to employ any employees he sees fit, and to pay them any salary he sees fit?

Mr. O'MALLEY. Mr. Speaker, will the gentleman yield?
Mr. MAPES. I yield.

Mr. O'MALLEY. The bill that was passed yesterday was passed by the gentleman's side of the House.

Mr. MAPES. Not by my vote. I voted against it, and the Republicans, with scarcely one third of the Membership of the House, can hardly be charged with the responsibility for its passage. But that is a matter that is past. I am calling attention now to what is sought to be done today by this rule. If this rule is passed no opportunity will be afforded to offer any amendment to fix or limit the compensation at all of any officer or employee appointed by the Administrator of Public Works. The sky will be the limit. He will have \$3,300,000,000 to use as he sees fit, limited only by the construction program outlined in general terms in the bill.

Mr. BROWN of Michigan. Mr. Speaker, will the gentleman yield?

Mr. MAPES. I yield to my colleague and friend from Michigan.

Mr. BROWN of Michigan. The gentleman is a member of the Rules Committee, I understand.

Mr. MAPES. I am, but I voted against this resolution.

Mr. BROWN of Michigan. As I understand, the President's message asked the adoption of a public-works program, but stated that he desired to leave to the House of Representatives the matter of the form of taxation. Could not a rule be adopted by which the first two titles of the bill could be brought to the House under a closed, or gag, rule, and the third portion of the bill, relating to taxation, be left to the House of Representatives?

Mr. MAPES. Certainly it could. I hope the gentleman will join in voting down the previous question on this rule, and then some such amendment to the rule as he suggests can be adopted or, better still, an amendment could be adopted to consider the legislation under the general rules of the House, which would permit the reading of the entire bill section by section and the offering of amendments at the end of each section.

Mr. O'CONNOR. Mr. Speaker, will the gentleman yield?

Mr. MAPES. I yield.

Mr. O'CONNOR. In the gentleman's long experience in this House, did he ever see the Republican side of the House bring in such a rule as he now suggests?

Mr. MAPES. No; because Republican rules have been open rules, which provided for the consideration of legislation under the general rules of the House and for reading of the entire bill under the 5-minute rule, which gives Members a right to offer amendments at the end of every section.

Mr. Speaker, I asked the legislative reference department to get me a copy of the legislation making Hitler the dictator in Germany. That legislation has some similarity to this.

I have a photostatic copy of what I think is the act. It is as follows:

[From Financial Chronicle, Mar. 25, 1933]

From the Berlin advices to the same paper we take as follows the text of the dictatorship act:

TEXT OF DICTATORSHIP ACT

"The text of the enabling act by which the Hitler Cabinet becomes a dictatorship follows:

"ARTICLE I. Federal laws may be enacted by the Government [the Cabinet] outside of the procedure provided in the Constitution, including article LXXXV, paragraph 2, providing that the budget must be adopted by legislative act, and article LXXXVII of the Constitution, providing for legislative action to authorize the Government to make loans and credits.

"ART. II. The laws decreed by the Government may deviate from the Constitution so far as they do not deal with the institutions of the Reichstag and the Federal Council as such. The prerogatives of the President remain untouched.

"ART. III. The laws decreed by the Government are to be drafted by the Chancellor and announced in the Reichsgesetzblatt [the organ in which laws are published]. If not otherwise ordered, they shall become effective the day following the announcement.

Articles LXVIII to LXXVII of the Constitution, regulating the procedure of the announcement and publication of the laws, do not apply to laws decreed by the Government.

"ART. IV. For treaties of the Reich with foreign nations regarding matters of the Reich's legislative authority the consent of legislative bodies is not needed so long as this act is in force. The Government shall issue decrees necessary for the enforcing of these treaties.

"ART. V. This law shall become effective on the day it is announced. It shall remain in effect until April 1, 1937. It shall expire when the present Government is replaced by another one.

"The German Cabinet of 11 members contains 3 Nazis: Chancellor Hitler, Dr. Wilhelm F. Frick, and Hermann Wilhelm Goering. The others are Nationalists and personal appointees of President von Hindenburg. The leaders of the majority element are Vice Chancellor von Papen and Dr. Alfred Hugenberg. The Cabinet includes Franz Seldte, leader of the Stahlhelm, the organization of war veterans, and Gen. Werner von Blomberg, the Minister of Defense, who has charge of the Reichswehr, the standing army.

"The powers of the President include the right to appoint and dismiss the Chancellor."

That is the language of the act by which the German Parliament abdicated and made Hitler dictator over Germany. In doing so it reserved to itself the right to pass the laws authorizing "the Government to make loans and credits." But this bill authorizes the Administrator of Public Works to spend \$3,300,000,000 on public works as he sees fit. He is not confined in his expenditure of the money to public works entirely. The bill expressly provides that he may aid "in the financing of such railroad maintenance and equipment as may be approved by the Interstate Commerce Commission as desirable for improvement of transportation facilities."

Mr. MAY. Mr. Speaker, will the gentleman yield?

Mr. MAPES. I yield.

Mr. MAY. Does the gentleman mean to say that under the provisions of this bill the President may adopt rules and regulations by which the administrator of the bill may expend this \$3,300,000,000 on just such projects as he wishes and in just such manner as he wishes to expend it?

Mr. MAPES. There is some limitation in the act, of course, on the projects; but it is almost unlimited. He can expend the money as he sees fit on the projects defined in the act. The President can even determine the national-defense policy of the United States. The bill provides "if in the opinion of the President it seems desirable" for "the construction of naval vessels within the terms and/or limits established by the London Naval Treaty of 1930, and of aircraft required therefor and construction of such Army housing projects as the President may approve, and provision of original equipment for the mechanization or motorization of such Army tactical units as he may designate." Who ever heard of conferring such power on any one man? These are national policies which should be determined by Congress.

Mr. MAY. Mr. Speaker, will the gentleman yield for a further question?

Mr. MAPES. I yield.

Mr. MAY. Under the rules and regulations that may be adopted by the President, and the operation of the act under this administrator, will it be possible for the administration to discontinue the building of post offices and other public buildings throughout the country as authorized in previous legislation, if they desire to?

Mr. MAPES. Absolutely. Let me say to the gentleman from Kentucky that the public sentiment of the country last year condemned very severely the legislation which was proposed then that attempted to set up in detail the places where public buildings would be constructed and the amount involved was much less than it is here. I venture the assertion that if this bill attempted to say where this \$3,300,000,000 was to be expended that the country would rise up in revolt against its passage. The extravagance and waste of the proposition would then be apparent.

Mr. O'CONNOR. Mr. Speaker, will the gentleman yield?

Mr. MAPES. I yield.

Mr. O'CONNOR. If I recall correctly, the gentleman was a Member of the House and voted that Congress surrender to Mr. Mellon, the Secretary of the Treasury, all power over the building program of the United States. Congress for

years has delegated to the Treasury Department all that power as to what particular buildings shall be built in the United States.

Mr. MAPES. No; I think the gentleman is mistaken, or his statement at least is subject to qualifications. There is a departmental board on which are representatives of three departments of the Government, which pass upon the projects under existing law, as I understand it, and there is a great difference between the paltry \$50,000,000 or \$60,000,000 with which this board has to deal and the \$3,300,000,000 provided for in this bill.

I realize that this is an inopportune time to consider legislation of this importance. No one can be quite sure that he is thinking straight on it. During the consideration of the securities legislation a few days ago, the gentleman from New York [Mr. PARKER] said that it was an unfortunate time to be considering such legislation because so many people had been stung during the last few years in the purchase of securities. It is especially unfortunate to be considering legislation of this importance at this time, when industry is whipped and labor is out of employment. Neither one can think clearly on it. I read in my local paper yesterday that the manufacturers' committee of the Association of Commerce of Grand Rapids endorsed the industrial-control feature of this legislation. I wonder if the members of that committee understand that this legislation authorizes the President, if he sees fit to exercise the power which it confers upon him, to require them to secure a license from the organization which he may set up under this legislation in order to continue in business, and if he finds that they have violated any code of fair competition, so called, or other regulations promulgated by him for the conduct of their business, that he may suspend or revoke their license to do business, and that his order "suspending or revoking" any such license shall be final if in accordance with law. In other words, the President may determine whether anyone can start a business, the products of which go into interstate commerce, and once started whether he can continue to do business.

The bill also expressly provides that "the President may differentiate according to experience and skill of the employees affected and according to the locality of employment."

No one before was ever given such absolute control over industry in America. The power which the administrator of this legislation will have to reward his friends and punish his enemies, will be unlimited and, if sustained by the courts, it will not only take away from management the right to run its own business to an extent undreamed of before, but it will also take away from the States whatever power they now have to regulate working conditions in all industry which affects interstate commerce. This legislation spells Government interference with business with a vengeance.

The bill in its present shape is neither satisfactory to industry nor to labor. I shall vote against the rule and if the rule is adopted, so that the House is required to vote the legislation up or down as it stands, I shall vote against the bill.

I think if we could have an opportunity to consider this legislation under the 5-minute rule and read it section by section for amendment, we could perfect and improve it very materially.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. MAPES. I yield to the gentleman from Kentucky.

Mr. VINSON of Kentucky. As I understand, the gentleman does not approve of the delegation of power by the President to the Administrator in connection with the public-building program. Does not the gentleman well know—and I am sure he does, because he is a very, very capable and distinguished Member of this House—that under the present law the power over the building program is delegated to the Secretary of the Treasury and the Postmaster General, and they in turn delegate the power to select sites and to make an allocation of the money to a joint committee of

subordinates known as "a joint committee of the Post Office and Treasury Departments."

Mr. MAPES. That is left to an interdepartmental board, and the board has to come before the Appropriations Committee of Congress and set out in detail where it expects to spend the money. Here we are passing on all of this appropriation without any knowledge as to where or upon what projects the money is to be spent.

Mr. VINSON of Kentucky. And their recommendations, I may say, are accepted or no public buildings are constructed.

[Here the gavel fell.]

Mr. POU. Mr. Speaker, I yield 3 minutes to the gentleman from Illinois [Mr. SABATH].

Mr. SABATH. Mr. Speaker, I hope that no Democrat will be misled by the insincere attacks upon this rule. Yesterday we brought in an open rule and gave the gentlemen on the other side a chance to support some of the amendments. What did they do? In every instance they voted against us, and all they are trying to do today is to mislead you, so as to make it difficult for us to pass this proposed legislation, which I consider the most important of any that we have had before us at this or at any other session of Congress.

If there be any objectionable features in this bill, they will only be temporary, whereas all the provisions for construction work and for aiding the States and municipalities which are beneficial are of a permanent nature. Therefore, I feel it is our duty, if we desire to relieve conditions and create reemployment and to improve business and get the wheels of commerce turning again, to overlook at this time some of the minor, objectionable features and vote for the bill, because it is a real, constructive, helpful, and much-needed piece of legislation.

Though I should like to see a tax on all transfers of stocks and on the short sales of stocks and commodities, an increased tax on incomes over \$100,000, and an excess profit tax on corporations, this bill contains provisions that will actually provide for the immediate reemployment of hundreds of thousands of people.

This bill also contains the fair competition provision, as well as the agreement and license provision, which I feel will be fairly administered, to the advantage of the laboring people and the business of the Nation.

It takes over many of the functions of the Reconstruction Finance Corporation, decreasing its bonds by \$1,200,000,000, actually reducing by that amount heretofore-authorized bonds issued, and I have the assurance of the members of the committee that they will offer the following amendment, which I am satisfied will be of great aid to finance deserving projects by States and municipalities, in compliance with the appeals to the mayors of the large cities of the United States, as expressed in their conference held in the city yesterday:

On page 13, line 25, after the figures "202", strike out the semicolon and insert a comma and add the following: "such financing to be made by loans to or the purchase of the bonds, tax-anticipation warrants, or securities of the State or political subdivision thereof which is to construct such project or projects."

Mr. BROWN of Kentucky. Will the gentleman yield?

Mr. SABATH. I wish I could yield to the gentleman, but I do not have the time.

I voted for the rule yesterday and voted with you gentlemen and helped you make your fight, but we were not supported by the Republicans, and again today they apparently would like to make it appear that some of us are waging a fight against the rule, meanwhile laughing up their sleeves because they have again misled a lot of well-intentioned, good, sincere Democrats.

I appeal to you to vote for this rule and let us get this needed measure through as speedily as possible. [Applause.]

Mr. POU. Mr. Speaker, I yield 3 minutes to the gentleman from Illinois [Mr. KELLER].

Mr. KELLER. Mr. Speaker, we are not only facing a new deal but we ought to comprehend thoroughly that we are facing a new day. We ought to understand perfectly well

just what we are doing. I regret more than I can say that I am not going to be able to vote for this rule.

We ought to understand that what we have always held as individualism in America has come to an end. I, for one, welcome the end of the abuses that have come about under this doctrine.

The constant intrusion in, and control of, government by big business has finally compelled government to take control of business, and we are not only going to do that but we are going to do it with a vengeance.

I am going to be for this bill. But I regret exceedingly that I cannot support the rule under which the bill is to be brought up. It is a gag rule pure, plain, and simple and entirely prevents any effective discussion of the principles involved or the right of Members to offer amendments.

This is the most important bill that has come before the American Congress in the entire history of this Government, because it marks clearly the end of the old system and the coming of the new. We ought to appreciate this, and we ought to discuss it with the utmost freedom in an attempt to understand the meaning of such a tremendous step.

I repeat that I shall vote for the bill; I repeat, also, that in all good conscience I must vote against the rule. Because I believe that we ought to take all the time necessary, a whole week if necessary—and this would not be too much—in which to discuss this measure, where we are changing the entire system of government in this great Republic of ours. I regret that, after 35 years of study of this question during all of which time I saw clearly its approach, my attempt to get before this body some of the ideas I have formed during this time appears likely to be limited to the 3 minutes that have been kindly given to me by my friend the Chairman of the Rules Committee at the present moment.

I regret, Mr. Speaker, that we may not be able to lay out to the fullest possible extent every idea that any of us may have, because only through this means can we come to the kind of agreement and understanding that the American Congress has always heretofore believed they ought to come to, after free, fair, and open discussion.

I do not believe that any man in this body is willing to follow the President of the United States more ardently than I am. From the very moment he came into office I have only voted once against what was held out to me as one of his policies, and that was on the so-called "economy bill", and I certainly do not regret that vote. [Applause.]

Mr. RANSLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Minnesota [Mr. KVALE].

Mr. KVALE. Mr. Speaker, I think we can all agree that, with the possible exception of the resolution declaring war in 1917, this is the most important bill that has come before Congress in this century.

Now, Mr. Speaker, if any Member of this body, who took an oath to perform his duty as a lawmaker, votes for this rule and thereby voluntarily binds and shackles himself—yes, and meekly applies the gag to his own face—let him forever be estopped from finding fault with any particular provision of the measure, and let him receive the well-merited criticism and contempt of every thinking constituent.

I deplore this arbitrary resignation and abdication of the power and responsibility that should be the proper burden and justifiable pride of every member of a law-making body. [Applause.]

Let us vote down the previous question, and let us amend the rule, making it more liberal. Failing there, let us vote down this vicious rule. If we do, have no fear, another rule will be brought in, and we will be given our constitutional privilege as legislators of discussing the measure and, in addition, of offering and considering amendments that many of us believe to be of greatest importance.

Mr. COCHRAN of Missouri. Will the gentleman yield?

Mr. KVALE. Yes.

Mr. COCHRAN of Missouri. Did not the House recently vote by a tremendous majority not to place the tax of electrical energy on the consumer? Here we find that tax again saddled on the consumer and not on the producer.

Mr. KVALE. Yes; and the bringing in of a provision to tax the consumer in the present bill is nothing short of impudence on the part of the committee.

Mr. RAGON. I want to say to the gentleman that the committee has voted to put the Whittington amendment in the bill.

Mr. COCHRAN of Missouri. I am pleased to get that information. It is exactly what should be done.

Mr. KVALE. Let me say to the gentleman from Arkansas that I do want to be fair, and that if the committee has just taken such action I willingly withdraw the remark I made.

But, Mr. Speaker, what I have said about the rule still stands. We must act now to make it possible to consider this bill in keeping with the dignity that should clothe this body and to live up to our solemn responsibilities. [Applause.]

[Here the gavel fell.]

Mr. RANSLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts [Mr. CONNERY].

Mr. CONNERY. Mr. Speaker, I intend, as the gentleman from Illinois [Mr. KELLER] said in his remarks he intended to do, to cast my vote for the bill, but I am against this rule, and I hope the House will vote down the rule. [Applause.]

The gentleman from Missouri [Mr. CANNON] came before the steering committee the other day and suggested that the Ways and Means Committee put the excess-profit tax into this bill. The committee had already reported the bill, so it was too late at that time to offer that to the Committee. The excess-profit tax would be real legislation in the interest of the little fellow. I should like to see this bill opened up for amendment so that we might offer an excess-profits-tax amendment. I should like to see income-tax legislation passed that would make J. P. Morgan pay an income tax just as the little fellow has to pay his.

The Committee on Labor, of which I am chairman, has labored day after day and week after week during this session at hearings and sessions on the 5-day week, 6-hour day bill, and the good labor features in title I of this bill are the direct result of the work of the Committee on Labor because these features were borrowed from our bill and inserted in this bill. The reason that organized labor has favored this bill before us is because there is a three and a half billion dollar public-works program in it and they felt they must support the entire bill before the Ways and Means Committee or lose this appropriation for labor. As far as title I of this bill is concerned, labor has declared again and again that labor wants the bill reported out by the Committee on Labor and that it is infinitely better for labor than the industrial-recovery section of this bill. President Green, of the American Federation of Labor, stated before the Ways and Means Committee that he favored the so-called "Connery bill." Labor leaders throughout the Nation have declared that the bill reported out by the Committee on Labor is the best legislation for labor that has ever been reported to the Congress in its history. [Applause.]

I should like to see this rule voted down so that I might offer the bill reported by the Committee on Labor as a substitute for title I.

Mr. WEIDEMAN. I should like to ask the gentleman if this man Johnson is not an employee of Barney Baruch?

Mr. CONNERY. I understand he is his man.

Mr. WEIDEMAN. You mean he is his boy. [Laughter.]

Mr. CONNERY. I hope that the House will vote down this rule so that we can offer amendments that will strengthen this bill, thereby doing justice and giving fair play to labor, industry, and the farmer. [Applause.]

Mr. O'CONNOR. Mr. Speaker, I cannot understand what is meant by some Members saying that they "will vote for this bill", which they hold in their hand, "but will not vote for the rule." If they mean another bill, all right; but I do not know how they can say at this moment that they will vote for this bill in front of them but will not vote for the rule. I appeal again to my Democratic side of the House not to be misled by the unified front of the Republican side, because no matter what rule we might have brought in,

whether like the one suggested by the gentleman from Michigan [Mr. MAPES] or not, the Republican side of the House would vote against the rule.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. We have had that sabotage right along.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. I cannot.

Mr. SNELL. But the gentleman makes a misstatement.

Mr. O'CONNOR. Very well; I yield.

Mr. SNELL. Bring in an open rule and we will support it.

Mr. O'CONNOR. Oh, yes. Of course no one would vote against an open rule. The only way the bill could come in is under a rule, and there could be no reason in voting against an open rule.

Mr. SNELL. We are willing to consider the bill on its merits.

Mr. O'CONNOR. Oh, I understand the politics being played on the Republican side.

Mr. BROWN of Kentucky. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. Yes.

Mr. BROWN of Kentucky. I should like the gentleman to give me some way by which, when I go home, I can explain to my people why I voted to raise income taxes up to \$10,000, and did not carry the raise the rest of the way through?

Mr. O'CONNOR. I feel sure the committee will explain the economics of that to the satisfaction of anybody who does not want to mislead the people of America by saying that when you come to taxes by raising the taxes only in the lower brackets you do an injustice to the average citizen. High surtaxes raise no taxes. The normal tax is imposed on the rich as well as those who are taxed on small incomes after the high exemptions.

Mr. COX. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. Yes.

Mr. COX. In fixing the 6 hours of general debate upon the bill, what was the understanding of the Committee on Rules as to the division of that time, as to whether the opposition should have any part of the time?

Mr. O'CONNOR. It is the understanding of the Rules Committee at all times that the time allotted is to be equally divided between those in favor of the bill and those opposed to it.

Mr. COX. Of course.

Mr. O'CONNOR. Mr. Speaker, the Members on the Democratic side of the House were elected under the leadership of Franklin D. Roosevelt.

Mr. HOEPEL. Mr. Speaker, will the gentleman yield?

Mr. O'CONNOR. No. It was thought that in this session of Congress the big test of following the Democratic leadership of our President was the vote on the economy bill.

I believe now that this, the greatest bill backed by the administration, the most far-reaching piece of legislation ever put before any parliamentary body in all the world, in all time, is the progressive test of our democracy. I feel confident the real Democrats will support the President on this bill, and the only way by which real Democrats can support the President is to carry out his program by voting for the adoption of this rule.

Mr. RANSLEY. Mr. Speaker, I yield 2 minutes to the gentleman from Indiana [Mr. GRISWOLD].

Mr. GRISWOLD. Mr. Speaker, I was convinced at the beginning of this debate that if there was one scriptural passage to which the Ways and Means Committee had studiously given its approbation, it was that passage that says that "in the days of Claudius Caesar a decree was issued that all the world should be taxed." They have changed that a little bit. They have had an afterthought and have eliminated from this bill one evil, which is the consumer's tax on electric energy. That has been eliminated, and if you will vote down this rule we will eliminate a lot of other evils in this bill. [Applause.] I am not opposed to the bill. I am opposed to the evils in it. I believe the President is opposed to the evils, too.

There has been a lot of talk about title I of the bill. Under title I of this bill you are absolutely destroying organized labor. You are putting a ban upon thousands of railroad yards in this country, thousands of shops that are closed shops today. They talked to us before the Committee on Labor about the mavericks who were cutting wages, the 10 percent; but, Mr. Speaker, it is not the 10 percent that are cutting wages in this country, it is the 80 percent, it is men like Swope and Sloan who testified before that committee that a bare existence was a proper minimum wage in this country. Mr. Swope's definition was "sufficient to keep body and soul together."

Mr. HOEPEL. Mr. Speaker, will the gentleman yield?

Mr. GRISWOLD. Not now. Mr. Swope is the head of the General Electric and controls not only the manufacture of electrical appliances in this country, with his associates in that line, but controls also the distribution. He will make the trade agreements that you will find approved by this administrator. Trade agreements that will eliminate every small business man in the Nation.

The SPEAKER. The time of the gentleman from Indiana has expired.

Mr. RANSLEY. Mr. Speaker, I yield 3 minutes to the gentleman from Illinois [Mr. BRITTEN].

Mr. BRITTEN. Mr. Speaker, the best speech made on the floor of the House today in favor of the defeat of this gag rule was made by the distinguished gentleman from Tennessee [Mr. COOPER] when he reminded the House that his Ways and Means Committee had so little time to prepare the tax measures that are carried in this bill. That is his excuse for a bill that will go further to destroy public confidence in the Government than anything that has transpired, at least in the last 3 months, notwithstanding what is transpiring on the Senate side of the Capitol today.

Let us see what the bill does for revenue. It increases the taxes of the man or woman who gets from \$3,000 to \$6,000 a year, and they are legion in this country; it increases their taxes 50 percent. The butcher, the baker, the doctor, the professional man, the lawyer, who makes from \$3,000 to \$6,000 a year. The storekeeper in my district, who, with his wife and a couple of children working for him, may make \$10 or \$12 or \$15 a day if he is thrifty. You are raising his taxes 50 percent. What about the taxes for a millionaire like Morgan, who is just now testifying before a senatorial committee? Although he made millions in the past 3 years, he has not paid a penny into the Federal Treasury as income taxes. This bill carries a very unimportant increase in his taxes, only 2½ percent as against 50 percent increase in the lower brackets. The tax of the man who makes \$500,000 is increased but 3½ percent. The man who makes \$200,000, 4½ percent; \$100,000, 6 percent; \$70,000, 9 percent; \$50,000, 11 percent; but the little business man, your friend and mine, who is striving to put a few dollars away for a rainy day, is increased 50 percent. A major portion of the \$46,000,000 expected from the increase to these taxes will come from the so-called "little man."

This rule ought to be voted down. When I suggested a moment ago that this obnoxious rule and bill would destroy confidence in our Government, I merely suggest this as in addition to what has been transpiring on Capitol Hill in the last 2 days, when a man worth several hundred million dollars admits that in the last 4 years he has not paid a single dollar in income taxes. Do you realize that that is going to shatter confidence in our Government?

I have every confidence in the honesty and purpose and the integrity of Government officials generally, yet I cannot help but believe that the millions of American citizens who are reading the J. Pierpont Morgan testimony before the Senate committee, in their local newspaper, would feel a greater confidence in their Government if the men whose names are mentioned in that preferred list of the House of Morgan would resign from their positions. I say that without desire to reflect upon such high-type men as Secretary of the Treasury Woodin and Assistant Secretary of the Treasury Acheson, whose law firm has represented the House of Morgan for a long time. Mr. Norman H. Davis, special

ambassador of President Roosevelt, now in Europe, should come home and not allow himself to become embarrassing to the President. He has long been known as a Morgan butterfly and while in Europe undoubtedly is of considerable value to the Bank of Morgan. [Applause.] This rule ought to be voted down, so that we can offer amendments to the bill.

The SPEAKER. The time of the gentleman from Illinois has expired.

Mr. RANSLEY. Mr. Speaker, I yield the balance of my time, whatever it may be, to the gentleman from Pennsylvania [Mr. BECK].

The SPEAKER. The gentleman from Pennsylvania [Mr. BECK] is recognized for 4 minutes.

PRELIMINARY REMARKS ON THE ADOPTION OF THE RULE

Mr. BECK. Mr. Speaker, I did not intend to take part in the discussion of this rule, as I hoped to have the privilege later, if this rule be passed, to take some part in the discussion of the very grave and important constitutional questions that underlie this proposed legislation. After the gentleman from North Carolina [Mr. POW] spoke, I did seek a few minutes in the discussion of the rule to express my acknowledgment to him as the distinguished Chairman of the Committee on Rules and the honored dean of the House for having cleared the discussion by frank admissions as to the essential nature of this legislation. His speech had, as always, the intellectual integrity that characterizes his utterances when he addresses this House.

In opening the discussion on the rule, and I quote from the manuscript of the Official Reporter, the chairman said:

This rule is a drastic rule. It is a closed rule. It is what the President wants.

This is strange language in this body. It has the merit of being brutally frank. He advises us as to the President's wishes, not as to the merits of the bill itself, but even as to the method of our procedure. I can understand the President's telling us to take a bill which the "brain trust" has spun in its spiderlike web, as an entirety or rejecting it, but I cannot understand the declaration of the Chairman of the Committee on Rules, namely, that in our manner of procedure, in the scant time given to a measure that barters away the constitutional functions of this House and the industrial liberties of the American people, even the method of discussion and the power of amendment shall be determined by the fiat of the President of the United States. The President could do no more, if he came into the House and ordered the Mace, which represents the authority of the House, to be taken away in the manner of Cromwell. He does the same in essence when, through the mouth of the Chairman of the Committee on Rules, he orders us, because he wants a bill adopted in its entirety and without opportunity of amendment, to accept from him even the conditions of the debate. [Applause.]

But, more than that, the Chairman of the Committee on Rules said this, and it is for this clarification of the issues I make my special acknowledgement:

This bill makes the President of the United States a dictator for the time being.

But he adds, to comfort us:

It is a benign dictatorship.

I hope, in the first place, that in the discussion that may follow some of the constitutional lawyers on the Democratic side of the House will tell us under what grant of power in the Constitution we can make even the President a dictator of the industrial activities of the American people. So far as the statement that this will be a benign dictatorship is concerned, that is a contradiction in terms. There is no such thing as a benign dictator [applause], and I say this with a due recognition of the charming personality and high motives of the President of the United States. You might as well talk of chaste seduction or lawful robbery or of peaceable murder as to talk of a benign dictator. It does not exist. [Applause.]

With this admission of the Chairman of the Committee on Rules that we are to be given 6 hours' discussion, with the

promise that it will be a great futility, that we are to be given only one opportunity for amendment, that we are thus to give away the functions of this Congress as they have been exercised for nearly 150 years, we have reached a climax, for this rule is the most monstrous denial of representative government ever proposed to an American Congress. [Applause.]

The SPEAKER. The time of the gentleman from Pennsylvania [Mr. BECK] has expired.

Mr. POW. Mr. Speaker, I yield the balance of my time to the gentleman from Tennessee [Mr. BYRNS].

Mr. BYRNS. Mr. Speaker, I want to ask the very kind attention of the House during the few minutes I am privileged to occupy, and I am sure my friends upon the Republican side will understand when I say that my remarks are going to be particularly addressed to my Democratic colleagues [applause], because it is evident that we can expect little support for any Democratic effort to hasten the passage of any measure proposed by the President of the United States in the effort to relieve the distress in this country from the remarks that have been made.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. BYRNS. No; I cannot yield. I have not time.

Now, gentlemen, let us look at this for a few moments in a sane, sober manner.

This is the administration's bill. Do not make any mistake about that. Every line of it has been written and proposed by those representing the administration, except that feature which carries the question of taxes.

There has been no more important bill proposed by the administration at this session of Congress than this bill which is now pending before us.

For my part, as a Democrat, if you please, and as an American citizen interested in the progress of our country and its recovery from the conditions which have existed during the past 3 or 4 years, I intend to give my loyal support to the President of the United States and this bill which he has proposed in his effort to relieve the country. [Applause.]

Gentlemen upon the Republican side of the aisle, as they have every time a rule is proposed, rise to denounce it and beg Democrats to join with them in their efforts to throw this bill open to amendment and possibly destroy those features of this bill which the President has proposed in the interest of the recovery of our Nation.

I say to you, as was said by the gentleman from North Carolina, I sometimes think there was a Providence which brought to the front and placed in the White House the present President of the United States at this critical period of our history. [Applause.]

Gentlemen, the people are behind the President. Do not make any mistake about that. The people expect Congress to hold up his hands and do nothing which will interfere with him in those efforts which he is making and which have already brought about a measure of success, because the condition of the country is improved now.

Why, gentlemen, what is this bill that you talk about wanting to amend? It has been approved by Mr. Green, the president of the American Federation of Labor.

Mr. O'CONNOR. Mr. Speaker, will the gentleman yield?

Mr. BYRNS. No; I have not the time.

It has been approved by Mr. Harriman, the president of the United States Chamber of Commerce. It has been approved by almost every farm leader and every farm organization in the country.

I want to submit to you under these circumstances if it is not your duty and mine, standing as you and I are particularly in support of the President, to stand by him in this crisis and to pass this bill which he has proposed in his message.

I appeal to you not to permit the specious arguments of the gentlemen upon that side to sway you, for I have sat here and stood here and seen them vote for rules closing amendments. The gentleman from Michigan [Mr. MAPES] who inveighs against all rules of this kind, is one of the men who upon his side advocated and supported the rule which denied the Membership of this House the right to

propose amendments to the Smoot-Hawley tariff bill except those presented by the committee. That is what this does.

Why, they have sought to create opposition by speaking of the fact that Mr. Morgan has escaped taxation. Under what law, and by whom was it passed, and under what administration was the law passed which enabled him to evade taxes? It was passed in 1921 under the administration of President Harding. [Applause.] And I say to you upon the authority of Democratic members of the Ways and Means Committee that a subcommittee is now engaged preparing an amendment to this bill when it is under consideration, which will prevent a recurrence of that sort of a situation. [Applause.]

Democrats, I ask you to give your support to the President of the United States. [Applause.]

Mr. POU. Mr. Speaker, I move the previous question on the resolution.

Mr. SNELL. Mr. Speaker, on the previous question I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 213, nays 194, not voting 24, as follows:

[Roll No. 46]
YEAS—213

Abernethy	DeRouen	Kelly, Ill.	Ragon
Adair	Dickinson	Kennedy, Md.	Ramspeck
Adams	Dickstein	Kennedy, N.Y.	Rayburn
Allgood	Dies	Kleberg	Reilly
Arnold	Disney	Kloeb	Richardson
Auf der Heide	Dockweiler	Kniffin	Robertson
Ayres, Kans.	Doughton	Kocalkowski	Robinson
Balley	Douglass	Kopplemann	Rogers, N.H.
Bankhead	Doxey	Kramer	Romjue
Beam	Drewry	Lambeth	Rudd
Beiter	Driver	Lamneck	Ruffin
Berlin	Duffey	Lanzetta	Sabath
Black	Duncan, Mo.	Larrabee	Sanders
Bland	Durgan, Ind.	Lea, Calif.	Sandlin
Blanton	Eicher	Lewis, Colo.	Schaefer
Bloom	Faddis	Lindsay	Schuetz
Boehne	Farley	Lozier	Schulte
Boland	Fernandez	McCarthy	Scrugham
Boylan	Fiesinger	McClintic	Shallenberger
Brennan	Fitzgibbons	McCormack	Sirovich
Brooks	Fitzpatrick	McDuffie	Sisson
Browning	Flannagan	McGrath	Smith, Va.
Brunner	Fletcher	McKeown	Smith, W.Va.
Buchanan	Foulkes	McReynolds	Somers, N.Y.
Buck	Fuller	McSwain	Spence
Bulwinkle	Gambrell	Major	Steagall
Burch	Gavagan	Maloney, Conn.	Studley
Burke, Nebr.	Glover	Maloney, La.	Sullivan
Byrns	Goldsborough	Mansfield	Sumners, Tex.
Cady	Granfield	Marland	Supplin
Carden	Green	Martin, Colo.	Swank
Carley	Greenwood	Martin, Oreg.	Taylor, Colo.
Cary	Gregory	Mead	Thom
Celler	Griffin	Meeks	Thompson, Ill.
Chapman	Haines	Milligan	Turner
Chavez	Hancock, N.C.	Mitchell	Umstead
Church	Harlan	Moran	Underwood
Clark, N.C.	Hart	Musselwhite	Utterback
Cochran, Mo.	Harter	Nesbit	Vinson, Ga.
Coffin	Hastings	O'Brien	Vinson, Ky.
Colden	Healey	O'Connell	Walter
Cole	Henney	O'Connor	Warren
Cooper, Tenn.	Hill, Ala.	Oliver, Ala.	Weaver
Corning	Hill, Samuel B.	Oliver, N.Y.	West, Ohio
Cravens	Hoidale	Owen	West, Tex.
Crosby	Huddlestone	Palmisano	Whittington
Cross	Hughes	Parks	Willford
Crowe	Jacobsen	Parsons	Williams
Crump	Jenckes	Pettengill	Wilson
Cullen	Johnson, Tex.	Peyster	Woodrum
Cummings	Johnson, W.Va.	Pierce	The Speaker
Darden	Jones	Polk	
Dear	Kee	Pou	
Delaney		Prall	

NAYS—194

Allen	Brown, Mich.	Clarke, N.Y.	Dirksen
Andrew, Mass.	Brumm	Cochran, Pa.	Ditter
Andrews, N.Y.	Burnham	Collins, Calif.	Dobbins
Arens	Busby	Collins, Miss.	Dondero
Ayers, Mont.	Caldwell	Colmer	Doutch
Bacharach	Cannon, Mo.	Condon	Dunn
Bacon	Carpenter, Kans.	Connery	Eagle
Bakewell	Carpenter, Nebr.	Connolly	Eaton
Beck	Carter, Calif.	Cooper, Ohio	Edmonds
Beedy	Carter, Wyo.	Cox	Elzey, Miss.
Biermann	Cartwright	Crosser	Eltse, Calif.
Blanchard	Castellow	Crowther	Englebright
Bolleau	Cavichia	Darwin	Evans
Bolton	Chase	Deen	Focht
Britten	Christianson	Dingell	Ford
Brown, Ky.	Claiborne		Foss

Frear	Kurtz	Parker, Ga.	Tarver
Gasque	Kvale	Parker, N.Y.	Taylor, S.C.
Gibson	Lambertson	Patman	Taylor, Tenn.
Gilchrist	Lanham	Peavey	Terrell
Gillette	Lee, Mo.	Peterson	Thomason, Tex.
Goodwin	Lehlbach	Powers	Thurston
Goss	Lehr	Ramsay	Tinkham
Gray	Lemke	Randolph	Tobey
Griswold	Lesinski	Rankin	Traeger
Guyer	Lloyd	Ransley	Treadway
Hancock, N.Y.	Luce	Reece	Truax
Hartley	Ludlow	Reid, Ill.	Turpin
Hess	Lundeen	Rich	Wadsworth
Higgins	McFadden	Richards	Wallgren
Hildebrandt	McFarlane	Rogers, Mass.	Watson
Hill, Knute	McGugin	Rogers, Okla.	Wearin
Hoeppel	McLean	Sadowski	Weideman
Hollister	McLeod	Sears	Welch
Holmes	McMillan	Secrest	Werner
Hooper	Mapes	Seger	White
Hope	Marshall	Shannon	Whitley
Howard	Martin, Mass.	Shoemaker	Wigglesworth
Imhoff	May	Sinclair	Wilcox
James	Merritt	Smith, Wash.	Withrow
Jeffers	Millard	Snell	Wolcott
Jenkins	Miller	Stalker	Wolfenden
Johnson, Minn.	Monaghan	Stokes	Wolverton
Kahn	Montet	Strong, Pa.	Wood, Ga.
Keller	Morehead	Strong, Tex.	Woodruff
Kelly, Pa.	Mott	Stubbs	Young
Kenney	Murdowney	Sweeney	Zloncheck
Kinzer	Murdock	Swick	
Knutson	O'Malley	Taber	

NOT VOTING—24

Almon	Fish	Kemp	Perkins
Buckbee	Gifford	Kerr	Reed, N.Y.
Burke, Calif.	Gillespie	Lewis, Md.	Simpson
Cannon, Wis.	Hamilton	Montague	Snyder
De Priest	Hornor	Moynihan	Waldron
Dowell	Johnson, Okla.	Norton	Wood, Mo.

The SPEAKER. The Clerk will call my name.

The Clerk called the name of Mr. RAINEY, and he answered "yea", as above recorded.

So the previous question was ordered.

The Clerk announced the following pairs:

On this vote:

Mr. Almon (for) with Mr. Perkins (against).
Mr. Kerr (for) with Mr. Fish (against).
Mrs. Norton (for) with Mr. Simpson (against).
Mr. Kemp (for) with Mr. Buckbee (against).
Mr. Lewis of Maryland (for) with Mr. Waldron (against).
Mr. Burke of California (for) with Mr. Reed of New York (against).

Until further notice:

Mr. Johnson of Oklahoma with Mr. Gifford.
Mr. Montague with Mr. Dowell.
Mr. Hornor with Mr. Cannon of Wisconsin.
Mr. Wood of Missouri with Mr. Gillespie.
Mr. Snyder with Mr. Hamilton.

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the adoption of the resolution.

Mr. CONNERY. Mr. Speaker, I ask for the yeas and nays on the adoption of the rule.

The yeas and nays were refused.

Mr. KVALE. Mr. Speaker, I demand a division.

The question was taken; and on a division (demanded by Mr. KVALE) there were—yeas 151, noes 143.

Mr. KELLER. Mr. Speaker, I ask for the yeas and nays.

The SPEAKER. The gentleman from Illinois asks for the yeas and nays. As many as are in favor of taking this vote by the yeas and nays will rise and stand until counted.

Mr. BLANTON (interrupting the count). Mr. Speaker, I make the point of order that the yeas and nays have been demanded and refused, and it is too late to ask for them again.

The SPEAKER. The gentleman's point of order comes too late. [After counting.] One hundred and seven Members have risen, a sufficient number, and the yeas and nays are ordered.

The question was taken; and there were—yeas 209, nays 187, answered "present" 1, not voting 34, as follows:

[Roll No. 47]

YEAS—209

Abernethy	Ayres, Kans.	Black	Boylan
Adair	Balley	Bland	Brennan
Adams	Bankhead	Blanton	Brooks
Allgood	Beam	Bloom	Browning
Arnold	Beiter	Boehne	Brunner
Auf der Heide	Berlin	Boland	Buchanan

Buck	Fernandez	Lewis, Colo.	Rudd
Bulwinkle	Fiesinger	Lindsay	Ruffin
Burch	Fitzgibbons	Lozier	Sabath
Burke, Nebr.	Fitzpatrick	McCarthy	Sanders
Byrns	Flannagan	McClintic	Sandlin
Cady	Fletcher	McCormack	Schaefer
Caldwell	Foulkes	McDuffie	Schuetz
Carden	Fuller	McGrath	Schulte
Carley	Gambrill	McKeown	Scrugham
Cary	Gavagan	McReynolds	Sears
Celler	Glover	Major	Shallenberger
Chapman	Goldsborough	Maloney, Conn.	Sirovich
Church	Granfield	Maloney, La.	Sisson
Clark, N.C.	Green	Mansfield	Smith, Va.
Cochran, Mo.	Greenwood	Marland	Smith, W.Va.
Coffin	Gregory	Martin, Colo.	Somers, N.Y.
Colden	Haines	Mead	Spence
Cole	Hancock, N.C.	Meeks	Steagall
Cooper, Tenn.	Harlan	Milligan	Studley
Corning	Hart	Mitchell	Sullivan
Cravens	Harter	Moran	Sumners, Tex.
Crosby	Hastings	Musselwhite	Sutphin
Cross	Healey	Nesbit	Swank
Crowe	Henney	O'Brien	Taylor, Colo.
Crump	Hill, Ala.	O'Connell	Thom
Cullen	Hill, Samuel B.	O'Connor	Thompson, Ill.
Cummings	Hoidale	Oliver, Ala.	Turner
Darden	Huddleston	Oliver, N.Y.	Umstead
Dear	Hughes	Owen	Underwood
Delaney	Jacobsen	Palmisano	Utterback
DeRouen	Johnson, Okla.	Parks	Vinson, Ga.
Dickinson	Johnson, Tex.	Parsons	Vinson, Ky.
Dickstein	Jones	Pettengill	Walter
Dies	Kee	Peyster	Warren
Disney	Kennedy, Md.	Pierce	Weaver
Dockweiler	Kennedy, N.Y.	Polk	West, Ohio
Doughton	Kieberg	Pou	West, Tex.
Douglass	Kloeb	Prall	Whittington
Doxey	Kniffin	Ragon	Wilcox
Drewry	Kocialkowski	Ramspeck	Willford
Driver	Kopplemann	Rayburn	Williams
Duffey	Kramer	Reilly	Wilson
Duncan, Mo.	Lambeth	Richardson	Woodrum
Durgan, Ind.	Lamneck	Robertson	The Speaker
Eicher	Lanzetta	Robinson	
Faddis	Larrabee	Rogers, N.H.	
Farley	Lea, Calif.	Romjue	

NAYS—187

Allen	Dondero	Knutson	Secrest
Andrew, Mass.	Doutrich	Kurtz	Seger
Andrews, N.Y.	Dunn	Kvale	Shannon
Arens	Eagle	Lambertson	Shoemaker
Ayers, Mont.	Eaton	Lanham	Sinclair
Bacharach	Edmonds	Lee, Mo.	Smith, Wash.
Bacon	Elizy, Miss.	Lehlbach	Snell
Bakewell	Eltse, Calif.	Lehr	Stalker
Beck	Englebright	Lemke	Stokes
Beedy	Evans	Lesinski	Strong, Pa.
Biermann	Focht	Luce	Strong, Tex.
Blanchard	Ford	Ludlow	Stubbs
Bolleau	Foss	Lundeen	Sweeney
Bolton	Fulmer	McFadden	Swick
Brown, Ky.	Gasque	McFarlane	Taber
Brown, Mich.	Gibson	McGugin	Tarver
Brumm	Gilchrist	McLean	Taylor, S.C.
Burnham	Gillette	McLeod	Taylor, Tenn.
Busby	Goodwin	Mapes	Terrell
Carpenter, Kans.	Goss	Marshall	Thomason, Tex.
Carpenter, Nebr.	Gray	Martin, Mass.	Thurston
Carter, Calif.	Griffin	Merritt	Tinkham
Carter, Wyo.	Griswold	Millard	Tobey
Cartwright	Guyer	Miller	Traeger
Castellow	Hancock, N.Y.	Monaghan	Treadway
Cavichia	Hartley	Montet	Truax
Chase	Hess	Morehead	Turpin
Christianson	Higgins	Mott	Wadsworth
Clarke, N.Y.	Hildebrandt	Muldowney	Waldron
Cochran, Pa.	Hill, Knute	Murdock	Wallgren
Collins, Calif.	Hoeppel	O'Malley	Watson
Collins, Miss.	Hollister	Parker, Ga.	Wearin
Colmer	Holmes	Parker, N.Y.	Weideman
Condon	Hooper	Patman	Welch
Connery	Hope	Peterson	Werner
Connolly	Howard	Powers	White
Cooper, Ohio	Imhoff	Ramsay	Whitley
Cox	James	Randolph	Wigglesworth
Crosser	Jeffers	Rankin	Withrow
Crowther	Jenkins	Ransley	Wolcott
Culkin	Johnson, Minn.	Reece	Wolfenden
Darrow	Kahn	Reld, Ill.	Wolverton
Deen	Keller	Rich	Wood, Ga.
Dingell	Kelly, Ill.	Richards	Woodruff
Dirksen	Kelly, Pa.	Rogers, Mass.	Young
Ditter	Kenney	Rogers, Okla.	Zioncheck
Dobbins	Kinzer	Sadowski	

ANSWERED "PRESENT"—1

May

NOT VOTING—34

Almon	Cannon, Wis.	Fish	Honor
Britten	Chavez	Frear	Jenckes
Buckbee	Claiborne	Gifford	Johnson, W.Va.
Burke, Calif.	De Priest	Gillespie	Kemp
Cannon, Mo.	Dowell	Hamilton	Kerr

Lewis, Md.	Martin, Oreg.	Peavey	Snyder
Lloyd	Montague	Perkins	Wood, Mo.
McMillan	Moynihan	Reed, N.Y.	
McSwain	Norton	Simpson	

So the resolution was agreed to.

The SPEAKER. The Clerk will call my name.

The Clerk called Mr. RAINEY's name, and he voted "aye", as above recorded.

The following pairs were announced:

On this vote:

Mr. Almon (for) with Mr. Perkins (against).
 Mr. Kerr (for) with Mr. Fish (against).
 Mrs. Norton (for) with Mr. Simpson (against).
 Mr. Kemp (for) with Mr. Buckbee (against).
 Mr. Lewis of Maryland (for) with Mr. Britten (against).
 Mr. Burke of California (for) with Mr. Reed of New York (against).

Until further notice:

Mr. Chavez with Mr. Gifford.
 Mr. Montague with Mr. Dowell.
 Mr. Cannon of Missouri with Mr. Moynihan.
 Mr. McMillan with Mr. Frear.
 Mr. McSwain with Mr. Stalker.
 Mr. Peavey with Mr. De Priest.
 Mr. Hornor with Mr. Cannon of Wisconsin.
 Mr. Wood of Missouri with Mr. Gillespie.
 Mr. Snyder with Mr. Hamilton.
 Mr. Martin of Oregon with Mr. Claiborne.
 Mr. May with Mrs. Jenckes.
 Mr. Johnson of West Virginia with Mr. Lloyd.

Mr. MAY. Mr. Speaker, I was not present when my name was called, but I desire to be recorded as "present."

The result of the vote was announced as above recorded.

Mr. POU. Mr. Speaker, I ask unanimous consent that all gentlemen who have spoken on the rule be given 10 legislative days in which to extend their remarks.

Mr. BUSBY. Reserving the right to object, I should like to ask the gentleman if he wishes to secure consent for gentlemen who spoke to extend their remarks in order to explain the culpability of the committee against the country in proposing this rule and legislation?

Mr. POU. I do not think that question deserves an answer.

Mr. BUSBY. I object.

EMERGENCY FARM LOAN ACT

Mr. OLIVER of Alabama. Mr. Speaker, I ask unanimous consent to insert in the RECORD a concise analysis or explanation made by Mr. Morgenthau and his assistants of the Emergency Farm Loan Act on last Tuesday morning. There were a large number of Members from the Senate and House present, who indicated a desire that the statement be inserted in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. OLIVER of Alabama. Mr. Speaker, at a meeting last Tuesday, May 23, 1933, of a large number of Congressmen with Henry Morgenthau, Jr., governor-designate of the new Farm Credit Administration, W. I. Myers, his assistant, and Paul Bestor, Farm Loan Commissioner, the various provisions of the Emergency Farm Mortgage Act of 1933 were discussed in detail; and at the request of those attending the meeting, I now ask unanimous consent to publish in the CONGRESSIONAL RECORD the details of that meeting in the form of extended remarks.

Following is a brief summary of the act, together with a detailed analysis:

The interest rate on mortgages held by the Federal land banks, made through national farm-loan associations, is reduced to a maximum of 4½ percent for 5 years, and provision is made for postponing payments on principal for that time.

Farmers whose mortgages are held by others than the land banks may obtain relief through obtaining new loans from the land banks to pay off existing mortgages, or, where the holders of these mortgages consent, they may be traded to the land banks for bonds on which the interest is guaranteed by the United States. Borrowers then obtain the benefit of the lower land-bank interest rate and any reduction in principal accomplished in the exchange.

Relief for those facing loss of their farms through debt and those who have lost them through foreclosure since July 1, 1931, is afforded in a new class of loans to be made by the Farm Loan Commissioner. These are to be in amounts up to \$5,000 with interest at 5 percent and repayment in 13 years, with no payments on principal for 3 years. First and second mortgages on farms and farm property may be given as security, and the loan, plus any prior liens, may be up to 75 percent of the value of all the property pledged.

Applicants for these loans should write to the agent of the Farm Loan Commissioner in care of the Federal land bank of the district in which the property is situated. Applications for first-mortgage loans should be made to the Federal land bank in the district. A list of these banks and the States which they serve is given below.

Analysis of the act follows:

FIRST MORTGAGES THROUGH FEDERAL LAND BANKS

1. For 2 years Federal land banks are authorized to issue bonds at interest rate not to exceed 4 percent, the interest of which is guaranteed by the United States. Maximum amount to be \$2,000,000,000. Proceeds to be used to make new mortgages or refinance existing mortgages.
2. In order to reduce and refinance existing farm mortgages, Federal land banks are authorized to exchange bonds for or to buy outstanding farm mortgages on best terms possible, passing savings in principal and interest on to farmer borrowers.
3. Maximum interest rate to borrowers on old and new Federal land-bank mortgages not to exceed $4\frac{1}{2}$ percent for 5-year period. Appropriation of \$15,000,000 to be used to compensate the Federal land banks for loss in interest during first year.
4. Neither old nor new borrowers from Federal land banks required to pay installments on principal of mortgages for 5-year period.
5. For 5 years Federal land banks are authorized to grant necessary extensions of payments of interest to deserving old and new borrowers. Such extensions to be financed by loans from the United States. An appropriation of \$50,000,000 authorized for this purpose for ensuing fiscal year.
6. Maximum limit of Federal land-bank mortgage loans is raised from \$25,000 to \$50,000 on approval of Farm Loan Commissioner.
7. Federal land banks are authorized to make direct loans to farmer borrowers where no local farm-loan associations are available. Interest rate on direct loans to be one half of 1 percent higher than on loans through local associations, but rate to be reduced when borrower joins local.
8. Receivers for joint-stock land banks are authorized to borrow from Reconstruction Finance Corporation on security of receivers' certificates in order to pay taxes on real estate.
9. Applications may be made by farmer borrowers or lenders to the Federal land bank of the district.

JOINT-STOCK LAND BANKS

1. Joint-stock land banks are prohibited from issuing tax-exempt bonds or making new farm loans except in connection with refinancing of existing loans.
2. Farm Loan Commissioner is authorized to lend up to \$100,000,000 to joint-stock land banks at 4 percent on security of first mortgages: provided
 - (a) Joint-stock land bank reduces interest rate on mortgages to 5 percent per annum,
 - (b) Agrees not to foreclose on mortgage for 2-year period except in unavoidable circumstances.
 These provisions will make it possible for joint-stock land banks to liquidate their affairs in an orderly manner giving consideration to farmer borrowers and to security holders.

FARM LOAN COMMISSIONER LOANS

1. Allocates \$200,000,000 of Reconstruction Finance Corporation funds for loans through the Farm Loan Commissioner for the following purposes:
 - (a) To enable farmer to redeem and/or repurchase farm property lost through foreclosure.
 - (b) To reduce and refinance junior obligations.
 - (c) To provide working capital.
2. These loans to be under supervision of Farm Loan Commissioner using machinery of the Federal land banks. Loans to be made direct to farmers. No loan in excess of \$5,000. Total of first and second mortgage, if any, not to exceed 75 percent of normal value of farm and farm property. Repayment in 10 equal annual installments plus interest at 5 percent but no payment on principal required for first 3 years.
3. Principal purpose of these loans to enable farmers to buy back foreclosed farms and to make small, reasonably safe, second mortgages to refinance junior liens and unsecured debts on a scale-down sufficiently drastic to permit good farmers to pay out.
4. Applications may be made by farmer borrowers to the agent of the Farm Loan Commissioner at the Federal land bank of the district.

LOANS TO DRAINAGE, LEVEE, AND IRRIGATION DISTRICTS

Reconstruction Finance Corporation is authorized to make loans not to exceed \$50,000,000 to drainage, levee, irrigation, and similar districts to reduce and refinance indebtedness. Loans for

period not exceeding 40 years to be secured by bonds issued by borrower which are lien on real property or on the assessment of benefits. Such loans to be made only on condition that the borrower shall reduce the indebtedness of the users of such project in amounts corresponding to reduction of its debt. No loan to be made until after appraisal has been made of the property, taking into consideration average market price of bonds over 6 months' period ending March 1, 1933, and the economic soundness of the project.

Mr. Bestor gave the following explanation of the manner in which the act is being administered:

Just 5 days after the President signed the Emergency Farm Mortgage Act, May 12, the first loan had been made from this fund. There had been appointed an agent of the Farm Loan Commissioner for each Federal land-bank district to make second-mortgage loans from this fund in his district. Any individual farmer wishing a second-mortgage loan should apply to the agent of the Farm Loan Commissioner, mailing his letter to the city in which the Federal land bank of his district is located. The cities in which the agents are located and the States in which they make loans are as follows:

Springfield, Mass.: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.
Baltimore, Md.: Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia.
Columbia, S. C.: Florida, Georgia, North Carolina, and South Carolina.

Louisville, Ky.: Indiana, Kentucky, Ohio, and Tennessee.
New Orleans, La.: Alabama, Louisiana, and Mississippi.
St. Louis, Mo.: Arkansas, Illinois, and Missouri.
St. Paul, Minn.: Michigan, Minnesota, North Dakota, and Wisconsin.

Omaha, Nebr.: Iowa, Nebraska, South Dakota, and Wyoming.
Wichita, Kans.: Colorado, Kansas, New Mexico, and Oklahoma.
Houston, Tex.: Texas.
Berkeley, Calif.: Arizona, California, Nevada, and Utah.
Spokane, Wash.: Idaho, Montana, Oregon, and Washington.

After the application is received by an agent of the Commissioner in proper form and if, from a preliminary consideration of the information, it is evident that the applicant and the security offered are eligible, the application will be assigned to an appraiser who will make an appraisal of the property.

When his report is received, if it is favorable, the agent considers the application and the report and advises the applicant of the approval or rejection of the application. If it is approved, the agent closes the loan.

The law states that loans may be made not in excess of 75 percent of the appraised normal value of the property. In determining such a value, of course, the agricultural earning power of the property is a principal factor. Normal value, of course, does not mean peak value nor does it mean depressed values. The appraiser must ascertain what crops a particular farm offered as security is capable of producing as well as the average yields and prices over a series of years. Average farm commodity prices from 1905 to 1914, inclusive, generally will be used as a basis for determining normal values. Of course, allowance will have to be made for reasonable adjustments in the case of products whose relative economic position has changed since that time.

Questions were then invited, to which answers were made by Mr. Bestor as follows:

Q. What is the loan limit on this second mortgage?—A. The act places a limit of \$5,000 on the amount that may be loaned to any one farmer by the Farm Loan Commissioner. The Commissioner's loan, that is, the one made by his agent, together with all prior mortgages or other prior evidences of indebtedness secured by the farm property, may not exceed 75 percent of the appraised value thereof, nor can it exceed \$5,000 to any one individual.

Q. Can the Commissioner take into consideration other collateral than the farm land and the buildings?—Yes. The farmer can offer not only a second mortgage on the farm real estate but also mortgages on any personal property, including livestock, tools, and crops. The interest rate, as you know, on such loans is 5 percent.

Q. How quickly does the farmer have to pay off these second-mortgage loans?—A. The act says that they must be wholly repaid within a period no greater than that for loans made under the Federal Farm Loan Act, or a maximum of 40 years, where a first or second mortgage is secured wholly upon the property and is made for the purpose of reducing and refinancing an existing mortgage. All other loans must be wholly repaid within a period of not to exceed 10 years from the date the first payment on the principal is due.

Q. When do borrowers have to start paying on the principal?—A. The act permits borrowers to pay only interest for the first 3 years. At the end of the 3-year period the borrower would start systematically to pay off the principal.

Q. When the Commissioner takes a second mortgage on the property, what agreements do you have with the holder of the first mortgage?—A. That depends upon the aggregate amount of the first and second mortgages. Where the aggregate of an existing first mortgage plus the second offered to the Commissioner does not exceed \$5,000, we require the first mortgage holder to agree that during the period of 3 years he will not proceed against the mortgagor or the property for default in payment of principal unless he gets the consent of the Commissioner. Where the

aggregate exceeds \$5,000 the mortgagee must agree not to foreclose for any cause without consent of the Commissioner for a period of 5 years.

Q. How can a farmer use the funds that he obtains from the Commissioner?—A. They may be used in several ways: (1) To provide funds for refinancing indebtedness, either secured or unsecured, of the farmer; (2) to provide working capital for farm operations; (3) to enable the farmer to redeem or repurchase farm property owned by him prior to foreclosure which was foreclosed subsequent to July 1, 1931.

Q. Do you expect those who now hold first or second mortgages or the farmers' unsecured notes to do much scaling down?—A. Perhaps I can best illustrate that by one of the loans made during the first week after the Emergency Farm Mortgage Act was passed. This may not be typical but it illustrates the point.

We will call the farmer Jones, for that is not his name. He had a first mortgage on his property of \$3,300. The agent sent an appraiser to the property after having received the application and the appraiser reported that the land and the buildings were worth \$3,200. From this, of course, it is quite evident that the first-mortgage holder virtually owned the farm. Jones was able to get the mortgagor to agree to scale down the mortgage 10 percent, or \$330, by offering to get him cash from the Farm Loan Commissioner's agent stationed in the bank. However, the agent could not make a loan of \$3,000 on property appraised at only \$3,200. Fortunately, the farmer had some personal property which the appraiser valued at \$873. When this was added to the \$3,200, the farmer was able to offer the agent collateral, personal and real, amounting to \$4,073. Thus the agent was able to make a total loan of \$3,000, or 75 percent of all the collateral put up. Since the farm was only valued at \$3,200 the agent took a chattel mortgage of \$411 and a lien on 42 acres of crops amounting to \$189. Of course, as the chattel mortgage and crop lien is paid off it will be applied on the Commissioner's loan.

Thus the farmer secured a curtailment of his debt of \$300, the rate of interest on his loan was reduced 1 percent, and he had a 13-year period in which to repay. During the first 3 years he will pay only interest. Both the farmer and the holder of the mortgage have improved their positions.

Q. Do you expect many first-mortgage loans will be made by the Commissioner's agents?—A. Undoubtedly some will be made, but where a man and his collateral qualify for a Federal land-bank loan the first-mortgage loan may be obtained from it or the farmer may be able to get a first mortgage elsewhere. I feel we are going to have plenty of applications for second-mortgage loans secured by the kind of collateral which I have already discussed.

The effort we are making is if an application comes in to the land bank and the land bank can't handle it, they refer it to the Farm Loan Commissioner's agent. And we have made arrangements that when the appraiser makes his appraisal of any loan on which there is any question as to which may make the loan, the land bank or the Commissioner's agent, that he will make two reports, one for the agent of the Farm Loan Commissioner and one for the land bank, so that whichever agency it qualifies for may act upon that application, so that in some cases it might not qualify for the land bank but would qualify for the Loan Commissioner's loans.

Q. What do you mean by farmers? Does a farmer have to be a so-called "dirt farmer"?—A. The definition of farmer in case of Farm Loan Commissioner loans is very broad. Any individual who is actually engaged in farming operations, either personally or through his agent or tenant, will qualify as a farmer; also any person the principal part of whose income is derived from farming operations qualifies. However, I would emphasize the fact that a corporation is not eligible for a loan.

FEDERAL LAND-BANK LOANS

Q. The Federal land banks have been authorized by Congress to issue during the next 2 years \$2,000,000,000 of their tax-exempt bonds bearing not to exceed 4 percent interest, and the Government will guarantee the interest on these securities. Further, Congress made these bonds eligible for 15-day loans from Federal Reserve banks to member banks with the expectation that this would assure the bonds greater liquidity and a wider market. Will you tell us just how these bonds are to be used and just how quickly this new type of bond will be available to the public?—A. May I answer your last question first? The plates are being made for the new consolidated bonds, but the work is not completed. However, banks are accepting applications for loans now, and it probably will not be more than 2 or 3 weeks before the new type of bonds are available. The banks are making loans now. These bonds may be sold to the investing public to secure funds to lend on first mortgages which have acceptable security for such bond issues. The bonds may be exchanged for first mortgages in existence on May 12, 1933. Further, after a period of 1 year has elapsed, the bonds may be sold to refund outstanding issues of Federal land-bank bonds, provided the funds from such new funds are not needed to make new loans.

Q. The thought is expressed that the Federal land banks may use these new-type bonds to replace outstanding bonds, thus depriving the banks of funds with which to make loans.—A. As I have already pointed out, the land banks cannot use the new type of bonds to secure funds to purchase their own bonds for the period of 1 year from May 12, 1933. After that time, if the banks have ample funds to loan, the proceeds from the sale of this new type of farm-loan bond may be utilized to purchase their outstanding bonds.

Q. Many of the farmers of our district wish to get first-mortgage loans from the Federal land bank. In some localities national farm-loan associations are not accepting loans. Cannot farmers in those areas make applications for loans directly to the Federal land bank?—A. Yes. The amendment to the law permits a farmer in territories where national farm-loan associations are not now making new loans to apply directly to the bank, but such borrowers will have to subscribe to stock in the Federal land bank for the same amount that they would have subscribed to stock in the national farm-loan association if they had made their application to it. This amount is 5 percent of their loan.

Q. Do borrowers obtaining loans directly from the Federal land bank have to pay a higher rate of interest?—A. Yes; at least temporarily. The interest rate will be one half of 1 percent higher than that charged where loans are made through associations, but farmers who borrow directly from the bank may agree that when 10 or more borrowers have obtained direct loans from the bank aggregating not less than \$20,000, residing in a locality which may be conveniently served by an association, they will unite to form an association. After such an association is formed the stock held by its members whose loans are in good standing will be canceled at par and the borrower will receive an equal amount of stock in the association. When, and if such borrowers become members of associations, the interest rate on their loans, if in good standing, will be reduced one half of 1 percent.

Q. What about fees?—A. Farmers who make application directly to the bank will pay the same initial fee to it that they would pay if their application came through a national farm-loan association.

Q. Will the size of the loan made by the banks be the same as that made by associations?—A. There will be no difference. Each is limited to 50 percent of the appraised normal value of the land for agricultural purposes plus 20 percent of the insured improvements.

Q. Will borrowers from the Federal land banks have to make application to the banks for a reduction in the interest rate?—A. No, sir. Interest maturing during the 5 years commencing July 11, this year, in connection with loans made through national farm-loan associations between May 12, 1933, and May 12, 1935, will be charged at the rate of only 4½ percent per annum. Loans made directly by the banks to borrowers will pay 5 percent per annum during the same period.

A rate of 4½ percent will be charged during the same 5-year period on loans now outstanding.

Q. What about payments on the principal?—A. No payment on the principal portion of any installment will be required during this same 5-year period if the borrower is not in default with respect to any other condition or covenant of his mortgage. By this I mean he must have paid his interest, taxes, drainage and irrigation charges if he is to secure the privilege of not paying the principal of his loan during this 5-year period.

Q. Will you illustrate just what the lower rate of interest and the privilege of not paying on the principal will mean to a farmer who has a loan of \$3,000, bearing 5 percent interest.—A. He normally would pay an installment of \$90 each 6 months to the bank. This installment, of course, includes both interest and principal. If he secured his loan the first year the banks opened, in 1917, of the last installment paid \$57.75 went to pay interest on the unpaid principal and \$32.25 was applied to the reduction of his debt. Thus, should he pay the interest only, his payment to the bank would be only \$57.75, instead of the usual \$90. When he resumes payment on the principal he continues to amortize, or pay off, his loan at the same rate as when he ceased such payments. For the 5-year period concerning which we are speaking the interest on his unpaid balance of the loan would be figured at the rate of 4½ percent instead of 5 percent. The average interest rate on the loans outstanding is around 5½ percent, so that there is an average of a full 1-percent curtailment in the interest rate.

Q. How does the exchange of bonds for mortgages work in the case of an insurance company, for instance?—A. If a man has a loan with an insurance company for \$10,000, and the company indicates it would like to sell the mortgage, the farm is appraised by the land-bank appraiser. We will say he sets a value which would permit the bank to purchase the loan for \$8,500. The farm loan association says it is good for \$8,500. The company says, "We are willing to take bonds for the mortgage." The company gets the bonds; the borrower gets his mortgage loan from the Federal land bank for \$8,500 at a low rate of interest. That is the procedure that would be followed in case the mortgagee takes the initiative, whether it be an insurance company, banker, or individual having the mortgage to exchange.

Q. Would the mortgagee receive bonds only or could he cash them?—A. He cannot cash bonds through the land banks. The law offers him good bonds in exchange for his mortgage. It's possible for banks if they have ample funds in cash to buy the mortgage in cash. But the provision is they may either be exchanged or purchased, and purchase has to depend upon the amount of cash available in the bank.

Q. Does the farmer who gets a loan from the bank as a result of such exchange have to subscribe for stock?—A. Yes; either in an association or the bank, to the extent of 5 percent of his loan.

Q. How are the farms appraised?—A. Just the same as if the farmer had applied for a loan and no exchange of a first mortgage for a bond were involved.

Q. If the farmer borrows directly from the bank can he later join an association and get a lower rate of interest?—A. Yes, on

the same terms as if there had been no exchange of mortgage and bond involved.

Q. Does such a farmer get the benefit of the new low rate of interest and permission to pay only interest until July 11, 1938?—A. Yes, sir.

Q. Does the farmer get any other benefit?—A. It depends upon whether the owner of the first mortgage to be exchanged for a Federal farm-loan bond will scale down the amount due on it. The amount of the bonds to be exchanged may not be greater than the unpaid principal of the mortgage on the date of the exchange, or 50 percent of the normal value of the land mortgaged and 20 percent of the value of the permanent insured improvements thereon, as determined by a land-bank appraiser, whichever is the smaller. If the unpaid principal is too large, it will have to be scaled down if an exchange is made. However, that is up to the holder of the mortgage. The bank will tell him how much it will loan on the property.

Q. What is to be done about scaling down of taxes and assessments on public-improvement districts, such as irrigation, drainage, and levee districts?—A. That is handled by the Reconstruction Finance Corporation. A fund of \$50,000,000 was made available to be loaned to such districts to refinance their projects by purchasing their depreciated securities outstanding. Any reduction in indebtedness of such districts so obtained must be passed on pro rata to the farm owners in such areas. Loans may be made only when the Reconstruction Finance Corporation is convinced of the economic soundness of the projects.

Q. Does this apply to private projects?—A. No; only to public-improvement districts.

Mr. MAPES. Mr. Speaker, I ask unanimous consent to extend my remarks that I made this morning by including the full text for the authority to Hitler as a dictator, a part of which I read.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

NATIONAL INDUSTRIAL RECOVERY BILL

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H.R. 5755) to encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union, with Mr. LOZIER in the chair.

The Clerk read the title of the bill.

Mr. DOUGHTON. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. DOUGHTON. Mr. Chairman, as I understand it, the time is to be divided equally, 3 hours to be controlled by myself and 3 hours to be controlled by the ranking minority Member on the Republican side, the gentleman from Massachusetts [Mr. TREADWAY]. I yield 2 minutes to the gentleman from Texas [Mr. SUMNERS].

Mr. SUMNERS of Texas. Mr. Chairman, the chairman of the committee having this bill in charge has yielded this time to me in order that I may make a statement. Title I of this bill proposes what amounts, in the view of the Committee on the Judiciary, to a suspension of the antitrust law. It is recognized by gentlemen familiar with legislative history in this House that the subject of the antitrust law and kindred laws has fallen as a matter of jurisdiction to the Committee on the Judiciary. To be candid with the Chair and the other Members of the House, it was contemplated that we would test the jurisdiction of this committee with reference, at least, to title I of the bill; but we have reached the understanding that, in this instance, we will not test the jurisdiction with regard to title I, provided it is understood, and I understand from the chairman of the committee having the bill in charge that it is so understood, that our yielding to the committee in charge of this bill, jurisdiction with reference to the antitrust law and kindred legislative propositions shall not be regarded as a precedent, and shall not, insofar as this action is concerned, affect the question of jurisdiction as between the Judiciary Committee and other committees with reference to the general subject of legislation dealing with antitrust legislation.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. COX. Mr. Chairman, will the gentleman from North Carolina yield?

Mr. DOUGHTON. Yes.

Mr. COX. The time for debate upon the bill is fixed by the rule at 6 hours, to be divided equally between the gentleman from North Carolina [Mr. DOUGHTON] and the gentleman from Massachusetts [Mr. TREADWAY]. May I inquire at this time as to how that time is to be divided as between gentlemen who are for the pending measure and those who are against it?

Mr. DOUGHTON. Mr. Chairman, replying to the inquiry of the gentleman from Georgia, so far as is known to me as chairman of the committee, there was no understanding. I have quite a number of requests for time from members of the committee. I feel that I should give consideration to those requests. My purpose is to allot the time as fairly as I can among the Members of the House who desire to speak on the bill. I have requests for much more time than it is possible for me to accommodate. If I begin to show a preference in the matter, I fear that I should subject myself to very severe criticism from other Members of the House, as much as I should like to accommodate the gentleman from Georgia.

Mr. COX. Does the gentleman mean by that that he does not intend to recognize the right of the opposition to the bill and to divide the time equally with it?

Mr. DOUGHTON. I do not know that I am familiar enough with parliamentary usage in the House and the custom in connection with it to understand what I should do.

Mr. COX. What does the gentleman think is fair? He is a fair man.

Mr. DOUGHTON. I must do as far as I can what in the judgment of the House would be fair. That matter should have been determined in the Rules Committee.

Mr. COX. Oh, the Rules Committee did not want to cast such a reflection upon the gentleman who is the chairman of this great committee.

Mr. DOUGHTON. It would be no reflection to say how the time should be divided.

Mr. COX. Let me come to the point that I have in mind. The gentleman understands the agreement had with me yesterday as to the time that I would have.

Mr. DOUGHTON. I understand and recall distinctly that I myself agreed to yield the gentleman 20 minutes, and he would not state that I went any further?

Mr. COX. No; and the gentleman in control of the time on the Republican side yielded me 20 minutes.

Mr. DOUGHTON. I think he agreed to or there was some such understanding, but that is a matter that is between the gentleman from Massachusetts and the gentleman from Georgia.

Mr. COX. Will the gentleman indulge me to the point of making an inquiry of the gentleman from Massachusetts, to see if it is expected that I am to use 20 minutes?

Mr. DOUGHTON. Is this coming out of my time?

The CHAIRMAN. It is all out of the time of the gentleman from North Carolina. He has been recognized.

Mr. DOUGHTON. Will the gentleman from Massachusetts give attention to the gentleman from Georgia?

Mr. TREADWAY. I should be very glad to answer the gentleman in the time of the chairman of the committee. Perhaps it is well to say just a word in respect to the reference the gentleman from Georgia is making. Yesterday afternoon I was called in conference by him and the chairman of the committee, and the gentleman from Georgia made the request for 40 minutes' time. The chairman of the committee asked me if in view of the fact that the gentleman from Georgia is a member of the Committee on Rules I would be willing to concede part of the Republican time to him.

Mr. COX. Yes; and also in view of the fact that I was instrumental in having the time increased from 4 hours to 6 hours, and the gentleman was so informed.

Mr. TREADWAY. I do not know how the extra time came about. Of course, if the gentleman says that he was instrumental in having it increased 2 hours, we accept that statement from him.

Later on I found there was such a strong demand for time on the Republican side, exhausting certainly more than the hour in addition to my 2 hours of time, that I consulted with the gentleman from North Carolina, my chairman, and we reached an understanding that I was to yield to Republicans, for and against the bill, as the case might be, and the gentleman from North Carolina was to yield to Democrats, for or against, as the case might be; and we laid that matter before the gentleman from Georgia. I told the gentleman frankly, as I am willing to tell the House, that as far as this talk of yesterday was concerned, I had agreed to yield 20 minutes, but in view of the circumstances that have since arisen among my Republican colleagues, I wanted to make an even swap, which is a good Yankee way of doing, and I would take care of another gentleman on this side of the House wanting more time than most Members did, in order to make a very learned constitutional discussion. Therefore I expect to yield more time to the gentleman I have in mind, a Republican Member, than to any other Republican.

I think that is a fair explanation of where I expect to use my time. I have declined in several instances to yield time to Democrats who are against the bill. Why should I favor one Democrat over another? I prefer to favor Republicans.

Mr. COX. Is the gentleman prepared to live up to his agreement with me and the chairman of the committee?

Mr. TREADWAY. I think the gentleman realizes the situation I am in and that I went to him early this morning and explained the situation, that he must go to the gentleman from North Carolina to secure his time.

Mr. COX. In view of the statement made by the gentleman from Massachusetts, will the gentleman from North Carolina [Mr. DOUGHTON] be liberal and agree that I may have 40 minutes, in view of the fact, as the gentleman knows, that I was responsible for increasing the time from 4 to 6 hours in order that I might have time to debate the matter?

Mr. DOUGHTON. As far as the gentleman from North Carolina is concerned, he made no such request that the time be extended, and I have to deal with this under the circumstances as they exist today and not what transpired 2 or 3 days ago, but if I can find time, in justice to the other Members of the House, I will be glad to yield that much time to the gentleman.

Mr. COX. Does the gentleman not feel that he owes something to the opposition to this bill?

Regular order was demanded.

Mr. DOUGHTON. Mr. Chairman, this bill now under consideration is one of the major pieces of legislation recommended by the administration. In my opinion, it is one of the most, if not the most important piece of legislation that will come before this Congress, or that has come before the Congress.

We held quite extended hearings on the bill. A number of witnesses, representing practically every business, industry, and occupation in the entire country, appeared before our committee. As near as I recall, not a single witness testified in opposition to this measure.

This bill, as I understand, is favored or supported by industry, by agriculture, and by labor. Those three powerful organizations in this country are all behind this legislation.

Mr. Chairman, on yesterday morning I arranged to have placed in the mail box of each Member of the House copies of this bill and the report, in order that each Member might have an opportunity before the bill was taken up for consideration today to read the bill and read the report and familiarize himself or herself with the provisions of the bill. That report is full and complete, a complete analysis and explanation of the provisions of this bill. Therefore I feel it is unnecessary for me to take the brief time I shall occupy to explain the bill, and I would suggest to any Member of the House who is not fully satisfied as to the

provisions of the bill and just what it provides for that he read that report between now and the time the vote is taken.

Therefore, Mr. Chairman, I shall request that I may complete my statement without interruption. After I am through, if there are any questions I can answer, I shall be glad to do so. It is my desire to make a consecutive and connected statement in connection with the bill, and in order to do so I again request that I be not interrupted.

There exists a most pressing need for the legislation now under consideration. This need is so acute and distressing that it constitutes our major problem. All legislation so far enacted by this extraordinary session of the Congress is but preliminary to this measure and without it may be of little immediate benefit. The wholesome effects of other emergency measures already enacted are quite apparent and are reflected in the rise in prices and the return of confidence everywhere, but the prime need of millions of our citizens today is a job, and this bill undertakes to make that a certainty.

This measure is an essential part of the plan looking toward economic and industrial rehabilitation and recovery. It is the keystone in the arch of that structure. It provides means for putting our unemployed to work for a living wage and under wholesome conditions and at the same time guarantees equal opportunity to those supplying the jobs, in that the Government will cooperate with industry in maintaining standards of competition in keeping with equity and justice. It charts a middle course between the ruinous or complete monopoly in vogue prior to the enactment of the Sherman antitrust law and the era of unfair competition that now has a strangle hold upon business. It sets up flexible machinery which the President may use to prevent monopoly on the one hand and ruinous competition on the other. Flexible remedies are always necessary in emergencies, and no one will dispute that conditions are now critical and dangerous. In fact, conditions are such that the very existence of government itself is threatened. The central feature of the bill is to maintain fair competition without granting monopoly and to provide fair standards of labor and working conditions. It seeks to apply the principle of the Golden Rule to business and industry and also to provide a stimulant that will promote courage, confidence, and hope.

It is designed to promote and accelerate industrial recovery throughout the manifold branches of our business structure and to provide gainful employment once more to the millions of our people now tragically idle. In the words of the President, it is a great "cooperative movement" throughout all industry, and intended to remove the fetters and restrictions from legitimate business.

Another important feature of the measure is that the Government pledges itself to go forward with its own vast program of public works along with the States and municipalities. This simultaneous activity on the part of private industry and public enterprises should bring a business revival to every industry, enterprise, and occupation. The monumental program of public works contemplated should and will restore confidence to the faltering business public by demonstrating that the Government itself has confidence in its program and will take the lead in the effort to put it into effect. Then as private industry falls in line our people will emerge happily from the years of economic blight, pestilence, and stagnation and will go forth with a new hope and a new confidence that our Government has not lost its power to render aid in a great crisis. The patriotic and social standards of former days will again be hoisted in the American home and the agitators and destructionists who have come to us in the wake of the greatest economic scourge in our history will pass from the scene. Such ideal conditions cannot come, however, until there is work for the unemployed, a home for every family, and a fair profit for every legitimate business enterprise, and that is what is expected from this bill and its companion measures. All these are united in one great plan to repair and rebuild our tottering economic structure, the very foundations of which have been shaken and almost shattered.

It was the predominant view of the 40 or more witnesses who appeared before our committee during its consideration of this bill that conditions are such as to demand a drastic remedy, and that this bill will have the salutary effect desired. It is significant that both capital and labor share this view, as was evidenced by the testimony given by President Harriman, of the United States Chamber of Commerce, and by President Green, of the American Federation of Labor. Mr. Harriman gives assurance that already, in advance of the enactment of this legislation, some of the branches of industry, such as steel, automotive, textile, oil, and lumber industries have agreed upon tentative codes of fair competition, and that as a concomitant of such agreements the wages of some 10,000,000 workers will be increased, furthering a movement already started to restore the buying power of the masses.

Mr. Harriman also said that this was the most important piece of legislation that had been before this Congress. He said that it was not only important but absolutely necessary in connection with the farm-relief measure, of which this is a companion measure, to carry out the purposes for which it was intended.

I want to read from the testimony of Mr. Harriman, because he knows as much about American business and American industry and is as well informed and as well qualified to speak for industry as any living man in America today.

Mr. BUSBY. Will the gentleman yield?

Mr. DOUGHTON. Yes; I yield.

Mr. BUSBY. May I ask who Mr. Harriman is?

Mr. DOUGHTON. Did the gentleman never hear of him before?

Mr. BUSBY. Well, I know one Harriman, president of the United States Chamber of Commerce.

Mr. DOUGHTON. That is the gentleman.

Mr. BUSBY. And this is their bill, is it not?

Mr. DOUGHTON. No, sir. This is not their bill that I know of. I understand that business generally throughout the United States endorses the bill, so does labor, and so does agriculture. If it is Mr. Harriman's bill, it is Mr. Green's bill and the farmers' bill. In fact, I consider it the people's bill.

Mr. BUSBY. I would like to know where the people's bill is in this thing.

Mr. DOUGHTON. It is right in the very heart of this bill from first to last.

Those who do not believe in this bill, those who cannot conscientiously support it, have the constitutional right to oppose and to vote against it. If they think it is a good bill, they will have the opportunity to support it.

I shall now read from the testimony offered by Mr. Harriman.

Mr. Harriman, after discussing the several other bills that have been passed or are under way as a part of the program for rehabilitation, mentions the farm bill as a companion bill to the measure under consideration and says:

Now, there are two bills that are distinctly inflationary of labor, and they are companion bills. I refer to the so-called "farm bill", which, I believe, is equally an industrial bill, and which, I believe, is going to result in higher prices for farm products—and that means greater purchasing power for the farmer to spend for the purchase of goods that are made in the factories in the cities—and this bill that is now before you. But let me say frankly that I do not believe the farm bill will be successful unless you pass this bill as an accompaniment to it; for, obviously, if wages are not raised, if dividends are not resumed, and if purchasing power in the city remains at the present level, the city man cannot pay the higher prices that the farmer rightfully demands for his products.

Mr. Harriman also stated that the purchasing power of the American people had dropped from \$84,000,000,000 to \$40,000,000,000, and that, if the present rate of descent continued, next year it would not be over \$30,000,000,000. So you can see what an alarming situation we are in.

It is the loss of this buying power that has produced and is prolonging the world's worst depression.

It should be borne in mind also that, regardless of what may be done toward expansion of the currency, as a Treasury

operation, the pending program, involving billions of dollars, will be inflationary in its effect. This is important because industry and those connected with it are the first to experience the benefits of any inflationary movement. This being true, then the Government, through the operation of this measure, will make it possible for those engaged in and connected with industry to pay the increased taxes carried by the bill much more easily than they are now paying the present taxes, which are lower than those being paid in Great Britain and other countries.

Now, Mr. Chairman, we know that to make possible the proper functioning of the act it is necessary that the Government incur an obligation of gigantic proportions, aggregating \$3,300,000,000, and to liquidate which will require an additional annual revenue of \$220,000,000. To meet this demand it is necessary that we find sources of additional revenue at a time when it is highly desirable to reduce rather than to increase our taxes. However, this vast sum is not to be thrown away but is to be invested by the United States as earnest money, evidencing the faith of our Government in its own remedies and its readiness to back them with its resources. I shall now discuss briefly these tax provisions.

Mr. BLANCHARD. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. BLANCHARD. The gentleman just made the statement that Mr. Green had expressed the opinion that 6,000,000 men would be put to work directly.

Mr. DOUGHTON. I think that is correct.

Mr. BLANCHARD. Six million men put to work directly at an average wage of \$1,000 a year would mean \$6,000,000,000. How long is it expected these men will be employed under the plan set up in this bill?

Mr. VINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. VINSON of Kentucky. I think the gentleman from North Carolina inadvertently stated the number of men directly employed as 6,000,000. As I recall the testimony it was that 6,000,000 men, directly and indirectly, would be given employment.

Mr. DOUGHTON. That may be correct but I think it was testified before our committee that the practical effect of this legislation would be to put 10,000,000 or 12,000,000 men to work.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. COOPER of Tennessee. Mr. William Green, the president of the American Federation of Labor, made the direct and specific statement that 6,000,000 will be put back into employment through the operation of this measure within a short time.

Mr. DOUGHTON. I thought I was correct in my statement. I refreshed my recollection on this point this morning.

Three additional taxes are proposed in section 208 to provide the annual revenue necessary to the operation of the act. These have been selected with two ends in view: First, to distribute the added burden as broadly as possible, but only upon those able to pay; second, to select only those sources that are certain in productivity, in order that the credit of the Government may be maintained.

Now, increase of taxes is always a painful operation. There is not much trouble about an operation until the pain and blood starts, and then, of course, the trouble begins.

These additional taxes are:

First. An increase in the rate of normal income taxes on the first \$4,000 of net income from the present 4 percent rate to 6 percent. The normal rate on the excess over \$4,000 is raised from 8 percent to 10 percent. These increases will bring in about \$46,000,000 annually.

Second. Cash dividends received from the stock of domestic corporations have been made subject to the normal tax. At present, such income is exempt from the normal

tax and is only reached by the surtax. This additional tax should yield about \$83,000,000 annually.

Third. The tax on gasoline is increased three fourths of a cent per gallon, bringing the total tax on this commodity up to $1\frac{3}{4}$ of a cent on the gallon. This should result in added revenue of about \$92,000,000 annually.

Several taxes were suggested and your committee gave careful consideration to these suggestions. It was necessary in this emergency legislation, this temporary legislation, to provide additional taxes, but these taxes will be temporary. It is the purpose of the administration and it will be the purpose of your committee, and I know it will be the purpose of Congress to repeal these taxes just as soon as business recovers and industry revives, and the ordinary sources of taxation are sufficient to support the recurring expenses of the Government.

I will discuss briefly the effects of these taxes, with the reasons for their selection by your committee. Before doing this, however, I desire to say that it is a very difficult and troublesome task to select new taxes to be imposed upon an already overtaxed public. I feel, however, that in this instance the ends will amply justify the means and that the benefits that will flow from the operation of this law will be many times greater than the burden temporarily imposed.

First. The increase in normal income-tax rates: The effect of raising these rates from 4 percent and 8 percent, respectively, to 6 percent and 10 percent can best be seen by a comparison of the present tax with the proposed tax on certain incomes. For convenience we will take the case of a married man with no dependents. Under the present law if he has a net income of \$3,000 he pays a tax of \$20 annually, while under the proposed bill he would pay \$30. If his income is \$5,000 net, he now pays \$100, while under the pending bill he would pay \$150. In like manner the tax on an income of \$10,000 will be increased from \$480 to \$630 and on one of \$50,000 from \$8,600 to \$9,550, and so on, affecting all taxpayers in proper proportion, whether their incomes are large or small. These increases are considerable, but it is believed that they can well be borne, especially so in view of the fact that many benefits will flow to such taxpayers from the general provisions of the measure.

Second. Subjecting dividends to the normal tax rate: This plan has been proposed heretofore, but did not receive the sanction of both branches of the Congress. Last year the House approved a similar plan, but it was eliminated in the Senate.

Under the existing laws a man with a net income of \$6,000 pays no Federal tax if his income is all from dividends. Under the pending bill he will pay a tax of \$240, which is exactly the amount that will be paid by a man with a salary of \$6,000.

In spite of the many theoretical arguments about double taxation, when we consider the matter from a practical standpoint, why has not a man with a capital of \$100,000, which yields him \$6,000 a year in dividends, just as much ability to pay a tax thereon as a man with a salary of \$6,000 a year and no capital? Then under this bill the man with the capital will have an opportunity to earn still more on his investment.

At present a man with an income of \$50,000 annually from dividends pays a tax of only \$4,950, as compared with a tax of \$8,600 paid by a man with the same income from salary. Under the pending bill, after taking into consideration the increases in normal rates, each person will pay the same—\$9,550. I believe this is fair. Certainly there should be no objection to it during the present emergency.

Mr. MARSHALL. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. MARSHALL. The Ways and Means Committee have been laboring on the proposition of how to raise \$220,000,000, which I understand is to be set up as an interest and sinking fund.

Mr. DOUGHTON. That is correct.

Mr. MARSHALL. Are we to infer from that that this would take care of interest and the redemption of this borrowed money? What I should like to know, but have not

been able to find out from any member of the Ways and Means Committee that I have asked, is how much of this \$3,300,000,000 is going to be loaned and how much of it is going to be given away. If it is going to be given away, we do not need the \$220,000,000.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield for me to reply to the gentleman from Ohio?

Mr. DOUGHTON. I yield.

Mr. COOPER of Tennessee. Mr. Chairman, the gentleman doubtless has observed the provision of the bill which authorizes a grant, which was interpreted as a gift, of 30 percent of any project that may be submitted for consideration. Of course, it is impossible to know just how this 30-percent limitation will be applied to the entire amount involved, and it cannot be definitely figured.

Mr. MARSHALL. If 30 percent is to be granted, \$220,000,000 would not be needed to take care of the interest and sinking fund, would it?

Mr. COOPER of Tennessee. No; but the 30 percent is only the amount of the grant by the Government. Then the municipality or the agency to which the grant or gift is made has the right to borrow the other 70 percent.

The entire amount has to be funded, of course, and sinking-fund and interest charges apply to it all.

Mr. MARSHALL. Do I understand, then, that the 30 percent is all that is to be given away?

Mr. COOPER of Tennessee. That is the grant; yes.

Mr. VINSON of Kentucky. In that connection, of course, while you will have loans made, these loans are to be repaid over a certain period of time; but, for instance, the yields from the loans are not so definite and certain that you could create your amortization fund from the repayments.

Mr. MARSHALL. In other words, then, neither the committee nor anyone else knows how much of this you will ever get back, and that is the reason for the interest and sinking fund.

Mr. VINSON of Kentucky. It is the purpose that every dollar that is loaned, of course, is expected to be repaid. I am certain the gentleman would not think any other policy would be adopted.

Mr. McCLINTIC and Mr. BLANCHARD rose.

Mr. DOUGHTON. I yield to the gentleman from Oklahoma.

Mr. McCLINTIC. I want to clear up, if I can, the term "grant." It is my understanding, as a member of the committee, that when the word "grant" was used with respect to the money that was to be allocated for the construction of roads, the entire amount would be furnished by the Government and no part of it would be reimbursed.

Mr. VINSON of Kentucky. There is no loan feature in connection with the road appropriation.

Mr. McCLINTIC. I was just wondering whether the RECORD should show that it is the intention of this legislation to give 30 percent to any project, or whether there is a loan on the part of the Government so that the municipality or other subdivision of government could get 70 percent, and have this in addition, with the thought that it should be repaid.

Mr. COOPER of Tennessee. If the gentleman will turn to page 21 of the hearings he will see that I asked that specific question of Mr. Douglas, Director of the Budget, who was appearing in support of this bill and was explaining it. I asked Mr. Douglas this question:

Mr. COOPER of Tennessee. I should like to have your interpretation of the term "grant."

Mr. DOUGLAS. A grant is an outright grant, requiring no repayment.

Mr. COOPER of Tennessee. Is it an outright grant or gift?

Mr. DOUGLAS. Yes; an outright grant or gift.

Mr. COX. Will the gentleman yield to me?

Mr. DOUGHTON. Yes; I yield to the gentleman from Georgia.

Mr. COX. Since the gentleman has the record before him, would he mind informing the House how the committee arrived at the figure of \$3,300,000,000 to be appropriated? Did the gentleman's committee have before it the projects intended to be included and the estimated cost of them,

from a consideration of which they arrived at a determination of the figure of \$3,300,000,000?

Mr. COOPER of Tennessee. If the chairman will yield to me a moment, I may say that I propounded exactly the same question to Mr. Douglas, and his reply was that a careful survey had been made throughout the country, and the result of it showed that there were useful and needful public-work activities throughout the country on the part of States, municipalities, and so forth, which aggregated about \$2,000,000,000, and then the survey further showed that Federal public works could profitably be undertaken to the extent of about \$1,300,000,000, and the aggregate of these two estimates makes up the \$3,300,000,000.

Mr. COX. I presume the gentleman's committee had before it these surveys to which the gentleman refers; and if this is true, would the gentleman mind inserting them in the Record for the information and benefit of the House?

Mr. DOUGHTON. In this connection, if the gentleman has read the message of the President, which was read from the desk here, he knows that the President himself stated that a careful survey had been made. The President knows what he is talking about when he refers to a survey, and I am sure had it made by someone who is competent. He said that a thorough and careful survey had been made, and it was his opinion and judgment that \$3,300,000,000 is necessary for this program of rehabilitation. The gentleman will find that in the message of the President of the United States.

Mr. TREADWAY. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. TREADWAY. I think, Mr. Chairman, this can be cleared up very easily by reading two lines from the President's message to Congress.

Mr. DOUGHTON. That is what I was referring to.

Mr. TREADWAY. The President said, and I am quoting from the President's message on the first page of the committee report:

A careful survey convinces me that approximately \$3,300,000,000 can be invested in useful and necessary public construction, and at the same time put the largest possible number of people to work.

Mr. DOUGHTON. When interrupted, I had reached the gasoline tax, against which there seems to be more widespread and universal objection or complaint, if propaganda is evidence of the feeling of the country, than any other tax that we have proposed in this bill.

As I understand, the gentlemen of the minority will offer a motion to recommit proposing to substitute a general manufacturers' sales tax in lieu of the taxes or part of the taxes we have proposed, and I violate no confidence in saying that in our committee it appeared that probably the alternative to a tax on gasoline would be a manufacturers' sales tax.

I agreed to this tax very reluctantly. I voted against the present revenue bill which was enacted at the last session of the Congress, and one of the reasons was that it contained a gasoline tax. I have never thought it was a tax which should be used except in an emergency such as now exists; but if we take into consideration that the alternative would be a sales tax which would apply to gasoline, to automobiles, to accessories and parts, tires and tubes, to trucks, to tractors, and to everything that gasoline is used in connection with, and in addition would apply to every article in the home and on the farm and is a tax that would be paid by the gasoline users, I am sure we will realize that if a sales tax were adopted in lieu of the tax of three quarters of a cent on gasoline, it would be more than 10 times as burdensome, more than 10 times as great, and more than 10 times as harsh as a three fourths of a cent tax on gasoline.

Oh, they say, you are pyramiding this gasoline tax and it is a sales tax. Well, it is not a sales tax that covers every article used in the home and on the farm. Those who are complaining of the gasoline tax must keep in mind that a sales tax is the alternative, and as between the two this gasoline tax would be so negligible as not to admit of comparison in its burdens with a general sales tax.

Mr. GIBSON. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. GIBSON. The gentleman is speaking of the gasoline tax. When that matter was before the House we adopted a rider or amendment that transferred the electrical-energy tax from the consumer to the producer. What is the purpose of the committee with reference to that?

Mr. DOUGHTON. Has the gentleman read the report on the bill?

Mr. GIBSON. I have; yes.

Mr. DOUGHTON. Does the gentleman not understand it?

Mr. GIBSON. Not exactly.

Mr. COOPER of Tennessee. Let me say to the gentleman from Vermont that I made a statement this morning in the discussion on the rule that the committee would offer an amendment accomplishing that same thing. In other words, they would offer an amendment similar to the Whittington amendment.

Mr. GIBSON. I thank the gentleman. I am sorry I was not present when he made the statement this morning.

Mr. TREADWAY. Will the gentleman yield to me?

Mr. DOUGHTON. I yield.

Mr. TREADWAY. I want to say, in reference to this matter, that for 2 weeks there has been a deadlock between the two bodies on that item and the members of the Ways and Means Committee have been extremely busy with this legislation. But an amendment was agreed upon this morning covering the electrical-energy tax just as the House passed it originally.

Mr. WHITTINGTON. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. WHITTINGTON. In connection with the gasoline tax, the House passed the amendment, and it is now in conference, reducing the postage on local letters from 3 cents to 2 cents. May I ask if the committee has made provision for that?

Mr. DOUGHTON. There was no such understanding reached by the committee. We have full faith that an agreement will be reached on the bill now in conference between the Senate and the House.

Mr. TREADWAY. Does not the gentleman think it would save time to tell the gentleman from Mississippi that the committee instructed its experts to draft and put in proper form an amendment for that purpose? It is a pretty complicated thing to take an item out of a conference report and reword it, and that is what we have asked the experts to do between now and tomorrow morning.

Mr. DOUGHTON. That statement was made by the gentleman from Tennessee [Mr. COOPER] this morning.

Mr. VINSON of Kentucky. May I ask the gentleman if there is any disagreement between the House and the Senate in respect to the postal reduction?

Mr. DOUGHTON. None at all.

Mr. VINSON of Kentucky. The gentleman from Massachusetts does not mean to say that the committee contemplates any amendment with reference to the postal rates? The amendment to which the gentleman refers is the one dealing with electrical energy. Then there will be another amendment in regard to net losses that will wipe out and eliminate the carry-over of 1 year in individual, partnership, and corporate income; but there has been no agreement yet in respect to an amendment that will affect postal rates.

Mr. WHITTINGTON. My question was, Is it not contemplated that before this bill shall finally pass that the provisions of this act will be so modified that the reduced stamp taxes will be embodied in the current legislation, inasmuch as it has not been brought forward either in the bill or in the suggestions made?

Mr. TREADWAY. Mr. Chairman, I think it is unfair to interrupt the chairman's regular address in relation to matters not actually in the bill. The gentleman from Mississippi [Mr. WHITTINGTON] has been assured by all of us that the electrical-energy matter is being taken care of

and that is all that ought to be brought up at the present time. Let us do one thing at a time and listen to the chairman's address.

Mr. CELLER. Mr. Chairman, will the gentleman yield? There are some things, I think, which should be clarified about title I.

Mr. DOUGHTON. Has the gentleman read the report?

Mr. CELLER. Yes; but there are some matters that ought to be cleared up. For example, can there be different codes of practice for one given industry in different parts of the country? For instance, take the textile industry.

Mr. DOUGHTON. I yield to the gentleman from Kentucky [Mr. VINSON] to reply to that question as he is a lawyer.

Mr. VINSON of Kentucky. Mr. Chairman, that question was submitted to Mr. Douglas, to Senator Wagner, to Mr. Richberg, and in each instance they said positively that they could have different codes as affecting the same industry in different sections of the country.

Mr. CELLER. What is meant by the language?—

The President may differentiate according to the experience and skill of the employees affected in accordance with the locality of employment.

What is meant by "locality of employment"?

Mr. VINSON of Kentucky. The very thing, as I understand it, to which the gentleman directed his former inquiry. That is, the geography of the country, where different business conditions exist.

Mr. CELLER. Is there any question but that these agreements that may be entered into by trade groups may provide for the fixing of prices?

Mr. VINSON of Kentucky. I do not understand the question.

Mr. CELLER. Can the textile industry get together or the tanners get together or the manufacturers of shoes get together and under this agreement that is spoken of in title I fix the prices of their commodities?

Mr. VINSON of Kentucky. I do not find anything in here in which that is specifically authorized. As a matter of fact, it affects the hours of labor, minimum pay, and the working conditions in the particular industry. They are required to be in the voluntary and unlimited code as well as in the limited code.

Mr. CELLER. There is nothing in the bill which says that you cannot by these agreements fix prices, and, therefore, is the inference to be drawn that prices may be fixed?

Mr. DOUGHTON. Mr. Chairman, I regret that I cannot yield further.

Mr. COX. Mr. Chairman, will the gentleman yield to me to ask a question?

Mr. DOUGHTON. Yes.

Mr. COX. Is the gentleman in a position to deny that this is a price-fixing scheme? Under the provisions of the bill, cannot these industries that enter into these agreements fix the prices of their commodities?

Mr. VINSON of Kentucky. As I read this bill, under the code of fair competition, whether it be voluntary or involuntary, the agreements made among the labor industries or among the industrial concerns, deal with the maximum hours of labor, the minimum pay, and the working conditions. These factors enter into the completed cost of the article, but, so far as the bill being a price-fixing bill, I do not regard it as such.

Mr. COOPER of Tennessee. It has all to be approved by the President of the United States.

Mr. CELLER. Personally, I believe that the dissatisfaction of the antitrust decisions of the Supreme Court has always been to the effect that there was inability to arrange something akin to price fixing, and unless you have some price fixing, you will have the same objection to this bill that the manufacturers throughout the country are leveling against the interpretation by the Supreme Court of the Sherman Act. You must have price fixing, otherwise you destroy the purpose of the bill.

Mr. SHALLENBERGER. In reply to the question of the gentleman from New York [Mr. CELLER], I recall in the hear-

ings that we had Mr. Harriman, the president of the United States Chamber of Commerce, before us, and I brought up that particular question. It was stated by him and agreed to, I think, and understood by the committee that whatever price fixing or rules or regulations are brought into this matter are entirely under the direct control of the President of the United States, and we give him authority through this administrator to regulate this matter so that it will not affect adversely the interest of the people but will also help industry.

Mr. COX. Is not that price fixed temporarily?

Mr. SHALLENBERGER. To whatever extent it is granted.

Mr. CELLER. Will the gentleman yield for one further question?

Mr. DOUGHTON. I yield.

Mr. CELLER. I hope the members of the committee will be candid about this matter. I think they ought to admit that there is a possibility and a probability that these agreements might fix prices, but they must be approved at first hand by the President of the United States. That is the way I read this bill. There is nothing short of that.

Mr. VINSON of Kentucky. You may have an increase in the commodity price that a fair price for the product might be secured. If you are going to increase labor costs on a fair competitive basis, you may have some increase in the price in a given product. It may eliminate cutthroat competition. You may be able to put men back to work who cannot work now because of cutthroat competition, but I maintain there is nothing in this bill to say that it is a price-fixing bill, as such.

Mr. CELLER. If we can cut out the cutthroat competition by fixing the price, let us do it. I am heartily in favor of it.

Mr. DOUGHTON. Mr. Chairman, I decline to yield further. It is unjust to other members of the committee who desire time to speak on this bill.

The CHAIRMAN. If the gentleman yields to his colleagues, the Chair cannot interfere. The gentleman from North Carolina is recognized.

Mr. DOUGHTON. Third, the increased tax on gasoline. This tax was reluctantly imposed. However, the fact that it has been imposed should not be held as indicating that the Federal Government intends to continue in this field. It is expected that eventually this source can be left exclusively to the States. Only the exigencies of the present justify this further temporary levy on gasoline. Moreover, it should be remembered that all the taxing provisions of the bill are only temporary and will be removed as soon as the increased revenues of the Government will permit, and there is no doubt in my mind that as a result of the operation of the act business will be so revived that no real burden from the tax provisions will ever be felt by the people and that increased revenues to the Government as a direct result of the operations provided for in the bill will many times offset the taxes it carries.

If, as some have suggested, there is serious objection to the further pyramiding of taxes on gasoline, it should be remembered that no industry has more to gain from the operation of this measure, with its codes of fair practice, than has the now demoralized and helpless oil industry.

There has been suggested as an alternative tax program a manufacturers' sales tax, the chief merit of which is said to be that it would have a wider spread and therefore would inflict a minimum of pain and resentment. It is true that a general sales tax would be somewhat concealed, as it would be incorporated in an insidious system and therefore difficult of abandonment in the future. But such a tax falls with equal force upon people with part-time employment or no employment at all. It would weigh heavily on those not immediately benefited by the inauguration of a recovery program. Those who will benefit most by the measure should be prompted by their sense of fairness as well as their self-interest to assume the heaviest portion of the burden; and since it is an investment that should bring dividends in the way of benefits far in excess of the taxes they will pay, they should be reconciled to the tax burden involved.

Those who are connected with the motor industry should reflect that a general sales tax would not only reach gasoline, but the automobile, the truck, the tractor, parts and accessories, and thus would by far exceed the tax on gasoline. It would also attach to every article consumed on the farm or in the home. It is true that those who favor a general sales tax seem to think it would be helpful to them in getting it adopted, to exempt food, clothing, and medicine. At heart they, in fact, believe in no exemptions. What justification is there in exempting food and tax the stove it is cooked on, the linen and the table from which it is eaten, the knives, forks, spoons, and dishes; the bedding and all the furniture in the home and every farm implement used in producing the food?

It would also tax every board and nail and every brick and every ounce of cement going into the home—all vital necessities in human existence. We might just as well have a sales tax without exemptions and at a lower rate. It would be preferable to one with a high rate and few exemptions. The proffered exemption of food and clothing is nothing but a lure to deceive the people.

Four hundred million dollars specified in this bill is to be expended on road construction and road improvement, not only on the great through highways, but also on the secondary roads and market roads. Four hundred million dollars is to be expended, designated or specified in this bill, which will directly more than reimburse those who pay the taxes on gasoline.

Those who seem to think that a general sales tax would be more acceptable than the small increase on gasoline should consider the provisions of section 204 of this bill, which provide for the spending of as much as \$400,000,000 on Federal-aid highway systems and extensions thereof into and through municipalities and the removal of the hazards of highway traffic. This is extended to lateral or feeder roads, and the funds so expended need not be matched by the States. The benefits that will inure to the motor industry and to the oil industry from the operation of this feature of the measure alone will be manifold, and in fact will exceed many times the amount of the tax that will be paid on gasoline. So there can be no just grounds for complaint against this emergency tax for the purposes for which it is levied.

Now, in conclusion, ladies and gentlemen, I desire to emphasize this fact: This is an administration measure. The President has requested its enactment and he considers it necessary in carrying forward his great relief and rehabilitation program. Under his wise and courageous leadership an almost miraculous change has already occurred. This phenomenal revival and recovery, now apparent on every hand, was beyond our fondest expectations a short while ago. From every section of the country are coming the welcome tidings of better business, better times. Renewed hope and confidence have superseded gloom and despair and, my friends, I feel that anyone who tries to deny the President this essential measure—this weapon of warfare on the economic scourge from which we have suffered so long—is assuming a terrible responsibility. The chatter and hair-splitting about the Constitution will find little sympathy among the American people. They trust our President; they know he has started somewhere and is getting somewhere. He is walking a tightrope; and the one who shakes that rope, the one who tries to defeat the wise thought and plans of the President, will discover that the sentiment of the American people will severely condemn such course.

Let us continue to go forward and complete the entire program. Let us look to ourselves that we lose not the things that have been wrought, but receive the full reward by completing in letter and spirit the President's entire program. [Applause.]

Mr. STRONG of Texas. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. STRONG of Texas. Mr. Chairman, I am opposed to the bill. I ask unanimous consent to have my remarks extended in the RECORD.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

Mr. STRONG of Texas. Mr. Chairman, on May 17 the President sent a message to Congress asking for a temporary tax levy to pay the bonds which is intended shall be issued for the purpose of raising \$3,300,000,000 for reemployment of our citizens. Among other things the President's message says:

The taxes to be imposed are for the purpose of providing reemployment for our citizens. Provision should be made for their reduction or elimination; first, as fast as increasing revenues from improving business become available to replace them; second, whenever the repeal of the eighteenth amendment, now pending before the States, shall have been ratified and the repeal of the Volstead Act effected. The pre-prohibition revenue laws would then automatically go into effect and yield enough wholly to eliminate these temporary reemployment taxes.

It is not my desire to take issue with our President, who is a sincere patriot striving to restore our country to prosperity; but I feel it is my duty to present what I deem to be important facts concerning this measure. I am anxious to see all our unemployed citizens restored to profitable employment, and I believe this session of Congress has already passed measures which will accomplish this by providing for expansion in the circulation of money. It is as impossible for business to exist without sufficient circulation of money as it is for the human body to live without sufficient circulation of blood; therefore when the circulation of money is stopped business is bound to die. The awful business depression now prevailing is caused for want of sufficient money in circulation. Congress has provided for this, and all that is necessary to bring about reemployment of all citizens is to put into effect the measures which Congress has enacted for this purpose. Proper circulation of money will revive all business, and this will aid people who are now idle in securing profitable employment. Therefore it is unnecessary to issue interest-bearing bonds to bring relief to the people. The interest on such bonds would cost the people more than \$100,000,000 annually, besides the extra burden of taxes in order to secure money with which to pay these bonds.

It is said if the eighteenth amendment is repealed the taxes derived from the liquor traffic would be sufficient to pay the bonds issued for the purpose of securing money for the reemployment of our citizens. This statement may be correct. If the eighteenth amendment is repealed, the taxes paid by the liquor traffic may bring enough revenue into the United States Treasury to pay the bonds, but the records will show when business is good much more revenue is paid into the United States Treasury since the adoption of the eighteenth amendment than prior thereto. In the year 1914 the liquor traffic was highly prosperous. The total revenue of the United States Government for that year was \$1,045,628,955, while in 1929, which was the beginning of the present depression, the revenue was \$4,036,219,000, a gain of about 400 percent under national prohibition of the revenue of the United States. That is not all. The bank deposits increased from 22 billions to 40 billions, in savings banks from 9 to 28 billions. The national income increased from 36 billions to 70 billions. The average income per capita increased from \$360 to \$562. This is positive proof that national prohibition is not the cause of the depression as the advocates of repeal would have us believe. It is also a glaring fact the "wet" nations of Europe have suffered much more from the depression than has the United States. All of which positively proves if our Government will bring back prosperity by correcting our money system, national prohibition will aid 400 percent more in sustaining the prosperity than will the liquor traffic. Therefore, from a financial standpoint alone, it would be a crime to repeal the eighteenth amendment. This alone is sufficient reason for retaining national prohibition for all time, but there are many, a great many, good and sufficient reasons why the eighteenth amendment should not be repealed. Prohibition is based on the fact that intoxicating liquor is exceedingly harmful and has been a menace to our country from the time our Government was founded.

In the early history of our Nation there occurred what is known as the "Whisky Rebellion." The cause of this uprising was the levying of a tax by the Government upon the distilling of intoxicating liquor. The distillers refused to pay this tax, and when Government officials undertook to collect same they were assaulted in a malicious manner, while some were murdered. President Washington dealt with this criminal uprising very promptly by sending 15,000 soldiers into the rebellious district, whereby the outlawry was promptly abated, and several hundred soldiers remained in the district for some time to prevent the return of law violation. Many of the perpetrators of these crimes were arrested and convicted of treason, while others fled from the country. History tells us this was the first rebellion against the authority of our Government, and the promptness with which President Washington dealt with this unlawful uprising caused great respect for the laws of the land, and there was rest from the unlawfulness of the liquor traffic for a time.

History records another dastardly crime against governmental authority, which occurred during President Grant's administration, known as the "Whisky Ring." Some high officials of the United States Government were connected with this outlawry, and before their crimes were detected had defrauded the Government out of about \$2,000,000.

In the mountainous regions of several of the States the liquor interests for more than 50 years conducted illicit stills, and thereby defrauded the Government out of many millions of dollars of revenue. All I have stated is a mere beginning of the crime and ruin brought about by the liquor traffic. It has destroyed more people than all the wars of the world, dotted our Nation with drunkards' graves from the Great Lakes on the north to the Gulf of Mexico on the south and from the Atlantic on the east to the Pacific on the west.

It has destroyed millions of homes, cheated children out of food and clothing and deprived them of an education. Its saloons were headquarters for all classes of criminals. There has never been a day when the liquor traffic showed any respect for law, and not one good act can be placed to its credit; its entire career has been a menace and a crime against mankind.

Henry W. Grady, one of the greatest newspaper editors, orators, and statesmen the world has ever known, speaking to the people of his own city, Atlanta, Ga., concerning the liquor traffic, said:

My friends, hesitate before you vote liquor back now that it is shut out. Do not trust it. It is powerful, aggressive, and universal in its attacks. Tonight it enters an humble home to strike the roses from a woman's cheek. Tomorrow it challenges this Republic in the Halls of Congress. Today it strikes a crust from the lips of a starving child. Tomorrow it levies tribute from the Government itself. There is no cottage humble enough to escape it, no place strong enough to shut it out. It is flexible to cajole but merciless in victory. It is the mortal enemy of peace and order. It is the despoiler of men, the terror of women. It is the cloud that shadows the faces of children. It is the demon that has dug more graves and sent more souls unsaved to judgment than all the pestilences that have wasted life since God sent the plagues to Egypt, and all the wars that have been fought since Joshua stood beyond Jericho.

Oh, my countrymen, loving God and humanity, do not bring this grand old city again under the dominion of that power! It can profit no man by its return. It can uplift no industry, revive no interest, remedy no wrong. You know that it cannot. It comes to destroy, and it shall profit mainly by the ruin of your sons and daughters, or mine. It comes to mislead human souls and to crush human hearts under its rumbling wheels. It comes to convert the wife's love into despair and her pride into shame. It comes to still the laughter on the lips of little children. It comes to stifle all the music of the home and fill it with silence and desolation. It comes to ruin your body and mind. It comes to wreck your home. And it knows that it must measure its prosperity by the swiftness and certainty with which it wrecks.

NOW WILL YOU VOTE IT BACK?

The liquorites revile ministers of the gospel. I believe the minister is as much entitled to the privileges of citizenship as the brewer or any other manufacturer or dealer in liquors. The minister respects and obeys the laws of our country, and his influence is for good. He is against crime and any institution which produces crime. This naturally aligns the minister against the liquor traffic.

No greater indictment can be made against the liquor traffic than is found in the following by that great orator and agnostic, Robert G. Ingersoll, who did not believe in the Christian religion. Read what he said 30 years before prohibition was adopted:

I am aware that there is prejudice against any man engaged in the manufacture of alcohol. I believe that from the time it issues from the coiled and poisonous worm in the distillery until it empties into the hell of death, dishonor, and crime it demoralizes everybody that touches it, from its source to where it ends. I do not think anybody can contemplate the subject without becoming prejudiced against the liquor crime.

All we have to do, gentlemen, is to think of the wrecks on either bank of the stream of death—the suicides, the insanity, the poverty, the ignorance, the destitution, the little children tugging at the faded and weary breasts, weeping and despairing wives asking for bread, talented men of genius it has wrecked, the struggling men with imaginary serpents produced by the devilish thing. And when you think of the jails, the almshouses, the asylums, the prisons, the scaffolds, I do not wonder that every thoughtful man is prejudiced against this stuff called alcohol.

Intemperance cuts down youth in its vigor, manhood in its strength, and age in its weakness. It breaks the father's heart, bereaves the doting mother, extinguishes the natural affections, erases conjugal love, blots out filial attachments, blights parental hope, and brings down mourning age in sorrow to the grave. It produces weakness, not strength; sickness, not health; death, not life. It makes wives, widows; children, orphans; fathers, fiends; and all of them paupers and beggars. It feeds rheumatism, it nurses gout, welcomes epidemics, invites cholera, imports pestilence, embraces consumption. It covers the land with idleness, with misery, and with crime. It fills your jails, supplies your almshouses, floods your asylums. It engenders controversies, fosters quarrels, cherishes riots. It crowds your penitentiaries, furnishes victims for your scaffolds. It is the lifeblood of the gambler, the inspiring element of the burglar, the prop of the highwayman, the support of the midnight incendiary. It countenances the liar, respects the thief, cheers the blasphemer. It violates obligations, reverences fraud, honors infamy. It defames benevolence, hates love, scorns virtue, slanders innocence. It incites the father to butcher his helpless offspring, helps the husband to massacre his wife, and the child to grind the patrician ax. It burns up men, consumes women, detests life, curses God, despises heaven. It suborns witnesses, nurses perjury, defiles ermine. It degrades the citizen, debauches the legislator, dishonors statesmen, disarms the patriot. It brings shame, not honor; brings terror, not safety; brings despair, not hope; brings misery, not happiness.

And with the malevolence of a fiend it calmly surveys its frightful desolation. Not satisfied with its havoc, it poisons felicity, kills peace, ruins morals, blights confidence, slays reputation, wipes out national honor. It then curses the world and laughs at its ruin. It does that and more—it murders the soul.

The liquor business is the sum of all villainies, father of all crimes, mother of abominations, the devil's best friend, and God's worst enemy.

We cannot afford to permit it to come back. One of the greatest crimes known to all history would be for this Government of ours to again legalize the liquor traffic. The liquor interests claim more liquor is used now than before the adoption of the eighteenth amendment. It is scarcely worth the time to undertake to refute this statement, for those who knew conditions prior to the adoption of national prohibition know there is no truth in such statement, for there is not one hundredth part of the liquor consumed now as in the days when the liquor traffic was in full sway.

It is also well known there has been a powerful effort to make national prohibition a failure, and millions of dollars have been spent in printing and distributing untruths and all kinds of malicious propaganda in regard to the supposed failure of prohibition. National prohibition was adopted after the warfare against the liquor traffic had been carried on for about 100 years. During this time an educational campaign was in continual progress bringing to the people the truths concerning the awfulness of the liquor traffic, and on account of these truths national prohibition was adopted.

After this warfare had ended and national prohibition was made a part of the Constitution and laws of our Nation the victors in this great battle felt the war was over, and certainly the public officials of the Nation whose duty it was to uphold the Constitution and demand obedience to all laws would faithfully perform such plain duties, and peace would reign supremely, and the homes, the manhood, womanhood, and childhood of the Nation would be safe from the onslaughts of the liquor traffic.

Soon after national prohibition was adopted an administration came into power at Washington to administer our Government's affairs. The outstanding individuals of this

administration were the greatest criminals the world has ever known. They were opposed to national prohibition, naturally so, and said to the bootlegger: "The country is open to you. Depredate to the fullest extent." The bootlegger developed into a bank robber, highjacker, racketeer, kidnaper, housebreaker, and all class of criminals, because our National Government was being administered by the greatest criminals of all the world. Then the "wet" newspapers, "wet" organizations began to flood the country with malicious and false propaganda as to the failure of national prohibition. All this, backed by the national administration, which was aiding in all ways possible to cause prohibition to fail, makes one wonder at the great achievements, which I have already stated, of national prohibition. In this connection I can further state, since the adoption of national prohibition, hundreds of thousands of children are attending school who could not attend before, because the liquor traffic took the money that should have been used in buying food and clothing for these children. Our universities and colleges are crowded with young men and young women since the adoption of prohibition. These facts alone should cause every voter in this Nation to vote against the repeal of the eighteenth amendment.

Owing to the unscrupulous manipulation of the finances of the Nation by a few dishonest financiers, which has caused the awful depression now prevailing, the liquor interests are loudly shouting that prohibition is the cause, and claiming the repeal of the eighteenth amendment will lower taxes and cause prosperity to return. This is positively disproved, as I have already shown from the records. Prior to this depression, which the malicious financial manipulators brought on, the revenues of the Government, under national prohibition increased 400 percent. As I have already stated Congress has provided for bringing back prosperity without issuing interest-bearing bonds to burden the people with hundreds of millions of dollars annually for interest payments on the bonds and without increasing taxes. So there is no reason why national prohibition should be repealed to remedy the tax burden except to relieve the multimillionaires from income taxes and place that burden on the consumers of liquor, which burden would fall upon suffering women and children of the Nation. A thousand times better would it be to allow national prohibition to continue, and have the millionaires continue paying the taxes instead of placing the burden on poor women and children, which would deprive them of food and clothing, and cheat the children out of an education. The liquor interests are raising a great howl about reduction of taxes. Let us not be deceived. The repeal of national prohibition will not bring relief, but the correction of the money system which Congress has provided for will bring permanent relief and make it impossible for such depressions as now exist ever to return.

There are three institutions which were established by the Supreme Ruler of this universe. These are the home, the school, and the church, and these must exist and prosper in order for civilization and governments to exist. The liquor traffic stands against all these when it fosters the saloon, gambling den, and house of prostitution; therefore, no government can afford to license such an institution as the liquor traffic in order to raise revenue. This would cause our Government to be guilty of all crimes which will certainly be fostered by the liquor traffic.

There is a liquor rebellion on today of much larger proportions than the one which occurred during President Washington's administration, but we have much greater facilities for suppressing the rebellion than did President Washington, and the liquor rebellion can be exterminated today just as surely as it was during the administration of President Washington. I am unwilling to admit the criminal element of our Nation possesses more power than the United States Government. If it does we have no government, but anarchy exists. I will not admit this, and all that is necessary to bring order out of chaos is to act with the promptness and determination which characterized President Washington's methods in dealing with the outlaws of the liquor traffic, and our Constitution and laws will again reign supreme.

No one will deny the right of any upright, law-abiding citizen to advocate the repeal of any section of the Constitution or any laws of the United States. But there is a correct rule of law and justice as old as time itself which prohibits individuals, organizations, magazines, newspapers, or any other faction from maliciously creating a situation and then undertaking to profit thereby.

It is well known there has been a tremendous effort, backed mainly by the brewers and other liquor interests, to cause national prohibition to fail. There have been millions of dollars spent in this effort by the same element now seeking to repeal national prohibition, and under all rules of justice and right they are prohibited from asking for this repeal. They are a shrewd bunch and liable, by their hypocritical claims, to deceive many who fail to ascertain the truth for themselves. They are bringing on the repeal elections first in States which are overwhelmingly wet and have always been. Then they publish in flaming headlines in the newspapers throughout the Nation a certain State has repudiated the eighteenth amendment, when, in fact, such State had never favored same. But this is characteristic of the liquor-traffic advocates. They have never been sincere, fair, and out in the open with the truth.

I am not a preacher; I wish I were; neither am I the son of a preacher; but I will say the teachings of the Man of Galilee, the Savior of men, if strictly adhered to would settle every issue before the people and settle it right. Then we would really have a government of the people and for the people. This does not mean the union of church and state; everybody is opposed to that; but I do mean that righteousness should prevail; "that we should bring our politics up to patriotism, our citizenship up to Christianity, and our ballot up to the Bible" and vote against repeal of the eighteenth amendment, thereby prohibiting our Government's granting license to the liquor traffic, which traffic has nothing but crime, shame, degradation, and ruin to its credit.

Mr. HOEPEL. Will the gentleman from North Carolina yield? I should like to ask several questions of general interest.

Mr. DOUGHTON. I will not have time. I cannot yield for general questions.

Mr. HOEPEL. Well, I want to ask this question: Is there anything disclosed in the hearings to indicate what would be the minimum wage scale for labor?

Mr. DOUGHTON. I do not know that anything was disclosed as to what would be considered as a minimum wage, but it is provided for a minimum wage and maximum hours. I presume that would be left to the administrator, and that the President will appoint a competent administrator and that he will take care of that situation.

Mr. HOEPEL. Was there anything disclosed in the hearings as to whether or not if a man refused to work at the minimum wage he would be imprisoned, as they were in 1920 when the railroads were under Government operation?

Mr. DOUGHTON. Oh, I do not yield for such a question.

Mr. HOEPEL. I should like the gentleman to answer that question.

Mr. DOUGHTON. Oh, it would take a month to answer all of such questions. Has the gentleman read the bill and read the report?

Mr. HOEPEL. I have read the bill.

Mr. DOUGHTON. The gentleman can come to his own conclusion about it, from what is in the report and in the bill. There would be a thousand of other things the gentleman would like to know and 10,000 others he would need to know. I do not yield further, Mr. Chairman.

Mr. PETTENGILL. Will the gentleman yield to me for a question?

Mr. DOUGHTON. I yield to the gentleman.

Mr. PETTENGILL. Am I correct in understanding that a change has been made in the tax on the moving-picture industry?

Mr. DOUGHTON. There is nothing carried in this bill as to the tax on moving pictures, unless it is carrying forward the tax for 1 more year. All of these excise taxes are extended for 1 year.

Mr. WHITTINGTON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. WHITTINGTON. Respecting the inquiry I made a few minutes ago regarding postage, I am advised by Mr. PARKER, of the Joint Committee on Taxation, that there is nothing in this bill extending the tax on stamps. Therefore, it is entirely satisfactory, and there should be no reference to it in the bill.

Mr. CHRISTIANSON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. CHRISTIANSON. As I understand it, this is the President's bill. Can the gentleman tell us whether the President is responsible for the provision in respect to taxes?

Mr. DOUGHTON. I understand the President has put the responsibility on the Congress of raising the revenue needed under this bill. He has left to the Congress of the United States its constitutional right to say how this money shall be raised and what taxes shall be imposed.

Mr. CHRISTIANSON. I understand, then, that the revenue provisions of the bill are offered on the responsibility of the committee only.

Mr. DOUGHTON. As far as I know, that is true.

Mr. KENNEY. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. KENNEY. My first concern is to put our people back to work. Does the gentleman know—or have any idea—just how soon we can get these public works under way after this bill is passed?

Mr. DOUGHTON. They will be started just as soon as the organization can be set up. In my opinion, no time will be lost. This is an emergency measure to take care of an immediate need. Work will get under way just as rapidly as it is humanly possible to start it.

Mr. KENNEY. The starting of the work will not wait upon the raising of revenue through these new taxes?

Mr. DOUGHTON. Not at all.

Mr. McFARLANE. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. McFARLANE. With regard to the public-works program, regarding the building of Federal buildings, which was eliminated under the Reforestation Act, can the gentleman tell us whether or not this program will be restored?

Mr. DOUGHTON. That work was only suspended, but that is provided for in this bill. It is authorized. The funds administered for that purpose will be under the direction of the President and those who administer the law. It comes under the provision of this bill, but I cannot state just how much money will be expended under it for public buildings.

Mr. McFARLANE. One further question. Is there anything in the bill with regard to whether the bonds that are to be issued are to be redeemable in gold?

Mr. DOUGHTON. Has the gentleman read the bill?

Mr. McFARLANE. I have read the bill.

Mr. DOUGHTON. I can say nothing further than what is carried in the bill.

The CHAIRMAN. The Chair advises the gentleman from North Carolina that he has consumed 1 hour.

Mr. DOUGHTON. Mr. Chairman, I yield myself 2 additional minutes.

The CHAIRMAN. Without objection, the gentleman from North Carolina is recognized for 2 additional minutes.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. MOTT. Is it the chairman's idea that the money made available for road construction, \$400,000,000 under this bill, is in lieu of the money which already has been appropriated for construction of this nature?

Mr. DOUGHTON. As I understand it, it is an additional appropriation.

Mr. MOTT. It is an additional appropriation?

Mr. DOUGHTON. Absolutely.

Mr. MOTT. I am very glad to have this information, and I hope it is correct.

Mr. TREADWAY. Mr. Chairman, may I call attention to the fact that in the former appropriation there was a matching process between the State and the Federal Government which does not occur in the matter of this \$400,000,000.

Mr. DOUGHTON. That is not required in the present bill.

Mr. TREADWAY. So that any grants to which the gentleman refers, previously made, are on the old basis, whereas this new grant is a complete donation from the Federal Treasury.

Mr. DOUGHTON. As I understand, that is right. The authorization by the last Congress did not require the Federal appropriation be matched by the State.

Mr. COOPER of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. COOPER of Tennessee. I should like to invite attention to this language appearing in subsection (c) of section 202, page 12, which provides as follows:

Projects of the character heretofore constructed or carried on either directly by public authority or with public aid to serve the interests of the general public.

This should include everything.

Mr. KRAMER. On page 13, line 4, referring to the words "and amendments", does that refer to the amendments that have been made by the two bills that were passed yesterday or to subsequent amendments which will be created after this bill has been passed and signed by the President? In other words, the word "amendments" in this bill does not specifically describe what amendments are referred to.

Mr. COOPER of Tennessee. Of course, Mr. Chairman, that means any amendments that are made up to the time the law becomes effective.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. Watson].

Mr. WATSON. Mr. Chairman, I voted to favorably report this bill out of the committee, but I made the reservation that I would not, and could not, vote the measure into law.

My main objection is the great increase of our national debt and also the increased revenue that must be paid as interest. Since the period of the war we reduced our national debt by nearly \$10,000,000,000, bringing it close to \$17,000,000,000. Our national debt is now nearly \$22,000,000,000, and we are in that period of our financial history, during this depression, that taxes are becoming a great burden upon the American people, and not only a burden but a serious one because we are approaching that hour when we will have nearly reached our incapacity to pay. When we arrive at that period then we are pretty close to a capital tax, and a capital tax means the breaking down of our financial structure.

I believe there is more ill brought out in this bill than good. If we analyze the many constructive bills that have been enacted since the Seventy-third Congress convened, there has not been very great prosperity as the result; a little here and there to renew clothing and commodities; industries have started to meet these demands.

We cannot force prosperity by legislation. We have tried that, and it has been a failure. We can only bring prosperity by demand, and when there is demand there is prosperity. Look to England, if you please. They have had a dole since the war. Has prosperity commenced there? Has prosperity created any great wealth in Germany, and I dare not mention Russia, because Russia is not a nation that we can compare with the civilized nations of the world.

I remember reading a statement by a historian that a ruler given autocratic power soon becomes a despot and a poor sovereign when he would probably have been a very good ruler if he listened to the legislative power. I do not allude to Mr. Roosevelt, because I am in sympathy with his en-

deavor. If he can bring prosperity, I will give him all the credit that is due him, but prosperity I fear is not in this bill. Dictators seem to be the political fashion of the hour.

Following this bill we will have to increase our normal taxes, levy a tax on dividends, and also impose a gasoline tax. In time of peace, peace with ourselves and with all the world, we are imposing war taxes for the American people to pay. Is this good philosophy? Not as I understand economic methods.

I am in favor of a manufacturers' sales tax in preference to the taxes that are now in the bill.

Two years ago a sales tax was reported from the committee with a Democratic majority, but the bill failed of passage in the House.

They have a manufacturers' sales tax in Australia, in Germany, in France, and in Canada. The expert who came before our committee, who was also the expert in writing a sales tax bill for Australia and Canada, said our bill was the most perfect of all manufacturers' sales tax written by any country. If you will recall, in Canada the manufacturers' sales tax at first was only 1 cent, but now it is 4. The farmers naturally were against the Canadian bill, but when they realized what they gained by it, they now favor it, although it is 4 cents.

I am rather surprised that this Congress has not the power or the ability to legislate. They have extended their power to the President. Ignoring the Constitution, a constitution upon which was builded the greatest Nation of all the world. Today our Nation is a world power, not by the dictatorship of the present, not by our weakness to legislate, but by the action of the past.

Rienzi, when he was speaking to the Senators in Rome, in its period of decay, said:

Where are those Romans, their power, their virtue, their prestige?

We may ask the same question as to our forbears.

Mr. BLACK. Will the gentleman yield?

Mr. WATSON. I yield.

Mr. BLACK. According to recent history, a Mr. Grundy wrote a tariff bill for Congress. Did the gentleman vote for it?

Mr. WATSON. I want the gentleman to know that I voted for all tariff bills. I expect to vote for all tariff bills in the future, because I believe it is the only legislation that has brought prosperity to this country, and I know the gentleman thinks so, too.

Mr. BLACK. The gentleman says that the Grundy tariff bill brought prosperity to the country?

Mr. WATSON. There was no Grundy tariff bill.

Mr. BLACK. The gentleman better read his history.

Mr. WATSON. I know Mr. Grundy. He lives only a few miles from me. I know him better than the gentleman does. The gentleman has not even a speaking acquaintance with him. [Laughter.]

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Chairman, I have supported to the best of my ability the economy bill which the President sent here. I have supported every other measure which he has recommended for recovery, but now we have before us an extravagant program of the President, and that I shall not follow.

This bill proposes to spend \$3,300,000,000 on public works which we do not need and cannot afford. They tell us it will put 6,000,000 men to work. Statistics show that it cannot put much more than one man to work for each \$3,000 spent. If you allow a little liberality in figures, you cannot get over 1,500,000 at the most, and you are going to spread that out over a period of a year and a half, and that makes approximately a million men.

Why should we go ahead with such a program? What will it do besides waste money? It means throwing on the market, in addition to these things that already are provided for, of about \$600,000,000 of bonds every 3 months. That is in addition to what we have previously provided for by the home loan bill and the farm loan bill, and so every 3

months you will depress the market with \$750,000,000 in all of bonds of the United States.

That will depress the prices of securities, the price of labor, and the price of commodities. It is a reactionary measure which we ought not to indulge in at such a time as this.

The peculiarity of this is that other things are tied to this legislation.

It is an industry-control proposition. This bill will destroy industry. It has nothing in store for us except the increase of importations of foreign commodities.

Here is the situation. This bill will make a powerful appeal to Herr Hitler and Comrade Stalin; but after the American people have had a dose of it, it will arouse in them the spirit of freedom which has been stilled for some time, and again you will see a devotion to liberty that will lead us back to sound judgment and to prosperity later on. But this is a reactionary measure designed to prevent the return of prosperity, and to delay economic recovery. Let us turn down that kind of stuff and give America a chance to get back. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois [Mr. BRITTEN].

Mr. BRITTEN. Mr. Chairman, I was very glad to have the Chairman of the Committee on Ways and Means inform the House a few moments ago that the revenue-raising feature of the bill did not come from the administration at the other end of Pennsylvania Avenue. That is the reason the rule providing for this legislation was almost defeated, as it should have been. With a majority of more than 200 on the other side of the House, there was practically a tie vote for and against that rule. That was an evidence that you gentlemen on the Democratic side of the aisle understood the bill, understood the seriousness of the resolution, and that you were voting your own convictions, and I congratulate you for it. The rule was a bad one, and it should have been defeated.

I called to the attention of the House this morning the fact that taxes on incomes in the low brackets, such as usually apply to doctors, dentists, moderate-priced lawyers, and professional men in and out of the smaller cities, are increased in this legislation 50 percent, while the taxes of a gentleman, such as now being examined on the other end of the Capitol who is worth probably \$250,000,000 or \$300,000,000, is increased 2 percent in this bill, although in the last 3 or 4 years he has not paid any income tax. He says he did pay some to England, but not to the United States.

Mr. GILCHRIST. He has given it to his friends.

Mr. BRITTEN. He has distributed some of it to his friends, it is true. The increase in dividend taxes, intended to raise \$83,000,000 additional taxes is in like proportion to the income tax increases in the bill, and let me suggest to you that the sole source of income of the average doctor, dentist, lawyer, teacher, professional man or woman generally is dividends and bonds, but quite generally, dividends. Let us see what this bill does to their dividends in the lower brackets of \$3,000, \$4,000, \$5,000, and \$6,000, where there are today no tax assessments. Those taxes are increased from nothing to \$210. In the \$7,000, which is not a high bracket as incomes go, the tax in this bill is increased 3,000 percent. That is something to take home to your constituents and mine. In the \$10,000 bracket the tax in this bill is increased 1,500 percent; in the \$14,000 bracket it is increased 700 percent, and so on down to finally when you get to the millionaire bracket, the bracket of easy evasion, evidently, it is only 15 percent. My idea is that this list should be turned upside down, and that 3,000 percent increase should be tacked onto the million-dollar bracket.

Mr. ROGERS of Oklahoma. That would yield a good deal more income, would it not?

Mr. BRITTEN. Oh, yes; much more.

Mr. McFARLANE. I should like the gentleman to tell us at this time what provision he would offer as a tax substitute?

Mr. BRITTEN. Unfortunately I am not on the committee; but if I had my way I would take all the increases in

the income taxes, gasoline, and otherwise, dividends, and so forth, that are provided in this bill and wipe them out and substitute for them a manufacturers' sale tax leaving out clothing and foodstuffs.

Mr. McFARLANE. At what rate?

Mr. BRITTEN. At 1.8 per cent.

Mr. McFARLANE. How much would that raise?

Mr. BRITTEN. Two hundred and fifty million dollars, or plenty to accommodate the \$220,000,000 or \$230,000,000 that is necessary for the payment of interest and refunding.

One of the worst features of the bill is the three quarters percent additional tax on gasoline which is estimated to raise \$92,000,000 per annum. Gasoline taxes in many localities have risen to the point where they are bringing into play the law of diminishing returns, and anything added to them at this time will increase the area over which that law comes into play. Many States are collecting practically 38 percent of their revenues from taxes on motor vehicles at the present moment, and I can see no justification for an increase in this Federal tax on gasoline. In fact, the tax is inequitable and is a discriminating burden on the most over-taxed class of citizens in the country today. I believe the Federal Government is now collecting some \$200,000,000 a year from the automotive industry and its customers. I cannot for the life of me understand why the framers of this bill did not accept a manufacturers' sales tax, excluding clothing and foodstuffs, and by so doing, avoid any increases in income-tax brackets from now on.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. TREADWAY. Mr. Chairman, I yield 30 minutes to the gentleman from Pennsylvania [Mr. Beck] and make the point of order that there is no quorum present.

The CHAIRMAN. The Chair will count. [After counting.] One hundred and twenty-five Members present, a quorum. The gentleman from Pennsylvania is recognized for 30 minutes.

Mr. BECK. Mr. Chairman and my colleagues of the House, I say without affectation that I never rose to address the House with a greater sense of responsibility than at this moment. It is not that I flatter myself for one moment that anything that I can say, or possibly anything that anyone else can say, will influence a single vote, and that remark is in no respect an imputation upon the sincerity, the candor, or the patriotism of any Member of the House; but arguments rarely change votes, as we all know. However, it does seem to me important to make a record, if it is possible, of what is a very critical hour in the history of the Republic, so that future generations, if they turn back to the CONGRESSIONAL RECORD, may know that there were some Members of the House, who at least protested against a transformation of that form of government, under which we had grown surpassingly rich and powerful, into a new form of government, which those who framed the Constitution, if they could "revisit the glimpses of the moon", would today be unable to recognize.

As the shadows of evening are lengthening with us now, the shadows of a lasting night are falling upon the old constitutional edifice, which the genius of Washington, Franklin, Madison, Hamilton, and Jefferson built with such surpassing wisdom. While Jefferson was not a member of the Constitutional Convention, his ideal of liberty was one of its inspirations, and it might be well to recall, as we consider the nature of this bill, those noble words of his first inaugural, which I may commend to the nominal disciples of Jefferson here assembled, when he said that his ideal of a true republic was a "wise and frugal government, which would restrain men from injuring each other, but otherwise leave them free to pursue their own pursuits of liberty and industry, and shall not take from the mouth of labor the bread it has earned." [Applause.] I quote from memory, but with substantial accuracy. Those words of Jefferson could be written in gold over the portals of the Capitol, but they are now "more honored in the breach than the observance". From

that high ideal this country has long since departed, and we are now about to transform a representative democracy into a virtual dictatorship in the vital matter of industry. The fact is not open to debate, because it was frankly recognized by the distinguished dean of this House, when he opened the argument upon the rule, that the bill under consideration does create a dictatorship.

It cannot be said, if we are passing from an old order to a new order, that such a fate was not within the anticipation of the fathers. Washington, in his Farewell Address, said pointedly that when one department of government usurped the functions of another, and constitutional limitations were no longer respected, representative government would cease and the Constitution would be "undermined". Such was his expression, and I quote his words:

After warning all succeeding generations of Americans—

That the habits of thinking in a free country should inspire caution in those intrusted with its administration to confine themselves within their respective constitutional spheres; avoiding in the exercise of the powers of one department to encroach upon another—

And after further warning that such spirit of encroachment—

tends to consolidate the powers of all the departments in one and thus to create, whatever the form of government, a real despotism—

Washington added:

If in the opinion of the people, the distribution or modification of the constitutional powers be in any particular wrong, let it be corrected by an amendment in the way which the Constitution designates. But let there be no change by usurpation, for though this, in one instance, may be the instrument of good, it is the customary weapon by which free governments are destroyed.

How prophetic seem his words today, for we are now substituting a "despotism" for a free nation. Franklin in the last days of the convention, when with tears in his eyes he besought the members to sign the great compact, said in substance that this Government would last as long as there was any virtue in the body of the people, but when that was wanting the Republic would become a despotism.

In the vital matter of industry we are about to yield to a virtual despotism in this country.

So that all that is now happening is what the fathers expected to happen, if the people of this Nation were unworthy of the priceless heritage given to them in the Constitution of the United States.

We are going to have a new Constitution, not formally framed or ratified, but by executive usurpation. If you read in the New York Times a few days ago interviews of the members of the Cabinet and supermembers of the Cabinet, who although they nominally occupy lesser positions than heads of departments, are more powerful than the Cabinet, you will see as frank an acknowledgment as the distinguished member of the Committee on Rules made this morning, that the old order had passed, and that an entirely new order was about to begin. If so, we ought to frankly recognize the reality and consider a new Constitution, in order that we shall not live under the hypocritical pretense of having one kind of government in practice and another in theory.

While I do not see the prospect of any master architects that will be able today to rebuild upon the old foundations of the Constitution a new Constitution with the same wisdom as the master builders of 1787, yet the "brain trust" is ceaselessly at work "undermining" our Constitution, to use Washington's phrase. They work silently but none the less effectually. In this construction of a new form of government—now in progress—Professor Moley takes the place of George Washington, and Professor Tugwell that of Hamilton, and Professor Berle that of James Wilson, and the old architects must yield to these new architects, who, fresh from the academic cloisters of Columbia University, and with the added inspiration of all they have learned in Moscow, are now intent upon rebuilding upon the ruins of the old

Constitution a new Constitution, in which, as in the old German Reichstag, this Congress will be merely a debating society, and the Executive will be master of the destinies of the American people.

By what possible ingenuity of reasoning can there be any justification for this legislation?

I pass by the \$3,300,000,000 appropriation. I recognize it may temporarily give some employment. My prediction is that it will ultimately, by destroying the credit of the United States, displace more labor than it creates. I will say more. If there be a representative of either the employer class or of the laboring class in the galleries, I say to them both by way of prediction, and I hope I am not a Cassandra, uttering prophecies which, though true, are nevertheless disbelieved at the time, that as large as is the appropriation of \$3,300,000,000, they are selling the constitutional liberties of the American people for a petty price, for this sum is the "thirty pieces of silver", with which the ancient liberties of the American people, as defended by Jefferson in the inaugural address already quoted, are now being betrayed.

The Constitution today exists in form, but it has largely ceased to exist in spirit. Its disintegration has been proceeding for many years, and notably in the last quarter of a century, and both political parties must accept some share of the responsibility.

A great Chief Justice of the United States nearly a generation ago, in delivering a powerful dissenting opinion in the famous *Lottery case*, said: "It is with governments as with religions, the form often survives the substance of the faith." His analogy to extinct religions is a very striking one. Time and again, after the soul of a religion has perished, its temples remained and its priests continued their ceremonial rites, even though, like the augurs of ancient Rome, they winked at each other while standing at the altar.

This is true today of the Constitution of the United States. Time was when Members of Congress, in considering the extent of its powers, at least paid the Constitution lip service, but that time is passed and any challenge in the Congress to its power to pass a given measure, for which no discernible grant of power in the Constitution can be found, is greeted with cynical indifference. It is true that the mechanical form of our Government still remains. We still have a President, a Congress, and a Supreme Court; but the man is blind who cannot see that the office of President is no longer the office which the Constitution created, and that the powers of Congress, as the great Council of the Republic, have gone into an eclipse. It does little more than register the will of the Executive. In a sense, the President is not an usurping dictator, for the unprecedented powers which he has now gained were given to him by a too subservient Congress and could be taken from him by Congress; but it is true that the President will exercise over production, transportation, banking, and other instrumentalities of commerce greater powers than those enjoyed by all his predecessors, either in times of war or peace. In that sense he will be the economic dictator of America.

Now a dictator, whether his power rests upon force or the voluntary acquiescence of the people, has a supremely difficult task. Even in a country that is homogeneous and whose economic interests are in harmony, such a dictator treads a dangerous path. To be a successful dictator in a country, whose population is heterogeneous and whose economic interests are in conflict, is an almost impossible task.

The difficulty with a dictatorship is that in assuming all power, he accepts all responsibility. Greek mythology tells us of Phaeton, who attempted to drive the chariot of the sun, and he came to grief. Let us hope that our too daring charioteer, as he attempts to drive the chariot of America's economic destinies, may not have a like fate.

Some, who still revere the Constitution, may solace themselves with the belief that the present crisis only marks a moratorium on the Constitution, but the Constitution does not recognize the possibility of a moratorium. Moreover,

revolutions rarely go backward. Constitutions are made for times of stress even more than for times of peace and prosperity.

While the present revolution in our political form of government is pacific and may represent temporarily the general will, yet it no longer remains what it was, any more than the form of government in Italy was the same after parliamentary government was abolished and all power was vested in a dictator. If such powers succeed, or seem to succeed in ending the depression, the American people will not, I fear, be greatly concerned about the change in our form of government, for at present they feel that any port is good enough in a storm. The present generation of Americans are hopeless pragmatists.

The change has some justification in greater efficiency of administration, but the Constitution refused to sacrifice security for efficiency. The justification of our old form of government was that there was greater security in the composite judgment of the Congress than there could be in the judgment of an individual, who, for a time, was President of the United States. A caesar may be far more efficient than a senate, but the Roman Republic came to an end when the policies of Rome were determined by Caesar and not by the senate. In this connection, it may be well to recall the noble definition of a free government, which Mr. Justice Matthews, speaking for the Supreme Court, gave in the case of *Yick Wo v. Hopkins*, 118 U.S. 356:

"When we consider the nature and the theory of our institutions of government, the principles upon which they are supposed to rest, and review the history of their development, we are constrained to conclude that they do not mean to leave room for the play and action of purely personal and arbitrary power. Sovereignty itself is, of course, not subject to law, for it is the author and source of law; but in our system, while sovereign powers are delegated to the agencies of government, sovereignty itself remains with the people, by whom and for whom all government exists and acts. And the law is the definition and limitation of power. It is, indeed, quite true, that there must always be lodged somewhere, and in some personal body, the authority of final decision; and, in many cases of mere administration the responsibility is purely political, no appeal lying except to the ultimate tribunal of the public judgment, exercised either in the pressure of opinion or by means of the suffrage. But the fundamental rights to life, liberty, and the pursuit of happiness, considered as individual possession, are secured by those maxims of constitutional law which are the monuments showing the victorious progress of the race in securing to men the blessings of civilization under the reign of just and equal laws, so that, in the famous language of the Massachusetts Bill of Rights, the government of the Commonwealth 'may be a government of laws and not of men'. For, the very idea that one man may be compelled to hold his life, or the means of living, or any material right essential to the enjoyment of life, at the mere will of another, seems to be intolerable in any country where freedom prevails, as being the essence of slavery itself."

Some future Gibbon may entertain the view when he comes to narrate the decline and fall of the American Constitution. He may express the opinion that the Constitution remained as it began, one of the wisest and noblest charters of government in the annals of mankind, and that it failed in the hysteria of an economic crisis, not because it was unsound in theory, but because the present generations of Americans were unworthy of their priceless heritage. Will posterity pronounce this verdict upon us for selling our birthright for a mess of pottage?

Such a historian should recognize that the cataclysm that followed the World War destroyed in nearly every nation parliamentary forms of government, which, one by one, were succeeded by dictators, and he may sardonically observe that, while our Nation, with its Constitution still in full vigor, had entered the World War to save the world for democracy, the only perceptible result of the victory has been the destruction of democracy in America, which can only function through parliamentary institutions.

However, we are not now concerned with the views of the historian of the future. The first duty of the thoughtful man is to determine the reality of the present situation.

Possibly no people are so deluded by phrases as the American people. They confuse theories with realities. They are either apathetic to the destruction of their constitutional

form of government, or they do not realize its steady subversion. To them it is enough that the great charter, in its original characters—now hardly legible—stands upon the walls of the Congressional Library in Washington, and the average American cheats himself with the delusion that its mighty mandates still have self-executing power.

It is not merely that many great limitations of the Constitution are openly disregarded, or that powers are now exercised, which were never granted to the Federal Government, or that the respective functions of the executive and legislative branches of the Government have been hopelessly confused, but, even more important, many of the basic purposes of the Constitution, of which its written provisions were but one expression, have now been destroyed.

Let me illustrate my meaning by only one instance. The Constitution was called into existence to insure the freedom of commerce between the States. Before it was adopted every State burdened the free flow of commerce with conflicting and hostile regulations. To emancipate commerce, the power to put it into shackles was taken from the States by the simple grant that Congress should have power to "regulate" such commerce. It was never intended that Congress should then proceed to put upon commerce the very shackles that it had been created to destroy, and this is shown by the fact that in the first century of our existence under the Constitution, Congress never exercised any power to regulate interstate commerce, unless we except the subsidies of land to the transcontinental railroads.

In the absence of any Federal regulation it was held by the Supreme Court that the failure of Congress to exercise its power of regulation was its mandate that commerce should be free, and for a full century this policy of freedom remained, and under it a great continent was conquered, the Atlantic and Pacific linked by steel rails, and the Republic became one of the greatest nations in the world.

Exactly one century after the Constitution was adopted Congress abandoned that policy and began to forge the chains for commerce by bureaucratic regulation. That year it created the Interstate Commerce Commission, and this was followed in 1890 by the Sherman antitrust law, which vainly attempted to limit the inevitable tendency of business to combine into larger units. Ever since there has been an ever-increasing regulation of American business by Federal bureaus, and now we are building a more stupendous and tyrannical bureaucracy than ever before.

In the first century of the Republic it was generally recognized that Federal powers could only be exercised to accomplish Federal purposes, but the destruction of the Constitution began when Congress entered upon the destructive policy of utilizing Federal powers to usurp the powers reserved to the States. For example, it was soon seen that if Congress could appropriate moneys for non-Federal purposes without challenge, it could supervise the use of such moneys and thus usurp fields of power which were the exclusive province of the States.

About a generation ago it was first asserted that Congress could deny the privilege of engaging in interstate commerce to anyone who did not conform to the views of Congress as to the methods of production. This heresy has now been carried to the extreme of holding that no one can engage in interstate commerce as of right, and that the Government may license or refuse to license a citizen to engage in interstate commerce. Such was not the doctrine of the Supreme Court in the time of the great Chief Justice, for Marshall, in *Gibbons v. Ogden*, said:

"In pursuing this inquiry at the bar, it has been said that the Constitution does not confer the right of intercourse between State and State. That right derives its source from these laws, whose authority is acknowledged by civilized man throughout the world. This is true. The Constitution found it an existing right, and gave to Congress the power to regulate it."

Indeed, the right to follow a lawful calling, and for this purpose to engage in interstate commerce is one of the natu-

ral rights which are included in the solemn guaranty of the right to "life, liberty, and the pursuit of happiness", but the theory of this bill is that unless the manufacturer conforms to the wishes of the Federal Government in regard to the hours of labor, his maximum output, and minimum wages, and other restrictions, he can be proscribed by his own Government, and denied the privilege of selling his products in interstate trade.

This is economic slavery. It destroys not merely the rights of the States but the basic freedom of the individual to engage in lawful occupations. It concerns both employer and employee, and, again to quote Jefferson's words in his first inaugural, it "takes from the mouth of labor the bread it has earned."

The two basic industries of America are concerned with the production of agricultural products and the manufacture of goods. The Constitution did not attempt to give any power over the production of either class of commodities. If they required regulation, such power belonged to the States; and, as stated, the Federal Government acted upon this theory for more than a century. The Government could tax products and it could "regulate" their interstate transportation or their exportation to foreign countries. Nothing would have more amazed the generation, which created the Constitution, than the idea that the Federal Government, which they were creating, could regulate the conditions of the farm or the factory. Notwithstanding this, the Federal Government for many years past has, through its many bureaus and commissions and notably through its Departments of Agriculture and Labor, attempted to control both the factory and the farm.

In this connection, let me make a passing reference to the most recent radio speech of our President. It was both adroit and ingratiating.

The address, in most respects admirable in form and substance, seemed to me to contain one disingenuous suggestion, which was the more dangerous because of the irresistible charm of the speaker.

He calmly assured his countrymen that in this emergency legislation there has been "no actual surrender" by the Congress "of power." The President said:

Congress still retains its constitutional authority, and no one has the slightest desire to change the balance of these powers.

This means that when the Constitution imposes a direct duty upon Congress, as to regulate the value of currency or to impose taxes, it exercises that power when it turns over to the President or some executive official the absolute power to exercise it. In other words, the abdication of a power is the exercise of the power.

Such a doctrine is a complete destruction of the division of powers as prescribed by the Constitution. It is the present German idea of constitutional law, for the German Parliament, in one sweeping delegation of power to the Chancellor, gave him complete power to make any laws, although the legislative power, under the Weimar Constitution, was vested in the Reichstag.

This is not a mere matter of detail. It goes to the foundations of the Constitution. That great document required that the Congress and not the President should determine whether war should be declared; that the Congress and not the President should regulate the value of our currency; that Congress and not the President should impose taxes. It was intended that these important functions should be discharged by a body which would broadly represent the people of the country. If there be any justification for such action, it lies in the fact that the present critical conditions require an abandonment of our constitutional safeguards. Such a theory is intelligible although not tenable, but the theory, as advanced by the President in his recent radio address, that the Congress retains its powers when it makes a complete delegation of them to executive officials, makes the Constitution a mere rhapsody of words.

About a generation ago I argued a case called "the *Lottery case*" (188 U.S. 321). It was one of the very great cases of the Supreme Court of the United States.

In a sense it is the supplement to, and may rank second in importance to the great case of *Gibbons and Ogden*, in which the commerce power was first defined.

In the *Lottery case* I represented the Government and my contention then, which the Supreme Court sustained, was that the power to regulate commerce included the power to prohibit it when essential to Federal ends. But, I said, the right to prohibit was subject to other limitations in the Constitution, and the greatest of all those limitations was obviously the Tenth Amendment, solemnly but futilely guaranteeing that the rights of the States, and what is more significant, the rights of the people of the States as individuals, should never be taken from them, unless by some express grant in the Constitution or by the necessary implication of such grants.

The Supreme Court sustained this contention, and they said in the conclusion of the opinion of Mr. Justice Harlan that while this power to regulate was the power to prohibit, yet, nevertheless, it must be taken as subject to the fundamental liberties of the American citizen and could never be arbitrary or capricious. That great Justice, who had a consuming love for the old Constitution, said:

"We may, however, repeat, in this connection, what the court has heretofore said, that the power of Congress to regulate commerce among the States, although plenary, cannot be deemed arbitrary, since it is subject to such limitations or restrictions as are prescribed by the Constitution. This power, therefore, may not be exercised so as to infringe rights secured or protected by that instrument."

Notwithstanding this warning there began to be evolved the doctrine that by the perversion of the commerce power the Federal Government could usurp the reserved rights of the States, that it could go into the States and say to them: "You have not properly exercised your reserved police powers to meet this economic evil, or that economic evil, and, therefore, we will now say that either by the power of taxation, the greatest of all Federal powers, or by the power over commerce, we will compel you to do so either at the risk of a prohibitive tax or at the risk of being denied the opportunity to engage in commerce."

That was the doctrine suggested, and it has been the basis of a great deal of subsequent legislation. The decision in the *Lottery case*, while sound in theory, was one of the most fateful and mischievous decisions in its effect upon the expansion of Federal power that the Supreme Court ever rendered, because it has been wrongfully interpreted to give to Congress this tremendously coercive and tyrannous power over commerce in order to take from the constituent States their reserved rights, which we had supposed, vainly supposed, had been guaranteed by the Tenth Amendment of the Constitution.

Now, we have the full fruitage of the doctrine of the *Lottery Case* in this legislation. It makes the President the economic dictator of the industrial activities of the American people, as the Congress has already made the Secretary of Agriculture the virtual dictator over the agricultural interests of the country.

But how can the power be exercised? By denying access to the channels of interstate trade; and to deny them such access is, of course, to take from most industries the opportunity to exist, because they cannot exist within the borders of a particular State in these days of mass production.

This is not a case in which you could reason that, as the validity of this legislation is doubtful, it can be left to the Supreme Court. This is always a questionable expedient, because no concrete case may ever reach the Supreme Court. But in this case there can be no question under later decisions of the Supreme Court that you cannot do what you are trying to do—to make the President the economic dictator of the United States—by putting in his hand the big stick of the commerce power, because in the

case of *Hammer against Dagenhart* (247 U.S. 251) it was held that where an attempt was made by the commerce power to coerce the States in the matter of child labor, the Court—although by a bare majority—held that that was such a clear perversion of the commerce power as to amount to a destruction of the guaranty to the States of local self-government in the matter of production, guaranteed by the tenth amendment of the Constitution. In that case the Supreme Court expressly held:

There is no power vested in Congress to require the States to extend their police power so as to prevent possible unfair competition.

The theory of the present bill is that there is a police power in the Federal Government to prevent unfair competition in production. For this heresy there is no justification in any declaration of the Supreme Court, and even if it were otherwise tenable, the expression "unfair competition" is so vague that no manufacturer could ever know how to conduct his business, except at the risk of being sent to prison, because he had erroneously guessed what were the undefined ethics of business.

It is not important that the products of the farm may subsequently go into interstate commerce, for the Supreme Court, in the notable case of *United Mine Workers v. Coronado Co.*, 259 U.S. 344, said:

Coal mining is not interstate commerce and obstruction of coal mining, though it may prevent coal from going into interstate commerce, is not a restraint of that commerce unless the obstruction to mining is intended to restrain commerce in it or has necessarily such a direct, material, and substantial effect to restrain it that the intent reasonably must be inferred.

Those who think that this legislation will be sustained, should not place too much dependence upon the fact that the case of *Hammer against Dagenhart* was decided by an almost divided Court, for in a later case, a case I too happened to argue—the case of *Bailey against the Drexel Furniture Co.* (259 U.S. 20)—where the United States invoked the supreme power of taxation, as absolute as the power of any sovereign nation in all the world, yet when the taxing power was thus sought to be used to make it impossible for any manufacturer to employ child labor, the Court, with only one justice dissenting, held that that also was a clear perversion of the power of taxation and that it amounted to a usurpation of the rights of the States. Thus it held that each State, if it wanted to abolish child labor, could do so, but it was not for the Federal Government to usurp this police power of the States.

I am not saying that the law you are now proposing may not in some way pass the gauntlet of the Supreme Court. I say this, because in the first place the plea will be made that it is justified by the existing emergency. But please remember that in the emergency cases nearly all were either cases of State statutes, passed under the reserved sovereign power of the States except as granted to the Federal Government; and, therefore, in passing upon the larger power of the States, except as granted to the Federal Government by the Constitution, the Supreme Court did hold that if a State felt that in a given emergency some particularly drastic legislation were required, it might be justified on such ground, of which it was the final judge. The other exceptional class of cases were those in which the Federal Government exercised its territorial powers, as, for example, its exclusive power over the District of Columbia.

There is one Federal case, and that is the *Adamson law case*, *Wilson against New* (243 U.S. 332), a case in which again there was an almost evenly divided court—but there the Supreme Court was dealing with an instrumentality of interstate commerce, and therefore the Government had in respect of the interstate railroads of the United States a peculiar power—but even in that case the Court never said that a bill to raise the wages of labor could possibly be passed lawfully by the Congress, but all it said was that for a short period, in order to allow railroad executives sufficient time

to negotiate the terms of labor with their employees, that the law, as a mere stopgap, was permissible.

As a matter of fact, the Court has again and again, by declarations whose meaning to the discerning lawyer cannot admit of doubt, indicated that that case had gone to the verge of Federal power, and I think the fair implication of its language in subsequent cases is that it has gone far beyond the limit. Nevertheless, the responsibility upon us, under our oath of office, is infinitely grave, because the situation is that by the time any case would reach the Supreme Court this law would have been so long in force that the Supreme Court, not being omnipotent, could not unscramble eggs that have already been scrambled. Moreover, the Supreme Court is a court in a nation of democratic institutions, and it has neither purse nor sword, and it must often sustain unconstitutional statutes on the theory of reasonable doubt or emergency legislation, because they can no longer unscramble eggs that have already been scrambled. In this attempt one finds a great deal of ingenious and almost disingenuous reasoning, and it reminds one of the story told by Jonathan Swift in his very powerful satire, written in the early days of the eighteenth century, called "The Tale of a Tub." It is so appropriate that even at the risk of taking the little remaining time I have, I must tell it. According to Jonathan Swift, a testator had three sons, and he said to them on his deathbed:

I am leaving you my property under a will, and that will provides that under no circumstances are you ever to wear any ornament of any kind upon the coat, which I am giving each of you by my will.

He said—

The coat will last you as long as you live, and as you grow and expand, the coat will grow with you.

They took their patrimony and thereupon moved into London society and then found that shoulder knots upon coats were demanded by the dictates of fashion, and thereupon they looked to the will and there was this provision that under no circumstances should the coats ever be changed, and thereupon one ingenious son said, "Well, if we read this totidem verbis perhaps we would find the words 'shoulder knot'", but they could not, and then another son said, "If we read this totidem syllabis we can find our justification", but no syllables spelled "shoulder knots", and then they invoked the totidem literis method and found the letters for shoulder knots, except the letter "k", and the ingenious son said, "Well, the letter 'c' in Latin was pronounced 'k' and therefore, as the other letters are there, shoulder knots are in the will and we will wear shoulder knots." After they had worn shoulder knots a little while gold fringes came in, and then the ingenious son said, "Well, after all, there are two kinds of wills, a written will and a nuncupative will, and now I remember my old father did say that gold lining was just what was wanted for the coat, and therefore, under this theory of a nuncupative will, I will wear gold lining." Then silver fringes came in and, eager to wear them, one of these ingenious sons suggested that every good will had a codicil, and thereupon they forged a codicil to the will, which provided that silver fringe could be worn. They invented the theory that "fringe" meant "broomstick" and the will only prevented the wearing of broomsticks upon their coats. When, however, it was suggested that it was "silver fringes" that was forbidden, and the word "silver" had no reference to broomsticks, the sons concluded that they had exhausted their ingenuity of interpretation, and thereupon they said, "Well, let us lock the old man's will up in a box where we will never see it again and do just as we please."

This fable could be told of the whole constitutional history of this country. The Supreme Court has done great work in restraining any trespass of the States upon the Federal power, but when it comes to restraining the excesses of Federal power upon the States the Court has been less effective, for in all the history of our country there have not been 50

cases where the Supreme Court ever decided that a Federal statute was invalid, although literally thousands of unconstitutional statutes have been passed by Congress by perverting its powers to gain non-Federal ends.

By refined interpretation, by the doctrine of reasonable doubt, by the theory of emergency—one of the most dangerous of constitutional heresies—breaches have been made in the dyke and slowly, slowly, our whole constitutional edifice has been crumbling, pillar after pillar, until the very foundations of the Constitution are now sinking into cureless ruin.

To change the metaphor, the Constitution of the United States—for which I am making what is probably for me a swan song, because I have so often wearied this House by pleading the sanctity of the Constitution that I am weary of it—is like a dead oak in a forest. It is still standing, its branches are still moving with apparent life in the wind; but it is dead at the roots, and sooner or later, some other elemental storm, such as that through which we are now passing, will come and the noble tree, under which six generations of Americans have sheltered themselves and under which they have builded the greatest and noblest and freest government in all the world, will fall forever.

It may survive in form, for we will have a President, a Congress, and a Supreme Court; but the President under this bill is not the President that was created by the Constitution. Congress is no longer the representative organ of popular will it was designed to be. The judiciary is no longer what it was expected to be.

The Constitution exists in form, but it has ceased to exist as a spirit, and as a noble spirit it never had its equal in the annals of the world. [Applause.] The man is not a patriotic American who can, without the deepest grief, see the passing of our form of government, so noble in its conception, into a dictatorship.

That word "dictator" is not my word. It was used by the chairman of the committee, but it was an apt term.

I appreciate all that the majority of the House may say as to the charming personality of the President, his unquestioned patriotism and high motives, but if you look at this bill you will see that our happy, smiling, well meaning, and courageous President will not necessarily be the actual dictator, for under this act he is given power to appoint anybody he chooses, to prescribe his compensation and duties, and to delegate all his dictatorial powers to such selected deputy.

According to common rumor, the supreme dictator of this country in the realm of industrial activity is to be Gen. Hugh S. Johnson, a West Point graduate, who is said to have drafted the draft law under the Wilson administration, which summoned men to the colors at the time of the World War and who is therefore supposed to be peculiarly qualified to dragoon the free labor of America.

He is a man of military education and some legal knowledge. It is to him that these powers will be delegated, a selection as to which the Senate will not be consulted in the manner required by the Constitution as to all important officials. The President will turn that power over to General Johnson, the power of a dictator, and he will regimentalize the employees of the country and reduce them, as Matthew Woll, the very able vice president of the American Federation of Labor, said before the Committee on Labor, to the condition of economic serfs.

There never was a truer word than that uttered by Mr. Woll, representing that great organization. The man who is to exercise the power is not a man, as to whose selection the Senate or even the House of Representatives will have any determining choice and yet he will be the most powerful official in the Nation excepting the President. General Johnson is an able man. I had the privilege of being his associate in the Great Lakes litigation. If he were as great a man as Lord John Russell according to Sidney Smith, I think it was, still I would doubt his ability to do the things expected of him by this proposed law. It was

Sidney Smith, I think, who said of Lord John Russell that his confidence in his own ability was such that he would undertake simultaneously to rebuild St. Peter's Cathedral, manoeuvre the channel fleet, and operate upon a patient for a stone in the bladder, and would be ignorant of the fact, when he had tried all three, that the patient with the stone had died, that the channel fleet had sunk, and St. Peter's had tumbled into ruins. If General Johnson is of the type of the "admirable Crichton" and can tell employees of this country how long they shall work and what shall be their minimum and possibly maximum wage and whether or not the maximum output of this factory or that factory is greater or less than is permissible to the high bureaucratic despot, without injuring the economic condition of this country, then he is a type of man superior to any that we have ever produced heretofore.

Mr. CELLER. Mr. Chairman, will the gentleman yield?

Mr. BECK. I yield to the gentleman.

Mr. CELLER. The gentleman must know that the War Industries Board, which had powers no less than these we are giving the President today, was merely set up by a letter from President Wilson to Mr. Baruch, and if the War Industries Board having these powers was conducted or operated with such great efficiency and advantage to the Government why cannot this same industrial recovery board be similarly operated without hurting the Constitution?

Mr. BECK. The answer is very obvious. In the first place, the war power, when war exists, and only so long, comes into very large life and has a far greater scope when the Nation is fighting for its existence, and powers are exercised that would not be tolerable in time of peace. In the second place, the War Industries Board never had the power that is given under this act to the economic dictator of America, whoever he may be. In the third place, I cannot share the gentleman's enthusiasm over the achievements of the War Industries Board.

Mr. CELLER. I presume the gentleman recalls a letter of March 4, 1918, from Mr. Wilson to Mr. Baruch?

Mr. BECK. I do not; but the gentleman need not go farther into that. He can put it into the RECORD in his own time, because my time is running.

I would have given much to have made an adequate argument in this matter. I wanted, beyond any desire I ever had before in this House, to "rise to the height of the great argument" and to "vindicate" the Constitution of the fathers, in which I, for one, still believes as against this new constitution which is now being forced upon us in the hysteria of an economic crisis. I am satisfied that if tomorrow you pass this law and the Senate concurs, and it goes into effect, the day of its enactment will be a black day in American history. It will mark the final abdication of representative government in this country, because when you give to dictators the power over agriculture and industry, what have you left? Russia is very keen about having recognition from us, the recognition of the kind where we send an ambassador to them and they send an ambassador to us. They ought to be in a high state of jubilation today in Leningrad, because they are getting a far greater recognition than they ever had before. We are vindicating their theory of government by substituting it for our own. We are beginning a 5-year plan, and we are beginning it with the same arbitrary power. "Imitation is the sincerest form of flattery." We are imitating Moscow. We are turning our backs on Philadelphia, where the Constitution was framed, and knowingly or ignorantly we are marching toward Moscow. Its government is getting the greatest recognition that they ever had, a recognition of their methods, a recognition of their industrial outlook, a recognition of the regimentalizing of the peasant and the workman in the factory.

Our Constitution was once regarded as the noblest form of government in the annals of mankind, and so characterized by one of the greatest statesmen of the nineteenth century, Mr. Gladstone. We are abandoning it in the hysteria

of the moment in order to confer absolute powers, not upon the President but upon some unknown that he selects. I

I hope my friend from New York [Mr. TABER] is right, and that there will be a reaction. I am not so sure of it. Nothing succeeds like success. Revolutions do not go backward. You can tear down in a day what it cost the fathers and succeeding generations of Americans 150 years to erect, and that is what you are doing. That it could be done with 6 hours debate and without any power of amendment is to me one of the most amazing and depressing situations I have ever seen.

Let us hope that Mr. TABER is right and that this bill will be a blessing in disguise in this respect, and that it may create a reaction. I do not mean reaction against the majority party. This question is far above partisan politics. What the majority is now proposing is the monstrous birth of the despair of the moment. We have lost our heads in the present moment of hysteria, and therefore I am not saying it in any partisan sense, but hope that when the American employer and the American employee, having derived the temporary benefit of the "thirty pieces of silver", for which the constitutional liberties of the American people are now being sold, begin to feel the shackles of this bureaucratic tyranny, they will not only revolt in an unmistakable manner, but a powerful movement will begin to bring back the Constitution of the Fathers, once the noblest form of government in the world. [Applause.]

No written form of government, however wise, can insure the perpetuity of the Union. To use the homely analogy of the founder of Pennsylvania:

Governments, like clocks, go from the motion men give them, and as governments are made and moved by men, so by men they are ruined, too. Therefore, governments rather depend upon men than men upon governments.

The same truth was expressed centuries before William Penn, in words that could be profitably written in gold upon the portals of the Capitol:

Where there is no vision the people perish.

[Applause.]

The CHAIRMAN. The time of the gentleman from Pennsylvania [Mr. BECK] has again expired.

Mr. TREADWAY. Mr. Chairman, I yield 15 minutes to the gentleman from Pennsylvania, Mr. KELLY.

Mr. KELLY of Pennsylvania. Mr. Chairman, there is no Member who receives more pleasure than I from the enchanting speeches of my colleague the gentleman from Pennsylvania, Mr. BECK. He has just delivered one of these masterly constitutional orations, and his mellifluous voice and pleasing rhetoric have charmed us all.

Admitting all that, I say, also, that it gives me great pleasure to support the principles and policies embodied in this great measure which has aroused his forebodings. It contains more assurance of industrial recovery than any legislation considered here for the past 4 gloomy years. It deals with the disease and not with symptoms. It is a social invention adequate to match our mechanical inventions.

My colleague, Mr. BECK, is a great student of history, and summons great names in American annals to support his argument that we can do nothing to meet this creeping paralysis which threatens our national life and institutions. I am only a humble student of American history, but I believe that the George Washington who built a new order in the wilderness of his own times would not hesitate to build a new order now in the wilderness of economic conditions which surround us.

I believe that the Thomas Jefferson, who stretched the Constitution until it cracked in order to make the Louisiana Purchase for national expansion, would be the first to urge any needful action to save his Nation from industrial and economic collapse.

I believe that the Abraham Lincoln, who did not fear to meet his gigantic problems with new plans and new methods,

would not fear to act now, even though new plans must be employed.

Mr. Chairman, my colleague [Mr. Beck] preaches a counsel of despair. We can do nothing, for the Constitution is a great wall against our progress. I choose rather to follow a constitutional student with a vastly different philosophy, Justice Louis D. Brandeis, of the United States Supreme Court. He has said, "We do not need to amend the Constitution; we need to amend men's minds."

This bill undertakes action now. And the unmistakable approval from Americans is one of the most inspiring things in my service here. The United States Chamber of Commerce has joined hands with the Federation of Labor, which most eloquently proves that neither wrote this bill but that its provisions are fair to both. In my estimation, the American people have made up their minds that the way out of this depression lies along the pathway of partnership control of those industrial processes upon which their safety and very lives depend.

The first step to a cure is proper diagnosis. What are the evils we must fight? This bill states them clearly. They are unemployment, disorganization of industry, division between labor and management, unfair competition, absence of governmental cooperation, lowered standards of living.

In this measure it is declared to be the policy of Congress to use every resource of the Government to restore employment, to provide proper cooperation, to help establish law and order in place of anarchy in business, and to help secure the increased purchasing power which will mean higher and better standards of living.

Mr. Chairman, this is the zero hour in our long battle against depression. The people are ready to go over the top in an irresistible advance. And this measure, if wisely and courageously administered, is the double-barreled weapon powerful enough to assure the victory.

The plan provided in title I is simple, easily understood, and yet effective. Every trade and industry will be invited to organize for united action in line with the public interest. They will form associations which will adopt codes of fair competition adapted to their needs. These associations must give their full rights of representation to the smaller enterprises, and there must be no methods designed to promote monopoly.

The Federal Government's participation is not so much that of a dictator, as repeated here so often this afternoon, as that of a guide and umpire, safeguarding the rights of the public, employees, and producers. There is undoubted power, as there must be, if any effective action is to be taken, but for all right-thinking and right-acting elements in business this power will not be a mailed fist but a helping hand.

The power of organizing the governmental action is given to the President, but, of course, he will not personally administer the act. He will name an administrator, who with his board of advisers will constitute the executive body charged with acting in cooperation with each industry and coordinating all industries to reach the objective.

There is a provision that the President may establish an industrial planning and research agency to aid in carrying out his functions. This will be of vital importance in securing the multitude of facts which are essential to effecting a balanced economy. There is no highroad through the present jungle, the road must be surveyed and built. The capacity of an industry to produce goods and the demand which may be reasonably expected will require the most careful study. This research and planning group will have a great opportunity to make full contribution to the restoration of prosperity.

The executive body will doubtless name a representative for each industry who will sit in council with the industrial board named by the trade association or organization. When the code of fair competition is formulated, this representative will make his report to the administrator, thus

aiding him to take proper action as to the approval or disapproval of the code.

There will certainly be a labor board to take jurisdiction over complaints and disputes which may arise in industry. This board will hold hearings and listen to the evidence presented by both sides. It will report its conclusions to the administrator who is empowered to decide. Of course, a great deal will depend upon the administration of this plan. If men of vision and courage are appointed, there will be no disappointment over the operation of the law.

Upon the approval of a code of fair competition, it becomes binding upon the trade or industry. It may cover every problem which concerns the industry. The problems vary with the industry, but there is authority for any agreements necessary to arrive at the goal of fair competition in the public interest.

Mr. Chairman, for 10 years or more almost every trade and industry has been trying to establish codes of ethics and fair practices which help build business on a better basis. They have met in convention and have earnestly sought to meet the problem of destructive competition in fair and lawful manner.

I have been present when some were adopted. I have read more than 50 codes adopted by various trade associations. They are all practically the same and they are all equally impotent. They do not have and they cannot be given, without proper supervision, a weapon powerful enough to do the work required.

I hold in my hand the code adopted by the fabricators of ornamental iron, bronze, and wire, approved by the Federal Trade Commission. It provides against the substitution of inferior materials, selling goods below cost with the intent of injuring a competitor, secret rebates, breach of contract with competitors, shipping goods which do not conform to samples, bribing buyers or employees of competitors, discrimination in price between purchasers to create monopoly, obtaining information surreptitiously as to competitors' bids, and so forth.

All these declarations against unfair practices are but a pious wish as far as results are concerned. Cutthroat competition rages through trades and industries which have adopted these rules.

What we must have is a real definition of fair competition and an effective plan for securing it in trade and industry.

This Industrial Recover Act sets up a new meaning for the term "fair competition." These codes must deal with the fundamental elements of competition under the modern industrial system if they are to carry out the purpose of this act. The four essentials in any code of fair competition are price, production, wages, and hours.

There must be agreement as to minimum price. Omit that and the door is open to all the cutthroat competition which has almost destroyed industry. The price must be fair in that it includes a just return to the producer. Establishment of a maximum price will not serve since it would permit destructive competition from that level down to zero. Under it practically all today's evils would flourish.

The code must contain agreement as to production. We are undertaking to establish a balance between production and consumption. If there is unrestrained production of goods without regard to their consumption, surplus supplies will pile up, with resultant unemployment and chaos. Each industry can work out its apportionment of production to the various units. Without doubt the past performance of each unit will be the yardstick for determining its quota of the production needed to meet the demand. As consumption increases, the production will rise in proportion.

The code must contain agreements as to wages and hours. These are mandatory under the law and will be vital to the maintenance of fair competition.

If this measure is enacted, there will be established a new and better definition of fair competition. It will include all the trade practices which have been worked out in the past.

It will also include within its scope fair prices, fair production, fair wages, and fair hours. If that kind of competition can be secured and safeguarded, the economic problem is solved.

It has not been overlooked that in almost every industry there is a minority of pirates who seek profits by attacking honest merchantmen. These racketeers have made impossible the most reasonable agreements which could be made under former laws. In this bill, for the first time in our history, there is power given to prevent those predatory practices in business which have worked injury to everybody but those who practice them. The enterprise that willfully violates the code agreed upon will be judged guilty of unfair competition within the meaning of the Federal Trade Commission Act and subject to its penalties. Further, such violation shall be judged a misdemeanor and punishable by fine for each offense.

If a trade or industry refuses to organize and adopt a code of fair competition, it will not avoid its obligation to enter upon this plan of cooperation for the common good. The President, through his appointed agency, is authorized either upon his own motion or upon complaint of aggrieved parties to prescribe and approve a code of fair competition for such obstructive industry, and that code shall have the same force and effect as though submitted by the industry itself.

If anyone thinks such a provision severe let him think of the action which has been taken as to railroads, public utilities, and similar industries. Government has been compelled to establish by law the code of fair competition. That was necessary because of the effect of unrestrained action by these industries upon all other industries. Today any great industry by its refusal to set up and abide by decent standards of behavior could nullify the good intentions and purposes of other industries. Compulsion is essential in some cases, and that compulsion will be exerted.

It is further provided that the President, or the agency established by him, shall enter into agreements with and approve voluntary agreements between persons engaged in a trade or industry, labor organization, and trade or industrial associations. The only test of such an agreement is that it shall be in the public interest and consistent with the principles and policies of this measure.

If it becomes necessary to carry out the purpose of the act and if the other measures prove powerless to secure fair and square competition, there is power to establish a license system in any industry where it is needed to make a code of fair competition effective. In such a case only licensees shall engage in business affecting interstate commerce.

Mr. Chairman, the entire purpose of these provisions is to secure constructive and fair competition and to outlaw unrestrained, destructive, and antisocial competition. It is quite true that it is a departure from the philosophy embodied in the antitrust laws as interpreted for 40 years. But "new conditions teach new duties; time makes ancient good uncouth." We are in a new age which the men of 1890 could not possibly have foreseen.

Today the requirement that business shall be war is suicidal. We have drifted on the old pathway while everything changed and the pathway slipped into a swamp. Instead of dealing with business through the Department of Justice, this measure permits governmental cooperation through an agency which will help business serve its real purpose of satisfying human needs under fair conditions.

Over a year and a half ago Justice Brandeis, of the United States Supreme Court, called for an interpretation of the Constitution and the laws in keeping with modern business conditions. Here is what he said:

All agree that irregularity in employment—the greatest of our evils—cannot be overcome unless production and consumption are more nearly balanced. Many insist there must be some form of economic control. There are plans for proration; there are projects for stabilization. . . . There must be power in the States and the Nation to remold through experimentation our economic practices and institutions to meet changing social and economic needs.

It is the high purpose of those who support this legislation to help remold the industrial system for the promotion of the public welfare, even though there must be modifications of laws which have long been on the statute books.

Mr. Chairman, this measure provides that for the life of the act and for 60 days thereafter any code agreement or license issued under it shall be exempt from the provisions of the antitrust laws of the United States.

This provision must be understood in connection with the previous requirement that no code shall be designed to promote monopolies or to eliminate or oppress small enterprises or discriminate against them.

The antitrust laws have had two entirely separated effects. The first is the vitally important one of prohibiting monopoly and all coercive or oppressive tactics toward competitors, which tend to destroy competition and create monopoly.

This part of the antitrust laws remains in full force and effect. The operation of this law will be in full accord with it. In fact, it will add to the strength of the laws against monopoly. It was cutthroat competition on the part of the great corporations which led to the passage of the Sherman Act. The debates in Congress show that it was the complaints of the smaller business men against destruction through unfair practices and destructive competition that led to the enactment of the law.

However, the law has been held to prohibit agreements of beneficial kind between independent competitors. It has banned cooperation even when united action has been in the public interest.

The result has been compulsory competition of the kind which leads to the ruin of the smaller enterprise. The only remedy for excessive production is controlled production. But limitation of production cannot be accomplished by one concern any more than limitation of armament can be accomplished by one nation. There must be agreement and cooperation.

Such action on the part of independent business men has been held to be illegal and subject to criminal penalty. Of course, it affects the supply and thus the price of the commodity and is forbidden, if every agreement to restrain competition, whether in the public interest or not, is covered by the Sherman Act.

It has been so held by the courts in many cases, although every observer knows that the only effective means for industrial welfare are based upon mutual agreements of entire industries.

This bill cuts a clear pathway through the undergrowth of 40 years of legislation and judicial interpretation. It accepts the fact that competitors are practically on the same level of costs in this advanced era of manufacture, and that there is no middle ground between destructive industrial war on one hand and industrial peace through mutual agreements under the supervision of the Government.

These agreements, properly supervised, cannot lead to oppressive prices. Industry knows that the lowest prices consistent with a fair return induce greater consumption, and greater consumption in turn makes lower costs possible. We have also learned during the last 4 years that unless the industry and its pay roll are preserved there is injury done the entire public.

Mr. Chairman, the real purpose of the antitrust laws was to protect the public from unregulated monopoly power. Great consolidations of capital threatened the public welfare. Yet in our own times have come stupendous mergers which are seeking and securing the power which the law sought to guard against. This bill will remove the incentive to merger and consolidation. It will give the little independent enterprise its fair place in the industry and protect it against oppressive methods.

Under this plan of partnership control by industry and Government, there will be preserved every wholesome prohibition of the antitrust laws against monopoly and oppression. At the same time it will permit agreement for the

restraint of the unfair competition which is the sure road to monopoly.

As to the attitude of the United States Supreme Court on this problem of planned and controlled industry, it is necessary to look only at the Appalachian Coals decision. That will show how far the Supreme Court will go in any effort to help bring law and order into disorganized industry.

The corporation received a Delaware charter giving it power to enter into every business known. Under that charter 137 coal corporations banded themselves together to form a sales agency which should handle the output of all the mines. They controlled 74 percent of the coal produced in their territory.

The United States district court declared this organization to be illegal under the antitrust laws. The case went up to the Supreme Court of the United States, which overruled the decision of the lower court.

The Supreme Court took into consideration the deplorable conditions in the soft-coal industry. Its decision deals with "overcapacity", "distress coal", "pyramiding of coal", "abnormal and destructive competition", "bankrupt operators", and "organized production."

The Supreme Court declared:

The fact that the correction of abuses may tend to stabilize a business or to produce fairer price levels does not mean that the abuses should go uncorrected or that cooperative endeavor to correct them necessarily constitutes an unreasonable restraint of trade.

Yet, even in declaring the plan to be legal on paper, the Supreme Court was forced to say that the actual operation of the plan might prove it to be in violation of the antitrust laws. The Court said:

The decree will be reversed and the cause will be remanded to the district court with instructions to enter a decree dismissing the bill of complaint without prejudice and with the provision that the court shall maintain jurisdiction of the cause and may set aside the decree and take further proceedings if future developments justify that course in the appropriate enforcement of the Antitrust Act.

It must be admitted that such a situation is impossible as a remedy for cutthroat competition. In the first place, 26 percent of the operators are outside the plan. They will take every opportunity to reap profits by cutting below the standards set up. There is no way of dealing with them under a voluntary agreement and their unfair practices make the plan entirely unworkable, in coal, just as in many other industries where a similar attempt has been made. In the second place, there is perpetual fear and uncertainty as to the action by the district court. If the plan really betters conditions by control of price and restraint of competition, it runs afoul of the antitrust law and must be dissolved.

However, the Supreme Court, by unanimous decision, resolved all doubts in favor of stability in industry and fair competition. It has in reality invited Congress to lay down the public policy just as we are doing it in this bill. Surely we may rely upon the desire of this great tribunal to cooperate, to the very furthest degree possible, in securing industrial recovery through reasonable partnership control.

Now, Mr. Chairman, if the Nation's industries are to be revived, purchasing power must be increased. That means the employment of idle men in the tasks of production. Immediately the question of hours and wages confronts us. Hours of labor must be reduced, but wages must be increased.

Many plans have been offered for dealing with the problem of hours of labor. The Black bill provided for a 30-hour week. There have been suggestions for the 36-hour week and the 40-hour week.

The plan under this bill is not to fix a rigid schedule for every industry alike but to permit the employers and employees in each industry to work out the hours of labor best suited to the exact conditions. It is believed that collective action will result in fair adjustment of working hours and balance them with production.

Mr. Chairman, this would not be a measure for industrial recovery if it failed to deal with the workers in the indus-

tries and provide adequately for their just rights. I have heard it said that this is not the time to make any changes in labor relations, no matter how just those changes may be. The argument is that we should wait until this emergency is over before attempting to establish labor standards.

Nothing could be more illogical. This emergency is, in part, due to the neglect of the importance of fair wages and balanced hours of labor in maintaining prosperity in a machine age. Now is the best time possible to make sure that better methods will prevail in the future.

This measure undertakes to secure and preserve the right of collective action for those who invest their muscle and mind and blood and life in industry.

Section 7 is as follows:

SEC. 7. Every code of fair competition, agreement, and license approved, prescribed, or issued under this title shall contain the following conditions: (1) That employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organizations or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection; (2) that no employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining a labor organization of his own choosing; and (3) that employers shall comply with the maximum hours of labor, minimum rates of pay, and other working conditions, approved or prescribed by the President.

It is the purpose to encourage the settlement of the vitally important questions of hours, wages, and working conditions by mutual agreements between organizations of employers and employees. The responsibility is put upon those who should have it. There will be no difficulty about it, granted a spirit of fair play and right thinking by both parties.

When the agreement is made and approved it will have all the sanctions of the codes of fair competition. Its provisions will be enforced against any violator who would attempt to make unjust profits out of lower standards.

If in any trade or industry there is neglect or refusal on the part of one or both parties to make mutual agreements covering these important questions, power is given the President through his agencies to investigate labor practices, wages, hours of labor, and working conditions and prescribe fair standards.

Such action will be necessary in few cases. We are giving power to employers and employees to adjust these questions and ninety-nine times out of a hundred they will do it. Mutual agreements are always easier to make when each side knows the strength of the other and respects the other.

We have heard a great deal about the evils and excesses of organized labor. The enemies of organized labor have been largely responsible. They have forced unionists to spend most of their time and efforts to secure the right to act collectively. Labor organizers have been fought by fair means and foul. They have had to deal with spies and face the attacks of a private police force. They have had to face black lists, injunctions, and vicious obstructions. It is no wonder that their tactics could not be marked by soft speech and gentle hands.

Mr. Chairman, we are here frankly recognizing the right of workers to organize and bargain collectively. It is an inherent, God-given right, and granting it without equivocation will put a solid foundation under the structure of industrial justice.

If these provisions be opposed by industrial leaders, it will prove them blind leaders. They will be joining hands with the red revolutionists who plot against the Government. They, too, are enemies of trade-unionism and against them the unions must make continual struggle. The Industrial Workers of the World opposed collective bargaining as violently as the most reactionary employer. The motto of that organization has been "the working class and the employing class have nothing in common." "Big Bill" Haywood denounced labor organizations, with their dues and sick benefits, because "when the union has something to lose, the urge for rebellion is gone."

There is constructive statesmanship in these provisions that every worker shall be free to join a labor organization of his own choosing. "Trade-unionism", said Gladstone, "is the bulwark of modern democracy." This measure, when enacted into law, will make trade-unionism in America a better instrumentality for the advancement of social justice and human freedom.

The question of the so-called "company union" is met in this measure. No worker shall be compelled to join a company union as a condition of employment, nor shall he be barred from joining another organization. The War Labor Board was compelled to take exactly that action during the World War, and to the day of its dissolution in August 1919 there was not a single strike involving an entire industry nor one of national proportions. Within 6 months after it went out of existence there were three great strikes, involving coal, steel, and railroads.

If the employees of any company or establishment of their own free will desire to be represented by fellow employees, that course will come within the definition of collective bargaining. But if they have reason to believe that the "company union" is only a subterfuge to control representatives through threat of dismissal then they will have the right to choose another organization and other representatives.

My friends, the labor union is a permanent part of our national life. It cannot and should not be destroyed. It is here to stay, for men will die for the cause it represents. This measure only requires industry to recognize the facts and to adjust itself to them in constructive fashion. There will be difficulties but only the difficulties which come with democracy. Congress is not 100 percent perfect, yet we do not propose to scrap the Government on that account.

We are attempting to stabilize industry. Of necessity there must be a place for the organization of labor, one of the most stabilizing forces in all industry. With fair wage standards and the elimination of sweat-shop wages, child labor, and other intolerable conditions, the fair and humane employer will be protected against cutthroat competition which he is powerless to meet today.

Then, too, Mr. Chairman, the passage of this bill will put renewed courage and confidence into the hearts of 1,500,000 independent merchants of this country. They have faced destructive competition and unfair practices on the part of great chain organizations, which have attained semimonopolistic power. More than 120,000 wholesale establishments will have a fairer chance to serve the public welfare by performing their necessary function in distribution under a square-deal policy.

When the Supreme Court in 1911 put the resale price agreement under the ban of the Sherman antitrust law, it unwittingly struck a deadly blow against the independent retailer. From that day to this I have urged the recall of that judicial decision and the restoration of the right to fair contract universally admitted previous to that time.

This bill gives the independent retailer his chance. His industry, one of the greatest in the Nation, cannot be forgotten if we are to build on the solid foundation of fair trade. It is not forgotten, for under the wise provisions written in this bill, the business men, who are the foundation of every local community in the land, will have their fair chance to protect themselves against cutthroat tactics in merchandising.

Mr. Chairman, title II, the public-works provisions, is an essential part of this plan for national recovery. Unemployment is the root evil, and it is against that that we make war. The only cure for unemployment is putting people to work. This bill proposes to prime the pump by putting willing workers on public construction projects. Their purchasing power will make it possible to put others back in their regular occupations and with production and consumption balanced by proper control, to keep them at work.

Almost 90 percent of the workers in the building trades are out of work today. The value of all construction in 1932 was \$6,097,000 less than in 1930.

There is public work to be done by the Federal Government and in every State in the Union. We need highways, ships, buildings, river and harbor improvements. The resumption of business activity alone will produce the revenues to pay the cost; \$3,300,000,000, as provided in this bill, will mean work for 3,000,000 men. That will mean new buying at the stores, new orders for the factories, new jobs for factory workers, new jobs for clerical and professional workers.

The section dealing with employment on the public works is in itself a tremendous stride forward. All the contracts let shall provide for the 30-hour week and, more important still, that the wages paid shall be compensation sufficient to provide a standard of living in decency and comfort. All the materials used shall be American-made.

That is further proof that we are serious in our effort to increase purchasing power and increase employment as the vital action necessary to win the war against depression.

There is power enough in the public-works title to turn over the wheel, and there is power enough in the industrial-recovery title to keep it turning.

Mr. Chairman, this bill does not provide funds for the charitable relief of suffering Americans, but it will provide a pay envelop for workers out of which they may support themselves and their families.

It does not provide any revision of our monetary system, but it will provide the method for putting money into circulation through the channels of business.

It does not undertake to provide credit for business, but it makes it possible for business to secure credit from banks with assurance that the loans can be repaid.

It does not aim to stimulate business by ballyhoo, but it does provide for the purchasing power needed to revive business.

It does not put control of industry solely in the hands of producers, but it gives labor its just voice and the Government guards the rights of all.

It does not undertake to cut down indebtedness, but it does offer a plan of fair prices and fair wages, so that indebtedness can be paid.

This measure seeks industrial recovery through putting people back to work in their normal occupations at wages and hours which will make a more even distribution of purchasing power.

It is protection of investors against losses from destructive policies. It imposes the responsibility of trustees upon big and little business. It offers a way to eliminate the sweat-shop and child labor. It recognizes that an era of plenty requires different policies than an age of scarcity. It is a new device big enough for a new age.

O Mr. Chairman, I know that there are those who lift up their hands in horror at the thought that we are touching with impious hands that holy of holies, the law of supply and demand. How can they face the facts of real life and still regard the "law of supply and demand" as though it had the same fixity as the law of gravitation.

It will not do to mouth these words in the presence of 30,000,000 destitute Americans whose demand for goods is pitiful while they see an overabundance of the things they desire filling bursting warehouses. These words do not carry conviction to the bankrupted soft-coal operators who see coal cut to 45 cents a ton by those who dispossessed them of their property.

It is possible to control the conditions which bring the law of supply and demand into operation. Put people back to work and let them have buying power and their demand will swamp the factories with orders. Restore purchasing power to the consuming millions who need and desire to buy goods for themselves and their families and the wheels of industry will hum with full activity. Balance production against an increasing standard of living for Americans and this depression will become only a nightmare memory.

We are undertaking to secure industrial recovery by encouraging a fairer distribution of buying power. The purpose is to accomplish that much-needed end through patri-

otic, business, industrial, labor, and political leadership. We are undertaking to solve the fourfold problem of production, price, wages, and hours under a sound and statesmanlike plan.

It is true that we must depend upon that intangible thing called human nature. This bill is founded in the faith that the majority of those engaged in trade and industry and the majority of those in labor organizations are men of good will, who will be satisfied with a square deal, no more and no less. It is built on the faith that the great mass of Americans have learned that our panicky present is due to our planless past and are willing to pay the price for security and stability. This bill is formulated with faith in the President of the United States and that he will administer the tremendous powers it gives him with but one purpose—the promotion of the general welfare.

Yes; it is an act of faith, comparable to that of our forefathers when they put their names to the Declaration that "all men are created equal and are endowed by their Creator with certain inalienable rights, among which are life, liberty, and the pursuit of happiness, and governments are instituted to secure these rights."

If their sublime faith had been baseless, this new Nation would have speedily perished. How sound and well merited their faith is proven by 150 years eventful history.

Let us have faith. There are patriotism enough and wisdom enough and genius enough in America to execute the partnership-control plan evolved in this measure and start us toward a future that will, in material comfort, and general well-being, outstrip all the prosperity of the past. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Arkansas [Mr. GLOVER].

Mr. GLOVER. Mr. Chairman, the bill now before us is the President's bill to relieve the unemployed, that now number about 12,000,000 men. No more pitiable sight can be presented than to find a large family in want simply because the father cannot get work to do to earn a living.

We have very few indolent people. Our people do not want a dole or to have to live off of charity, but on the other hand they want to earn an honest living and only want a chance to do so. This bill will give employment to at least 6,000,000 men when it is put into operation.

The life of this bill is for a 2-year period. It is hoped, by that time, that our country will be restored to a normal condition. There are many objections that can be offered to this kind of legislation, and under normal conditions this bill would not pass this Congress. It gives entirely too much power to any one man, but we feel that our President will use it justly and not abuse it. I do not believe that Congress should delegate its power to where it might be abused, but in this emergency we must trust the President with the power given to him.

This bill seeks to correct by use of the power given the President the unfair practices that have for years been carried on by industry and to provide for a fair and just code of competition. If this can be done, industry will again prosper and men will be employed at a fair wage for a day's labor.

The States will receive under this bill \$400,000,000 for roadbuilding. My State of Arkansas is a small State in comparison with some others, but it will get about \$6,000,000 for roadbuilding, which will give work to our people.

Many public building will be erected under this bill. We hope to see many post-office buildings in our small cities taken care of and built. This will give employment to labor and make a demand for material.

There is one provision of this bill that I dislike very much, and that is the provision for financing it. We have authorized the President by a law passed by this Congress to expand the currency to the amount of this bill and more. I see no good sense or business judgment in paying out large sums of money as interest on bonds when we can deposit the bonds as eligible security and issue the money

on them and save the interest. Under the rule adopted we cannot do that now. But I hope it will be provided for in the next Congress.

There are many features of the bill I should like to discuss, but I cannot in the time allotted to me. I do not like the provision that permits the President to redelegate some of the powers given to others. I think Congress could have worked out a much better bill than this, but we are told by your House leaders that this is the bill the administration wants and no other, and for that reason as a Democrat I am supporting the bill, in the hope that it accomplishes all the administration thinks it will accomplish. [Applause.]

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from Washington [Mr. SAMUEL B. HILL].

Mr. SAMUEL B. HILL. Mr. Chairman, I can hardly believe that very many Members of this House will vote against this bill. We have just listened to a very learned dissertation on the unconstitutionality of it. It is, however, little satisfaction to the man who is starving for want of the opportunity to work to tell him that he is starving to death constitutionally. [Laughter.] Men who are in the breadlines, men who are out of employment and who, under the economic conditions obtaining, are unable to secure employment, are not deeply interested in the constitutionality of an act which holds out the hope to them of returning prosperity and of returning jobs.

Mr. RANDOLPH. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield to the gentleman from West Virginia.

Mr. RANDOLPH. I wanted to make an observation while the gentleman from Pennsylvania [Mr. KELLY] was speaking. I believe what the gentleman from Pennsylvania [Mr. KELLY] was saying and what the gentleman from Washington is now saying is true, and I want to add the observation that in the splendid and eloquent remarks of the gentleman from Pennsylvania [Mr. BECK], I feel he is working from a wrong premise. The gentleman said that we were creating a dictatorship for a prosperous and wealthy industry, when, as a fact, I believe we are creating a savior for a bankrupt and prostrate industry. [Applause.]

Mr. SAMUEL B. HILL. For 4 years we have been going down deeper and deeper in the bog. We have tried numerous expedients during this time in a legislative way to improve the economic conditions.

We passed the Reconstruction Finance Corporation Act and this act has been beneficial in certain respects, but it fell far short of a complete remedy for the economic predicament in which the country found itself. We found that under the administration of that act, which was largely in the interest of extending credit, such credit as was so extended to the banks and the financial institutions did not go out into circulation and create employment, but rather was hoarded in order to render these institutions more liquid against a run on the institutions.

We had the expedient of the Federal Reserve banks going into the open markets and buying Government securities in the hope of piling up credits that might get into the commercial life of the country, with the result that the member banks selling their securities to the Federal Reserve banks simply went out and bought other Government securities, and hence no expansion of the credit or the currency resulted.

The only thing that has brought about an amelioration of conditions against the economic depression has been the inflation that has come through our going off the gold standard, and from that we have now a hopeful country, hoping that this administration may be able to do something to bring the people back to prosperity; and the legislation proposed here now is the most important part of the administration's program to rehabilitate the economic condition of the country, and in view of this fact and in view of the confidence that the people of the country have in our President, I am sure that only a very small percent-

age of the membership of this House will refuse to support this legislation. It is the President's bill and his plan for the rehabilitation of industry and commerce.

A great deal has been said about the small number of men who could be employed under this program, and this argument is based largely upon title II of the act or the building program under the act, in which the Government proposes to provide \$3,300,000,000 to aid projects, mostly of a public character. This is the smallest item in this bill. It constitutes only the shocking blow that may serve to jar the wheel of industry off of dead center and start it revolving.

The greatest and most important part of this legislation is to be found in title I. Under title I we have what is known as "industrial control."

Mr. DIMOND. Will the gentleman from Washington yield with respect to one particular phase of the bill?

Mr. SAMUEL B. HILL. I yield.

Mr. DIMOND. As the Delegate from Alaska, I am particularly interested in the provisions with respect to the public-highway system as applied to Alaska, and I wish to ask the gentleman a question because he is a member of the Ways and Means Committee. I direct the gentleman's attention to sections 202 and 203 of the act which provide that public highways, among other public works, may be constructed in all the States, including Alaska and the District of Columbia, and so forth; and then under section 204 we have a special provision in relation to highways allotting or authorizing \$400,000,000 to be spent on the highways under the provisions of this section.

I understand that this was taken up with the Director of the Budget when he appeared before the committee I think, in executive session, with respect to whether the provisions of section 204 would prevent the construction of highways in the Territories, particularly the Territory of Alaska under the provisions of sections 202 and 203 of the act. I would like to have the gentleman give me any information he has upon this point.

Mr. SAMUEL B. HILL. The Director of the Budget said it was his opinion that it did not, that under sections 202 and 203 you might have money for highway construction in the Territory of Alaska, but not coming out of the \$400,000,000 allocated to the States.

Mr. DIMOND. Is that the gentleman's opinion?

Mr. SAMUEL B. HILL. That is my opinion, too.

Now, the most important part of the legislation is in title I, providing for industrial recovery. Under title II an amount to \$3,300,000,000 may be expended by the Government in financing public enterprises and enterprises semi-public.

Under title I it is hoped and expected by the sponsors of the legislation to rehabilitate industry, so that under that title there will probably be thirty or forty billion dollars expended in the industrial program, and when industry is rehabilitated you will find that the greatest percentage of reemployment of the idle men in our country today will be in the industries, trades, and commerce.

It has been objected that this legislation suspends the operation of the antitrust law. The prime purpose of the antitrust law is to preserve fair competition in trade and industry and to preserve that fair competition against organized monopolies.

I say to you that the purpose of title I of this bill, which suspends for a certain time the antitrust law, promotes the spirit of the antitrust law itself because we propose here to add to or supplement existing law designed to preserve conditions of fair competition. The antitrust law does not take into consideration unfair competition resulting from the exploitation of labor. It has developed that that is the greatest factor in unfair competition that confronts industry today.

This bill proposes to make that one of the factors in arriving at the basis of fair competition and to protect labor in a living wage and protect industry that pays a living wage

against other industries less scrupulous that take advantage of necessitous conditions to exploit labor and say, "You must take the wages we offer or you will have no job."

I say that in preserving the conditions of fair competition, even though it suspends in part the operation of the antitrust law, does in fact support the main objective of the antitrust law—namely, the preserving of fair competition. That is the whole gist of title I, and its whole purpose is the increasing of employment in industry and securing a living wage to labor. When labor has a living wage, you have increased the purchasing capacity of the masses of the people, and built up a market for industry.

Mr. COX. Will the gentleman yield?

Mr. SAMUEL B. HILL. I yield to the gentleman.

Mr. COX. The gentleman's committee authorizes an agent to carry out the purposes of the legislation and set up and regulate the hours of labor and fix a minimum wage. In view of the holdings of the Supreme Court, what has the gentleman to say as to the expectation that these provisions of the act will be sustained and upheld?

Mr. SAMUEL B. HILL. I do not share the alarm of my friend from Georgia in that regard.

Mr. COX. Does the gentleman expect the Court to hold it is within the power of Congress to fix a minimum wage and regulate hours of labor in private industry which in no way affects the public interest?

Mr. SAMUEL B. HILL. I do not admit the gentleman's premise that it "in no way affects the public interest." This legislation is based on the constitutional provision found in the commerce clause and in the general welfare clause.

Mr. COX. Does the gentleman construe the commerce clause to vest power in the Congress to regulate trade wholly and entirely dissociated from actual interstate commerce?

Mr. SAMUEL B. HILL. Again, I cannot assume the premise that the gentleman proposes. This bill is so carefully drawn that that question does not enter into the discussion. Title I of this bill relates only to interstate commerce.

Mr. COX. But does the gentleman construe the term "interstate commerce" to mean the right to control any traffic entering commerce from the point of origin or production to the point of distribution?

Mr. SAMUEL B. HILL. Provided it becomes interstate in its transportation and in its commerce.

Mr. COX. In other words, does the gentleman construe the commerce clause to mean that Congress has the power to extend its control over any article entering the channels of trade—that is, interstate commerce—back to the point of origin or production. Let me make myself plain.

Mr. SAMUEL B. HILL. Please do not take up too much of my time.

Mr. COX. But the gentleman is discussing a very important question.

Mr. SAMUEL B. HILL. The gentleman has time coming to him in his own right.

Mr. VINSON of Kentucky. Let me suggest that the powers granted herein are discretionary, and it is an academic question to pick out some isolated product and ask whether it comes within the purview of the act. The discretion is given the President of the United States, and I might say to those who are alarmed, that we all know that an emergency exists, that the economic structure has fallen, and this power is only for temporary emergency purposes.

Mr. COX. Will the gentleman yield to me to ask him a question?

Mr. SAMUEL B. HILL. I must ask the gentleman to use his own time.

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 5 minutes more.

Mr. SAMUEL B. HILL. Mr. Chairman and gentlemen, we all know this legislation is of an emergency character, that it is proposed to meet the most emergent situation in which this country has ever found itself. It is temporary; it is self-eliminating, confined to the period of 2 years, unless sooner terminated by proclamation of the President or by a joint resolution of Congress. The labor interests of the country, the industrial interests of the country, the agricultural interests of the country, are willing to take a chance on the constitutionality of it, and, personally, I am not alarmed at these great barriers which our friends seek to erect against the legality of the proposed legislation. I am willing to try it, and I believe you are willing to try it, and in this great emergency I doubt very seriously whether the courts would contemplate barring action by the Government to bring us out of the situation which means ruin and destruction of the Government itself, unless it is remedied. What boots it if we have our Constitution maintained in what we think was its original integrity, if civilization under it crumbles and falls?

We must meet these new conditions, and we all know that the courts have construed exceptional legislative provisions with a view of developing progress and the provisions of the Constitution to fit the conditions of society as they have developed.

Mr. COX. Mr. Chairman, will the gentleman yield?

Mr. SAMUEL B. HILL. I decline to yield; I have not the time. I claim that the big thing in this bill is title I, which, if it works out as its sponsors hope it will, will put to work millions of men and will bring about the expenditure of billions of dollars. The public-works program provided for in the bill will be limited to the amount specified, namely, \$3,300,000,000. Title I carries out the exact purpose of the antitrust laws in maintaining conditions of fair competition. It carries out the idea in the Federal Trade Act that provides machinery for enforcing methods of fair competition. It is in conformity with the Weights and Measures Act and with the standard of money and with all of these acts that have been passed by Congress to preserve conditions of fair competition.

There is nothing new in principle in this title I. It simply carries out the purpose that has been running through statutes since the Interstate Commerce Act was passed, back in the eighties, and it does not conduce to monopoly. It is specifically provided in the bill that under the supervision of the administrator or the President monopoly shall not be permitted to grow up. It must in its codes of fair competition be representative of the industries affected, so that big and small alike may have the same benefits. There is no discrimination, no opportunity for monopoly. There is no opportunity for suppressing small industry, and there is a provision for protecting labor and for protecting the industries which employ labor at a living wage. If you carry out that condition, you will start the wheels of industry turning in this country and we will have the people back on an earning basis, on the basis of purchasing power. That is what the bill proposes to do. This bill has the unqualified and wholehearted endorsement of the American Federation of Labor, as voiced by President Green, of that organization, before the Ways and Means Committee; and Donald H. Richberg, for many years attorney for the railway-labor organizations, helped to write the bill, and, in fact, wrote practically all of the industrial-control feature embraced in title I.

Mr. COX. Mr. Chairman, will the gentleman yield?

If monopoly is not contemplated, then why the proposal to set aside the antitrust law?

Mr. SAMUEL B. HILL. The antitrust law is not set aside as to monopolies. It is suspended for the purpose of enabling trade associations and industries to enter into trade agreements under the supervision of the administrator for the protection of labor against starvation wages and for the protection of legitimate industry against sweatshop competition.

Prevention of unfair competition and unfair methods of competition is the object of: (1) Antitrust laws; (2) Interstate Commerce Commission Act; (3) Federal Trade Commission Act; (4) Weights and Measures and Standards Acts. And the purpose of title I of this bill is to prevent unfair competition by preventing the exploitation of labor.

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. SAMUEL B. HILL. Under leave to extend my remarks I submit the following brief analysis of the bill:

TITLE I

Section 1: Declaration of policy.

Section 2: Administration agencies.

Section 3: Codes of fair competition. (a) Approval of such codes by the President.

(1) When no inequitable restrictions are imposed on admission to membership, and that those presenting such code to the President are fairly representative of such trades or industries.

(2) That such codes are not designed to promote monopolies or to eliminate or oppress small enterprises (spirit of antitrust laws is preserved hereunder).

(b) Upon approval of such code by the President such code shall be the standards of fair competition in commerce for such trade or industry.

(c) Terms of code of fair competition enforceable through Federal district courts.

(d) President may prescribe and approve a code of fair competition where the trade or industry has not presented such code to him on its own initiative. Public notice and hearing prerequisite for such action by President.

Section 4 (a): President authorized to enter into voluntary agreements between or among persons engaged in trade or industry, labor organizations, and trade or industrial organizations, associations, or groups, if such agreements will aid in effectuating the policy of title I with respect to interstate commerce and will not promote monopolies or oppress small business enterprises.

(b) President may require business licenses in order to effectuate a code of fair competition or an agreement under this title. Such license requirements shall be imposed only after public notice and hearing and a proclamation of such requirement.

Section 5: During the effective period of title I and for 60 days thereafter any approved code, agreement, or license thereunder exempts from the provisions of the antitrust laws.

Section 6: Limitation of benefits.

(a) Trade or industrial association or group must furnish to President such information as he by regulation may prescribe.

(b) President authorized to prescribe rules and regulations designed to insure that any organization availing itself of the benefits hereunder shall be truly representative of the trade or industry represented by such organization.

(c) Federal Trade Commission directed to make such investigations as President may require for purposes of this title.

Section 7: (a) Conditions of code of fair competition, agreement and license.

(1) Right of employees to organize and bargain collectively.

(2) No employee or one seeking employment shall be required as a condition of employment to join any company union or refrain from joining any labor organizations of his own choosing.

(3) That employers shall comply with maximum hours of labor and minimum rates of pay, and so forth.

(b) President shall allow as far as practicable employers and employees to establish by mutual agreement standards as to maximum hours of labor, minimum rates of pay, and other working conditions, and such standards when approved by the President shall have the same effect as a code of fair competition.

(c) Where no such agreement has been approved by the President, he may investigate the labor practices, policies, wages, hours of labor, and working conditions in a trade or industry and, after hearings, may prescribe a limited code of fair competition fixing the maximum hours of labor, minimum rates of pay, and other working conditions in such trade or industry.

Section 8: This title shall not be construed as repealing or modifying any of the provisions of the Agricultural Adjustment Act, approved May 12, 1933.

Section 9: (a) President is empowered to prescribe necessary rules and regulations to carry out the purposes of this title, and fees for licenses and for filing codes of fair competition. The violation of any such rule or regulation is punishable by fine or imprisonment or both.

(b) The President may from time to time cancel or modify any order, license, rule, or regulation issued under this title.

TITLE II

Public works and construction program

Section 201 (a) provides agencies and personnel to carry out the program.

(b) Provides personnel and facilities and fixing compensations.

(c) Compensation, expenses, and allowances to be paid out of funds made available by this act.

(d) Limiting life of this title to 2 years or such shorter period as President may proclaim.

Section 202: Administrator to prepare program of public works of the character of projects designated in that section.

Section 203: (a) (1) Provides for financing the construction of the projects and works authorized by section 202.

(2) Grants to States, municipalities, or other public bodies for the construction, repair, or improvement of any such project, limited to 30 percent of the cost of labor and materials employed upon such projects.

(3) Grants the power of eminent domain to acquire necessary real or personal property in connection with the construction of such project and providing that all moneys received by way of repayment of loans or from sales of securities and lease of properties shall be applied to retirement of the bonds to be issued to finance the building program.

(4) Provides aid in financing such railroad maintenance and equipment as may be approved by the Interstate Commerce Commission as desirable for the improvement of transportation facilities.

Proviso: To render a State, county, or municipality eligible for the 30-percent grant herein, it may be required to show that its ordinary expenditures are prudently within its estimated revenues.

(b) All expenditures of officers and employees in connection with a particular project shall be charged to the amount allocated to such project.

(c) Sections 305 and 306 of the Emergency Relief and Construction Act of 1932, as amended, shall apply in the acquisition of lands or sites for Federal public buildings.

Section 204, public highways: (a) \$400,000,000 provided for emergency construction of public highways granted to the States.

(1) For expenditure on the Federal-aid highway system and extensions thereof into and through municipalities; also for the elimination of hazards to highway traffic. No part of such funds to be used for acquiring right of way, easements in any railroad grade eliminating project.

(2) For construction of secondary or feeder roads, determined upon between the State highway departments and the Secretary of Agriculture. Such grants shall be available for payment of full costs of surveys, plans, improvement and construction of secondary or feeder roads.

(b) Provides the basis of allocation of the \$400,000,000 among the several States.

(c) Provides that all contracts involving the expenditure of such highway funds shall specify minimum rates of wages

which contractors shall pay skilled and unskilled labor and that such minimum rates shall be stated in the call for bids and shall also be stated in the bids for the work.

(d) Removes the limitation, as to the expenditure of these funds, in the Federal Highway Act, approved November 9, 1921, as amended and supplemented, upon highway construction, and so forth, and upon payments per mile which may be made from Federal funds.

Section 205 provides that all contracts for construction projects and all loans and grants hereunder shall contain such provisions as are necessary to insure—

(1) That no convict labor shall be employed upon such project;

(2) That, so far as practicable, no individual directly employed on any such project shall work more than 30 hours in any one week;

(3) That all employees shall be paid wages sufficient to provide, for the hours of labor as limited, a standard of living in decency and comfort; and

(4) That preference shall be given, where they are qualified, to ex-service men with dependents.

Section 206 authorizes the President to prescribe such rules and regulations as may be necessary to carry out the purposes of this title, and makes the violations of any such rule or regulation punishable by fine or imprisonment or both.

Section 207 provides through bond issues the raising of the moneys necessary to the projects authorized under this act and also provides an addition to the existing sinking fund of the Government $2\frac{1}{2}$ percent of the amount authorized to be expended under this act, and appropriates such additional sinking fund money for each fiscal year, beginning with the fiscal year 1934, to pay the interest on the bonds to be issued hereunder and to retire such bonds at maturity.

Section 208 provides additional taxes to meet the interest and sinking fund requirements necessary to service the bond issues herein authorized in the estimated amount of \$220,000,000 a year.

Section 209 authorizes the appropriation of \$3,300,000,000 for the purposes of this act.

TITLE III

Amendments to Emergency Relief and Construction Act and miscellaneous provisions.

Section 301: Transfer from the Reconstruction Finance Corporation to the administrator under this act the powers and functions enumerated under and in connection with section 201 (a) of the Emergency Relief and Construction Act of 1932, as amended.

Section 302 reduces the total amount of all obligations which the Reconstruction Finance Corporation is authorized under section 9 of the Reconstruction Finance Corporation Act, as amended, to have outstanding at any one time by \$1,200,000,000.

This reduction is made because of the projects under section 201 (a) of the Emergency Relief and Construction Act of 1932 being transferred to the jurisdiction of the administrator under this act.

Section 303 is the separability provision.

Mr. RAGON. Mr. Chairman, I yield such time as he may desire to the gentleman from Georgia [Mr. TARVER].

Mr. TARVER. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and to include in connection therewith a publication containing a statement made recently by the Secretary of Labor.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. TARVER. Mr. Chairman, the bill before the House proposes to place the entire control of every character of trade or industry in the United States within the control of agencies to be set up by the President; to authorize the expenditure of \$3,300,000,000 in a public-works program to be directed by an administrator appointed by the President;

to levy an additional tax burden of \$220,000,000 per annum upon the people; and to offer to the people relief from this tax burden if they will repeal the eighteenth amendment. It was impossible for me to secure time for a detailed discussion of its provisions. A decent regard for the opinions of the people I represent, and a profound respect for our great President in whose name the measure is being urged, requires that I should briefly state the reasons which impel me to vote against it.

The industrial control title of the bill would authorize such agencies as the President may set up, either upon the application of a portion of a trade or industry supposed to be representative of it, or of some branch of it, or "upon his own motion", to fix regulations for the Government of that trade or industry, which "shall contain * * * maximum hours of labor, minimum rates of pay, and other working conditions." Licenses may be required of "business enterprises", and if not secured or if revoked, anyone who carries on such enterprise shall be guilty of a crime. In other words, no man could carry on a business of trade or industry without complying with such regulations covering wages, hours of labor, and working conditions as might be prescribed, and without securing, if required, a license from the Federal Government. The bill is far beyond the provisions of the Black 6-hour bill, in which it was proposed for Congress to legislate on the subject of hours of labor. In this bill it is proposed that Congress delegate the power to legislate, not merely to the President, but to "such officers, agents, and employees as he may designate or appoint"; and not merely with reference to hours of labor, but with reference to the entire field of industrial operation and control.

The Supreme Court of the United States has clearly said in the child-labor decision, and reaffirmed in subsequent decisions that I shall not take time to cite, that Congress has no power to enact any such legislation. Waiving aside the question of the right of Congress to delegate to the executive branch of the Government its legislative authority, the legislation touches a subject matter that under the Constitution is purely within State control. In the case of *Hammer v. Dagenhart* (247 U.S. 251) the Supreme Court said:

The manufacture of goods is not commerce, nor do the facts that they are intended for, and are afterward shipped in, interstate commerce make their production a part of that commerce subject to the control of Congress. The power to regulate interstate commerce was not intended as a means of enabling Congress to equalize the economic conditions in the States for the prevention of unfair competition among them. * * * It was not intended as an authority to Congress to control the States in the exercise of their police power over local trade and manufacture, always existing and expressly reserved to them by the tenth amendment.

There are no words in the English language to make the proposition plainer. No lawyer can read that language and say that under its meaning Congress can control, or authorize anybody else to control, the manufacture of goods in your State or mine, and everything incident to their manufacture, merely because those goods are to be shipped in interstate commerce. The fact that it was a 5-to-4 decision makes no difference. It is the law of the land until it is overruled. And as a Member of Congress, sworn to uphold the Constitution, I can do no less than accord to it the meaning which has been given it by the highest court in the land.

It is sought to differentiate this bill from the character of legislation the Supreme Court says is unconstitutional, upon the ground that it is an emergency measure. I defy any gentleman to point out any provision of the Constitution, or any decision of the Supreme Court, construing it, which authorizes the conclusion that the existence of an emergency vests in Congress the right to exercise power over matters expressly reserved to the States by the tenth amendment.

If I felt that there is a chance the Supreme Court might uphold this legislation, I should oppose it all the more

strongly. I shall not take part in the establishment of a precedent under which any Congress in future, perhaps a Congress inimical to my section of the country, perhaps a Congress in whose councils the manufacturing interests of other sections may have a voice and those of my section have none, may impose any character of restricting, hampering, ham-stringing legislation it desires upon the manufacturers of my State. We shall not always have a President Roosevelt; it is conceivable that at some time in the future we might have another Republican administration; and I tremble to think what the cotton manufacturers of New England, who have long been jealous of the gradual transfer of that industry to the South, might do to southern textile manufacturers under a Republican administration if a precedent like this is established and upheld by the courts. If we can do this, we can do anything we want with regard to goods that are to be shipped in interstate commerce. We can say to the cotton farmer, "Neither you nor anyone for you, shall work more than 3 hours, or 5 hours, or 6 hours a day; you shall not pay your hired hand less than \$3 per day—if you do, it will be a crime to transport the cotton you raise in interstate commerce." Perhaps no Congress would ever go to such extremes, but I shall not be one to vote in favor of saying that Congress has the right, if it desires, to regulate all matters of that sort.

Who are the agencies that will be selected to make these laws regulating manufacture in the States? Who have been the agencies most prominent in urging them before committees in Congress? Can any Member of Congress point to a more outstanding person of this type than the honorable Secretary of Labor, Miss Frances Perkins? What is her attitude toward the people and industries of my section; what does she know about their condition? With profound regret, but as a matter of duty, I call attention to an Associated Press dispatch quoting her views as delivered before an audience in New York on May 22:

[From the Atlanta Constitution, May 22, 1933]

"SOUTH BAREFOOT", FRANCES PERKINS—LABOR SECRETARY SEES SOCIAL REVOLUTION WITH WEARING OF SHOES

NEW YORK, May 22.—Secretary of Labor Frances Perkins declared today that the administration program of strengthening consumers' buying power may build up "a new kind of civilization." She addressed the girls' work section of the Welfare Council, of New York City.

"We recognize," she said, "that our mass-production system cannot go on unless we consciously build up the purchasing power of the people who work in this country and we are recognizing that out of the building up of this purchasing power—by artificial or other means—may come a blessing beyond anything we in our generation have ever dared to dream of."

As an example, Miss Perkins cited the South as a market for shoes.

"Those of you who have lived all your lives in communities where the wearing of shoes is a commonplace," Miss Perkins said, "have, perhaps, forgotten how important and significant a social contribution are shoes."

"When you realize the whole South of this country is an untapped market for shoes, you realize we haven't yet reached the end of the social benefits and the social goods that may come from the further development of the mass-production system on a basis of consuming power in the South which will make possible the universal use of shoes in the South."

"I have said in the last few weeks, as we have been discussing the bills in Washington which have been proposed for the revival of industry and which, among other things, provide for the fixing of hours of work and for the fixing of minimum rates of pay, that if the minimum rates of pay and the hours of work could be fixed in the southern mills and in the southern employments generally, that those who wanted to get rich quick ought to buy a shoe factory, for the opportunity of buying shoes by people who may have their wages for the first time in a generation come up to the level of living wages is perfectly enormous and a social revolution can take place if you put shoes on the people of the South."

To one having knowledge of conditions in the South the statement of the honorable Secretary would be merely ridiculous if it did not disclose such pitiable and dangerous ignorance of the South and its people on the part of one who is undertaking to direct legislation vitally touching the manufacturing interests of the whole country.

The clear inference from her statement is that the wearing of shoes is an exception rather than a rule in the South, which, according to her, is "an untapped market for shoes", and that the passage of this legislation "will make possible the universal use of shoes in the South." How must the intelligent, high-class laboring population of the South, the people who toil in its factories and on its farms, and who compare exceedingly favorably with those of other sections of the country, appreciate having legislation drafted for them and which will doubtless be, in part, administered for them by a woman who knows so little about them that she can picture them as a whole pacing the highways of the South unshod? Let me assure the honorable Secretary that the people of the South are doubtless just as familiar as she with the use of shoes, although if she comes South in the summer we might have to hide our barefoot boys in order to avoid the breath of her condemnation; but heaven help us if we must have the teeming millions who work in our industries and their destinies controlled, in whole or in part, by people who have as little knowledge of them as she shows by her statement.

I prefer to leave the industries of my State and their workers to the control of their own laws, and to the rights guaranteed to them under the Constitution. No man in the world more deeply sympathizes with labor than I do. I come from the ranks of labor. When, as a very young man, I went to our State legislature, I was instrumental in having written upon the statute books of Georgia a law restricting the hours of labor in cotton and woolen mills. But I shall insist upon the right of my people to make their own laws in a field where the Supreme Court of the United States has said the Federal Government has no right to come.

I have not discussed the public works or tax features of the bill. If it is good statesmanship to endeavor to relieve unemployment through Government work, if the Government can properly furnish enough people work to contribute enough aid toward the solution of the unemployment problem to justify it, the public works program is warranted, but even without the industrial control feature I have discussed, I should want, if I had the opportunity under the rule, to propose amendments assuring that this tremendous sum of money would be evenly distributed throughout the country, and that my people would not be taxed to pay for billions of dollars worth of improvements going largely to other sections of the country. But the rule does not permit me to offer an amendment.

Not long ago we passed a relief bill carrying half a billion dollars, and the first allocations of money thereunder sent two and one half million dollars to Illinois and \$40,000 to Georgia. I hope further distributions under it will be more equitable, but in the case of this appropriation of over \$3,000,000,000, I for one am unwilling to leave it entirely to hope. I question whether the benefit from the public-works program will equal the evil of a heavy additional tax burden in this time of distress, and especially am I concerned about that portion of the tax part of the bill by which you propose to continue the nuisance taxes beyond the fiscal year 1934. But, under your rule, you will not allow this House to do what you know it would do if it had the chance and amend this bill so as to correct this situation. You will not allow us to say, if we must have additional taxes, what kind of taxes we prefer. We must swallow the bill whole, from stem to stern, without amendment, or else vote against it all, and since I cannot swallow its head there is no use to debate whether I could swallow its tail, especially that little stinger on the end of its tail by which you offer the American people to relieve them of a \$220,000,000 tax burden if they will repeal the eighteenth amendment. [Applause.]

Mr. TREADWAY. Mr. Chairman, I yield 10 minutes to the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. Mr. Chairman, the measure we are now considering is a part of the administration's economic-recov-

ery program, and was reported out by the Ways and Means Committee without a dissenting vote. During the hearings our committee had before it Director of the Budget Douglas; Assistant Attorney General Donald R. Richberg; Senator Robert F. Wagner; William Green, president American Federation of Labor; Henry I. Harriman, president of the Chamber of Commerce of the United States; Prof. Irving Fisher, of Yale University; leaders in agriculture and industry—in fact, we heard everyone who had constructive suggestions to offer, and to one and all the committee is deeply indebted.

In the consideration of the measure itself partisanship was laid aside and every member thereof was animated by but one purpose—to give to the President every possible cooperation in his program to bring to an early termination the devastating depression which has hung like a pall over the entire world the past 4 years. May I be pardoned if at this point I pay a deserved tribute to our beloved chairman, Mr. DOUGHTON, for his unfailing fairness and courtesy during the long and arduous hearings.

Other and older members of the committee have spoken of its tax features; therefore I shall content myself with a brief outline of some other aspects of what I consider one of the most important and perhaps revolutionary measures ever to come before an American Congress. To those who would say that this bill confers too great powers upon the President, let me say that the necessity for strong and centralized power is most necessary if we are to have an early recovery.

Mr. COX. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. COX. The gentleman speaks of this being revolutionary in character. Does the gentleman mean by that that it is revolutionary in that it runs counter to the provisions of the Constitution?

Mr. KNUTSON. I am not a lawyer, so I will say to the gentleman from Georgia that I cannot discuss the legal phases of this legislation.

Mr. COX. What does the gentleman mean when he says it is revolutionary?

Mr. KNUTSON. That its provisions are different from that of any other legislation that has ever come before a Congress, to my knowledge.

Mr. COX. Different in what respect?

Mr. KNUTSON. Oh, in a number of respects, and if the gentleman will read the bill and the hearings—

Mr. COX. I have read the bill and I think I understand it quite as well as the gentleman. I have read the hearings and I can get nothing out of them except a recitation of the contents of the bill.

Mr. KNUTSON. Well, that is a matter of opinion.

Then, too, it is well to bear in mind that this legislation is but for 2 years and less if the emergency shall have passed before that time.

Primarily, the bill now before us is an employment measure, in that its aim is to bring about an increase in employment at wage levels that will restore normal living conditions as they existed in our land prior to the depression. It is sought to bring this about through cooperative action within industry itself, and by the undertaking of a gigantic public-works program, the entire cost of which may run as high as \$3,300,000,000, although it is not anticipated that this staggering sum will be required, for it is our thought and hope that the very passage of this legislation will so restore confidence as to make necessary the spending of but a fraction of this sum authorized.

As has been pointed out by preceding speakers, this legislation will be made effective through voluntary codes and agreements entered into by groups engaged in the same industry or trade. It is designed to prevent cutthroat competition and unfair trade practices; to shorten hours of toil and the establishment of minimum wage scales in certain industries and trades, thereby giving a better and more

profitable distribution of work; by protecting the small and weak against the strong and powerful.

Mr. COLLINS of Mississippi. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. COLLINS of Mississippi. I should like to know how much of the \$3,300,000,000 the gentleman expects will be spent?

Mr. KNUTSON. I do not know, but it was testified before our committee—

Mr. COLLINS of Mississippi. A relatively small amount?

Mr. KNUTSON. That the amount spent under this bill would probably result in 14 or 15 times as much being spent throughout the country by individuals.

Mr. COLLINS of Mississippi. But of the \$3,300,000,000, the gentleman thinks only a small part will be expended?

Mr. KNUTSON. Of course, not a small part. The gentleman must bear in mind there have only been one billion minutes since the dawn of the Christian era, so that any part we spend here will not be an inconsiderable amount. I anticipate there will probably be a couple of billion dollars spent under this legislation.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. VINSON of Kentucky. May I suggest it was testified before the committee that there would be more than \$2,500,000,000 spent in the first 12 months after it went into operation.

Mr. KNUTSON. Yes. I thank my colleague.

Mr. COX. But the gentleman will agree—

Mr. KNUTSON. Now, Mr. Chairman, I hope the Democratic leader will give my good friend from Georgia some time. The gentleman consumed much of the time of the gentleman from Washington [Mr. HILL].

Mr. COX. Was not the gentleman enlightened as a result of the questions propounded to the gentleman referred to?

Mr. KNUTSON. Somewhat.

Mr. COX. I thank the gentleman.

Mr. KNUTSON. As much as I expected.

Mr. SWICK. Will the gentleman yield?

Mr. KNUTSON. I yield briefly.

Mr. SWICK. Are these public works self-liquidating projects?

Mr. KNUTSON. Not all. Save for the road-building allocation that which is allocated for public works is self-liquidating. That is, \$400,000,000 is given outright to the States without the States being obliged to match it dollar for dollar, as has been the case heretofore, but under the provisions of this legislation the Government may advance to the political subdivisions moneys for public improvements such as sewage-disposal plants, waterworks, and other things, and under the provisions of this act the President may make an outright grant or donation of up to 30 percent of the amount which the municipality will secure.

Mr. SWICK. Without any idea that the projects are self-liquidating?

Mr. KNUTSON. No.

Mr. THOM. They will be by taxes.

Mr. KNUTSON. It is thought that 70 percent will be repaid to the Government by reason of provision being made for collection through taxes on waterworks, sewage-disposal plants, and so forth.

Mr. BECK. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. If my friend will not make his question too complicated. I am not a lawyer.

Mr. BECK. My question will be a very simple one. Can the gentleman conceive any power the President could not exercise under this statute?

Mr. KNUTSON. The powers granted are very broad, I may say to the gentleman from Pennsylvania, but we hope it will not be necessary for the President to use all of them.

Mr. COX. Mr. Chairman, will not the gentleman be good enough to yield to me for one question, not a question of law?

Mr. KNUTSON. Is it a question of fact?

Mr. COX. It is a question of fact; yes.

Mr. KNUTSON. I yield to the gentleman.

Mr. COX. It is a question I think the gentleman can answer. So far as the effect of this proposed legislation upon the property and lives of the citizen, of the individual, is concerned, title II and the rest of the titles of the bill are inconsequential in comparison with the provisions of title I.

Mr. KNUTSON. I agree with the gentleman as to title I. It is very broad. There is no question about it.

Mr. COLLINS of Mississippi. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. COLLINS of Mississippi. There is no obligation placed in this bill requiring anyone to expend the total of \$3,300,000,000, or even half of that amount.

Mr. KNUTSON. No.

Mr. COLLINS of Mississippi. In other words, any part of it may be expended, but all of it need not be expended.

Mr. KNUTSON. That is true.

Mr. KVALE. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to my colleague.

Mr. KVALE. If the \$3,300,000,000 will not be expended this year, why, then, is it necessary to raise the total increment of taxes to pay interest and amortization on the whole amount?

Mr. KNUTSON. It was explained in the hearings. Has my colleague read the hearings?

Mr. KVALE. No; I have only read them in part.

Mr. KNUTSON. It is explained that it is not proposed to issue these bonds all at one time. It will take 2 years to expend any considerable part of the money that we are making available, and the bonds will be sold only as need arises for the money to put into effect the provisions of this legislation.

[Here the gavel fell.]

Mr. TREADWAY. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. KNUTSON. Right here I desire to quote from a colloquy between Senator WAGNER and myself as it is found on page 103 of the committee hearings:

Mr. KNUTSON. Senator, may I direct your attention to section 3, on page 4, lines 5 and 6, especially to the words "trade or industry"? In your opinion, would this legislation provide greater protection for small, independent merchants against unfair trade practices than under existing law?

Senator WAGNER. Yes.

Mr. KNUTSON. There is no question about that?

Senator WAGNER. There is no question about that. The big fellow can take care of himself. I think essentially this is the salvation of the small business man. He will be protected by a code.

Mr. KNUTSON. Will this legislation do what it has been said would be done under the so-called "Capper-Kelly bill"?

Senator WAGNER. Yes.

Mr. KNUTSON. You have no doubt about that?

Senator WAGNER. I have no doubt about that. I want to acknowledge here Congressman KELLY's aid in the consideration and the drafting of this legislation. He was at some of our meetings and made some very valuable contributions in the drafting of this legislation. He has been a student of this subject for a long while.

Under the provisions of this measure, if properly and wisely applied and enforced, industry will benefit greatly, in that its operation will do away with unfair and ruinous competition. During the depression unfair trade practices have returned which we thought had been banished from our land for all time. Sweatshops and starvation wages are again with us, and in some lines wages have been reduced to as low as \$1 per day. This situation can be cured by the measure now before us. Industries will be enabled to get together and act in a manner that will restore them to normal levels. In this connection I refer you to pages 60 and 61 of the hearings, wherein Mr. Richberg points out what I consider a very important angle of the bill.

Under this legislation we are setting up a cooperative machine with the Government as mediator. I assume that zones will be fixed for manufacturing and commerce so as to avoid unnecessary transportation and needless duplication and competition.

The measure allocates 400 millions to the several States for road construction, and it will not be necessary for the States to match this money as they have in the past.

As to the method of raising the money with which to carry out this gigantic and unparalleled undertaking, let me say that only in this one respect was I in disagreement with my colleagues on the committee. It was my thought that we should finance this program through the issuance of non-interest-bearing Treasury notes and by the imposition of an excise tax on importations of vegetable oils and seeds now coming in duty-free, which would greatly aid agriculture. I felt that we could have secured at least fifty millions from that source alone and that we should have done so. Then, too, I am opposed to a Federal tax on gasoline, for I believe that tax should be left to the States for road building and maintenance; but, even with these differences, I have no hesitancy in giving the measure my whole-hearted support and the President will have my best wishes for its successful operation. We are all Americans first, and our first and principal concern is the speedy and complete return of prosperity to our stricken country, and to that object we will all work, regardless of any partisan differences that may exist among us. Mr. Roosevelt's program is unique and courageous, and it deserves to win in the biggest possible way. By working together whole-heartedly I am hopeful that it will contribute greatly to early restoration of our well-being. Those who labored to bring this legislation into its present form deserve the Nation's gratitude. In supporting this legislation I am thinking of the idle factories and the millions who are unemployed and hungry. I am also thinking of the American farmer who is now compelled to sell his products at prices far below production costs. With a revival in industry and restored purchasing power of the consumer, the benefits of this legislation should seep into every nook and corner of the Republic. [Applause.]

Mr. COLLINS of Mississippi. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I shall be pleased to.

Mr. COLLINS of Mississippi. Does the gentleman know who are the real authors of the bill?

Mr. KNUTSON. It is our understanding this legislation was drafted by a considerable number of authorities. The gentleman from Pennsylvania [Mr. KELLY] helped to draft the particular section I have just explained.

Mr. COLLINS of Mississippi. Will the gentleman put in the RECORD the names of the different persons who participated in the drafting of this legislation?

Mr. KNUTSON. I suggest that the gentleman from Mississippi get this information from the President.

[Here the gavel fell.]

Mr. RAGON. Mr. Chairman, I yield such time as he may desire to the gentleman from Indiana [Mr. CROWE].

Mr. CROWE. Mr. Chairman, the industrial recovery bill now under consideration is a bill of the first magnitude. In my opinion, it will be a master stroke and will go further toward industrial recovery and to aid in the return to prosperity, more than in any other possible way.

We have been told since the beginning of this panic that a condition existed equal to and as bad as a state of war. Since that statement was made by those in high authority in the Government some 2 or 3 years ago, conditions steadily and rapidly grew worse and reached the climax on March 3, 1933. Up to that time we had had a program of inactivity excepting methods dealing solely with the larger units of our Government and of our country.

It is not my purpose to at this time either commend or condemn the things that were done, but in spite of the agencies brought into play conditions steadily grew worse,

and they grew worse for the reason that things which are the backbone of the country and the backbone of ours or any nation were given no attention. Those two great agencies were the farmer and labor of the country. If and unless you have activity and prosperity in those two agencies, all other reliefs are futile and like pouring sand in a bottomless pit; it goes in and disappears. Since that time continuous activity has been had with the result—a slight, slow, gradual, but certain upturn in business and recovery.

We say a condition exists equal to the emergency of war. Many say the condition is worse than war. What would we do in case of war? If our flag should be fired upon at sea, if our ships should be sunk, if a declaration of war was declared against us by some major nation, or our shores invaded, would we sit idly by or lie supinely on our backs of indifference and wait to see if they would not get ashamed or if they would not cease their attacks? No; we would do nothing of the kind. We would do as we have done in the past wars. The President would send a message to Congress stating the facts and an outline of the situation. Congress would declare war. They would vote a billion dollars, two billion dollars, five billion dollars; yes, and come back for another five billion dollars if necessary. Patriotic appeals would be made to people with money to buy bonds to prosecute the war, and we would spend many billions of dollars for destructive purposes to destroy life and property and to preserve our national honor.

I am not, mind you, opposing such a plan. I am making a simple statement of fact of what our Government would do in a case of war, yet in a calamity, which many say is equal to or worse than war, we sit idly by all these months and years, and now at last, with our courageous leader, a man of vision and a man of action, we are asked for legislation which will give employment to those hungry and unemployed.

It is preposterous to think of having good times and prosperity with 12,000,000 unemployed. It cannot be done. The intention of the administration, I am told, is that by the aid of this legislation some 3,000,000 men will be given employment. That means that another 3,000,000 men back of the lines will be employed in making, preparing, and moving the things which will be used in this program.

PUBLIC BUILDINGS

Among the things which will be done to create employment, and one of the most important things under the program, will be the public-building construction, which will have immediate action. Under this industrial recovery bill at least \$150,000,000, it is said, will be used for immediate public building. The question is asked, How much will that aid labor? In answering, it is safe to say that from 80 to 90 percent of every dollar spent on this building program will go for labor either directly or indirectly. Furthermore, from dependable statistics, it is shown that 25 percent of every dollar spent for public building goes to railroad freight transportation, which is almost all labor. Moreover, the need of the industry is greater than almost any other industry; in fact, in the building trades, according to the Alexander Hamilton Institute of Chicago, only 14.7 percent of those engaged in the building trades had employment during the first 3 months of this year—hence the necessity of relief employment to that industry.

One cannot subscribe to every provision of this bill. It is impossible to enact legislation satisfactory in every respect to all. I can see no reason why there should be additional expense for interest for a bond issue for industrial recovery legislation. This program should be met by an expansion of the currency and only a sufficient amount of revenue be raised to retire this currency within a reasonable period—say 25 years—and a sinking fund of 4 percent per annum of this amount to retire this issue within 25 years. I see no reason to throw an additional \$100,000,000 or more per annum into the coffers of the big bankers of the Nation, who, it is shown by recent disclosures, are not in any sense of the

word good American citizens, but in reality profiteers, tax evaders, who not only dodge their own taxes but help others to do likewise. The mechanics for the investigation and collection of income tax due our Government by the bigger interests of the country would no doubt afford sufficient revenue to retire this issue of currency by at least 4 percent per annum. But time is the essence of this legislation and I am wholeheartedly in favor of this plan of giving employment. It is not only humanitarian but it is in the interest of good and sound government. People will not always continue to be patient when poverty is gnawing at their vitals and when the wolf is standing at their door. In a land of plenty, too much wheat, too much corn, too much cotton, too much coal, too many houses, yet with millions hungry, scantily clothed, suffering with cold in the winter, and without homes. Good government and a constitution for the people require and demand that the Government step in and do what capital of the country should do, but refuses to do.

This public-works program will be the real starter, in my opinion, of a return to prosperity. When that prosperity returns our national debt should be speedily wiped out by a generous amount of the profits and excess profits graded up as the incomes increase, with the intent and purpose in mind that when another period like this arises that not only will our national debt be paid but that a large nest egg be on hand in the Federal Government's Treasury to again do what we are starting to do now, only on a magnified scale. In other words, our Government should do for its people what the provident, good man does for his family. He accumulates, he pays his debts when times are good. He lays by for a rainy day. At least the leaders of our country should have as much common sense as Joseph and the rulers of Egypt had some thousands of years ago. They filled their granaries during the 7 years of plenty, knowing that they would be followed by a drought. When the drought came they had plenty and to spare. This Government should take a tip from that, pay off the national debt in good times, and be in position to help take care of the needs of the country and help in the return of prosperity when times are bad.

It is frequently said that we are making a dictator of the President. As a matter of fact, the Congress is simply placing broad powers in his hands for a temporary period. We were mandated by the people last November 8 to do what we are doing now, and when the emergency has passed, if before 2 years, I have faith to believe the President will forego the further use of these powers, and, at the furthest, the generous forms of relief legislation are only for a period of 2 years and will automatically cease to exist at that time.

Mr. RAGON. Mr. Chairman, I yield such time as he desires to the gentleman from Ohio [Mr. DUFFEY].

Mr. DUFFEY. Mr. Chairman and members of the Committee. On Thursday, March 9, 1933, the House of Representatives assembled in extra session in this Hall, upon a proclamation issued by the President of the United States, because of national emergency and because public interest required that Congress should be convened. Soon followed the passage of the economy bill (H.R. 2820), which I voted for at that time. Today we have under consideration the industrial recovery bill (H.R. 5755), to provide for the construction of certain useful public works. We have the serious proposal before us of meeting the national emergency of disorganization of industry and unemployment.

Title I supplements and liberalizes the present antitrust statutes, which grew out of a peculiar economic condition in the early '90s and sponsored by the distinguished Senator from my own State of Ohio, Senator Sherman. Today we have, to say the least, another peculiar economic condition; and as conditions have changed during the past 43 years, so, too, the rigid antitrust laws should in some form reflect a good solution to the existing economic conditions. That is the purpose of title I.

There is created in title II a Federal emergency administrator of public works, involving the expenditure of \$3,300,-

000,000. And to meet the interest and the sinking fund charges, the bill provides for millions in taxes.

Taxation is a vexatious question; and it has always been so. Political parties rise and fall on this issue; and reasonable minds can differ as to what is the best method to be used in order that the Government can perform its proper function. A sales tax is not provided for under the terms of the proposed legislation. Ultimately we may have to come to a sales tax in our Nation, but today the people are not ready or willing to accept this form of taxation. Instead the proposed bill carries the added burden of taxes by an increase in the normal rates of the income tax and subjecting dividends to the normal rates of taxation and increasing the present excise tax on gasoline of three fourths of a cent per gallon.

It is a difficult choice as we reflect and study the general economic situation throughout our Nation.

Again we now are informed that the rules and regulations adopted under the provisions of the Economy Act are provoking wide-spread discontent and injury among the World War veterans and Spanish-American War veterans. This should be corrected, and must be brought about by the Veterans' Administration at the earliest moment. On April 21, 1932, I issued an announcement of my candidacy for representative in the Congress from the Ninth Ohio District and, among other things, then stated:

I favor immediate payment of the "bonus" to our World War veterans, in currency issued against the present surplus gold reserve, believing this method of payment economically sound governmental aid.

I repeat and reiterate now, 14 months later, that the payment of the adjusted-service certificates can and should be paid in currency in this manner.

Also, Mr. Chairman, if we are going to have an expansion of our currency, why cannot we have a real expansion? No one can deny that within the past 30 days we have had demonstration in a practical way of the benefits that come from a controlled expansion by the increase in credit facilities, and because our Government has plenty of gold. It seems to me that if we are going to have national economy; if we are going to relieve our burden by immediate and drastic retrenchment in the cost of Government rather than by increase in the burden of taxes, then it can and should be done by issuing the \$3,300,000,000 in currency required to be expended to provide for the construction of useful public works in the proposed H.R. 5755.

This would provide real relief, and would be economically sound, and would avoid the burden of taxation which now rests so heavily on our people.

The gentleman from Pennsylvania [Mr. Beck] said that there are grave constitutional questions involved. I, too, recognize there are constitutional questions involved, but we cannot defer to legal opinions at this time of emergency, when honest difference in legal thought arises, and when every effort and consideration has been put forth to provide a bill to adequately meet the existing economic condition.

Mr. Chairman, the passage of this bill will further promote and round out the program initiated by our President and should result in an immediate revival of business and employment throughout the Nation. I intend under the present emergency to vote for this bill. [Applause.]

Mr. RAGON. Mr. Chairman, I yield such time as he desires to the gentleman from Michigan [Mr. LEHR].

Mr. LEHR. Mr. Chairman, I simply want to take advantage of this opportunity to explain my reason for voting against the rule.

In my campaign last fall against my distinguished opponent, the former Member from Michigan, Mr. Michener, I criticized the Republican Party and my opponent for their method of controlling legislation through the so-called "gag rule", and I pledged myself to my constituents that I would oppose gag rule to the fullest extent of my ability and influence, and I have consistently done that in this special ses-

sion of the Congress. My position in this matter is one of sound policy and conscientious principle. A gag rule is equally as bad and indefensible whether it be imposed by a Democratic or a Republican majority. I hold no brief for the Republican Members in criticizing the gag rule which this morning was adopted by such a narrow margin. As a matter of fact, their criticism is absolutely unjustifiable because, as it has been said here today by the gentleman from New York, this is just exactly the same sort of a rule that the Republican majority used while they were in power. On the other hand, the mere fact that the Republican majority made use of the gag rule in its palmy days is no justification or excuse, in my humble opinion, for the Democratic majority to make use of it now. We discussed the important bank reform bill on Monday and Tuesday of this week without imposition of the gag rule, amendments were permitted and debate thereon allowed even though such debate was extremely limited. There were no serious consequences as a result of that rule. The bill as finally passed and although but slightly yet constructively amended is a better bill than as it was as originally proposed, and I submit to the leadership of my party that it is offensive to the intelligence and loyalty of us Democrats who came here imbued with the idea to follow constructive leadership, to attempt to tie our hands so that a friendly expression and a reasonable interchange of ideas and suggestions cannot be had, and for that reason I resent deeply the attempt to tie my hands in this matter.

Before being inducted into this office I publicly stated that if Franklin Roosevelt wished to assume dictatorial powers in this emergency in an attempt to bring us out of this situation in which we find ourselves, then I should be glad to go along with him in that direction, and I have done so consistently, but that does not mean that we may not have constructive ideas of our own, and if we have, therefore we should have the right to present them to the Congress for its consideration and for its unfettered action. We ask no more than that, and we have a right to expect no less than that. I have voted consistently with the majority in this Congress with the exception of the Embargo Act, and my position in that matter I feel is justified, and with the further exception of the bill which yesterday was passed entirely through the aid of the large number of Republicans who voted for it, namely, the bill that authorizes the Reconstruction Finance Corporation to make further loans of public money to defunct insurance corporations.

I voted against the gag rule today, not only as a matter of conscientious principle, to which I am entitled without in the least waving my loyalty to the cause of democracy or my allegiance to our splendid Chief Executive, but also because we now either have to vote for this bill, with its added burdens of taxation, in order to get the good things which admittedly the bill carries, or forego giving the unemployed of the Nation the opportunity of employment because of our objection to certain features of the bill.

Had the rule this morning which provided for the consideration of this present bill under a 6-hour debate, with no right to amend the bill, not been adopted by the Congress, it was my intention to offer an amendment to the bill to strike out from it all provisions of taxation. This bill has for its object the relief of the unemployed by appropriating the huge sum of \$3,300,000,000 to finance a public-works program. That is a commendable proposition and is worthy of the sympathetic heart of our great leader in the White House, but the bill, in order to finance this proposition, places an added tax upon the already burdened taxpayer of the middle class. It increases the income tax on incomes of \$4,000 and up to \$10,000 by more than 50 percent, while it does not in the same proportion increase taxes on the extremely wealthy class of America; and then, too, it even creates a new form of taxation, that on dividends, and finally it increases the tax on the gasoline used by the operators of automobiles. All this is very objectionable. It

should not have been in this bill. There is absolutely no justification for it. There is absolutely no reason for it. Within the last few weeks the Congress gave to the President the power to inflate and to enlarge and to expand the currency, and the result of the agitation for this inflation and of the enactment of this sort of legislation is already definitely pronounced throughout the entire country in the increase of employment, in the rise in commodity prices, and in the business upturn everywhere.

I feel that here and now is the psychological place and the psychological time in which to give an added impetus to this returned confidence and to this upturn in industry and in business. I pledged myself during the campaign that I would not favor the immediate payment of the bonus to the veterans if to do that would require any increase in taxes. I now say that this power of inflation which the Congress has given the President, namely, to inflate the currency in the sum of \$3,000,000,000, could well be used by him to pay the soldiers' bonus. That would forever settle the bonus question. That would make it possible for the Government to settle its moral obligation to the veterans. That would place in the hands of the spending public of America \$3,000,000,000 without any cost to the Government in the way of interest and at a time when it would drive forward betterment in our economic situation; and if, for some reason or other, it is not the intention of the administration to do that at this particular time, then I submit that now is the logical time for the administration to take advantage of this power of inflation and issue \$3,000,000,000 worth of currency to finance this public-works program, as provided for in this bill. This will carry out all of the humanitarian designs of the President without imposing any extra taxation burden upon our people, and it should be done. Unfortunately, because of this gag rule which has been adopted, we cannot now offer such an amendment for the consideration of the Congress, and I feel that the people who will have to bear this burden of taxation, even though it be temporary and for but a year, are entitled to this information.

I trust that the committee which alone under this rule has the power to amend the bill will see fit to amend section 204. This bill was not submitted by President Roosevelt because of the great need for public works. We all appreciate that fact. As a matter of fact, the condition of our country today is not such as to justify such a program with that in view only. This measure has been proposed solely and entirely because of the tremendous unemployment throughout the country. The bill as originally submitted to the Ways and Means Committee provided for the allocation of \$400,000,000 for the construction of highways and provided that three fourths of the money should be allocated on the basis of the Federal Highway Act and one fourth on the basis of population. That means that one half of the money under the bill as originally presented to the Ways and Means Committee was to be allocated on the basis of the population, one fourth on the basis of area, and one fourth on the basis of public-road mileage.

The Ways and Means Committee, however, has seen fit to amend the bill so as to provide that this \$400,000,000 will be allocated on the basis of the Federal Highway Act, giving no special consideration to population or unemployment.

Under the bill as submitted by the President, New York State, for instance, would receive \$25,400,000 for its 12,500,000 people, 30.6 percent of whom are unemployed. The State of Wyoming would receive \$4,036,000 for its 225,000 people, 27.4 percent of whom are unemployed. There are 60 times as many people in the State of New York as there are in the State of Wyoming, yet New York State receives only six times as much money under the President's bill. The intensity of unemployment in New York State is 33 percent greater than it is in the State of Wyoming.

Under the bill, as amended by the Ways and Means Committee, New York State will receive but \$20,200,000, while

the State of Wyoming, with only one sixtieth of the people and about one eightieth of the unemployment that New York has, will receive \$5,136,000, or 25 percent of the amount of money that the great State of New York, with its 1,500,000 unemployed people, will receive. Similarly very large inequalities exist in all of the other densely populated States.

I give you a list of the States which will lose under the amendment as suggested by the Ways and Means Committee with the amount that each State will lose:

	Loss
Alabama.....	\$32,400
California.....	737,100
Connecticut.....	660,600
Illinois.....	1,990,100
Indiana.....	90,100
Kentucky.....	248,600
Louisiana.....	263,200
Maryland.....	484,000
Massachusetts.....	2,037,300
Michigan.....	795,200
New Jersey.....	1,912,200
New York.....	5,214,100
North Carolina.....	176,200
Ohio.....	1,668,000
Pennsylvania.....	3,468,100
Rhode Island.....	60,500
South Carolina.....	28,800
Virginia.....	92,700
West Virginia.....	312,500

I understand from the statement of the gentleman from Tennessee [Mr. COOPER] that the committee is willing to, and expects to, reestablish in this bill the plan as it was presented to them by the President, and I sincerely hope that at least this very much needed change will be permitted by the committee; and if this proposed change is agreed to by the committee, I shall vote for the bill in the hope that the relief to the unemployed will more than offset the added burden to the taxpayer and in the further hope that it will afford an added impetus to our economic recovery and also because I have the greatest confidence in the splendid leadership of Franklin Roosevelt. [Applause.]

Mr. RAGON. Mr. Chairman, I yield to the gentleman from Michigan [Mr. MUSSELWHITE] such time as he desires.

Mr. MUSSELWHITE. Mr. Chairman, I am not opposed to the national industrial recovery bill, because I believe our President is making a sincere effort to bring about what the very title of the bill suggests—a recovery of the national industrial system which has been severely ill for the past several years. I know the Ways and Means Committee has been confronted with a difficult task in framing this measure, and I believe its members have acted in good faith, but, gentlemen, I cannot help but express my opposition to the methods of raising revenue under this bill.

I need not remind you that taxation is a vital function of government, and that it is as necessary to the life of a nation as food is to the life of a body. There is no part of our system of taxation that bears scrutiny and careful consideration and revision more than the income tax. An income-tax levy, in my judgment, is a prosperity-time tax. In a depression such as we are now passing through, and I hope passing over, such a tax operates to exempt the Morgans and their wealthy partners and strikes hard at the purse strings of the man with a moderate income. You and I cannot escape the tax, but the wealthy manipulators of Wall Street can and do. The fundamental purpose of the income tax is nullified by the provisions of this measure, with its deductions, its exemptions, its exceptions, its modifications, its allowances, and its brackets.

The Morgans and the Harrimans can manipulate to show big losses and pay no tax—they find ways to escape, but there is no "out" for the little fellow. Take the case of a man who has a \$100,000 corporation with say a net revenue of \$6,000 a year. He is subjected to a double income tax, and in some States this is trebled. The corporation must pay an income tax on its profits, and the man must pay a tax on his dividend. In some States, like my own State of Michigan, there is an added corporation tax.

While on the income-tax subject there is one feature that I have long opposed and will continue to oppose. That is the exemption accorded State, county, and municipal employees. I hoped to offer an amendment to include them today, but, under the procedure the House has indicated it will follow, none but committee amendments will be considered. There are thousands of State, county, and municipal officials drawing salaries far higher than corresponding positions in the Federal Government or private industry who pay no tax at all and do not even have to make a return. This is a gross discriminatory feature which by all means should be eliminated from our system of income taxation. In Michigan there are presidents and superintendents of institutions drawing upward of \$10,000 per year and who are housed in mansions maintained by the State who do not pay a nickel in income tax to the Federal Government.

How otherwise could we raise the money? Why, by the simple expedient of issuing currency—greenbacks—backed by national credit as authorized under expansion legislation already provided.

This bill singles out a few industries such as the automobile industry, the radio industry, and so on. It increases the tax you pay on gasoline. It increases the tax you pay on tires and tubes and other automobile accessories. It makes you pay a heavier tax on your radio receiving set. While I am opposed to all discriminatory taxes, that opposition is accelerated to vigorous denunciation when I see the automobile industry, which is the very lifeblood of Michigan, forced to accept additional burdens. It is unfair to the automobile manufacturers and automobile owners. If we continue to burden this great industry, unemployment will never be reduced in the big manufacturing centers.

Unemployment can only be reduced in Michigan when industry starts on the upgrade, and I submit that it cannot start upward if it must carry the load of burdensome and discriminatory taxes such as is proposed in this bill. I thank you.

Mr. TREADWAY. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. SWICK].

DEMOCRATIC TAX MEASURES DESIGNED TO RELEGATE THE MIDDLE CLASS TO THE REALM OF THE FORGOTTEN MAN

Mr. SWICK. Mr. Chairman, despite the pride with which the administration under the hard-boiled lash of its Budget Director points to the redemption of its pledge to reduce expenditures 25 percent, thereby balancing the Budget, the great middle class of our population, which numbers a vast majority of our people, find themselves confronted with the prospect of having to carry a greatly increased load of taxes. They see men of great wealth and influence resting on their oars, enabled by the efforts of shrewd employees to escape payment of taxes to their Government.

Despite the sensational disclosures of recent days which, if they have shown nothing else, should convince any sane man that our income tax laws are ineffectual, insofar as the upper brackets are concerned, and that any increased revenue to be derived from that source must come from the lower brackets, the Democratic leaders of this House insist upon repeating their mistake of last year by increasing the highest impost ever placed on the people of the United States in peace-time history, the larger portion of which must come out of the pockets of the backbone of the Nation—the middle class.

Disregarding the expressed opinions of business, industry, and labor, who through their various representatives appeared before the committee and urged the adoption of a general sales tax which would touch the pockets of everybody in proportion to their ability to spend without permitting anybody to evade their fair share of the load and penalizing the others for that evasion, the Ways and Means Committee after much deliberation continued to be "horrified" and decided to increase the crushing tax burdens of the middle class.

The one ray of hope held out by the administration—and it looks like the "big stick" in disguise—is that with the repeal of the eighteenth amendment and resulting harvest of gold from liquor taxes this load will be removed. It is difficult to believe that public-spirited officials would attempt to force repeal by such tactics. If this is not the intention, then there can be no excuse for such action except obstinacy.

Regardless of our convictions on the repeal issue, Congress has disposed of that question; it now rests with the voters of the several States. If the administration sees fit to use the machinery of the Democratic Party under the leadership of the Postmaster General to interfere with the affairs of the States, it may do so. We certainly cannot collect liquor taxes now, and if we could they would come for the most part out of the pockets of the very people we are endeavoring to help.

Congress will do well to listen to the voice of the people and insist that the Democratic leaders swallow their pride and enact the sales tax and not the present destructive measure, which will relegate the great middle class to the realm of the forgotten man, whom the majority leaders no longer champion.

Mr. TREADWAY. Mr. Chairman, I yield 5 minutes to the gentleman from Minnesota [Mr. KVALE].

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Minnesota [Mr. KVALE].

Mr. KVALE. Mr. Chairman, a bill of such magnitude coming before the House, now in committee for sharply limited debate, under a rule which permits no amendment, makes any expression in debate rather futile. Obviously, I cannot consider the details and the reaches of any of the separate titles, so in the time allotted to me today I want to point specifically to two things that I laid before the committee.

One has to do with a bill I introduced a few days ago and with reference to which I have visited the White House. The reaction to it there I have yet to know. I refer to the child labor bill (H.R. 5744), which I introduced on Monday last and of which I am not the author, because I simply added a section to a law that was passed by the Sixty-fourth Congress, signed by the then President and declared unconstitutional by the Supreme Court by a 5-to-4 decision, as referred to a short time ago in debate by the gentleman from Pennsylvania, the distinguished constitutional lawyer [Mr. BECK].

I have talked with several whom I deem to be good constitutional authority and who are recognized as such, and it is their opinion, as it is mine, that that child labor law which was declared unconstitutional by a 5-to-4 decision 16 or 17 years ago, might well be considered constitutional today, not only because of the fact that the personnel of the Supreme Court has changed since that time, but also because the Court's general line of decisions has been along a different line of thought and has embodied a different set of economic principles and has embraced a different social outlook and belief.

So I simply added to that act a new section which proposes to apply it for the emergency period of 3 years and which provides further that if at any time within the 3-year period the President of the United States might ascertain and might proclaim that employment conditions, as far as adult male labor is concerned, had again reached normal, the act should then become inoperative.

I call the special attention of the committee to the fact that the addition and the inclusion of this law in the measure now before us would not only make immediately available upward of 2,000,000 positions in industry but it would not endanger the rest of the act because of the separability clause which the committee has seen fit to put in at the end of the measure before us; and if the industrial recovery bill stands up from the point of view of constitutionality, then, inevitably, the child labor bill must also stand from the point of view of constitutionality.

Here is a chance at one stroke—and this stroke is denied us under the rule which we adopted today by a very narrow margin—to reemploy as many men as, and more men than, will be employed under all the rest of the huge measures now before us.

This, too, is in line with the thought of the President of the United States who, a few days ago, sent out an urgent appeal to the various State legislatures to hurry along their ratification of the amendment that was drawn and adopted after the law had been declared unconstitutional. Some States have responded, but it is a pitifully slow affair; and the other method, that of action by the States themselves with respect to the industries within the confines of each State, is also pitifully slow.

Now, you would not only reemploy men, if this child labor law were to be considered as an addition to the present law, but you make for better health and education and welfare among the stunted youth and the victims of industry, under age, in this land of ours.

This is one of the two thoughts I should like to lay before you for serious consideration. It may be that in this body we cannot do it. Under the rule it will be impossible, lacking committee sponsorship. This is one reason I so strenuously resented the application of a gag rule this afternoon. I hope, however, that another body will give this serious attention, and that, perhaps, if and when a conference report comes before us, we will be able, then, to have this question before us for decision.

The other question that I wanted to discuss in the time at my disposal is the matter of taxes.

In the earlier stages of the measure the tax question seemed to be purely incidental. I had hoped for a time that there would be no need to project the tax question into the picture, because under earlier legislation that had been crowded before the two Houses early in the session, the President of the United States was given, and now possesses, administrative power to pay for these improvements, or at least pay the interest on them and provide for the amortization of them, by the issuance of new currency; and thereby in a very modified degree apply the principle of expansion, reflation, inflation, or whatever you choose to call it. It seems the committee did not think highly of this proposal.

So instead of issuing money to pay for the interest on the bonds and the amortization thereof, if and as they are issued, we are going to issue these tax-free securities; and then we are going to tax Mr. John Q. Citizen, the man with the small income, for additional taxes in order to bring money into the Treasury to pay the interest on the tax-free securities and to amortize them. This seems to me to be an unnecessary and unjustifiable procedure.

If we have to submit to it, I say, let us seek for some kind of tax structure which will lay its hand evenly upon the man of modest means and the man of extreme wealth. Let us not make the receiver of a small income in the United States of America pay a tax larger than the most powerful industrial and financial magnates, as is being demonstrated in the hearings now being held at the other side of the Capitol. They are escaping without any payment whatever toward the cost of their Government, unbelievable as it may seem, while professional people, those employed in crafts and trades, even the secretaries and clerks, pay their share. Such a wicked condition cannot continue, and I dare to say this Congress will not permit it to continue.

We must apply higher surtaxes to these great incomes and reduce the possibilities of evasion through artful deductions and exemptions. It may be that we have reached the point of diminishing returns in seeking assessments on large annual incomes. It may be true, too, that we have raised the rate on incomes on estates which will not bring us in a great amount of revenue to the Treasury, although I do not believe so.

But let me solemnly say to this House that if there is a man in the United States that receives a net annual income

for taxable purposes—that is, of more than a million dollars—then for the period of the emergency certainly it is only fair and right that he should pay a larger share than what he is now paying.

Then we come to seek a tax that will supplement the income tax. We are having a sham battle today between those who are urging the placing of a sales tax on everything the poor man purchases. "Oh", they say, "we will exempt clothing." Yes; but they do not tell you that it is taxing the cloth that the suit is composed of—it is taxing the buttons that go upon the suit, it is taxing the lining that goes into the suit, it is taxing the machinery that weaves the cloth, and the needle that sews it together.

I say that a sales tax in this Congress can never be passed. So that failing, we must look elsewhere to bring us larger revenues.

These are some of the reasons why some of us resisted the application of the gag rule. It grieves me to know that, although I asked my constituents to return me and although I assume the full responsibility of making the laws for them, I have to go back and tell them it was considered by the leadership here that it was my duty to give away all my rights to amend a measure, and that I had to yield to that leadership or, even worse, to someone entirely outside this Chamber for decisions, instead of following my own convictions, freely formed after the best study I could make. That, to my mind, is not legislation, and is not proceeding according to the rules by which we should be operating.

[Here the gavel fell.]

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from Wisconsin [Mr. HUGHES].

Mr. HUGHES. Mr. Chairman, this bill provides the machinery that will permit the establishment of a maximum workday and a maximum workweek, and fix a minimum wage. These factors are essential to any legislation which is designed to restore American industry, revive and spread employment in the Nation. They will wield a double-edged sword that will strike at and destroy a great evil that exists in industrial America today and which threatens the whole structure—namely, sweated labor.

Sweated labor involves millions of our workers. It has invaded every major industry. It knows no geographic limits. It exists in every section of the country, in every State in the Union, and it affects every division and branch of American industry. Today it is drawing its numbers from the youth of the land, paying a mere pittance, involving long hours, exhausting their strength, killing ambition, and limiting opportunity. It affects the womanhood of the American worker where it leaves the same trail of exhaustion and human wreckage. It constitutes a menace to the dignity, the skill, and real worth of American labor. It threatens our workers with serfdom.

In competition with this ugly system, legitimate business either must adopt the plans and practices of sweated labor or take the road to financial ruin.

Involved in such methods, labor is driven to lower working and living standards. Industry cannot prosper and know earnings in conflict with that institution. The Nation cannot survive if that system flourishes within our borders—a system that capitalizes on human misery, want, and woe. This bill, if it had no other virtue, would deserve your consideration and support.

The measure will provide activity for national industry and resut in reemployment. It will mean the return of purchasing power to millions of workers and the restoration of a healthy, economic condition in the Nation.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. DOUGHTON. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. LOZIER, Chairman of the Committee of the Whole House, reported that that Committee had under consideration the bill H.R. 5755 and had come to no resolution thereon.

BOARD OF INDIAN COMMISSIONERS (H.DOC. NO. 57)

The SPEAKER laid before the House the following message from the President of the United States, which was read, and, with the accompanying papers, referred to the Committee on Expenditures in the Executive Departments and order printed.

To the Congress:

Pursuant to the provisions of section 1, title III, of the act entitled "An act to maintain the credit of the United States Government", approved March 20, 1933, I am transmitting herewith an Executive order abolishing the Board of Indian Commissioners.

There is no necessity for the continuance of this Board, and its abolition will be in the interests of economy.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, May 25, 1933.

ORDER OF BUSINESS—SUSPENSIONS

Mr. BYRNS. Mr. Speaker, next Monday is the fifth Monday. I ask unanimous consent that the Speaker be authorized to recognize Members for suspension upon that day.

The SPEAKER. Is there objection?

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. BYRNS. Yes.

Mr. SNELL. Will the gentleman inform the House what suspensions he expects to take up at that time.

Mr. BYRNS. I shall have to let the Speaker answer for that.

Mr. SNELL. I do not want to object to the gentleman's request, but I should dislike to see the provision brought up here at that time to change the fundamental law of Hawaii in accordance with the suggestion made by the President and passed under suspension of the rules. Otherwise I have no objection.

Mr. BYRNS. I shall have to leave what they are to the Speaker. I do not know.

Mr. SNELL. Is that one of them?

The SPEAKER. I think that is one. There are two suspensions. Is there objection?

Mr. KVALE. Mr. Speaker, I do not intend to object; I think the RECORD should show that there are 400 Members who are not here who have no opportunity to object.

The SPEAKER. Every Member has an opportunity to be present and object. Is there objection?

There was no objection.

HOUR OF MEETING TOMORROW

Mr. BYRNS. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet tomorrow at 11 o'clock a.m.

The SPEAKER. Is there objection?

There was no objection.

ENROLLED BILL SIGNED

Mr. PARSONS, from the Committee on Enrolled Bills, announced that that committee had examined and found duly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H.R. 5390. An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1933, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1933, and June 30, 1934, and for other purposes.

BILLS PRESENTED TO THE PRESIDENT

Mr. PARSONS, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, bills and a joint resolution of the House of the following titles:

H.R. 4014. An act to authorize appropriations to pay in part the liability of the United States to the Indian pueblos herein named, under the terms of the act of June 7, 1924, and the liability of the United States to non-Indian claimants on Indian pueblo grants whose claims, extinguished under the act of June 7, 1924, have been found by the Pueblo Lands Board to have been claims in good faith; to authorize

the expenditure by the Secretary of the Interior of the sums herein authorized and of sums heretofore appropriated, in conformity with the act of June 7, 1924, for the purchase of needed lands and water rights and the creation of other permanent economic improvements as contemplated by said act; to provide for the protection of the watershed within the Carson National Forest for the Pueblo de Taos Indians of New Mexico and others interested, and to authorize the Secretary of Agriculture to contract relating thereto; and to amend the act approved June 7, 1924, in certain respects;

H.R. 5152. An act granting the consent of Congress to the State Highway Commission of Virginia to replace and maintain a bridge across Northwest River in Norfolk County, Va., on State highway route no. 27;

H.R. 5173. An act granting the consent of Congress to the State Highway Commission of Virginia to maintain a bridge already constructed, to replace a weak structure in the same location, across the Staunton and Dan Rivers, in Mecklenburg County, Va., on United States Route No. 15;

H.R. 5476. An act to extend the times for commencing and completing the construction of a bridge across the Savannah River at or near Burtons Ferry, near Sylvania, Ga.;

H.R. 5480. An act to provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof, and for other purposes; and

H.J.Res. 159. Granting the consent of Congress to a compact or agreement between the State of Kansas and the State of Missouri authorizing the acceptance for and on behalf of the States of Kansas and Missouri of title to a toll bridge across the Missouri River from a point in Platte County, Mo., to a point at or near Kansas City, in Wyandotte County, Kans., and specifying the conditions thereof.

ADJOURNMENT

Mr. BYRNS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 20 minutes p.m.), in accordance with the order heretofore made, the House adjourned until tomorrow, Friday, May 26, 1933, at 11 o'clock a.m.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. COFFIN: Committee on Military Affairs. H.R. 3124. A bill for the relief of Stephen Sowinski; with amendment (Rept. No. 162). Referred to the Committee of the Whole House.

Mr. THOMPSON of Illinois: Committee on Military Affairs. H.R. 5635. A bill for the relief of Frank Kroegel, alias Francis Kroegel; without amendment (Rept. No. 163). Referred to the Committee of the Whole House.

Mr. THOMPSON of Illinois: Committee on Military Affairs. S. 381. An act for the relief of Samson Davis; without amendment (Rept. No. 164). Referred to the Committee of the Whole House.

Mr. McSWAIN: Committee on Military Affairs. Senate Joint Resolution 48. Joint resolution authorizing the Secretary of War to receive for instruction at the United States Military Academy at West Point, Posheng Yen, a citizen of China; with amendment (Rept. No. 165). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. JONES: A bill (H.R. 5790) to provide for organizations within the Farm Credit Administration to make loans for the production and marketing of agricultural products, to amend the Federal Farm Loan Act, to amend the Agricultural Marketing Act, to provide a market for obligations of the United States, and for other purposes; to the Committee on Agriculture.

By Mr. WHITE: A bill (H.R. 5791) to add certain lands to the Challis National Forest; to the Committee on the Public Lands.

By Mr. McSWAIN: A bill (H.R. 5792) to restore the rights of honorably discharged soldiers, sailors, and marines; to the Committee on Pensions.

By Mr. GIBSON: A bill (H.R. 5793) to revive and reenact the act entitled "An act authorizing Jed P. Ladd, his heirs, legal representatives, and assigns, to construct, maintain, and operate a bridge across Lake Champlain from East Alburt, Vt., to West Swanton, Vt.," approved March 2, 1929; to the Committee on Interstate and Foreign Commerce.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Wisconsin, memorializing Congress to enact laws providing for the use of ethyl alcohol in all motor fuels; to the Committee on Ways and Means.

Also, memorial of the Legislature of the State of Wisconsin, memorializing Congress relative to the payment of the soldiers' bonus in cash; to the Committee on Ways and Means.

Also, memorial of the Legislature of the State of Illinois, memorializing Congress to create a Federal agency to take over all the assets and liabilities of closed banks in the State and Nation and pay all depositors in said closed banks; to the Committee on Banking and Currency.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. BEITER: A bill (H.R. 5794) for the relief of Carl A. Butler; to the Committee on Naval Affairs.

By Mr. BRITTEN: A bill (H.R. 5795) for the relief of Byran William Eldredge; to the Committee on Naval Affairs.

By Mr. CHAPMAN: A bill (H.R. 5796) for the relief of John Bryson; to the Committee on Military Affairs.

By Mr. CROWE: A bill (H.R. 5797) for the relief of Leonard A. Evans; to the Committee on Claims.

By Mr. CROWTHER: A bill (H.R. 5798) for the relief of Richard Evans & Sons Co.; to the Committee on Claims.

By Mr. LUNDEEN: A bill (H.R. 5799) authorizing the Secretary of the Navy to award a Congressional Medal of Honor to Lynford Charles Albrow; to the Committee on Naval Affairs.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1187. By Mr. JOHNSON of Minnesota: Petition of the business men of Cannon Falls, Minn., to retain the post office of Cannon Falls, in the status of second-class post offices; to the Committee on the Post Office and Post Roads.

1188. By Mr. KENNEY: Petition of the executive committee of the American Legion Auxiliary, Department of New Jersey, vigorously opposing official recognition of Soviet Russia by the United States at this time and for such further period as Soviet Russia maintains propaganda in the United States the purpose of which is to destroy our Government; to the Committee on Foreign Affairs.

1189. By Mr. LINDSAY: Petition of the New York Board of Trade, Inc., New York City, concerning the National Industrial Recovery Act and favoring a general manufacturers' sales tax; to the Committee on Ways and Means.

1190. Also, petition of the National Federation of Federal Employees, Washington, D.C., concerning certain amendments to House bill 5755; to the Committee on Ways and Means.

1191. By Mr. RUDD: Petition of the National Federation of Federal Employees, favoring certain amendments to House bill 5755; to the Committee on Ways and Means.

1192. By Mr. SUTPHIN: Petition of the American Legion Auxiliary, Department of New Jersey, Trenton, N.J., opposing official recognition of the Soviet Russia by the United States; to the Committee on Foreign Affairs.

1193. Also, petition of the American Legion Auxiliary, Department of New Jersey, Trenton, N.J., urging the continuance of the Lakehurst Naval Air Station as a lighter-than-air base; to the Committee on Naval Affairs.

1194. By Mr. TRAEGER: Petition of the Senate and Assembly of the State of California, dated May 4, 1933, urging adoption of amendments to Senate bill 158, so that all persons engaged in the mining industry will be exempt from the provisions of legislation limiting hours of labor to 30 hours a week to people engaged in the mining business; to the Committee on Labor.

1195. Also, petition of the Senate and the Assembly of the State of California, dated May 5, 1933, requesting the adoption of the project contemplating conservation of the waters of Yosemite Creek and the preservation of Yosemite Falls in Yosemite National Park as a unit of the program under the Emergency Unemployment Relief Act; to the Committee on Labor.

1196. By Mr. WATSON: Resolution adopted by Pride of Allen Council, No. 182, Sons and Daughters of Liberty, Allentown, Pa., relative to more stringent immigration laws; to the Committee on Immigration and Naturalization.

1197. By Mr. WITHROW: Memorial of the Legislature of the State of Wisconsin, urging the immediate payment of the soldiers' bonus in cash; to the Committee on Ways and Means.